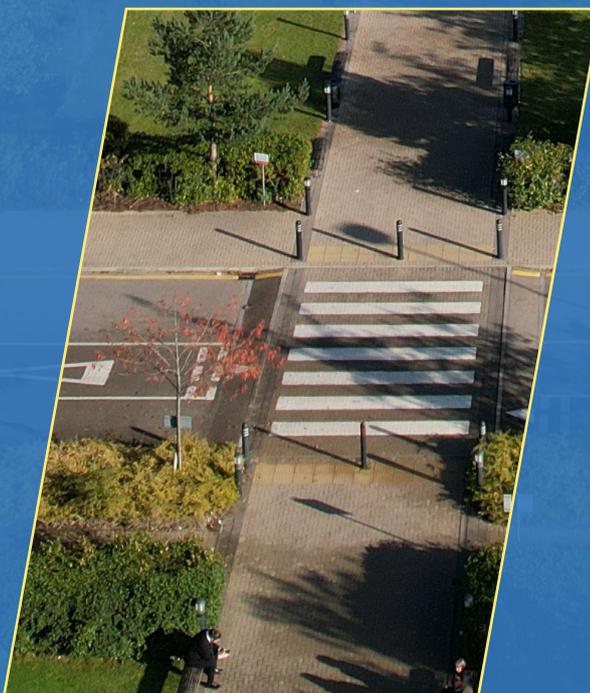


Annual Report & Financial Statements

For the year ended
31 July 2022

 **New
College
Durham**





NEW COLLEGE DURHAM

KEY MANAGEMENT PERSONNEL, BOARD OF GOVERNORS AND PROFESSIONAL ADVISERS

Key Management Personnel

Key management personnel are defined as members of the College's Senior Leadership Team and were represented by the following in 2021/2022:

Mr A Broadbent	Principal and Chief Executive, Accounting Officer
Mr K Fairley	Deputy Chief Executive
Mrs A Maynard	Deputy Principal
Mr P Bradley	Chief Finance Officer
Mr M Anderson	Vice Principal – Employer Engagement
Mr A Stephenson	Vice Principal – Quality and Improving Learning
Mrs C Peters	Vice Principal – Business Development, Productivity and Apprenticeships (Appointed 01 August 2021).
Mr P Morrison	Vice Principal – Higher Education, Lifelong Learning and International Studies (Appointed 01 September 2022)
Mrs M Nichols	Vice Principal – Higher Education (Retired 31 August 2022)

Board of Governors

A full list of Governors is given on pages 29 and 30 of these financial statements.

Clerk to the Corporation

Mrs E Simson fulfilled the role of Head of Governance and Corporation Secretary until resigning on 21 July 2021. Mrs C Winter took up post as the Head of Governance and Corporation Secretary on 01 October 2021.

Professional Advisers

Financial Statement Auditors and Reporting Accountants

RSM UK Audit LLP
1 St James Gate
Newcastle Upon Tyne
NE1 4AD

Solicitors to 30 September 2022

Eversheds Sutherland (International LLP)
Bridgewater Place
Water Lane
Leeds
LS11 5DR

Registered Office

New College Durham
Framwellgate Moor
Durham
DH1 5ES

Internal Auditors

Durham County Council
County Hall
Durham
DH1 5UL

Solicitors from 01 October 2022

Muckle LLP
Time Central
32 Gallowgate
Newcastle Upon Tyne
NE1 4BF

Bankers

Barclays Bank PLC
Barclays House
5 St Ann's Street
Newcastle Upon Tyne
NE1 2BH

NEW COLLEGE DURHAM

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NEW COLLEGE DURHAM

Strategic Report

NATURE, OBJECTIVES AND STRATEGIES

The Members present their report and the audited financial statements for the year ended 31 July 2022.

Legal Status

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

The Corporation was incorporated as New College Durham.

Vision, Contribution and Values

The College vision as approved by its Members is:

'New College Durham will be recognised as a leading provider of Further and Higher Education in the North East region, nationally and internationally'

The College contribution as approved by its Members are:

'New College Durham will contribute to social, economic, and environmental well-being, changing lives for the better by enabling people of all abilities to fulfil their potential in work and in the community through high quality professional, technical and general education'.

The College is built on a core set of values which define how we approach life. They tell us to be focused on the vision and contribution while encouraging creativity, respecting our people and enabling them to ASPIRE and realise their potential. The values are our DNA, what we stand for and operate as a system, reflecting and shaping our behaviours and organisational culture.

As an employer and learning organisation we will conduct our business by following the values of 'ASPIRE':

- **Accountability** – accepting responsibility for our actions, decisions and policies and their impact on staff, stakeholders and the environment.
- **Safeguarding** – maintaining a safe and inclusive environment in which students can learn, achieve and progress.
- **Partnerships** – working in partnership with those who share our vision and values.
- **Inclusion** – fostering an environment that ensures equality of opportunity enabling all to reach their full potential.
- **Respect** – treating everyone with respect, fostering trust, openness and honesty.
- **Excellence** – achieving and maintaining

NEW COLLEGE DURHAM

Public Benefit

New College Durham is an exempt charity under the 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 pages 29 and 30.

In setting and reviewing the College strategic objectives, the Governing Body has due regard for the Charities 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 vision, the College provides the following identifiable public benefits through the advancement of education:

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

New College Durham is a large, general further education (GFE) College. The College is the largest college to provide vocational further and higher education in County Durham. Within a 15 mile radius there are six colleges and four universities. 11 of the 29 secondary schools have sixth forms.

All College provision is underpinned by clear and ambitious strategies to ensure that growth and quality are intrinsically linked.

The College maintains very high standards and is determined to take every opportunity to improve them further. OFSTED's full inspection in July 2009 concluded the College is 'Outstanding' in all aspects.

Following on from the OFSTED report, the College was awarded Beacon Status in recognition of its outstanding quality and in recognition of the College's contribution to sharing best practice within the sector.

Courses are offered in fourteen sector subject areas recognised by the Education and Skills Funding Agency (ESFA). Higher Education (HE) courses are provided at Durham to 417 full-time equivalent students and 178 part-time students drawn from the region, nationally and internationally. In addition to these figures, the College has continued to broaden its apprenticeship offer in line with regional and national priorities, including an increase in the number of Higher and Degree Apprenticeships.

NEW COLLEGE DURHAM

The College has managed a wide range of local and regional projects financed by the European Social Fund (ESF) with project delivery taking place in both the Tees Valley, North of Tyne and North East LEP areas. The projects delivered training and qualifications to individuals who were employed, unemployed, at risk of redundancy and those recently made redundant.

County Durham continues to have a higher than average percentage of young people who are not engaged in education, employment or training. The College continues to work with its partners to address this issue, including continuation of its 'New Choices' programme which offers opportunities to enrol during the year. The College continues to work in partnership with Durham Works.

The proportion of students at the College from minority ethnic backgrounds remains low but is in line with regional averages.

The College has an embedded commitment to equality of opportunity. Ofsted in 2009 stated that "Equality and Diversity permeates the College and is promoted well". A safe, calm and secure learning environment is at the heart of the College's commitment to its students and staff and permeates all activity. This environment has been recognised and received many positive comments from inspectors and visitors to the College. The College has made a specific commitment to environmental sustainability and has an active working group effectively driving the agenda forward.

College students are encouraged to enter for many national/regional competitions and awards with many of our students going on to win in their specific categories.

New College Durham engaged in a collaborative partnership with the London School of Commerce (LSC) from November 2019. The partnership has resulted in a growth of overall HE student numbers with 1,037 students studying on New College Durham Foundation Degree programmes in partnership in 2021/22.

Implementation of the Strategic Plan

A new Strategic Plan for the period 2021-2026 was approved by the Board of Governors in July 2021 and is a blueprint for the future of New College Durham. It builds on the recent outstanding financial and educational foundations and sets out priorities to realise our ambitious vision for the future of the College in the years to come. We will become the education provider of choice, the education employer of choice, the preferred partner for industry, recognised locally and nationally for excellence in our academic programmes and student experience.

As a 'Mixed Economy College' New College Durham offers a range of further and higher level courses. This not only enables students in the College to progress from further to higher education in one institution, it also provides employers with a wide range of provision appropriate to the skills needs of their employees across an equally broad range.

NEW COLLEGE DURHAM

The College positions itself to respond to skills needs locally and across the region and works with employers and their representative groups to ensure that future skills needs are being addressed. Strong links have been established with the North East England Chamber of Commerce (NEECC), the North East Local Enterprise Partnership (NELEP), the North East Automotive Alliance (NEAA), the Tees Valley Local Enterprise Partnership (TVLEP) and the North of Tyne Combined Authority (NoTCA) and an ongoing priority is to develop further links with employers. Key in addressing the current and future skills need is responding to the demand for a literate and numerate work force as well as the increased demand for level four and five skills.

The College's strategic plan includes curriculum and corporate plans. The Corporation monitors the performance of the College against these plans on a regular basis. The plans are reviewed and updated annually.

The College continues to monitor and respond to national developments which might affect its activities and viability.

The College's strategic aims are:

- To be a recognised leader in further and higher education and a destination of choice for learning in the North East, nationally and internationally.
- To be a preferred partner for government, business, industry and other colleges and universities in creating technological solutions, digital transformation and policy innovation.
- To be an education employer of choice, recognised as a rewarding place to work and for delivering a supportive culture.
- To be a financially astute and sustainable institution with diverse funding support and with operational excellence and continuous improvement in process efficiency and effectiveness.
- To be an engaged and connected college with businesses, funders and the local community.

To achieve our ambitions, we need to have adequate and sustainable resources (facilities and personnel). We need to sustain and grow where appropriate the size of the College in terms of student numbers and revenue, as well as our engagement with communities and businesses. Growth will not only provide economies of scale and more resources, but also better facilities and services to students. Growth and recognised success will help attract talented people to study and work here, improving the learning offer. Our future growth will depend on opportunities for funding through government initiatives and from strengthening our curriculum offer with new and relevant provision.

Our strategic aims will be delivered through interlinked strategic priorities covering every aspect of the College's business recognising and building on the 'One Team' approach.

NEW COLLEGE DURHAM

Financial Objectives

The College has recently submitted a new two-year financial plan to the ESFA as part of the College Financial Forecasting Return (CFFR) and confirms its financial objectives to:

- Achieve at least a break-even position before FRS102-28 pension adjustments;
- Achieve EBITDA (Education Specific) > 4%;
- Maintain Adjusted Current Ratio > 2.0 : 1;
- Maintain Nil Borrowing;
- Generate sufficient funds to ensure that the Corporation can maintain the College estate and invest in new technology and equipment required to support learning and administration;
- Maintain the level of free reserves above 15% of annual turnover in line with the Board approved reserves policy.

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

Performance Indicators

Throughout the financial year the College has monitored key performance indicators set as part of the two-year financial plan submitted to the ESFA in July 2022. Actual performance against these performance indicators is shown below

Description	Target	Actual
Surplus before FRS102-28 Pension Adjustment	£167k	£1,382k
(Deficit) / Surplus after FRS102-28 Pension Adjustment	£(1,523)k	£(1,358)k
Net Current Assets	£10.1m	£17.4m
Cash Days in Hand	98	177
Adjusted Current Ratio	3.35:1	3.38:1
EBITDA as a percentage of income (Education Specific)	4.23%	6.56%
Gearing	0%	0%
Financial Health Score 'Provisional'	240	260
Financial Health Rating 'Provisional'	Outstanding	Outstanding

NEW COLLEGE DURHAM

FINANCIAL POSITION

The College is committed to observing the importance of sector measures and uses the FE Choices data available on GOV.UK website which looks at measures such as success rates. The College is required to complete the College Financial Forecasting Return (CFFR) for the ESFA. The College is assessed by the ESFA as having an '**Outstanding**' financial health rating.

Financial Results

The Annual Report and Financial Statements have been prepared in accordance with Financial Reporting Standard 102 (FRS102) and the 2015 FE HE Statements of Recognised Practice (SORP).

The Group (New College Durham and its subsidiary company Westfirst Limited) generated an operating surplus (before FRS102-28 LGSP Pension Charge and other gains and losses) of £1,382,000 in 2021/22 (2020/21 – surplus of £2,456,000).

After FRS102-28 the Group generated a deficit of £1,358,000 (2020/21 deficit of £222,000).

The Group has accumulated reserves of £42,383,000 (stated net of pension reserve) and cash at bank and short term investment balances of £21,695,000. The Group will continue to accumulate reserves and cash balances in order to finance the upcoming capital developments, plant and equipment as necessary and to further strengthen its financial position in order to deliver its strategic plan.

Tangible and intangible fixed assets additions during the year amounted to £2,748,000. This was split between land and buildings costs of £90,000, software costs of £411,000 and equipment, furniture & fittings costs of £1,767,000 and assets under construction of £480,000.

The Group has significant reliance on the ESFA for its principal funding source, largely from recurrent grants. In 2021/22 the ESFA provided 45.18% (2020/21 47.27%) of the Group's total income in respect of 16-19 Further Education, Apprenticeship and Adult Education funding. European Social Fund (ESF) contracts accounted for 9.1% (2020/21 8.4%) while the College's collaboration with the London School of Commerce accounted for 23.4% (2020/21 19.5%).

The College has a subsidiary company, Westfirst Limited. The principal business activities are boiler house management, the supply of heat, gas and electricity as well as lettings of the College premises. Any taxable surpluses generated by the subsidiary company are assessed, and where appropriate transferred to the College under Gift Aid.

The subsidiary company has an un-provided for deferred tax asset of £2,422 arising from the difference between the net book value and written down value of fixed assets. In the current year, the subsidiary company generated a loss after taxation of £1,851. No gift aid payment will be made to the College for this financial year.

NEW COLLEGE DURHAM

Treasury Policies and Objectives

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

The College has a specific treasury management policy in place.

Short-term borrowing for temporary revenue purposes has not been required in 2021/22. However, if it were necessary it would be authorised by the Principal and Chief Executive. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum.

Cash Flows and Liquidity

The College's operating cash-in-flow from operating activities was strong at £5,078,000 (2020/21 cash in-flow £9,477,000). The strong cash-in-flow along with Capital Grants received enabled the College to invest £2,748,000 in tangible and intangible assets (2020/21 £3,410,000).

At 31 July 2022 the College does not hold any financing debt.

Financial Risk Management

The College's operations expose it to a variety of financial risks that include the effect of changes in credit risk and liquidity. The College has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the College where appropriate.

Credit Risk

The College has implemented policies that require appropriate credit checks on potential customers and sub-contractors.

Liquidity Risk

The College actively manages its risk profile on a regular basis to ensure the College has sufficient available funds for operations and any planned expansions.

Reserves Policy

The College is required to hold reserves in order to:

- Ensure that adequate funds are available to safeguard the College;
- Ensure that the College has sufficient cash to meet its short term financial liabilities as they fall due;
- Provide the financial resources to enable investment in premises, facilities and equipment in order to enhance the range of services and education the College is able to provide for its stakeholders;
- Maintain sufficient funds to enable operational activities to be maintained, taking account of potential financial risks, uncertainties and contingencies that may arise from time to time.

NEW COLLEGE DURHAM

In light of the above, the College aims to maintain a minimum level of free reserves of 15% of annual turnover to support continuing operations. The College will aim to build free reserves in excess of 15% to support future investment in premises, facilities and equipment. For the purposes of this calculation, free reserves are defined as Net Current Assets excluding deferred capital grants, less designated funds. Turnover excludes income from capital grants.

The level of free reserves held at the end of the financial year was 18.34% of annual turnover (2020/21 38.62%). The reduction in free reserves is due to the commitment made to complete The Technical and Higher Education Hub (T.H.E. Hub) in the next academic year. The balance remains above the College target of 15% and puts the College in a strong position to overcome any future challenges and fund further capital developments identified below.

Funds designated total £10,116k and relate to a variety of capital projects, the largest of which is T.H.E. Hub (Extension to the Sports and Music Building). The overall project totals £10.06m with £9m showing as capital commitments at 31 July 2022. T.H.E. Hub development was originally approved by the Corporation on 17 March 2021 with the final tender being approved on 16 March 2022. An amended contract value was later approved by Chairs Action on 19 May 2022 and reported to Corporation on 25 May 2022. These costs are committed to with external contractors and are therefore disclosed as capital commitments in Note 21.

The College's intention is to continue to invest within the estate in order to deliver its strategy. Budgets have been set to further grow reserves, and the Board intend to make the following investments in the medium term, whilst retaining free reserves in line with the above policy:-

- Potential 4G Sports Pitch and relocation of the existing car park - £5.00m
- Northern Football Pitch Fence - £0.10m
- Potential property at Langley Moor - £1.40m
- Unit 1, Armstrong Way, North Seaton Industrial Estate, Ashington - £0.56m
- Training Restaurant Refurbishment and Staff Common Room Project - £0.50m
- Digital Learning Hub Modernisation and Refurbishment - £0.30m
- College Modernisation Programme - £0.25m (in each of the next five years)

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

The College has always looked to find new funding sources. This is more important than ever following the June 2016 referendum to leave the European Union which will ultimately reduce the funds available through the European Social Fund (ESF). The College has won several large ESF contracts which will end in July 2023. The College is continually in discussions around contracts that will replace their ESF counterparts. As the ESF comes to an end, contracts from the UK Shared Prosperity Fund, Bootcamps and further procured Adult Education Budget (AEB) will be sought as further information becomes available.

NEW COLLEGE DURHAM

Changes to the way that apprenticeships are funded (large employer levy) give the College the opportunity to increase its delivery of apprenticeships in the coming years. This is at a time when non-levy allocations from the ESFA are being phased out and all provision will be procured through employer digital accounts. The devolution agreement within both Tees Valley and North of Tyne has provided tendering opportunities for the College to deliver adult funded courses within these regions. The College has been successful in the opportunities presented to date.

The North East Institute of Technology (NEIoT) opened in October 2019 and became fully operational in July 2021. The College, as the license holder of the NEIoT, is offering top quality training and apprenticeships in higher-level technical skills, ranging from A-Level equivalents up to degree level and above. The NEIoT was created in partnership with Newcastle University, Nissan Motors and Esh Group, this also includes a range of other colleges from across the region. The College consulted with twenty key employers, including Nissan, Esh Group, Komatsu, Siemens, and Tarmac, when developing the proposal, to ensure employers would support the College and students by providing training that addresses the gaps in skills, and the emerging skills required by the region. The facility opened in October 2019 and the final area in the facility was finalised in 2020/21 being a Building Information Modelling (BIM) suite, offering state of the art facilities and equipment in the architecture, engineering and construction (AEC) industry.

In March 2021 the College approved to extend the current Sports and Music Building on the College Campus to deliver the Technical and Higher Education Hub (T.H.E. Hub) building which will house both Technical and Higher Education Courses across a range of subject areas. Following the completion of RIBA Designs, tender and contract negotiation, the construction of the building commenced on 01 August 2022. The project is estimated to cost £10,065,000. The College has been awarded £2.95m of T-Level Wave 4 Capital monies to contribute towards the project. The College has committed to the build of the extension as an indication of its ambition to deliver a range of T-Level and Higher Level qualifications in a state of the art educational environment.

Furthermore, the College is looking to expand its estate and currently has an offer accepted on a property at Langley Moor which is identified to house Construction Crafts and is also looking to lease a property in Ashington, Northumberland where delivery of Adult Education Budget (AEB) for the North of Tyne Combined Authority and Green Skills Bootcamps will be delivered.

The College Financial Forecast Return (CFFR) was submitted in July 2022 to the ESFA and shows that the College is expecting to maintain financial strength throughout the period of the plan.

NEW COLLEGE DURHAM

EDUCATION AND TRAINING

The quality of provision at the College continues to be consistently good with elements of outstanding practice. For education and training, qualification achievement rates, across education programmes for young people and adult learning programmes, have consistently placed the College in the top 10% of General Further Education (GFE) College nationally. Following the impact of Covid-19 and the suspension of the publication of qualification achievement rate data, 2021/22 saw the reintroduction of this with a limited national and institutional data publication. Whilst this data excluded qualifications that had been subject to mitigation arrangements in 2020/21, New College Durham performance was excellent. The achievement rates for adults and apprentices in 2021/22 was excellent and performed well above the most recently published national rates. Whilst the performance for this cohort of students continues to be good, the College identified a non-typical decline in the achievement rate for students aged 16 to 18. A forensic analysis of this had identified contributing factors and has enabled leaders and managers to take swift and decisive actions to address this in 2022/23.

New College Durham is one of a small number of colleges nationally to be reporting on the first wave of students completing their two-year T-level qualifications. Student results were exceptional with 100% of students completing their T-level securing a pass or better and 93.8% of students received a high-grade (Merit or better). The College results exceeded national rates across all three T-level pathways and were the best within the North East region.

2021/22 also saw the reintroduction of examinations for A-level and GCSE qualifications and the cessation of Centre Assessed Grades and Teacher Assessed Grade processes. The pass rate of students completing their A-level qualifications, was high at 99.3% and continued the excellent performance from previous years including 2018/19. 40.1% of students achieved a high grade in their A-level exams, an improvement of 6.8% when compared to 2018/19.

The College performance in GCSE Maths and English was exceptional. Both subjects continued to secure a very strong pass rate with 98.1% and 97.8% of students sitting the exam achieving a grade in Maths and English respectively. This maintains the performance from previous exam years.

GCSE Maths secured a high-grade rate of 31.5% which is an improvement of 6.5% from 2018/19 and above the Joint Council for Qualifications (JCQ) national rate of 20.1%.

GCSE English secured a high-grade rate of 41.5% which is an improvement of 4.5% from 2018/19 and above the JCQ National rate of 28.4%.

Outcomes for learners on apprenticeships continues to be good with the College achievement rate performing well above the national achievement rate and maintaining the strong performance that has been established.

Attendance and punctuality, in most curriculum areas, continues to be good but it is noted that there are several factors that are becoming a challenge. As a result, attendance has declined when compared to previous years. The College, like others across the sector has noted a significant increase in the number of students presenting with serious mental health concerns as well as significant financial challenges affecting students and their families brought on by the increases in cost of living. The College continues to be proactive in supporting its students to engage in their studies and achieve their aspirations.

NEW COLLEGE DURHAM

The quality of work produced by students is outstanding and is frequently commended by awarding bodies as not only meeting, but in the large majority of cases, exceeding the standards expected nationally. Consequently, our students are typically very successful in the regional and national skills competitions in which they take part. This has a positive impact on their progression opportunities. The combined effect is that 93% of students progress to positive destinations.

Care, guidance and support continue to be considered some of the key strengths of the College's provision. Specialist support services augment a broader suite of welfare support services and are easily accessible by students to support their learning. The College has adopted a Recovery Curriculum model that has been implemented to address the lost learning and any skills gaps that have resulted from the disrupted education caused by Covid-19. Initial assessment has been central to this and is employed to rapidly identify learners' individual needs at a point prior to, or close to enrolment. Students identified as being in need of support, in the vast majority of instances access it regularly and, as a consequence, progress well and successfully achieve their qualifications.

In addition to the qualifications a student undertakes, the College has developed a robust and comprehensive Personal Development framework that has been embedded within the College curriculum. This framework is designed in line with key requirements but is dynamic and informed by local intelligence and emerging risk. The impact of this provides students with additional knowledge, skills and behaviours that prepare them for life within society.

Academies

The College is lead sponsor for New College Durham Academies Trust (the Trust) which is an established multi-academy trust (MAT), currently operating two academies: North Durham Academy and Consett Academy.

The Trust is set up as a company limited by guarantee and has Members and Directors. It has exempt charity registration and is governed by company and charity law and bound by the Memorandum and Articles of Association.

The company was set up by lead sponsor New College Durham and co-sponsor Durham County Council to run one or more academies. North Durham Academy opened in September 2011 and Consett Academy opened in January 2012. Both academies enjoy excellent facilities on purpose-built campuses.

New College sponsorship of the MAT has allowed the Trust to extend the values of progression, inclusion, and excellence to a wider community,. The College participation brought much needed investment (e.g. two new schools) to communities hard hit by economic downturn and provided better educational opportunities for the whole community. In December 2020, the Academy Trust Board (ATB) approved the creation of its first Chief Executive Officer (CEO) which was filled in February 2021, by an experienced Head Teacher with a significant track record of school improvement. During the last two years and within a period impacted by the COVID-19 pandemic, the CEO has overseen a transformation of the MAT. The focus is and has been, on rapid and sustained improvement supported by highly experienced senior leaders and a newly created team of school improvement specialists. Changes to the skills, expertise and composition of the Directors/Governors has supported this rapid change. Both Academies are now making rapid and sustained improvement.

NEW COLLEGE DURHAM

Consett Academy is currently assessed by Ofsted as 'Requires Improvement' (RI) and North Durham Academy was rated as "Good" in its latest inspection on 21 June 2022. The Trust has an established strategy for growth and is currently supporting several schools with a view to exploration to join the MAT. The Academy Trust Board is keen to support expansion of the MAT in a sustainable manner to transform the educational landscape in their area by driving up standards and raising levels of aspiration. New College Durham have an 'arm's length' relationship with the Academy.

Higher Education

The College has held Foundation Degree Awarding powers since August 2011. In this time the College has established a reputation regionally and nationally as an outstanding provider of higher education. The College now has over 50 Foundation Degrees, Honours Degrees and Professional Qualifications.

Over the last few years, the College has strengthened its HE portfolio to include Higher Apprenticeships. The College utilises its Foundation Degree Awarding Powers by working closely with employers on the benefits of higher and degree apprenticeships. Working in partnership with Sector Skills Councils to map Foundation Degrees into the current frameworks gives both students and employers a diverse and comprehensive curriculum offer which allows progression from Intermediate Apprenticeships right through to Degree Apprenticeships.

All programmes are designed and developed in conjunction with local and regional employers, ensuring graduates have the skills and knowledge required for their chosen sector. The College continues to enjoy a successful working relationship with the Open University as it continues to grow its portfolio of Honours provision. Part-time enrolments continue to follow national trends and remain low compared with previous years.

The College has been on the Office for Students (OfS) provider register since December 2018 and has successfully met all annual monitoring of the OfS general ongoing conditions of registration. In May 2021 the Department of Education (DfE) confirmed their non-objection for the college to use the title 'New College Durham University Centre' as a sub brand of New College Durham. This has provided the opportunity for further develop and rebrand our HE offer for New College Durham University Centre establishing a distinct brand for HE.

Results from the National Student Survey remain consistently high over a 3-year period. Comparing results for 2021 the data indicates that New College Durham students are satisfied with the experience that they receive. Responses from students across all of the key questions exceed the national top quartile results. For example:

- 92% are satisfied with the quality of teaching we provided compared to the sector top quartile of 80%
- 91% of students are satisfied with the learning opportunities available to them compared to the sector top quartile of 79%.

The College continues to grow its Higher Apprenticeships provision utilising its own Foundation Degree qualifications alongside a range of management and professional qualifications to support these programmes. The development of Higher Technical Qualifications will allow the College to submit our foundation degree qualifications for recognition and approval against national occupational standards.

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The College's partnership with London School of Commerce (LSC), which commenced in 2019, has continued to recruit consistently with 1,037 students in learning across Levels 4 and 5 in 2021/22. There are 800 new starts planned for 2022/23. 2021/22 also saw the first graduates from the Foundation Degrees delivered in London, with 333 students achieving an award. The partnership is being reviewed in 2022/23 with a view to renewing the contract with LSC to continue to deliver the same programmes for a further 5-year term.

As well as pursuing the continuation of the contract with LSC, and in line with the College's Higher Education strategy, the Senior Leadership Team are continuing to carry out due diligence reviews on potential new partnerships. These currently include a range of locations, including Gateshead, Birmingham, Bradford, and Bristol as well as other locations within London, and cover a range of subject areas: Business and Management, Tourism and Events, Early Childhood Studies, Health and Social Care, and Dance. Initial Expressions of Interest have been received and the College's Academic Registry and HE Development and Quality Unit are carrying out a review, with a view to commencing new arrangements from September 2023 following all necessary due diligence and quality assurance checks. It is envisaged that diversifying the number, location and subject areas of partnerships will have a positive impact on the College HE strategy, community, and income streams.

Stakeholder Engagement

The College's apprenticeship provision continues to grow across the curriculum areas ensuring that needs are aligned to that of local and regional employers. The apprenticeship achievement rates continue to be successful with the College performing higher than the national average. The College has responded positively to the apprenticeship reforms, having successfully adapted its delivery, support, and management structures. Key stakeholders and subcontractors continue to play an integral role in the delivery of Education Skills and Funding Agency (ESFA) Adult Education Budget (AEB), Bootcamps and European Social Fund (ESF) qualifications. Training programmes are designed in conjunction with employers ensuring that the skills gaps and emerging needs within the region are met. Robust monitoring and performance management undertaken by the Business Development and Apprenticeship teams supported by the Colleges Quality department ensures that the provision is of a high quality and are outstanding in their performance. Following the devolution of funding to Tees Valley and the North of Tyne, the College continues to be successful in growing the AEB budgets in both regions.

Over 250 employers and key stakeholders actively support the College in many aspects of core curriculum delivery. In Higher Education, employers continue to inform the College's foundation degree offer, supporting many students with effective work placements. In Further Education, employers deliver sessions within the College and the workplace and provide real life projects for students to practice their vocational skills alongside advising on the Colleges Curriculum offer. Furthermore, the study programme offers opportunities for college staff, students, and employers to work together to enhance the student experience. This has proved very effective, by supporting students to take part in meaningful work experience and work placement programmes resulting in many students gaining employment.

The College is the license holder for the North East Institute of Technology (NEIoT). This affords the College a prestige position to work collaboratively both regionally and nationally in response to existing and emerging employer needs.

NEW COLLEGE DURHAM

Staff and Student Involvement

In July 2022 the College held Team NCD Day. Staff from all parts of the College came together to join in the numerous organized workshops and activities to celebrate the end of the academic year together. The day has become a regular fixture in the New College Durham calendar and gives staff the chance to network with colleagues from all areas of the College whilst competing in activities such as dragon boat racing, rounders, fencing, archery and much more. For those that are more creative there is portrait drawing, glass art, willow weaving, to name just a few.

The College has supplemented communications with additional regular updates through digital means, and notable with these efforts has been the development of College newsletters from the Principal and the Senior Leadership Team to enable New College Durham staff to receive updates on the College plans and key messages. The feedback on this communication has been extremely positive in maintaining links with the both the College and supporting staff over the course of the year.

A staff survey was completed in January 2022 with the results being communicated and action plans and focus groups in place to take ideas and improvements forward. The College released "You said, we did" newsletters throughout the year to provide further updates on actions the College had taken or are taking in response to the staff survey feedback.

Payment Performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 01 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 95.00%.

During the financial year 01 August 2021 to 31 July 2022, the College paid 98.8% by count (97.7% by value) of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this financial year.

Events after the end of the reporting year

There were no events after the end of the reporting year.

Planned maintenance programme

The College plans to spend an average £500,000 per annum in maintaining its buildings to keep them in good order.

Future Prospects

The College has continued to improve the facilities available to its students. A further series of capital developments are planned to ensure that the College remains at the forefront of vocational and technical education and training.

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The College continues to successfully tender for European Social Funding. The Shared Prosperity Fund which will replace the current European Social Funding will also provide the College with opportunities to tender to win new business.

The College continues to drive through efficiencies in its procurements and be as economic, efficient and effective as possible.

The College continues to be at the forefront of curriculum developments across the FE Sector. The College will deliver T-Levels across Construction and the Built Environment, Engineering and Manufacturing, Business and Administration, Digital, Education and Childcare, Health and Science, Creative and Design and Legal, Finance and Accountancy. The College has procured and contracted to deliver a new two storey extension to its existing Sports and Music Building to be known as the Technical and Higher Education Hub (T.H.E. Hub) to deliver cutting edge facilities for students embarking on T-Levels at an estimated cost of over £10,060,000. It is anticipated the extension will be completed by the end of August 2023.

The College continues to explore possibilities to establish associate agreements with other education providers to utilise its Foundation Degree Awarding Powers for the delivery of qualifications elsewhere in the UK similar to its arrangement with the London School of Commerce. This, if right for the College will open new markets that will help mitigate some of the decreases the College has seen in its Higher Education numbers.

Having due regard to best practice developments in the UK Corporate Governance Code 2014 in respect of 'going concern' and risk management reporting, the College believes it will be able to continue in operations and meet its liabilities, taking account of the current position and principal risks, for at least the next two years. This is supported by the College Financial Forecasting Return (CFFR) which included a two year financial plan submitted to the ESFA in July 2022.

Students returned to the College campus w/c 30 August 2021. Student attendance and behaviour to date has been positive. A recovery curriculum is still in place and continues to be refined but remains true to its establishment following the engage, encourage and educate principals.

RESOURCES:

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

Tangible resources include tangible fixed assets with a value of £49,968,000 which includes the main College campus and the Bishop Auckland Podiatry Clinic and net current assets of £17,426,000. The College also has leased premises at Low Carrs podiatry training facility located in Durham.

Financial

The College has £42,383,000 of net assets (stated after £10,490,000 in pension liability) and has successfully maintained its financial debt at nil.

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People

The average number of persons employed by the College during the year, expressed as head count was 632, of which 439 were teaching and teaching support staff.

The College has 421 staff registered on supply pool of whom 122, on average work monthly.

The College spent £490,000 on Contracted out staffing services in 2021/22 (£193,000 in 2020/21). The increase was largely due to the difficulty in recruiting posts right across the curriculum as national labour shortages led to delays in recruitment. The College used staff from external agencies to ensure there was no break in learning for students.

The College did not furlough any employees during the 2021/2022 financial year and as such did not access funding from the Government support scheme.

Reputation

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

PRINCIPAL RISKS AND UNCERTAINTIES

The College has undertaken further work during the year to develop and embed a 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 Risk Management Group undertakes a comprehensive review of the risks to which the College is exposed. This group identifies systems and procedures, including specific preventable actions which should mitigate any potential impact on the College. The internal controls are then implemented and the subsequent year's appraisal reviews their effectiveness and progress against risk mitigation actions. In addition to the annual review, the Risk Management Group also considers any risks which may arise as a result of a new area of work being undertaken by the College.

A strategic risk register is maintained for the College which is reviewed termly by the Risk Management Group and the Senior Leadership Team. The register is regularly reviewed by the College Audit Committee. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system agreed by the Corporation.

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

Outlined is a description of the principal risk factors that could affect the College's financial statements and financial position. Not all the factors are within the College's control. Other factors besides those listed below also adversely affect the College. The College's top strategic risks are set out in the Statement of Corporate Governance and Internal Control.

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1. Government Funding

The College has considerable reliance on continued government funding through ESFA for its 16 to 19 Further Education provision.

Adult skills funding is now predominantly for apprenticeships (16 to 18 and adults) and an increasing element of the funding for general further education is received through tuition fees paid via the Students Loans Company (SLC).

The College now receives most of its higher education funding through tuition fees paid via the SLC as all students are now funded through the new system. The remaining funding from the Office for Students (OfS) largely relates to widening participation and targeted allocations.

European Social Fund (ESF) provision relies heavily on subcontractors to deliver the large volumes associated with each contract and to target the specific priority sectors. This in turn makes the contracts subject to employer demand and the College needs to build the provision around their changing requirements. There is great volatility within the Small Medium Enterprise (SME) sector particularly in regard to redundancies especially as a result of the COVID-19 pandemic and cost of living crisis. With the uncertainty in the working environment employers will become more cautious about recruitment and training and development.

There can be no assurance that Government policy or practice will remain the same or that public funding will continue at the same level or on the same terms.

The College is aware of issues which may impact on future funding, including the FE white paper, further apprenticeship reforms and incentives, further devolution of the adult education budget and the ongoing impact of Brexit. The College, in conjunction with its key stakeholders, is developing a strategy for growth in response to the devolution agenda and to the apprenticeship's reforms.

The College submitted a financial forecast to the ESFA covering the period to July 2024 and within that plan this identified the possible reductions in funding and the measures by which the College will ensure that remains financially strong during that period. This will involve a combination of cost efficiencies, growth in learner numbers and the pursuit of new income sources.

The College will continue to mitigate against potential loss of income by:

- Ensuring that the College is rigorous in delivering high quality education and training;
- Focusing on and investing in maintaining and managing key relationships with the various funding bodies;
- Ensuring that the College is focused on the priorities of our stakeholders which will continue to benefit from public funding;
- Maintaining its robust financial health as it enters the new academic year;
- Strengthening the College's internal delivery teams to increase the volume of direct delivery and provide a more comprehensive offer to employers; and
- Planning for cost efficiencies in operations without affecting front line delivery to learners.

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2. Maintain adequate funding of pension liabilities

The financial statements report the share of the Local Government Pension Scheme (LGPS) deficit on the College balance sheet in line with the requirements of FRS 102. The College has no control over the annual actuarial calculations for the LGPS pension scheme.

3. Government Policy

The 2021 spending review increased the cash budgets for 16-18 education, adult skills and FE capital over the next two years and the Association of Colleges continue to lobby the government on behalf of colleges for additional funding to deal with the cost-of-living crisis.

On May 2022, the Office of National Statistics (ONS) made the announcement that they will be reviewing the classification of Further Education colleges. The outcome is expected to be announced by the end of November 2022. At this stage it is difficult to say what this would mean for colleges should they be reclassified as public sector.

The Employer Representative Body (ERB) for the North East Local Education Partnership (NELEP) effective from 05 September 2022 has been confirmed as the North East Automotive Alliance Ltd (NEAA). Appointed by DfE, the NEAA are responsible for leading and developing the Local Skills Improvement Plan (LSIP). The College along with other providers will be involved in regular meetings to discuss emerging themes and help ensure post-16 technical education is responsive and flexible in meeting local labour market skills needs.

The Skills and Post 16 Education Act places LSIP's on a statutory footing and will place duties on providers to co-operate with ERB's in the design and delivery of plans when considering training and education offer. This will feed into the new accountability agreements for providers. The North East LSIP strategic priorities target areas that the College are historically strong in such as Advanced Manufacturing, Construction, Digital and Health and this represents an opportunity for the College.

The College continue to bid for new Government Initiatives as they become available such as Higher Technical Education Skills Injection Fund that was released with a deadline of 05 October 2022.

The College have been involved with 'Bootcamps' across both the NELEP and North of Tyne Combined Authority (NoTCA) areas. New Bootcamp activity including hydrogen, air source heat pump assessor and installer and building information modelling (BIM) have been introduced throughout the year. The College are also looking at designing next year's bootcamps and are working with employers and partners to identify local and regional skills demands.

The College continue to operate in an uncertain environment but are well placed to meet future challenges and bid for any funds that become available through new initiatives announced by the Government.

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4. Demographic changes and increased competition

The College is in a period of increased competition for 16-18 provision whilst demographic changes mean the number of 16-18 year old learners are beginning to recover. Choices and behaviour of potential students is still currently being monitored as a result of the COVID-19 pandemic as the country begins to recover.

This risk is mitigated by:

- Continuing to improve the quality of provision and success rates to encourage learners to the College and;
- Working closely with feeder schools and academies to improve links and the offer to young people.

The College is in a period of increased competition for Higher Education provision and demographic changes have resulted in an aggressive market place.

This risk is mitigated by:

- Continuing to provide quality provision that is relevant to the employment market;
- Capturing and promoting excellent student feedback and destination data; and
- Assessing new ways of working and new collaborative arrangements with other Higher Education Institutions.

5. Failure to maintain the financial viability of the College

The College's current financial health grade is classified as 'Outstanding' as described above. The continuing challenge to the College's financial position remains the constraint on further education funding arising from the ongoing cuts in public sector spending whilst maintaining the student experience and the increased pressure on the College's staffing costs as a result of increased employer pension contributions and the demand for significant increases to staffing salaries following a prolonged period of below inflation pay awards.

This risk is mitigated in several ways:

- By rigorous budget setting procedures and sensitivity analysis;
- Regular in-year budget monitoring;
- Robust financial controls; and
- Exploring new cost efficiencies.

STAKEHOLDER RELATIONSHIPS

In line with other colleges and universities, New College Durham has many stakeholders.

These include:

- Students
- Education Sector Funding Bodies
- FE Commissioner
- Staff

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- Local Employers
- Local Authorities
- Combined Authorities
- Local Enterprise Partnerships
- The Local Community
- Local Schools and Academies
- Universities
- Other FE Institutions
- Trade Unions
- Professional Bodies
- Employer Representative Bodies

The College recognises the importance of these relationships and engages in regular communications with all stakeholders.

EQUALITY, DIVERSITY AND INCLUSION

The College is proud of the social and cultural diversity of its community and sees it as a strength that inspires innovation and creativity. New College Durham is a place where learning and working exists in an environment that advances equality of opportunity, celebrates diversity and allows everyone to achieve their fullest potential. The College is opposed to any form of discrimination and will ensure that its practices are **legal, accessible** and **fair** to students, staff, stakeholders and service users.

We are committed to:

- Ensuring potential and current staff, students, stakeholders and visitors do not experience discrimination;
- Creating a positive and inclusive work and study environment where everyone feels valued and respected;
- Raising the awareness with regards to discrimination and ensure that all students, staff, stakeholders and service users are aware of their responsibilities under the current equality legislation;
- Supporting the recruitment, retention, progression, personal and professional development of all of our students, staff, stakeholders and service users. The College is proud of the social and cultural diversity of its community and sees it as a strength that inspires innovation and creativity. In pursuit of the goals, we have developed this Single Equality Scheme, which is reflective of the vibrant and inclusive environment at New College Durham. The Scheme serves to complement the Equality, Diversity and Inclusion Policy that has been developed in consultation with staff, students, stakeholders and service users and reflects our commitment to working in partnership to create an inclusive environment for all.

Any complaints relating to equality and diversity issues are effectively dealt with as part of the College's complaints procedure.

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The College works hard to promote a cohesive community based on respect, shared values and a celebration of diversity and inclusion. Staff ensure that the delivery of the curriculum promotes personalised learning and ethos of valuing diversity and difference with students and ensure that everyone is supported to their full potential.

In addition, learners targets are sensitive to differences, appropriately challenging targets are set for learners with learning difficulties and/or disabilities to ensure that any gap in achievement/success is narrowed and to also create more independent learners.

The Training and Development Manager works in partnership with the Head of Improving Learning and Learner Development Co-ordinator for Progression & Student Support to ensure that Equality, Diversity, and Inclusion is fully embedded in staff development, teaching, learning and assessment. This is reviewed termly to ensure that appropriate and relevant training is available to all staff. Staff Development Days effectively support staff to further develop session planning and schemes of learning to promote Equality, Diversity and Inclusion in the curriculum. This is monitored as part of the lesson observation process and has also been strengthened with the development of a database and through staff development on embedding Equality, Diversity and Inclusion in the curriculum. This is monitored as part of the learning walks, work scrutiny and lesson observation process. These processes are used to support the development of staff training to ensure that activities are purposeful and relevant.

All staff are required to refresh online Equality, Diversity and Inclusion training every three years. In addition to this training staff engage with a variety of activities on staff development days that continues to raise the awareness of Equality, Diversity and Inclusion, supports them within their work and ensures that they have the confidence and skills to share this knowledge with our students and stakeholders. Governors are also briefed on Equality, Diversity and Inclusion during their induction and receive regular updates.

The College is constantly striving to move beyond legal compliance towards promoting and celebrating Equality, Diversity and Inclusion. The College is proud to have achieved bronze for the Better Health at Work Award and has already started to collate evidence towards silver, as this is an incremental award the College will strive to become maintaining excellence, the highest award that can be achieved. The College is a level 3 Disability Confident Employer continuous improvement for this award involves the Training and Development Manager being a mentor for external organisations which allows for expertise and collaboration with partners.

The College Equality, Diversity & Inclusion, Mental Health & Wellbeing Steering Group is chaired by the Deputy Chief Executive. Both groups convene four times a year to ensure appropriate Equality, Diversity and Inclusion Plans, health and wellbeing and to ensure that relevant policies are in place and to monitor progress against objectives.

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SUSTAINABILITY STATEMENT

We acknowledge a responsibility for, and a commitment to, the protection of environmental sustainability. We recognise our activities have an impact upon the environment through our routine operations, infrastructural development, and its influence on the wider community. As an education provider, we have a major role to play in enabling students and staff, visitors and sub-contractors to develop the skills and knowledge to respond to climate challenges.

To show our commitment to climate change, we have for the 12th consecutive year received the ISO 14001:2015 accreditation, which continues to be a recognised global achievement and we are one of the few colleges in the North East to obtain accreditation. To take this a step further, we have also signed up to Climate County Durham, creating a partnership to work together to make environmental progress and aspire to making the County Net Zero.

As part of the College approved five-year estates strategy it is the College's objective to maintain the best environment in which to work and learn. This is currently being achieved through a planned preventative maintenance regime with a continued emphasis on sustainable development and meeting changes in legislation.

We have implemented our Sustainability Strategy 2021-2026 via our Environmental Sustainability Steering Group, which will continue to embed our six sustainability focal points throughout all activities within the College.



Since 2016 the College has increased its floor area but still reduced its electricity consumption by 5.6%, up to July 2022. Additionally, in the financial period 2019/2020 due to the impact of COVID-19 and national lockdowns, the site was closed to students for all but essential activities between March and September. We continue to implement ventilation requirements which were agreed with the Trade Unions as part of the sites COVID-19 safety measures. All inverter drives, used in the movement of air within the College, have been set to a higher permanent speed in achievement of this as well as to purge the air from spaces more rapidly when they are emptied of occupants.

Due to the instability within the energy market currently and prices fluctuating and also Covid 19, we will be analysing and comparing our energy data to our baseline year of 2020/2021 from here on in.

Water consumption until end of July 2022 has resulted in 53.97% saving, compared to 2016. This is largely due to the installation of the rain water harvesting system, and embedding sustainability awareness into the college.

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The College will continue to look for new ways to generate energy as new technology becomes available and more cost effective to implement, and sustainability remains a primary consideration in all the ongoing maintenance and replacement of equipment provision. For example all current air conditioning (comfort cooling) units are being replaced with new multifunction units. These units cool and heat individual spaces and crucially are more energy efficient. As the College increases the use of energy efficient systems it may marginally increase the use of electricity but will reduce the heating load on the gas boilers more significantly.

100% of our general waste has been diverted from landfill with 22.65% recycled compared to 3.03% (2018). We have introduced further recycling schemes, including food waste recycling within our canteens.

Our Green Travel Plan survey results have shown that travelling by car is 38.8%, a decrease from 77.45% in 2018. To encourage and promote sustainable travel, we have introduced the following on our campus:-

- 7 electric charging points, a further 12 EV points will be installed in December 2022.
- Two areas for bicycle storage, one which contain lockers and one which is a compound for all remaining bikes.

The College has already made significant steps to conserve energy and natural resources. Examples of such measures include:

- The installation of infrared sensors in all rooms so that lights are switched off automatically when a room is empty.
- The installation of non-concussive aerated taps with automatic shut off to ensure that taps are not left on when not needed.
- The harvesting of rainwater which is used to flush WC's in the main building.
- The roll out of virtual desktops to significantly reduce electricity usage across the College.
- Extended recycling programme.
- Transparent energy labelling of all its buildings using the DEC's system of audit.
- Continued energy efficiency improvements.
- Appointment of contractors with sustainable development/good environmental credentials.
- Sustainable procurement.
- Increase the use of biodiversity on campus.
- Additional valve and pipe work insulation.
- Extending the usage of the Building Energy Management System (BEMS) to outlying College properties.
- Introduction of smart metering to outstations.
- Solar thermal array systems.
- Pump replacements with low energy variable speed drives.
- The addition of variable speed drives with inverters to air handling units and CO2 detection within ducts to control drivers thus reducing overall electricity consumption.
- An ongoing lighting replacement to change current lights to LED with reduced running costs and maintenance.
- Further installation of smart building technology and controls. Presence detection to classrooms installed together with passive infrared sensor controls to air conditioning systems to switch when rooms are unoccupied.

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- Voltage reduction and balancing power factor correction.
- Photovoltaic panels to the main building.

A programme of the planned replacement of plant and equipment is ongoing for all systems and services. The newest most efficient technologies will be sought in order to provide sustainable long-term services as all systems have so far achieved.

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.

Number of employees who were relevant in financial year	FTE employee number
7	6.6

Percentage of Time	Number of Employees
0%	0
1 – 50 %	7
51 – 99%	0
100%	0

Total Cost of Facility Time	£40,005.75
Total Pay Bill	£22,238,987.35
Percentage of Pay Bill Spent on Facility Time	0.18%
Time spent on paid trade union activities as a percentage of total paid facility time	100%

Going Concern

The College has submitted the College Financial Forecasting Return (CFFR) to the ESFA covering the period to July 2024 and in that plan it has identified the possible reduction and growth in funding and the measures by which the College will ensure that it remains financially viable during the period. This will involve a combination of cost efficiencies, growth in learner numbers and pursuit of new income sources. As part of the CFFR the College conducted sensitivity analysis to assess the impact of changes in assumptions and found that the College would continue to remain financially strong.

The College cashflow remains extremely strong and the College continues to plan for future operational surpluses that will be reinvested in the College site and curriculum. T.H.E. Hub costing £10.06m has been included in forecasts and shows the Colleges ambition to have the capacity and modern resources available to deliver outstanding T-Level qualifications in Digital , Health and Science and Early Years and Childcare.

A Medium Term financial plan was approved by Corporation on 06 July 2022 which looks ahead over a five year period and describes the direction of the College based on several assumptions. The plan continues to project that the College will make surpluses and be rated financially outstanding throughout the five year period. The plan continues to show strong cash balances which will be utilised to invest in the College's ambitious Capital programme whilst ensuring that the College's 15% Reserves policy target is exceeded.

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For this reason, the College continues to adopt the going concern basis in preparing the financial statements.

Events after the Reporting Period

On 29 November 2022 the Office for National Statistics (ONS) reclassified Colleges and their subsidiaries into the central government sector for financial and accounting purposes.

The Department for Education (DfE) will be responsible for ensuring the College complies with financial and accounting rules including but not limited to the ability to obtain commercial debt. The majority of financial and accounting rules are covered under HM Treasury's managing public money framework and other central government guidance.

The College has initially assessed the impact of this change alongside the assessment of Going Concern and it has determined it does not have a material impact on the College's operations or financial position particularly as the College has no commercial debt and has no plans to obtain commercial debt in its future capital plans. In addition Colleges have been informed that current surpluses can be retained and used to finance future capital investment which as presented in the Strategic Report and the Going Concern assessment was the College's intention prior to the ONS decision.

The College will continue to work with the DfE with regard to future changes over the next two years as transitional arrangements are put in place.

Disclosure of Information to Auditors

The Members who held office at the date of approval of this report confirm that, in as far as they are each aware, there is no relevant audit information of which the College's auditors are unaware. Furthermore, each member has taken all the steps that they 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.

RSM UK Audit LLP were appointed on 13 July 2020 for three annual audits with an option to extend for a further 24 months.

Approved by order of the Members of the Corporation on 08 December 2022 and signed on its behalf by:



C Warren

Chair

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Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and financial statements of the College to obtain a better understanding of its governance and legal structure. This statement covers the financial year from 01 August 2021 to 31 July 2022 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

- I. In accordance with the seven principles identified by the Committee on Standards in Public Life (Selflessness, Integrity, Objectivity, Accountability, Openness, Honesty and Leadership)
- II. In full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges (“the Code”).

The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges which it formally adopted on 8 July 2015. In the opinion of the Governors, the College complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2022.

This opinion is based on an external review of compliance with the Code reported to the board on 6 July 2022. This external review was undertaken by Shirley Collier Consulting.

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The Corporation

The Members who served on the Corporation during the year and up to the date of signature of this report are listed in the table below.

Name	Date first appointed & last reappointed	Current Term of Office	Resignation Date	Category of Members	Committees Served during 2021/22	Attendance Rate and Number of Meetings in 2021/22	
Emily Baxter	2.11.22	3 years		Member	N/A	N/A	N/A
Joy Brindle	13.7.16 11.3.20	4 years		Member	Further Education Quality, Curriculum & Students Finance & Resources	92%	14/15
Andrew Broadbent	6.6.20	Ongoing		Principal and Chief Executive	All Committees except Audit and Remuneration	100%	28/28
Doug Chapman	3.11.10 1.11.20 1.8.21	Expired 31.7.22		Co-opted	Audit	83%	5/6
Arran Doogan	17.3.21	Expired 30.6.22		Student	Further Education Quality, Curriculum & Students Higher Education Quality, Curriculum & Students	92%	11/12
Joyce Drummond-Hill	22.6.16 1.7.19	4 years		Member	Audit Academy Sponsorship	93%	14/15
Allen Eccles	15.9.21	3 years		Member	Audit	100%	12/12
Ben Fisher	1.8.21	3 years		Member	Higher Education Quality, Curriculum and Students Finance & Resources	57%	8/14
Mark Gomersall	1.9.21	3 years		Staff	Further Education Quality, Curriculum & Students Higher Education Quality, Curriculum & Students	92%	12/13
Ian Green	16.3.22	3 years		Member	Audit Higher Education Quality, Curriculum & Students	60%	3/5
Stephen King	1.8.21	3 years		Member	Further Education Quality, Curriculum & Students Finance & Resources	53%	8/15
Chris Patterson	6.7.22 15.9.22			Co-opted Member	N/A	N/A	N/A
Sarat Pediredla	1.8.21	3 years	2.11.22	Member	Further Education Quality, Curriculum & Students Finance & Resources	27%	4/15
Roger Phillips	13.12.17 11.12.19	Expired 31.12.21		Member	Audit Further Education Quality, Curriculum & Students Higher Education Quality, Curriculum & Students	100%	7/7
Megan Poole	2.8.21 6.7.22	1 year		Student	Further Education Quality, Curriculum & Students Higher Education Quality, Curriculum & Students	77%	10/13
Heather Raistrick	16.9.20	Expired 15.9.22		Member	Academy Sponsorship Further Education Quality, Curriculum & Students Higher Education Quality, Curriculum & Students Search Committee	91%	21/23
Marie Stephenson	26.5.21	3 years	22.4.22	Staff	Further Education Quality, Curriculum & Students Higher Education Quality, Curriculum & Students	78%	7/9
Christine Warren (Chair)	22.4.15 16.12.20	2 years		Member	All except Audit and Higher Education Quality Curriculum & Students	96%	25/26

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Name	Date first appointed & last reappointed	Current Term of Office	Resignation Date	Category of Members	Committees Served during 2021/22	Attendance Rate and Number of Meetings in 2021/22	
Nicola Watchman-Smith	1.8.21	3 years		Member	Higher Education Quality, Curriculum & Students Remuneration Search	62%	8/13
Linda Wight	9.7.14 17.3.21 16.3.22	1 year		Member	All except Further Education Quality, Curriculum & Students	93%	25/27

Combined attendance rate and numbers of meetings: disclosure of Members' individual attendance at Corporation and Committee meetings during 2021/22. Overall attendance was:

- Corporation Meetings 80%
- Committee Meetings 84%
- Combined 83%

Target attendance for all meetings is 75%

Administrative support was provided to the Corporation by Lyndsay Jordan for an interim period between 1 August 2021 and 30 September 2021. Caroline Winter was appointed as Head of Governance and Corporation Secretary from 01 October 2021.

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 half-termly.

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 Finance & Resources, Further Education Quality Curriculum & Students, Higher Education Quality Curriculum & Students, Academy Sponsorship, Remuneration, Search and Audit. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website at www.newcollegedurham.ac.uk or from the Head of Governance & Corporation Secretary at:

New College Durham
Framwellgate Moor Campus
Durham
DH1 5ES

The Head of Governance & Corporation Secretary maintains a register of financial and personal interests of the Governors. The register is available for inspection at the above address.

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

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

The Corporation has a strong and independent non-executive element (only one member is a member of the College executive) 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 Principal (and Accounting Officer) are separate.

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, comprising the Chair and Vice Chair, plus a minimum of one other Corporation member and the Head of Governance & Corporation Secretary, 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 four years. Members can serve a maximum of two terms however, in exceptional circumstances this could be extended.

Corporation Performance

The Corporation commissioned an external review of governance effectiveness in 2021-22 and therefore did not carry out a self-assessment. The external review was conducted by Shirley Collier Consulting between March and July 2022. The external review concluded that *'following substantial change at New College Durham, governance is well managed and highly effective'*. A summary of the review findings including areas for development is available on the College website. The Corporation will resume the process of annual self-assessment in 2022-23.

The governing body is committed to continuous development and held its annual strategic review session on 27 April 2022. An hour is held before each Corporation meeting for governor briefing/development activity including a mandatory annual update on Safeguarding and Prevent. Governors received a range of internal briefings and development activities during the year in addition to the following external training and development:

- Strategic Governance: Developing a whole college approach to careers education webinar series (AoC)
- AoC New Governor Induction
- Staff Governors – AoC Annual Conference
- Student Governor Induction – AoC/ETF

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- AoC NE Principals and Chairs Forum
- AoC Northern Regional Governance Conference
- Student Governor Induction – ETF
- ETF Governance Development Programme
- AoC Curriculum & Quality Chairs' Network
- Ofsted presentation for Chairs: enhanced inspection and the ramifications of the Skills and Post-16 Education Act
- AoC Finance and Audit Committee Chairs' Network
- AoC Governance Finance Masterclass series:
 - Cashflow forecasts and loans
 - Funding and data

Activity to support the development of the Head of Governance and Corporation Secretary included the following:

- Governance Professionals Development Workshops
- ETF Governance Development Programme
- AoC Northern Governance Professionals Away Day
- Eversheds Webinar Series:
 - Charity Law Refresher – 9/3/22
 - Procurement Law – 10/5/22
 - Governance and Legal Refresher – Academy Trusts 25/5/22

Remuneration Committee

Throughout the year ending 31 July 2022 the College Remuneration Committee comprised three members of the Corporation (including the Chair and Vice Chair). The Committee's responsibilities are to make recommendations to the Board of Corporation on the general principles for remuneration and terms and conditions of employment of the Principal and other Senior Post Holders. The Committee has delegated authority from the Board to approve pay awards for the Principal and Senior Post Holders under a salary progression methodology approved by the Board of Corporation. The Governing Body adopted the Association of College's Senior Staff Remuneration Code in March 2019 and assesses senior staff pay in line with its principles.

Details of remuneration for the year ended 31 July 2022 are set out in note 8 to the financial statements.

Audit Committee

During 2021-22 the Audit Committee comprised a minimum of three members of the Corporation (excluding the Principal and Chair) and a co-optee. The committee operates in accordance with written terms of reference approved by the Corporation.

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

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

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

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

The audit committee met six times in the year to 31 July 2022. The members of the committee and their attendance records are shown below:

Committee Member	Meetings attended
Joyce Drummond-Hill	6
Roger Phillips (to 31.12.21)	2
Doug Chapman (to 31.07.22)	5
Allen Eccles	6
Linda Wight (from 1.1.22)	3
Ian Green (from 16.3.22)	2

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 and Chief Executive, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which they are personally responsible, in accordance with the responsibilities assigned to them in the Funding Agreement between the College and the funding bodies. They are also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal controls.

The Purpose of the System of Internal Control

The system of internal control is based on an on-going 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 within the College for the year ended 31 July 2022 and up to the date of approval of the annual report and financial statements.

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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 on-going process for identifying, evaluating and managing the College's significant risks that have been in place for the year ending 31 July 2022 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Corporation.

The Risk and Control Framework

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

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

The College has an Internal Audit Service which operates in accordance with the requirements of the ESFA's Post 16 Audit Code of Practice. The work of the Internal Audit Service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee. As a minimum annually, the Internal Audit Service provides the Corporation with a report on internal audit activity in the College. The report includes the Internal Audit Service's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

The College re-tendered for the provision of Internal Audit services in May 2021 and awarded the contract to a new Internal Audit provider for a period of 3 years with the option to add a further year. The College follow good business practice in re-tendering for Audit services periodically to reduce the risk of familiarity which can threaten independence. A fresh approach and new perspective can provide new insights and strengthen the degree of challenge and scepticism which can only strengthen the Risk and Control Framework.

Risks faced by the corporation

The College is committed to the achievement of its business objectives as approved by the Corporation. In doing so, the College realises that it will face all manner of risks which need to be managed through a formal risk management strategy. The establishment of effective risk management is recognised as being fundamental in ensuring good corporate governance. The arrangements at New College Durham are up-held by the College and Principalship through the implementation of cyclical risk management reporting and monitoring regimes.

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The Corporation is committed to ensuring that the management of risk underpins all key business processes and activities that lead to the achievement of the College's main objectives. College risks have been categorised into the following risk types:

- Financial
- Reputational
- Health, Safety and Security
- Resources
- Legislative
- Information
- Other

The College recognises that the application of risk management practices should not and will not eliminate all risk exposure. Moreover, through the application of the risk management approach identified in the College's Risk Management Statement and Strategy, then there is expected to be a better understanding of the risks being faced and their implications for the College, therefore informing decision making and creating opportunities for service improvement.

The College's key strategic risks are detailed below, these can change during the year as emerging risks materialise and are evaluated and scored in line with the College's Risk Scoring matrix. All risks identified have mitigating controls in order to ensure every effort is in place to stop the risk from materialising:

- Safeguarding – Any potential failure in the College's Safeguarding arrangements could lead to the harm or in extreme cases death of a student.
- Risk of Cyber Attack – If the College was to suffer a major cyber attack then it may be unable to deliver key services.
- Fraud or Theft – The risk that the College could suffer a major financial fraud or theft.
- Loss of Key Staff, Failure to Recruit Suitably Qualified Staff – the risk of losing key staff or not being able to properly recruit could mean the College may not be able to deliver key areas of the Curriculum or deliver vital services.
- College Budget – Failure to achieve the College's budgeted position could lead to financial issues in year or in future years and jeopardise the College's Financial Health Grade.
- The implementation of the new Student Management Information System (SMIS) – this system holds all student information, as well as linking the funding with the financial systems. It is imperative that the new system is implemented seamlessly so no services in the College are affected.
- Adverse Ofsted Judgement – Any judgement from Ofsted below 'Good' could effect the attractiveness of the College to current and future students, while also impacting on the College's ability to apply for and attract funding.
- Student Numbers – The risk that the College does not attract the planned number of students could impact on financial viability and also on the recruitment and retention of staff.
- Health and Safety – The risk of a serious breach of health and safety could lead to serious harm or at its most extreme even death.
- Course Development – The College must continually adapt its curriculum in order to fulfill the needs of employers and students to attract them to the College and also deliver against the regional skills needs.

The above risks link directly to the principal risks noted in the College strategic report in terms of the financial sustainability of the College and delivering an excellent student experience which will ultimately attract more learners and ensure the viability of the organisation.

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Control weaknesses identified

There were no significant internal control weaknesses or failures reported during the year.

Responsibilities under funding agreements

The Corporation has met its contractual responsibilities under its funding agreements and contracts with both the Education and Skills Funding Agency and Office for Students by following robust processes that strictly adhere to the respective bodies guidance. All financial returns were completed on-time throughout the financial year and members of the Corporation received regular updates regarding the Colleges financial position.

Statement from the Audit Committee

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

Review of Work Done

The following areas were covered by the Internal Audit Service (IAS) in 2021/22:

- **Student Records – Registers** – The review provided a moderate level of assurance, including three medium priority recommendations relating to the creation, updating and issuing of monitoring reports which are to be addressed by the implementation of the new system, and one best practice recommendation.
- **Corporate Governance** – The review provided a substantial level of assurance including one best practice recommendation.
- **Income Generation** – The review provided a substantial level of assurance, including two best practice recommendations.
- **Personnel and Payroll** – The interim report set out how this project is still at a very early stage, and whilst plans are in place to develop appropriate governance arrangements, these were not yet in place.
- **Data Protection** – The review provided a substantial level of assurance, including one best practice recommendation.
- **Purchasing and Payments** – The review provided a substantial level of assurance, including one medium priority recommendation relating to the BACS signatory list which was promptly addressed by management and one best practice recommendation.
- **Subcontracting Grant controls** – The review confirmed that appropriate systems and controls are in place to manage the College's sub-contractors.
- **North East Institute of Technology Reconciliation** – The review confirmed that the project reconciliation and grant support provided had been utilised for the purpose intended.
- **Risk Management** – Advice and consultancy support including review of the College Risk Register and attendance at the College Risk Management Group.

All audit recommendations have been, and will continue to be, monitored for their implementation by the Audit Committee.

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Committee Discussions with Auditors

Throughout the year, the Committee held private discussions with internal and external auditors at the start of each meeting and were involved in the development of the Audit Plan for 2021/22.

Risk Management

Audit Committee has a key role in advising Corporation on the College's framework of risk management and control. The College's Risk Management Policy established the framework for managing and monitoring risks including establishment of the Risk Management Group, which reports to the Audit Committee every term.

The Risk Management Statement and Strategy was updated and approved by Corporation on 7 July 2021 and is subject to review every 5 years. The Strategy sets out the Audit Committee's responsibilities in respect of risk management.

During 2021/22 the Committee received regular updates on the College Risk Register. The Risk Management Group has monitored the identified risk areas and has ranked them according to likelihood, potential financial consequences and the effect on reputation. In addition, an action plan for 2021/22 was prepared to mitigate the identified risks.

The Audit Committee has considered and provided constructive challenge to the work undertaken by the Risk Management Group during the year and is satisfied that progress is being made to minimise the risks faced by the College. All Risk Management Group minutes are circulated to the Committee and available to any member wishing to access them.

There have been no allegations of fraud, malpractice or public interest disclosures during the year.

Audit Committee Opinion

On the basis of the work summarised in the Audit Committee Annual Report, Audit Committee can provide reasonable assurance that Corporation's audit arrangements, its framework of governance, risk management and control are adequate and effective.

Review of Effectiveness

As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. The Principal's review of the effectiveness 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 regularity auditors and any appointed funding auditors in their management letters and other reports.

The Principal has been advised of the implications of the result of their review of the effectiveness of the system of internal control by the Audit Committee, which oversees the work of the internal auditors (and risk management group) and a plan to address weaknesses and ensure continuous improvement of the system is in place.

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The senior managers monitor reports setting out key performance and risk indicators and consider possible control issues brought to their attention by early warning mechanisms, which are embedded within departments and reinforced by risk awareness training. The Senior Leadership Team and the 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 and receiving reports thereon from senior managers. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

At its meeting on 08 December 2022, the Corporation carried out the annual assessment for the year ended 31 July 2022 by considering documentation from the senior management team and internal audit and taking account of events since 31 July 2022.

Based on the advice of the Audit Committee and the Principal, 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 use of resources, the solvency of the institution and the body and the safeguarding of their assets'.

Approved by order of the Members of the Corporation on 08 December 2022 and signed on its behalf by:



C Warren

Chair



A Broadbent

Principal and Chief Executive

NEW COLLEGE DURHAM

Statement of Regularity, Propriety and Compliance

As accounting officer I confirm that the corporation has had due regard to the requirements of grant funding agreements and contracts with ESFA and has considered its responsibility to notify ESFA of material irregularity, impropriety and non-compliance with terms and conditions of funding.

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

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



A Broadbent

Principal and Chief Executive

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



C Warren

Chair

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Statement of Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the College's Financial Memorandum with the ESFA, the Corporation through its Principal is required to prepare financial statements for each financial year in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education, the College Accounts Direction for 2021 to 2022 issued by the ESFA and the UK's Generally Accepted Accounting Practice, and which give a true and fair view of the state of affairs of the College and its surplus or deficit 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.
- Assess whether the Corporation is a going concern, noting the key supporting assumptions, qualifications or mitigating actions, as appropriate (which must be consistent with other disclosures in the accounts and auditor's report).
- Prepare financial statements on the going concern basis, unless it is inappropriate to assume that the College will continue in operation.

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

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 enables it to ensure that the financial statements are prepared in accordance with the relevant legislation including the Further and Higher Education Act 1992 and Charities Act 2011, and other relevant accounting standards. It is responsible for taking steps that are reasonably open to it 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.

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

Approved by order of the Members of the Corporation on 08 December 2022 and signed on its behalf by:



C Warren

Chair

NEW COLLEGE DURHAM

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF NEW COLLEGE DURHAM

Opinion

We have audited the financial statements of New College Durham (the "College") and its subsidiaries (the "Group") for the year ended 31 July 2022 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) and with the Accounts Direction 2021 to 2022 issued by the Education and Skills Funding Agency.

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 2022 and of the Group's and the College's deficit of income over expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Accounts Direction 2021 to 2022 issued by the Education and Skills Funding Agency.

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.

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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.

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 2021 to 2022 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.

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Responsibilities of the Corporation of New College Durham

As explained more fully in the Statement of the Corporation's Responsibilities set out on page 28, 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 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 and component auditors:

- obtained an understanding of the nature of the sector, including the legal and regulatory frameworks that the group and College operates 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;

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- 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, Regulatory Advice 9: Accounts Direction published by the Office for Students and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures inspecting correspondence with local tax authorities and evaluating advice received from internal/external tax advisers.

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 and those charged with governance 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 and income recognition as the areas 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, challenging judgments and estimates and review of income transactions around the year end.

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 dated November 2022. 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 LP

RSM UK AUDIT LLP
Chartered Accountants
1 St James' Gate
Newcastle Upon Tyne
NE1 4AD

13/12/22

NEW COLLEGE DURHAM

Consolidated and College Statements of Comprehensive Income

	Note	Year ended 31 July 2022		Year ended 31 July 2021	
		Group £'000	College £'000	Group £'000	College £'000
Income					
Funding body grants	2	28,937	28,937	27,423	27,423
Tuition fees and education contracts	3	15,960	15,960	13,917	13,917
Other grants and contracts	4	9	9	20	20
Other income	5	502	507	393	398
Endowment and investment income	6	84	84	37	37
Donations and Endowments	7	0	0	0	0
Total Income		45,492	45,497	41,790	41,795
Expenditure					
Staff costs	8	25,809	25,809	24,820	24,820
Other operating expenses	9	18,120	18,123	14,643	14,647
Amortisation	12	120	120	92	92
Depreciation	13	2,310	2,310	1,999	1,997
Interest and other finance costs	10	490	490	460	460
Total Expenditure		46,849	46,852	42,014	42,016
Deficit before other gains and losses		(1,357)	(1,355)	(224)	(221)
(Loss) / Gain on disposal of assets	12,13	(1)	(1)	2	2
Deficit before tax		(1,358)	(1,356)	(222)	(219)
Taxation	11	0	0	0	0
Deficit for the year		(1,358)	(1,356)	(222)	(219)
Actuarial gain in respect of pensions schemes	24	21,500	21,500	7,180	7,180
Total Comprehensive Income for the year		20,142	20,144	6,958	6,961
Represented by:					
Unrestricted comprehensive income		20,142	20,144	6,958	6,961
		20,142	20,144	6,958	6,961
Deficit for the year attributable to:					
Non controlling interest		0	0	0	0
Group		(1,358)	(1,356)	(222)	(219)
Total Comprehensive income for the year attributable to:					
Non controlling interest		0	0	0	0
Group		20,142	20,144	6,958	6,961

The statement of comprehensive income is in respect of continuing activities.

NEW COLLEGE DURHAM

Consolidated and College Statement of Changes in Reserves

	Income and Expenditure account	Revaluation reserve	Restricted Reserves	Total excluding Non Controlling interest	Total
	£'000	£'000	£'000	£'000	£'000
Group					
Balance at 1st August 2020	3,266	12,015	2	15,283	15,283
Deficit from the statements of comprehensive income	(222)	0	0	(222)	(222)
Other comprehensive income	7,180	0	0	7,180	7,180
Transfers between revaluation and income and expenditure reserves	156	(156)	0	0	0
Total comprehensive income for the year	<u>7,114</u>	<u>(156)</u>	<u>0</u>	<u>6,958</u>	<u>6,958</u>
Balance at 31st July 2021	<u>10,380</u>	<u>11,859</u>	<u>2</u>	<u>22,241</u>	<u>22,241</u>
Balance at 1st August 2021	10,380	11,859	2	22,241	22,241
Deficit from the statements of comprehensive income	(1,358)	0	0	(1,358)	(1,358)
Other comprehensive income	21,500	0	0	21,500	21,500
Transfers between revaluation and income and expenditure reserves	156	(156)	0	0	0
Total comprehensive income for the year	<u>20,298</u>	<u>(156)</u>	<u>0</u>	<u>20,142</u>	<u>20,142</u>
Balance at 31st July 2022	<u>30,678</u>	<u>11,703</u>	<u>2</u>	<u>42,383</u>	<u>42,383</u>
College					
Balance at 1st August 2020	3,266	12,015	2	15,283	15,283
Deficit from the statements of comprehensive income	(219)	0	0	(219)	(219)
Other comprehensive income	7,180	0	0	7,180	7,180
Transfers between revaluation and income and expenditure reserves	156	(156)	0	0	0
Total comprehensive income for the year	<u>7,117</u>	<u>(156)</u>	<u>0</u>	<u>6,961</u>	<u>6,961</u>
Balance at 31st July 2021	<u>10,383</u>	<u>11,859</u>	<u>2</u>	<u>22,244</u>	<u>22,244</u>
Balance at 1st August 2021	10,383	11,859	2	22,244	22,244
Deficit from the statements of comprehensive income	(1,356)	0	0	(1,356)	(1,356)
Other comprehensive income	21,500	0	0	21,500	21,500
Transfers between revaluation and income and expenditure reserves	156	(156)	0	0	0
Total comprehensive income for the year	<u>20,300</u>	<u>(156)</u>	<u>0</u>	<u>20,144</u>	<u>20,144</u>
Balance at 31st July 2022	<u>30,683</u>	<u>11,703</u>	<u>2</u>	<u>42,388</u>	<u>42,388</u>

NEW COLLEGE DURHAM

Balance Sheets as at 31 July 2022

	Note	Group	College	Group	College
		2022 £'000	2022 £'000	2021 £'000	2021 £'000
Non current assets					
Intangible assets	12	478	478	187	187
Tangible fixed assets	13	49,968	49,968	49,947	49,947
Non-current investments	14	<u>2</u>	<u>4</u>	<u>2</u>	<u>4</u>
Total non current assets		<u>50,448</u>	<u>50,450</u>	<u>50,136</u>	<u>50,138</u>
Current assets					
Trade and other receivables	15	5,136	5,182	4,022	4,056
Investments	16	12,646	12,646	12,550	12,550
Cash and cash equivalents	20	<u>9,049</u>	<u>9,006</u>	<u>6,726</u>	<u>6,692</u>
Total current assets		<u>26,831</u>	<u>26,834</u>	<u>23,298</u>	<u>23,298</u>
Creditors - amounts falling due within one year	17	(9,405)	(9,405)	(7,005)	(7,004)
Net current assets		<u>17,426</u>	<u>17,429</u>	<u>16,293</u>	<u>16,294</u>
Total assets less current liabilities		<u>67,874</u>	<u>67,879</u>	<u>66,429</u>	<u>66,432</u>
Creditors - amounts falling due after one year	18	(15,001)	(15,001)	(14,938)	(14,938)
Provisions					
Defined benefit obligations	19	(10,490)	(10,490)	(29,250)	(29,250)
TOTAL NET ASSETS		<u>42,383</u>	<u>42,388</u>	<u>22,241</u>	<u>22,244</u>
Unrestricted Reserves					
Income and expenditure account		20,562	20,567	10,380	10,383
Designated reserve	27	10,116	10,116	0	0
Revaluation reserve		11,703	11,703	11,859	11,859
Total unrestricted reserves		<u>42,381</u>	<u>42,386</u>	<u>22,239</u>	<u>22,242</u>
Restricted Reserves					
Restricted Reserves		<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>
Total restricted reserves		<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>
TOTAL RESERVES		<u>42,383</u>	<u>42,388</u>	<u>22,241</u>	<u>22,244</u>

The financial statements on pages 46 to 79 were approved by the governing body on 08 December 2022 and were signed on its behalf on that date by:



C Warren - Chair



A Broadbent - Principal & Chief Executive (Accounting Officer)

NEW COLLEGE DURHAM

Consolidated Statement of Cash Flows

	Note	2022 £'000	2021 £'000
Cash inflow from operating activities			
(Deficit) for the year		(1,358)	(222)
Adjustment for non cash items			
Amortisation	12	120	92
Depreciation	13	2,310	1,999
(Increase) / decrease in debtors	15	(1,114)	2,301
Increase in creditors due within one year	17	2,400	1,541
Increase in creditors due after one year	18	63	1,125
Pensions costs less contributions payable	24	2,740	2,680
Adjustment for investing or financing activities			
Investment income	6	(84)	(37)
Loss / (Gain) on disposal of fixed assets		1	(2)
Net cash inflow from operating activities		5,078	9,477
Cash flows from investing activities			
Proceeds from sale of fixed assets		5	5
Investment income	6	84	37
Withdrawal of deposits		0	0
New deposits		(96)	(3,500)
Payments made to acquire intangible assets	12	(411)	(56)
Payments made to acquire tangible fixed assets	13	(2,337)	(3,354)
		(2,755)	(6,868)
Cash flows from financing activities			
Interest paid	10	0	0
New unsecured loans		0	0
Repayments of amounts borrowed		0	0
		0	0
Increase in cash and cash equivalents in the year		2,323	2,609
Cash and cash equivalents at beginning of the year	20	6,726	4,117
Cash and cash equivalents at end of the year	20	9,049	6,726

NEW COLLEGE DURHAM

Notes to the Financial Statements

1. Statement of accounting policies and estimation techniques

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

Basis of preparation

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

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

Basis of accounting

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

Basis of consolidation

The consolidated financial statements include the College and its subsidiary undertaking Westfirst Limited, controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Under the purchase method of accounting, the results of subsidiary and associated undertakings acquired or disposed of during the year are included in the consolidated income and expenditure account from or up to the date on which control of the undertaking passes. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS 102, the activities of the student union have not been consolidated because the College does not control those activities. All financial statements are made up to 31 July 2022.

Going concern

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

The College does not have any loan financing as at 31 July 2022. The College has submitted a financial forecast to the ESFA covering the period to July 2024 and, in that plan, has identified the possible reductions and growth in funding and the measures by which the College will ensure that it remains financially viable during this period.

NEW COLLEGE DURHAM

Notes to the Financial Statements (continued)

The budget forecasts for 2022/2023 and 2023/2024 financial years plan for an operational surplus and the college have both strong cash flows and free reserves to ensure financial stability for the foreseeable future. Included in the budget forecasts is £10,060,000 for the extension to the Sports and Music Building along with the College's annual capital investment in equipment. To strengthen the College's cash position a £2,950,000 contribution towards the extension was awarded by the Department for Education (DfE) after the budget forecasts were prepared and only serves to strengthen the College cash position. The College continues to review forecasts, monitor costs and update plans on a regular basis to ensure future challenges can be met.

Student recruitment in full time 16-19 year olds has improved in 2022/2023, and the College have seen a further increase in students undertaking Apprenticeships. The College budget for both 2022/2023 and 2023/2024 was set very prudently allowing for fluctuations in learner numbers and enables the College to be resilient against the ever changing Education landscape.

A Medium Term financial plan was approved by Corporation on 06 July 2022 which looks ahead over a five year period and describes the direction of the College based on several assumptions. The plan continues to project that the College will make surpluses and be rated financially outstanding throughout the five year period. The plan continues to show strong cash balances which will be utilised to invest in the College's ambitious Capital programme whilst ensuring that the College's 15% reserves policy target is exceeded.

There will be further challenges ahead as the country slides into recession however, the College are well positioned to meet the needs of the people and employers of County Durham. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

Recognition of income

Revenue grant funding

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accruals model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under achievement for the Adult Education Budget is adjusted for and reflected in the level of recurrent grant recognised in the Statement of Comprehensive Income. 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 result of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

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

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

NEW COLLEGE DURHAM

Notes to the Financial Statements (continued)

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

Capital grant funding

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

Fee income

Income from tuition fees is stated gross of any expenditure which is not a discount and is recognised in the period for which it is received.

Investment income

All income from short-term deposits is credited to the Statement of Comprehensive Income in the period in which it is earned on a receivable basis. Income from restricted purpose endowment funds not expended in accordance with the restrictions of the endowment in the period is transferred from the Statement of Comprehensive Income to accumulated income within endowment funds.

Agency arrangements

The College acts as an agent in the collection and payment of certain discretionary support funds and employer incentives. Related payments received from the funding bodies and subsequent disbursement to students and employers, are excluded from the Statement of Comprehensive Income of the College where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

Accounting for post-retirement benefits

Post-employment benefits to employees of the College are principally provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit schemes, which are externally funded.

NEW COLLEGE DURHAM

Notes to the Financial Statements (continued)

Teachers' Pension Scheme (TPS)

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method. The TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the Statement of Comprehensive Income in the periods during which services are rendered by employees.

Durham Local Government Pension Scheme (LGPS)

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

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

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

Short term Employment benefits

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

Termination Benefits

Termination benefits such as redundancy, severance pay and payment in lieu of notice are recognised as an expense in the year in which the employee's employment to the College is terminated.

Non-current Assets - Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

NEW COLLEGE DURHAM

Notes to the Financial Statements (continued)

Land and buildings

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

Freehold buildings are depreciated on a straight-line basis over their expected useful economic life to the College of between 20 and 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 20 and 65 years. College land and buildings are held at depreciated replacement cost.

The substation held by the subsidiary company (Westfirst Limited) remains to be held at historic cost and is depreciated over 20 years. This is considered to be the most appropriate treatment due to the specialist nature of the building.

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

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

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 2013, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

Assets under construction

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

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on a tangible fixed asset it is charged to the Statement of Comprehensive Income 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:

- Market value of the fixed asset has subsequently improved
- 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

Buildings owned by third parties

Where land and buildings are used, but the legal rights are held by a third party, for example a charitable trust, they are only capitalised if the College has rights or access to ongoing future economic benefit. These assets are then depreciated over their expected useful economic life.

NEW COLLEGE DURHAM

Notes to the Financial Statements (continued)

Equipment

Equipment costing less than £2,000 per individual item is recognised as expenditure in the period of acquisition. All other equipment is capitalised at cost.

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

- motor vehicles and general equipment – 5 years
- computer equipment – 5 years
- furniture, fixtures and fittings – 20 years
- large items of equipment and specialist IT/computer equipment – useful economic life

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

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

Non-current Assets - Intangible fixed assets

Intangible Assets such as software are amortised on a straight-line basis over their useful economic life of 5 years. Amortisation is shown as a separate line on the Statement of Comprehensive Income.

Leased assets

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

Any lease premiums or incentives relating to leases signed after 1st August 2014 are spread over the minimum lease term.

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

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

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

NEW COLLEGE DURHAM

Notes to the Financial Statements (continued)

Investments

Investments in subsidiaries

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

Other investments

Listed investments held as non-current assets and current asset investments, which may include listed investments, are stated at fair value, with movements recognised in Comprehensive Income. Investments comprising unquoted equity instruments are measured at fair value, estimated using a valuation technique.

Stocks

No significant stocks are held by the College and purchases of stock items are charged directly to the Statement of Comprehensive Income.

Cash and cash equivalents

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

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

Financial liabilities and equity

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

Maintenance of premises

The cost of long term and routine corrective maintenance is charged to the Statement of Comprehensive Income in the period that it is incurred.

Foreign currency translation

Transactions denominated in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the financial period with all resulting exchange differences being taken to the income and expenditure account in the period in which they arise.

NEW COLLEGE DURHAM

Notes to the Financial Statements (continued)

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 2% 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.

Provisions and contingent liabilities

Provisions are recognised when

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

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

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

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

Judgements in applying accounting policies and key sources of estimation uncertainty

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

- Determine whether leases entered into by the College either as a lessor or a lessee are operating 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.

NEW COLLEGE DURHAM

Notes to the Financial Statements (continued)

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

Other key sources of estimation uncertainty

- *Tangible fixed assets*
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.
- *Local Government Pension Scheme*
The present value of the Local Government Pension Scheme defined benefit liability depends on several factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 25, 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 2022. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

NEW COLLEGE DURHAM

Notes to the Financial Statements (continued)

2 Funding body grants

	Year ended 31 July 2022		Year ended 31 July 2021	
	Group £'000	College £'000	Group £'000	College £'000
Recurrent grants				
Education and Skills Funding Agency - 16-18	14,097	14,097	14,212	14,212
Education and Skills Funding Agency - Adult education non procured	2,469	2,469	2,011	2,011
Education and Skills Funding Agency - Apprenticeships	3,986	3,986	3,532	3,532
Adult education procured	1,209	1,209	1,220	1,220
Office for Students grant	1,158	1,158	1,026	1,026
Specific grants				
Education and Skills Funding Agency - ESF	4,138	4,138	3,526	3,526
Education and Skills Funding Agency 16-19 Tuition Fund	356	356	324	324
Education and Skills Funding Agency Covid 19 High Value Courses for school and college leavers	(2)	(2)	40	40
Teacher Pension Scheme contribution grant	588	588	607	607
Office for Students non recurrent grant	143	143	354	354
Releases of deferred capital grants	795	795	571	571
Total	28,937	28,937	27,423	27,423

Office for Students analysis

Grant income from the Office for Students	1,158	1,158	1,026	1,026
Grant income from other bodies	0	0	0	0
Fee income for taught awards	14,879	14,879	12,978	12,978
Fee income for research awards	0	0	0	0
Fee income for non-qualifying course	0	0	0	0
Total	16,037	16,037	14,004	14,004

3 Tuition fees and education contracts

	Year ended 31 July 2022		Year ended 31 July 2021	
	Group £'000	College £'000	Group £'000	College £'000
Adult education fees	462	462	362	362
Apprenticeship fees and contracts	84	84	56	56
Fees for FE loan supported courses	343	343	343	343
Fees for HE loan supported courses	14,879	14,879	12,978	12,978
International students' fees	82	82	50	50
Total tuition fees	15,850	15,850	13,789	13,789
Education contracts	110	110	128	128
Total	15,960	15,960	13,917	13,917

4 Other grants and contracts

	Year ended 31 July 2022		Year ended 31 July 2021	
	Group £'000	College £'000	Group £'000	College £'000
European Commission funds	9	9	0	0
Non-government capital grants	0	0	20	20
Total	9	9	20	20

NEW COLLEGE DURHAM

Notes to the Financial Statements (continued)

5 Other income

	Year ended 31 July		Year ended 31 July	
	2022	2022	2021	2021
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Catering and residences	15	15	14	9
Other grant income	129	129	158	158
Miscellaneous income	358	363	221	231
Total	502	507	393	398

6 Investment income

	Year ended 31 July		Year ended 31 July	
	2022	2022	2021	2021
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other investment income	59	59	35	35
Other interest receivable	25	25	2	2
Total	84	84	37	37

7 Donations - College only

	Year ended 31 July		Year ended 31 July	
	2022	2022	2021	2021
	College	College	College	College
	£'000	£'000	£'000	£'000
Unrestricted donations		0		0
Total		0		0

NEW COLLEGE DURHAM

Notes to the Financial Statements (continued)

8 Staff costs - Group and College

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

	2022	2021
	No.	No.
Teaching staff	439	454
Non-teaching staff	193	196
	<u>632</u>	<u>650</u>

Staff costs for the above persons:

	2022	2021
	£'000	£'000
Wages and salaries	17,327	16,855
Social security costs	1,727	1,575
Apprenticeship Levy	72	69
Other pension costs (including FRS102-28 adjustments of £2,250,000 - 2021 £2,220,000)	<u>6,083</u>	<u>5,907</u>
Payroll sub-total	25,209	24,406
Contracted out staffing services	<u>490</u>	<u>193</u>
	25,699	24,599
Restructuring costs - contractual	39	142
Restructuring costs - non contractual	71	79
Total Staff Costs	<u>25,809</u>	<u>24,820</u>

NEW COLLEGE DURHAM

Notes to the Financial Statements (continued)

8 Staff costs - Group and College (continued)

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the Senior Leadership Team which comprises the Principal and Chief Executive (also Accounting Officer), Deputy Chief Executive, Deputy Principal, Chief Financial Officer and four Vice Principals.

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

	2022 No.	2021 No.
The number of key management personnel including the Accounting Officer was:	8	8

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

	Key management personnel		Other Staff	
	2022 No.	2021 No.	2022 No.	2021 No.
£ 60,001 to £ 65,000	-	-	1	6
£ 65,001 to £ 70,000	-	1	3	1
£ 70,001 to £ 75,000	-	1	-	-
£ 75,001 to £ 80,000	-	-	2	-
£ 80,001 to £ 85,000	-	1	-	-
£ 85,001 to £ 90,000	2	1	-	-
£ 90,001 to £ 95,000	1	-	-	-
£ 95,001 to £ 100,000	1	1	-	-
£ 100,001 to £ 105,000	1	-	-	-
£ 115,001 to £ 120,000	-	1	-	-
£ 120,001 to £ 125,000	-	1	-	-
£ 125,001 to £ 130,000	1	-	-	-
£ 130,001 to £ 135,000	1	-	-	-
£ 155,001 to £ 160,000	-	1	-	-
£ 165,001 to £ 170,000	1	-	-	-
	<u>8</u>	<u>8</u>	<u>6</u>	<u>7</u>

NEW COLLEGE DURHAM

Notes to the Financial Statements (continued)

8 Staff costs - Group and College (continued)

Key management personnel compensation is made up as follows:

	2022 £'000	2021 £'000
Basic Salary	864	786
Performance related pay and bonus	23	13
Benefits in kind	7	7
Pension contributions	194	172
Total key management personnel compensation	1,088	978

There were no amounts due to key management personnel that were waived in the year. Salary sacrifice arrangements available to all staff included cycle scheme, childcare vouchers and holiday entitlement purchase.

The above compensation include amounts paid to the Principal and Chief Executive who is the Accounting Officer and is also the highest paid member of staff. Their pay and remuneration is as follows:

Mr A Broadbent - Accounting Officer - 6 July 2020 to 31 July 2022

	2022 £'000	2021 £'000
Salaries	157	148
Performance related pay and bonus	7	7
Benefits in kind	1	1
	<u>165</u>	<u>156</u>
Pension contributions	<u>34</u>	<u>30</u>

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

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

The remuneration committee assesses the corporation's performance against KPIs and the attainment of students in the year, as well as the progress against the college's long term strategic objectives when reviewing the remuneration package of the key management personnel, including the Principal and Chief Executive. Qualitative measures of success, such as level of engagement of the staff and students are also considered.

NEW COLLEGE DURHAM

Notes to the Financial Statements (continued)

8 Staff costs - Group and College (continued)

The level of pay is benchmarked against the pay of similar colleges in the prior financial year, taken from their financial statements, and the general trend within the sector is also considered.

In the academic year 2021/22 the College performances was in line with the expectations of the Board and remains strong both on key financial and curriculum milestones. The Remuneration Committee considered these factors in determining the remuneration of Senior Postholders (including the Principal and Chief Executive) in 2021/22.

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

	2022	2021
	£'000	£'000
Principal and Chief Executive's basic salary as a multiple of the median of all staff	4.95	4.88
Principal and Chief Executive's total remuneration as a multiple of the median of all staff	4.98	5.25

The above median calculations are based on substantive posts only and therefore exclude any internal and external agency staff.

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

NEW COLLEGE DURHAM

Notes to the Financial Statements (continued)

9 Other operating expenses

	Year ended 31 July		Year ended 31 July	
	2022	2022	2021	2021
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Teaching costs	12,160	12,160	8,773	8,773
Subcontractor costs	2,744	2,744	3,088	3,088
Non-teaching costs	1,637	1,635	1,769	1,765
Premises costs	1,579	1,584	1,013	1,021
Total	18,120	18,123	14,643	14,647

Other operating expenses include (excluding VAT):	2022	2021
	£'000	£'000
Auditors' remuneration:		
Financial statements audit - RSM *	33	31
Internal audit **	17	15
Other services provided by the financial statements auditors	4	2
Other services provided by the internal auditors	3	2
Amortisation	120	92
Depreciation	2,310	1,999

* includes £29,000 in respect of the College (2021 £29,000)

** includes £15,170 in respect of the College (2021 £15,170)

9a Access and participation spending

	2022	2021
	College	College
	£'000	£'000
Access investment	325	292
Financial Support to students	35	59
Disability support	16	26
Research and evaluation	72	70
Total	448	447

The access and participation plan is available through the College website.

10 Interest and other finance costs

	2022		2021	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Net interest on defined pension liability (note 24)	490	490	460	460
Total	490	490	460	460

11 Taxation

	2022		2021	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
United Kingdom corporation tax at 19.00% (2021: 19.00%)	0	0	0	0
Total	0	0	0	0

The members do not believe that the College was liable for any corporation tax arising out of its activities during the year. The tax charge above relates to its trading subsidiary company.

NEW COLLEGE DURHAM

Notes to the Financial Statements (continued)

12 Intangible assets (Group and College)

	Software
	£'000
Cost or valuation	
At 1 August 2021	2,425
Additions	411
Disposals	0
At 31 July 2022	<u>2,836</u>
Accumulated Amortisation	
At 1 August 2021	2,238
Charge for year	120
Eliminated in respect of disposals	0
At 31 July 2022	<u>2,358</u>
Net book value	
At 31 July 2022	<u>478</u>
Net book value	
At 31 July 2021	<u>187</u>

NEW COLLEGE DURHAM

Notes to the Financial Statements (continued)

13 Tangible fixed assets (Group)

	Leasehold Land and Buildings £'000	Freehold Land and Buildings £'000	Assets Under Construction £'000	Equipment £'000	Total £'000
Cost or valuation					
At 1 August 2021	166	49,223	0	16,188	65,577
Additions	0	90	480	1,767	2,337
Reclassification of asset	0	0	0	0	0
Disposals	0	0	0	(225)	(225)
At 31 July 2022	<u>166</u>	<u>49,313</u>	<u>480</u>	<u>17,730</u>	<u>67,689</u>
Accumulated Depreciation					
At 1 August 2021	162	5,476	0	9,992	15,630
Charge for year	4	871	0	1,435	2,310
Eliminated in respect of disposals	0	0	0	(219)	(219)
At 31 July 2022	<u>166</u>	<u>6,347</u>	<u>0</u>	<u>11,208</u>	<u>17,721</u>
Net book value					
At 31 July 2022	<u>0</u>	<u>42,966</u>	<u>480</u>	<u>6,522</u>	<u>49,968</u>
Net book value					
At 31 July 2021	<u>4</u>	<u>43,747</u>	<u>0</u>	<u>6,196</u>	<u>49,947</u>

Buildings held by the Subsidiary company (Westfirst Limited) are held at historic cost and depreciated over a period of 20 years.

NEW COLLEGE DURHAM

Notes to the Financial Statements (continued)

13 Tangible fixed assets (College only)

	Leasehold Land and Buildings £'000	Freehold Land and Buildings £'000	Assets Under Construction £'000	Equipment £'000	Total £'000
Cost or valuation					
At 1 August 2021	166	49,158	0	15,998	65,322
Additions	0	90	480	1,767	2,337
Reclassification of asset	0	0	0	0	0
Disposals	0	0	0	(225)	(225)
At 31 July 2022	166	49,248	480	17,540	67,434
Accumulated Depreciation					
At 1 August 2021	162	5,415	0	9,798	15,375
Charge for year	4	871	0	1,435	2,310
Eliminated in respect of disposals	0	0	0	(219)	(219)
At 31 July 2022	166	6,286	0	11,014	17,466
Net book value					
At 31 July 2022	0	42,962	480	6,526	49,968
Net book value					
At 31 July 2021	4	43,743	0	6,200	49,947

Cost and depreciation relating to fully depreciated assets which are no longer used have been removed.

Land and buildings were valued on 31 July 2013 by a firm of independent chartered surveyors (Ashley Smith Chartered Surveyors) at depreciated replacement cost as defined in the glossary of terms of the Royal Institution of Chartered Surveyors Appraisal and Valuation Standards (5th Edition).

The valuation of land at 31 July 2013 was £5,000,000 and its historic cost was £2,730,000 (land is not depreciated). The valuation of the buildings was £37,875,000 which had a historic cost of £35,693,000 and accumulated depreciation of £5,993,000 as at 31 July 2013.

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 2013, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

NEW COLLEGE DURHAM

Notes to the Financial Statements (continued)

14 Non-current investments

	Group 2022 £'000	College 2022 £'000	Group 2021 £'000	College 2021 £'000
Investments in subsidiary companies	0	2	0	2
Charities Official Investment Fund - Re	2	2	2	2
Edgar Stephenson Memorial Trust				
Total	2	4	2	4
Investment in subsidiary company (inter-company loan > 1 Year)	0	0	0	0

The College owns 100% of the issued £1 ordinary shares in Westfirst Limited, a company incorporated in England and Wales (Registered Office: New College Durham, Framwellgate Moor Campus, Durham, County Durham, DH1 5ES). The principal business activities of Westfirst Limited are boiler house management, the supply of heat, electricity and lettings of the College to external organisations.

The directors believe that the carrying value of the investments is supported by their underlying net assets.

15 Trade and other receivables

	Group 2022 £'000	College 2022 £'000	Group 2021 £'000	College 2021 £'000
Amounts falling due within one year:				
Trade receivables	1,808	1,808	1,031	1,031
Amounts owed by subsidiary undertakings	0	51	0	44
Prepayments and accrued income	1,969	1,964	1,807	1,797
Amounts owed by the ESFA	1,359	1,359	1,184	1,184
Total	5,136	5,182	4,022	4,056

16 Investments

	Group 2022 £'000	College 2022 £'000	Group 2021 £'000	College 2021 £'000
Short-term deposits	12,646	12,646	12,550	12,550
Total	12,646	12,646	12,550	12,550

Deposits are held in short term notice accounts with a number of UK clearing banks.

17 Creditors - amounts falling due within one year

	Group 2022 £'000	College 2022 £'000	Group 2021 £'000	College 2021 £'000
Trade payables	743	741	482	482
Payments received in advance	1,121	1,121	931	931
Amounts owed to subsidiary undertakings	0	2	0	23
Other taxation and social security	1,484	1,484	1,093	1,093
Accruals	4,461	4,461	2,964	2,940
Holiday pay	592	592	624	624
Deferred income - government capital grants	886	886	756	756
Amounts owed to the ESFA	118	118	155	155
Total	9,405	9,405	7,005	7,004

NEW COLLEGE DURHAM

Notes to the Financial Statements (continued)

18 Creditors - amounts falling due after one year

	Group 2022 £'000	College 2022 £'000	Group 2021 £'000	College 2021 £'000
Deferred income - government capital grants	15,001	15,001	14,938	14,938
Total	15,001	15,001	14,938	14,938

19 Provisions - defined benefit obligations (Group and College)

	Defined benefit Obligations £'000
At 1 August 2021	(29 250)
Expenditure in the year	1,980
Additions in year	16,780
At 31 July 2022	(10,490)

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government pension Scheme. Further details are given in Note 24.

NEW COLLEGE DURHAM

Notes to the Financial Statements (continued)

20 Cash and cash equivalents

Group	At 1 August 2021 £'000	Cash flows £'000	Other changes £'000	At 31 July 2022 £'000
Cash and cash equivalents	6,726	2,323	0	9,049
Total	<u>6,726</u>	<u>2,323</u>	<u>0</u>	<u>9,049</u>

College	At 1 August 2021 £'000	Cash flows £'000	Other changes £'000	At 31 July 2022 £'000
Cash and cash equivalents	6,692	2,314	0	9,006
Total	<u>6,692</u>	<u>2,314</u>	<u>0</u>	<u>9,006</u>

21 Capital and other commitments

	2022 £'000	2021 £'000
Commitments contracted for as at 31 July (payable within 1 year)	<u>10,116</u>	<u>1,137</u>

22 Contingencies

There were no contingent liabilities (2021 none).

23 Events after the reporting year

There were no events after the reporting year.

NEW COLLEGE DURHAM

Notes to the Financial Statements (continued)

24 Defined benefit obligations

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

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

Total pension costs for the year	2022 £'000	2021 £'000
Teachers' Pension Scheme: contributions paid	1,853	1,817
Local Government Pension Scheme:		
Contributions paid	1,980	1,870
FRS 102 (28) charge	<u>2,250</u>	<u>2,220</u>
Charge to the Statement of Comprehensive Income	4,230	4,090
Total Pension Cost for Year within staff costs	<u>6,083</u>	<u>5,907</u>

There were no outstanding or prepaid contributions at either the beginning or the end of the financial year/Contributions amounting to £465,000 (2021 £365,000) were payable to the scheme at 31 July and are included within 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. The TPS is a multi-employer pension plan and there is insufficient information to account for the scheme on as a defined benefit plan so it is accounted for as a defined contribution plan.

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.

Valuation of the Teachers' Pension Scheme

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

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2019/20). DfE agreed to pay a Teachers Pensions employer contribution grant to cover the additional costs during the 2021-21 academic year, and currently through to March 2023. The next valuation (2020) result is due to be implemented from 1 April 2024. The pension costs paid to TPS in the year amounted to £989,000 (2021: £1,490,000).

NEW COLLEGE DURHAM

Notes to the Financial Statements (continued)

24 Defined benefit obligations (continued)

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Durham County Council. The total contribution made for the year ended 31 July 2022 was £2,500,000 of which employer's contributions totalled £1,980,000 and employees' contributions totalled £520,000. The agreed contribution rates for employer contributions from 1 April 2020 to 31 March 2023 has been set at 20.4% with lump sum payments of £262,000 in year 1, £270,000 in year 2 and £278,000 in year 3. The employees contribution rate is dependent on the employees pensionable pay, with bands ranging from 5.5% to 12.5%.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2019 updated to 31 July 2022 by Aon Hewitt Limited.

	At 31 July 2022	At 31 July 2021
CPI Inflation	2.6%	2.6%
Rate of increase in salaries	3.6%	3.6%
Rate of increase for pensions	2.6%	2.6%
Discount rate for scheme liabilities	3.4%	1.7%
Commutation of pensions to lump sums	85%	85%

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

	At 31 July 2022	At 31 July 2021
<i>Retiring today</i>		
Males	22.10	22.30
Females	24.20	24.30
<i>Retiring in 20 years</i>		
Males	23.20	23.30
Females	25.70	25.80

NEW COLLEGE DURHAM

Notes to the Financial Statements (continued)

24 Defined benefit obligations (continued)

Local Government Pension Scheme (continued)

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

	Fair Value at 31 July 2022 £'000	Fair Value at 31 July 2021 £'000
Equities	23,406	25,099
Property	3,594	2,789
Government Bonds	4,835	7,197
Corporate Bonds	1,883	7,871
Multi Asset Credit	6,205	0
Cash	599	2,024
Other	2,268	0
Total fair value of plan assets	<u>42,790</u>	<u>44,980</u>

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

	2022 £'000	2021 £'000
Fair value of plan assets	42,790	44,980
Present value of plan liabilities	(53,280)	(74,230)
Net pensions liability (Note 19)	<u>(10,490)</u>	<u>(29,250)</u>

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

	2022 £'000	2021 £'000
Amounts included in staff costs		
Current service cost	4,230	4,090
Past service cost	0	0
Total	<u>4,230</u>	<u>4,090</u>

Amounts included in interest and other finance costs

Interest on scheme assets	770	530
Interest on pension liabilities	(1,260)	(990)
Total	<u>(490)</u>	<u>(460)</u>

Amounts recognised in Other Comprehensive Income

Return on pension plan assets	(4,130)	6,210
Changes in assumptions underlying the present value of plan liabilities	25,630	970
Total	<u>21,500</u>	<u>7,180</u>

NEW COLLEGE DURHAM

Notes to the Financial Statements (continued)

24 Defined benefit obligations (continued)

Local Government Pension Scheme (continued)

Movement in net defined benefit liability during the year

	2022 £'000	2021 £'000
Net defined liability in scheme at 1 August	(29,250)	(33,750)
Movement in year:		
Current service cost	(4,230)	(4,090)
Employer contributions	1,980	1,870
Past service costs	0	0
Net interest on the defined liability	(490)	(460)
Actuarial gain / (loss)	21,500	7,180
Net defined liability at 31 July	<u>(10,490)</u>	<u>(29,250)</u>

Asset and Liability Reconciliation

	2022 £'000	2021 £'000
Changes in present value of defined benefit obligations		
Defined benefit obligations at start of year	74,230	70,870
Current service cost	4,230	4,090
Interest cost	1,260	990
Contributions by scheme participants	520	500
Changes in financial assumptions	(25,630)	(970)
Estimated benefits paid	(1,330)	(1,250)
Past service cost	0	0
Defined benefit obligations at end of year	<u>53,280</u>	<u>74,230</u>

	2022 £'000	2021 £'000
Changes in fair value of plan assets		
Fair value of plan assets at start of year	44,980	37,120
Interest on plan assets	770	530
Return on plan assets	(4,130)	6,210
Employer contributions	1,980	1,870
Contributions by scheme participants	520	500
Estimated benefits paid	(1,330)	(1,250)
Fair value of plan assets at end of year	<u>42,790</u>	<u>44,980</u>

NEW COLLEGE DURHAM

Notes to the Financial Statements (continued)

24 Defined benefit obligations (continued)

These accounts previously showed a past service cost of £1,010,000 for 2019 in respect of the McCloud / Sergeant judgment which ruled that the transitional protection for some members of public service schemes implemented when they were reformed constituted age discrimination. This provision is 14.2% of the annualised pensionable pay over the accounting period ending 31 July 2019. The calculation of adjustment to past service costs arising from the outcome of the Court of Appeal judgment is based on a number of key assumptions including:

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

In years ending 31 July 2020 and 31 July 2021 the potential McCloud liability has been calculated at the opening balance sheet date, and an uplift to the current service costs for future service, based on updated membership data provided for the valuation. No further McCloud re-measurements have taken place at 31 July 2022.

The Covid Pandemic has impacted on mortality rates in that current thinking is starting to move from 'neutral' to 'negative outlook'. On this basis an allowance has been made through a 3% increase to the scaling factors adopted for the 2019 valuations, leading to an estimated reduction in liabilities of 1%.

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

The pension obligations of £53,280k have been calculated based a CPI assumption of 2.6% based on the scheme rules and Pension Increase order in place as at the balance sheet date. However the 2023 Pension Order will come into effect on 1st April 2023 and is likely to be influenced by the CPI experienced in the 12 months to August 2022 of 9.0%. Applying this increased CPI to the calculations as at 31 July 2022 would result in gross obligations of £55,680k and a net liability of £12,890k.

NEW COLLEGE DURHAM

Notes to the Financial Statements (continued)

25 Related party transactions

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

The total expenses paid to or on behalf of the Governors during the year was £46 ; 1 governor (2021: £212 ; 2 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2021: None).

New College Durham Academies Trust - a company for which Mr Broadbent (Principal and Chief Executive) serves as a Director, and Mrs Warren (a Board Member) serves as Director.

Purchase transactions totalling £1,260 (2021 £1,000) relating to 3G pitch hire and a Year 11 trip took place. At the year-end £0 was outstanding and included in creditors (2021 £0).

Sales transactions totalling £0 took place in 2022. In 2021, sales transactions totalling £107 were in relation to interview expenses. At the year-end £0 was outstanding (2021 £0).

Go North East Ltd - a company for which Mr King (a Board Member) is in paid employment.

Purchase transactions totalling £525,230 (2021 £193,959) relating to student bus passes took place. At the year-end a credit note in the Colleges favour to the value of £14 was outstanding and included in debtors (2021 £0). The College hold contracts with both local transport companies to provide bus passes to students to enable them to attend College.

Sales transactions totalling £0 took place(2021 £0) . At the year-end £0 was outstanding (2021 £0).

Visit County Durham - a company for which Mr King (a Board Member) is a Director.

Purchase transactions totalling £2,880 (2021 £0) relating to partnership fees took place. At the year-end £0 remained outstanding (2021 £0).

Sales transactions totalling £0 took place(2021 £0) . At the year-end £0 was outstanding (2021 £0).

Newcastle University - a company for which Mr Green (a Board Member) is in paid employment

Purchase transactions totalling £2,114 (2021 £89,722) relating to the Institute of Technology. At the year-end £0 was outstanding and included in creditors (2021 £0).

Sales transactions totalling £750 took place in 2022 which was a contribution to the Institute of Technology celebration. In 2021, there were no sales transactions. At the year-end £0 was outstanding (2021 £0).

NEW COLLEGE DURHAM

Notes to the Financial Statements (continued)

26 Amounts disbursed as agent

	2022 £'000	2021 £'000
Funding body grants - Learner Support Funds	935	809
Other funding body grants	<u>193</u>	<u>332</u>
	1,128	1,141
Disbursed to students	565	628
Disbursed to employers	193	332
Balance unspent at 31 July, included in creditors	<u><u>370</u></u>	<u><u>181</u></u>

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

NEW COLLEGE DURHAM

Notes to the Financial Statements (continued)

27 Designated Reserves

	2022	2021
	£'000	£'000
Capital Commitments		
T.H.E. Hub	9,035	0
Reception Refurbishment	438	0
Human Resources/Payroll System	202	0
Replacement Roof	151	0
E-Sports Suite	71	0
Other Capital Projects	219	0
Total	<u>10,116</u>	<u>0</u>

NEW COLLEGE DURHAM

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON REGULARITY TO THE CORPORATION OF NEW COLLEGE DURHAM 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 dated November 2022 and further to the requirements of the grant funding agreements and contracts with the Education and Skills Funding Agency (the "ESFA") or those of any other public funder, to obtain limited assurance about whether the expenditure disbursed and income received by New College Durham during the period 1 August 2021 to 31 July 2022 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 2021 to 31 July 2022 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.

We are independent of New College Durham 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 Corporation of New College Durham for regularity

The Corporation of New College Durham 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 New College Durham 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 to 31 July 2022 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

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

NEW COLLEGE DURHAM

ESFA and those of any other public funder 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 New College Durham 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 New College Durham 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 New College Durham and the Secretary of State for Education acting through the ESFA for our work, for this report, or for the conclusion we have formed.

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