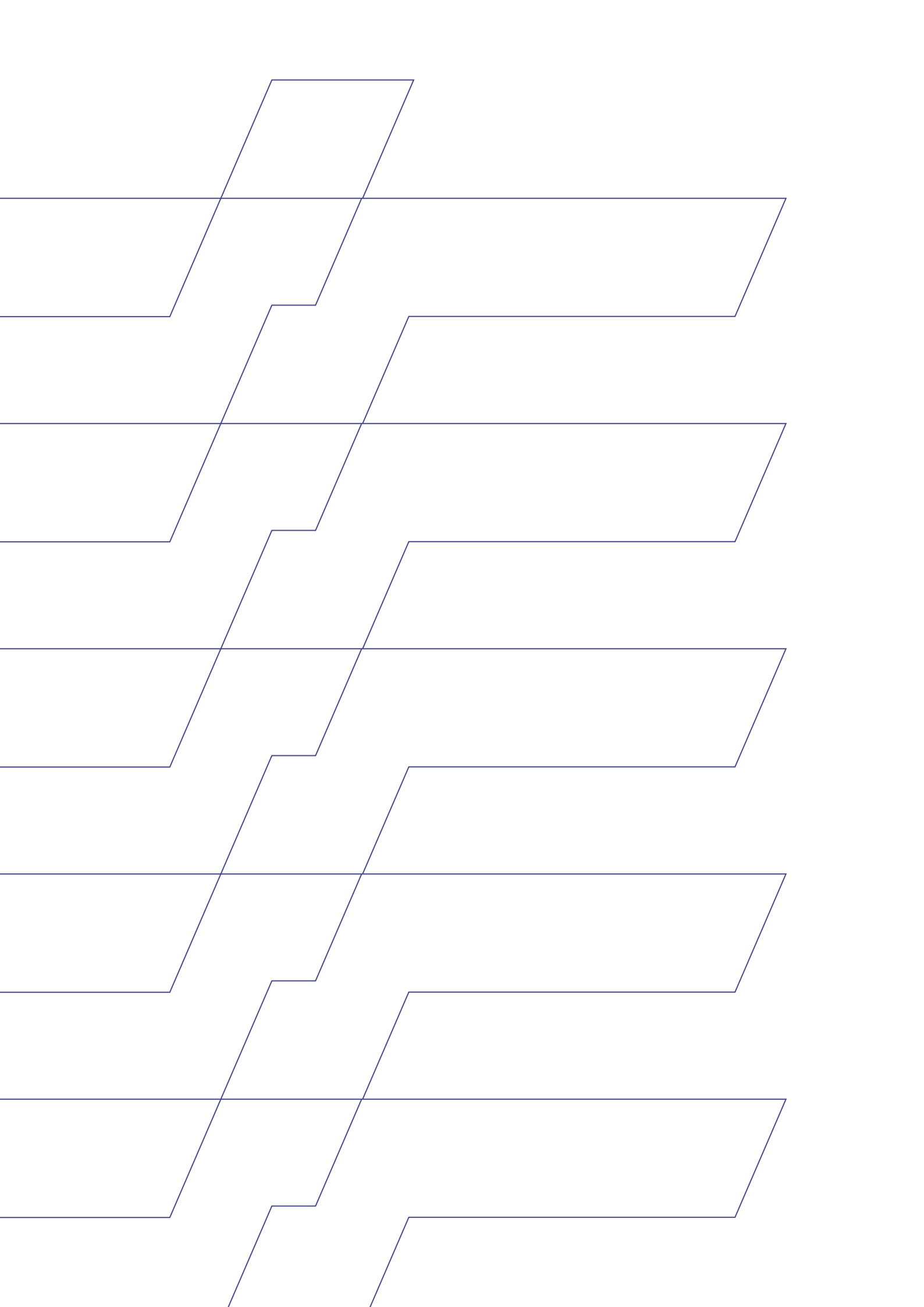


Annual Report & Financial Statements

For the year ended
31 July 2021



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 2020/2021:

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 (appointed 01 September 2020)
Mr M Anderson	Vice Principal – Apprenticeships and Employer Engagement
Mrs D Fairlamb	Vice Principal – Economic Development and Student Progression (Retired 01 June 2021)
Mr A Stephenson	Vice Principal – Quality and Improving Learning
Mrs M Nichols	Vice Principal – Higher Education

Board of Governors

A full list of Governors is given on pages 27 and 28 of these financial statements.

Clerk to the Corporation

Mrs E Simson fulfilled the role of Head of Governance and Corporation Secretary until resigning on 16 July 2021. Mrs C Winter was appointed to the role of Head of Governance and Corporation Secretary on 01 October 2021. Administrative support was provided to the Corporation in the interim by Lyndsay Jordan.

Professional Advisers

Financial Statement Auditors and Reporting Accountants

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

Internal Auditors from 01 August 2021

Durham County Council
County Hall
Durham
DH1 5 UL

Bankers:

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

Internal Auditors to 31 July 2021

Wylie Bisset
168 Bath Street
Glasgow
G2 4TP

Solicitors:

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

Registered Office:

New College Durham
Framwellgate Moor
Durham
DH1 5ES

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Strategic Report

NATURE, OBJECTIVES AND STRATEGIES

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

Legal Status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting 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

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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 27 and 28.

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. The Office for Standards in Education, Children's Services and Skills (OFSTED) 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 469 full-time equivalent students and 208 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.

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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 1,025 students studying on New College Durham Foundation Degree programmes in partnership at London in 2020/21.

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 current 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.

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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. Good links have been established with the North East England Chamber of Commerce (NEECC), the North East Local Enterprise Partnership (NELEP), 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.

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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 2021. Actual performance against these performance indicators is shown below

Description	Target	Actual
Surplus before FRS102-28 Pension Adjustment	£598k	£2,458
(Deficit) / Surplus after FRS102-28 Pension Adjustment	£(1,063)k	£(222)k
Net Current Assets	£13.4m	£16.3m
Cash Days in Hand	141	171
Adjusted Current Ratio	3.96:1	4.14:1
EBITDA as a percentage of income (Education Specific)	5.43%	9.51%
Gearing	0%	0%
Financial Health Score 'Provisional'	250	290
Financial Health Rating 'Provisional'	Outstanding	Outstanding

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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 based on the College Financial Forecasting Return submitted on 31 July 2021.

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 £2,456,000 in 2020/21 (2019/20 – surplus of £1,012,000).

After FRS102-28 the Group generated a deficit of £222,000 (2019/20 deficit of £623,000).

The Group has accumulated reserves of £22,241,000 (stated net of pension reserve) and cash at bank and short term investment balances of £19,276,000. The Group will continue to accumulate reserves and cash balances in order to finance the upcoming capital developments (T-Level Extension and New Sports Facilities), 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 £3,410,000. This was split between land and buildings costs of £3,000, software costs of £56,000 and equipment and furniture & fittings costs of £3,351,000

The College received funding of £5,485,000 from the ESFA towards the overall cost of £9,131,000 for the North East Institute of Technology (NEIoT) Development. Funding of £529,000 against costs of £1,014,000 have been shown in the 2020/21 which now includes the Building Information Modelling (BIM) equipment which was installed in June 2021.

The Group has significant reliance on the ESFA for its principal funding source, largely from recurrent grants. In 2020/21 the ESFA provided 47.27% (2019/20 52.41%) 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 8.4% (2019/20 15.86%) while the College's collaboration with the London School of Commerce accounted for 19.5% (2019/20 5.7%).

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 surpluses generated by the subsidiary company are assessed, and where appropriate transferred to the College under Gift Aid. In 2020/21 there were no surpluses to transfer to New College Durham.

The subsidiary company has an un-provided for deferred tax asset of £1,959 arising from the difference between the net book value and written down value of fixed assets. In the current

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year, the subsidiary company generated a loss after taxation of £992. No gift aid payment will be made to the College for this financial year.

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 2020/21. 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 £9,478,000 (2019/20 cash in-flow £3,603,000). The strong cash-in-flow along with Capital Grants received enabled the College to invest £3,410,000 in tangible and intangible assets (2019/20 £3,731,000).

At 31 July 2021 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;

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- 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.

In light of the above, the College will aim 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 capital commitments. Turnover excludes income from capital grants.

The level of free reserves held at the end of the financial year was £15,912,000 which was 38.62% of annual turnover (2019/20 40.02%). The actual is significantly above the College target of 15% and puts the College in a strong position to overcome any future challenges. The College has embarked on an ambitious capital build programme including the development of an extension to the current Sports and Music Building to house T-Level courses in Digital, Education & Childcare and Health & Life Sciences. In addition it is hoped to develop a new Sports Building and Artificial Grass Pitch on the site over the next 12 to 18 months. This will reduce the level of free reserves the College holds closer to the target of 15%.

COVID-19

In March 2020 all Colleges and schools within County Durham and surrounding areas closed their sites in line with Government guidance apart from vulnerable student and key worker children. The College moved the majority of learning on-line for the remainder of the academic year.

In September 2020 the College welcomed students back on site however social distancing measures remained in place and class 'bubbles' were formed to assist in prevention of spreading the virus and in line with Government guidelines.

On 05 November 2020 a second national lockdown came into force in England which ended on 02 December 2020. A third national lockdown came into force on 06 January 2021 which ended on 08 March 2021. During each of these lockdowns the College moved to on-line learning. The College maintained social distancing measures and the requirements for students and staff to wear face masks within the building until the end of the academic year in line with Government guidelines.

Year 10 and Year 13 tasters were delivered in a variety of ways including on-site maintaining social distancing and 'bubbles' and also virtually. Advice, guidance and enrolment were also offered in person and virtually with Curriculum staff. The Contact centre was also operated in person and virtually.

In relation to overseas activity, students from partnership schools in Denmark and Norway have cancelled this year's activity in light of travel restrictions and lockdowns. The projects are hoped to begin again in some form when rules around travel are relaxed and they can continue with some certainty.

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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 will be sought as further information becomes available about how the fund will operate.

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 this region. The College has been successful in the opportunities presented.

The North East Institute of Technology (NEIoT) is now approved and as the license holder, New College Durham, 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 site to deliver T-Level Qualifications for Digital, Health and Science and Early Years and Childcare. The estimated total cost of the extension is £8,070,000. The College has committed to the build of the extension as an indication of its ambition to deliver a full range of T-Level qualifications in a state of the art educational environment and will fund this fully from free reserves over the next 15 months.

The College Financial Forecast Return (CFFR) was submitted in July 2021 to the ESFA which includes capital outflow as above and shows that the College is expecting to maintain financial strength throughout the period of the plan.

Education and Training

The quality of provision at the College continues to be outstanding. As a result of the COVID-19 lockdown the Department for Education (DfE) took the decision to cancel the summer examination series as they did in 2020. For schools and colleges this meant that GCSE and A-Level examinations did not take place. This decision extended across all qualifications and students who were expected to complete qualifications between March 2021 and Summer 2021. The priority introduced was to ensure that all students affected, were to be awarded the qualification they would have achieved, had they been able to

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complete the final assessments as originally planned. In response to this, OfQual and the Awarding Organisations introduced a series of mitigation methods that enabled the College to award qualification achievement to students to ensure they were able to continue on their career journey. Where possible, students were provided with Centre Assessed Grades. Some qualifications that were more practical in nature used methods to adapt assessments to complete and award achievement. For a small number of qualifications, where it was not appropriate to use these methods, the College had to delay assessment until it was safe for students to return to College to undertake the assessment as planned.

The College fully engaged with all methods of assessment mitigation to ensure that its students were awarded with qualification outcomes that were representative of the work they had produced and were in line with what they would have achieved had they been able to undertake the final assessments as planned.

A direct consequence of this method is that DfE have confirmed that the usual Qualification Achievement Rate and National Achievement Rate Tables will again not be produced for the academic year 2020/21.

In addition to the physical closure of the College and resulting measures introduced across teaching, learning and assessment that were experienced across E&T provision, Apprenticeship provision was significantly impacted by the measures introduced by employers because of COVID-19. The College has worked to maintain communication with all its apprenticeship employers to be aware of and responsive to the impacts that COVID-19 has had on their businesses including the furloughing of staff and in a minority of cases any redundancy impacts.

The implementation of virus control measures in response to COVID-19 saw the cessation of onsite delivery and the staff reverted to the digital learning methods established during the first national lockdown in early 2020. College staff continued to manage the transition well to ensure students were able to continue to engage with learning and continue to develop new knowledge, skill and behaviours in readiness for their future aspirations. The College continues to build on its excellent virtual learning environment and staff enhanced this remote delivery model deploying best practice using Microsoft Teams. Extensive CPD, support and coaching has been constantly available during each of the national lockdown periods with cross college teams using the same systems to support staff when working from home.

Enduring and highly successful partnership arrangements exist which directly benefit learners, particularly those who are deemed hard to reach. The needs and interests of young people in the County and local area are successfully met through highly efficient collaborative working arrangements with schools and the local authority. This provides outstanding transition opportunities for students including those with special educational needs and disabilities. The College is regionally renowned for its approach to educational and social inclusion and effectively engages hard to reach groups via interesting and motivating programmes necessary to attract into education and training young people uncertain of their next steps.

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. Initial assessment is robust and is employed to rapidly identify learners individual needs at a point prior to, or

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close to enrolment. This informs effective planning of learning both inside and outside the classroom. Students identified as needing support, in most instances access it regularly and, as a consequence, progress well and successfully achieve their qualifications.

Academies

The College is lead sponsor for two 11-18 academies. Consett Academy is located in Consett, County Durham and North Durham Academy located in Stanley, County Durham. Both are part of New College Durham Academy Trust.

Both academies are founded on the three core principles of Inclusion, Progression and Excellence.

The established Academy Trust Board provides strategic direction and guidance, placing high expectations on each academy to transform the educational landscape in their area by driving up standards and raising levels of aspiration. Both academies enjoy excellent facilities on purpose-built campuses. Consett Academy and North Durham Academy are currently assessed by Ofsted as 'Requires Improvement' (RI) and the Academy Trust Board are supporting the implementation of robust improvement plans which respond positively and effectively to those areas of improvement needed to ensure that both Academies are classified as 'Good' at the earliest opportunity.

The Academy Trust Board will continue to support the implementation of these measures to ensure rapid impact and improvements.

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.

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 enjoys 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 as a result of COVID-19 and the resulting travel restrictions overseas enrolments have not taken place.

In 2018 the College was awarded Silver for the Teaching Excellence Framework (TEF). The TEF was introduced in 2017 and is designed to ensure students are better informed about where to study and also recognises excellent teaching. The Office for Students (OfS) run the process of judging the ratings, alongside an independent panel of students, academics and other experts. In their feedback, the OfS highlighted that New College Durham's metrics indicate that students from all backgrounds achieve excellent outcomes at the College.

Results from the National Student Survey remain consistently high over a 3-year period. Comparing results for 2020 the data indicates that New College Durham students are satisfied with their experience at the college. Response from students in the majority of key questions exceed the national top quartile results. For example:

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- 91% are satisfied with the quality of teaching and learning we provided compared to the sector top quartile of 89%
- 91% of students are satisfied with the quality of assessment and feedback compared to the sector top quartile of 80%.

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.

The College entered into a collaborative partnership with the London School of Commerce (LSC) in 2019 in order to supply Foundation degree courses to Higher Education students in London. The qualifications are taught by staff employed by the LSC and approved by the College. All programmes are validated by the College and the College are responsible for awarding the Foundation degree to successful students. In 2020/21 the College had 1,040 learners enrolled on Higher Education courses at the London Campus. 600 new starts are planned for 2021/22 Academic year.

Employer Engagement

The College's apprenticeship provision has been broadened ensuring the needs of local and regional employers are met. The College's apprenticeship provision continues to be successful with most apprentices successfully completing their apprenticeship programme. The College has responded positively to the apprenticeships reforms, having successfully adapted its delivery, support and management structures. The College continues to work with several subcontractors for the delivery of ESFA Adult Education Budget and ESF funded qualifications. These areas continue to be monitored and supported by the College's in-house Quality and Apprenticeship teams with outstanding performance. Following the devolution of funding to Tees Valley and the North of Tyne, the College has continued to be successful winning tenders in both regions.

Employers are involved in many aspects of core curriculum delivery. In Higher Education, they 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. The study programme offers further opportunities for College staff, students and employers to work together to enhance the student experience. This has proved very effective with the students taking part in successful work experience and work placement programmes resulting in many students gaining employment. A considerable amount of work has been completed using the Capacity Development Fund to secure industry placement opportunities across the region. The College took a strategic decision to test the feasibility of this in the T-Level subject areas in readiness for delivery back in 2020.

This year has seen challenges in terms of holding meeting on site with employers due to the national lockdowns along with local and national restrictions. Events are planned for the 2021/22 academic year to showcase the College to employers from across the region.

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Staff and Student Involvement

In June 2021 a staff appreciation day was held with all staff in a COVID safe environment and in line with all government guidance in place.

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 to enable New College Durham staff working remotely 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 COVID lockdowns.

The College continues to refine communication in the COVID 19 era and considerable focus is being given to developing and supporting e-learning and e-communications.

Throughout the lockdowns the College Corporation has continued to discharge its Governance duties and two members of staff and two students are elected as members of this forum and play a key and active role in the governance of the College.

Students continue to prosper at the college. Achievement rates remained high in the current year with many students moving into employment, further or higher education after they completed college.

Payment Performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came in to 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 2020 to 31 July 2021, the College paid 98.78% by count (99.61% 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. New College Durham is only one of three providers in the region to deliver the new T-Levels qualifications in 20/21. These are new technical level 3 qualifications, equivalent to A-Levels. The College will deliver T-Levels in all four routes Digital, Construction, Education & Childcare and Health & Science. The College has decided to deliver a new two storey extension to its existing Sports and Music Building to deliver cutting edge facilities for students embarking on T-Levels in digital, education & childcare and health & Science, at an estimated cost of £8,070,000. It is anticipated the extension will be completed by the end of August 2022 and will be funded from the College's free reserves.

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 2018 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 2021.

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.

The College is constantly assessing the current COVID-19 situation alongside current policies and guidance in place across the campus.

RESOURCES:

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

Tangible resources include tangible fixed assets with a value of £49,947,000 which includes the main College campus and the Bishop Auckland Podiatry Clinic and net current assets of £16,293,000. The College also has leased premises at Low Carrs podiatry training facility located in Durham.

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Financial

The College Group has £22,241,000 of net assets (stated after £29,250,000 in pension liability) and has successfully maintained its financial debt at nil.

People

The average number of persons employed by the College during the year, expressed as head count was 650, of which 454 were teaching and teaching support staff.

The College has 344 staff registered on our agency of whom 120, on average work monthly.

The College did not furlough any employees during the 2020/2021 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 may affect the College. Not all the factors are within the College's control. Other factors besides those listed below also adversely affect the College.

NEW COLLEGE DURHAM

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. 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 2023 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 actuary bases forecasts on various assumptions such as discounting rates, salary growth and mortality rates. In the Actuarial valuation exercise, a liability pay out at a future date is estimated using these assumptions. The estimated liability is then recorded in the Balance Sheet. It is important to recognise the College has no control over the annual actuarial calculations for the LGPS pension scheme.

3. Government Policy

The Chancellor's Autumn budget announced in October confirmed National Skills funding and FE capital up to 2024/25 which will be around £1.8 billion compared to the previous £1.3 billion however there was no commitment to increase funding rates. The chancellor also announced a £1.6 billion increase in 16-18 education spending compared to 2019/20, however it was unclear as to what this would mean for future years funding.

Pre-16 school funding per pupil is expected to be £1,500 higher in 2024/25 compared to 2019/20 whereas 16-18 student rates will only be maintained in real-terms.

A new adult numeracy programme called Multiply funded from the Shared Prosperity Fund starting in Spring 2022 was announced and will be managed by the Department for Levelling Up on a UK wide basis.

The impact of the decision by UK voters to leave the European Union in 2016 has introduced a new set of risks for the College, some of which are known and others are yet to emerge.

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

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 student is still being analysed 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:

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- 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
- Local Employers
- Local Authorities
- Combined Authorities
- Local Enterprise Partnerships
- The Local Community
- Local Schools
- Universities
- Other FE Institutions
- Trade Unions
- Professional 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

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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's annual Gender Pay Report provides a breakdown of the College's gender pay gap based on the snapshot date of 31 March each year. The purpose of this Gender Pay Report is to show the difference in the average earnings between males and females, pursuant to the Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017.

The Gender Pay report is published annually on the College website

<https://www.newcollegedurham.ac.uk/information/111-gender-pay-report-2020/file>

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.

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

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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.

SUSTAINABILITY STATEMENT

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.

Over the years the College has reduced its electricity consumption by 26.18%, up to the end of 2019/2020. Additionally, in the financial period 2020/2021 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. During this time all plant, equipment and related controls were reviewed and aligned to reflect the fundamental shift in focus i.e., instead of maintaining the working environment for staff, no longer onsite, the control programme became that of ongoing adherence to regulation and preservation of building integrity.

It is worth noting that energy use will increase for the period whilst we continue to implement some of the ventilation requirements which was 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.

As with electricity it is worth noting that gas consumption, moving into the new year, is likely to exceed previously projected patterns due to COVID-19 safety measures. Due to the

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higher rates of mechanical ventilation and the expectation that outside facing rooms will have windows open for external ventilation, there will be an increase in requirement for heating the building during the colder winter months.

Water consumption for the last year until end of July 2020 has resulted in 67% saving. This is again, significantly due to the national lockdowns during the year whereby water usage on site was only as per controlled flushing practices (following standard guidelines).

The yearly exercise for undertaking production of the College Display Energy Certificates (DEC's) has begun.

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.

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.

New College Durham is one of the few colleges in the Northern Region that has ISO 14001:2015 Environmental Management System Certification which has been in place since April 2012 and is continually monitored by external QAS international environmental auditors.

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
4	3.8

Percentage of Time	Number of Employees
0%	0
1 – 50 %	4
51 – 99%	0
100%	0

Total Cost of Facility Time	£14,721.05
Total Pay Bill	£21,922,979.89
Percentage of Pay Bill Spent on Facility Time	0.07%
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 2023 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 which will be reinvested in the College site and Curriculum. The extension to the Sports and Music building costing £8,070,000 has been included in forecasts and shows the College's 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.

The sector continues to experience significant change due to the impact of COVID-19 and as such the College will ensure high quality teaching is available both on site and remotely.

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

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 and have indicated their willingness to continue in office.

Approved by order of the Members of the Corporation on 08 December 2021 and signed on its behalf by:

A handwritten signature in dark ink, appearing to read 'C Warren', is written over a faint horizontal line.

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 2020 to 31 July 2021 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 College is committed to exhibiting best practice in all aspects of Corporate Governance and in particular the College has adopted and complied with the Code. The College has not adopted and therefore does not apply, the UK Corporate Governance Code. However, the College has reported on its Corporate Governance arrangements by drawing on best practice available, including those aspects of the UK Corporate Governance Code which the College considers to be relevant to the further education sector and best practice.

In the opinion of the Governors, the College complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2021 and to the date of approval. The Corporation recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of Corporate Governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted on 08 July 2015.

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

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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. The attendance rate and number of meetings covers the period 1 August 2020 – 31 July 2021.

Name	Date first appointed & last reappointed	Current Term of Office	Resignation Date	Category of Members	Committees Served during 2020/2021	Combined Attendance Rate and Number of Meetings
Joy Brindle	13.7.16 11.3.20	4 years		Member	Quality, Curriculum & Students Committee Development Committee Strategy & Resources Committee	100% 17/17
Andrew Broadbent	6.7.20			Principal and Chief Executive	All Committees except Audit Committee and Remuneration Committee	100% 27/27
Doug Chapman	3.11.10 1.11.20	9 months		Member	Audit Committee Quality, Curriculum & Students Committee	93% 14/15
Lindsay Gaskill	1.9.15 1.9.18	3 years		Staff	Quality, Curriculum & Students Committee Higher Education Student Experience & Quality Enhancement (HESEQE)	86% 12/14
Joyce Drummond-Hill	22.6.16 1.7.19	4 years		Member	Audit Committee Academy Sponsorship Committee	100% 12/12
Shireen Khattak	1.8.13 12.7.17	4 years		Member	Audit Committee	50% 6/12
Peter Nunn	1.9.19	3 years	1.3.21	Staff	Quality, Curriculum & Students Committee Strategy and Resources Committee	43% 3/7
Roger Phillips	13.12.17 11.12.19	2 years		Member	Audit Committee Quality, Curriculum & Students Committee Higher Education Student Experience & Quality Enhancement (HESEQE)	94% 17/18
Heather Raistrick	16.9.20	2 years		Member	Higher Education Student Experience & Quality Enhancement (HESEQE) Search Committee	100% 13/13
Kathryn Rudd	8.7.19 1.5.20	1 year		Student	Quality, Curriculum & Students Committee Higher Education Student Experience & Quality Enhancement (HESEQE) Strategy and Resources Committee	94% 17/18
Graham Towl	2.11.16 3.7.19	3 years	1.10.20	Member	Quality, Curriculum & Students Committee Higher Education Student Experience & Quality Enhancement (HESEQE) Strategy and Resources Committee	100% 1/1

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Mike Wade	31.10.18	3 years		Member	Strategy and Resources Committee Academy Sponsorship Committee	100% 7/7
Christine Warren (Chair)	22.4.15 16.12.20	2 years		Member	All except Audit Committee	100% 28/28
Linda Wight	9.7.14 17.3.21			Member	All except Audit Committee	100% 28/28
John Duggan	1.8.20	1 year	1.10.20	Co-Opted Member	Audit Committee	N/A N/A
Marie Stephenson	26.5.21	3 years		Staff	From 2021/22 Further Education Quality Curriculum and Standards Committee Higher Education Quality Curriculum and Standards Committee	100% 1/1
Arran Doogan	17.3.21	1 year		Student	From 2021/22 Further Education Quality Curriculum and Standards Committee Higher Education Quality Curriculum and Standards Committee	100% 2/2
2021/22						
Sarat Pediredla	18.5.21	3 years		Member	Further Education Quality Curriculum and Standards Committee Finance and Resources Committee	
Ben Fisher	18.5.21	3 years		Member		
Nicola Watchman-Smith	14.5.21	3 years		Member	Remuneration Committee Higher Education Quality Curriculum and Standards Committee	
Stephen King	18.5.21	3 years		Member	Further Education Quality Curriculum and Standards Committee Finance and Resources Committee	
Allen Eccles	15.9.21	3 years		Member	Audit Committee	
Mark Gomersall	1.9.21	3 years		Staff	Further Education Quality Curriculum and Standards Committee Higher Education Quality Curriculum and Standards Committee	
Megan Poole	2.8.21	1 year		Student	Further Education Quality Curriculum and Standards Committee Higher Education Quality Curriculum and Standards Committee	

Combined attendance rate and numbers of meetings: disclosure of Members' individual attendance at Corporation and Committee meetings during 2020/21. Overall attendance for the year 1 August 2020 – 31 July 2021 was:

- Corporation Meetings 91%
- Committee Meetings 95%
- Combined 93%

Target attendance for all meetings is 75%

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Mrs E Simson acted as Head of Governance and Corporation Secretary until 16 July 2021 with Mrs C Winter acting as Head of Governance and Corporation Secretary from 01 October 2021. Administrative support was provided to the Corporation in the interim by Lyndsay Jordan.

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

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

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 Strategy and Resources, Quality, Curriculum and Students, Higher Education Student Experience & Quality Enhancement, Development, Academy Sponsorship, Remuneration, Search and Audit. As part of the College's strategic review in 2021, a review of Committee Terms of Reference was undertaken and revised Terms of Reference were approved by Corporation on 7 July 2021. The following changes were made:

- Strategy and Resources Committee was renamed Finance and Resources Committee
- Quality Curriculum and Students Committee was renamed Further Education Quality, Curriculum and Students Committee
- Higher Education Student Experience & Quality Enhancement Committee was renamed Higher Education Quality, Curriculum and Students Committee
- Development Committee was dissolved

Full minutes of Corporation 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
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.

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.

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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 Chairperson and Principal 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 as a Co-opted member, which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Committee currently has five members. The Corporation is responsible for ensuring that appropriate training is provided as required.

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

Corporation Performance

Corporation carries out an annual self-assessment of its own performance. The College has strong governance that enables Governors to effectively challenge senior leaders so that effective deployment of staff and resources secure excellent outcomes for students. Governors promote a culture of high expectations of staff and students. Governors actively engage and challenge leaders about variation in performance, through its committee arrangements for example that monitor finance and quality, as well as taking an active role in the self-assessment process.

Remuneration Committee

The College Remuneration Committee comprises 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 will assess pay in line with its principles in future.

Details of remuneration for the year ended 31 July 2021 are set out in note 8 to the financial statements.

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Audit Committee

The Audit Committee comprises three members of the Corporation and one Co-opted member (excluding the Principal, Chair and Members of the Finance and Resources Committee (formerly Strategy and Resources Committee)). 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.

The audit committee met four times in the year to 31 July 2021. The members of the committee and their attendance records are shown below:

Committee member	Meetings attended
Doug Chapman	4
Joyce Drummond-Hill	4
Shireen Khattak	3
Roger Phillips	4

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

Internal Control

Scope of Responsibility

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

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

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The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives, it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an 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 in the College for the year ended 31 July 2021 and up to the date of approval of the annual report and financial statements.

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 2021 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

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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.

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 risks including an impact and likelihood evaluation are illustrated 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.

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Risk	Without Controls		With Controls	
	Probability	Impact	Probability	Impact
Cyber Attack	Highly Likely	Catastrophic	Possible	Catastrophic
COVID-19 Recovery	Likely	Catastrophic	High	Possible
Safeguarding	Highly Likely	Catastrophic	Possible	Catastrophic
Prevent	Highly Likely	Catastrophic	Possible	Catastrophic
Financial Fraud or Theft	Highly Likely	Catastrophic	Possible	Catastrophic
Board Recruitment	Likely	Major	Possible	Major
Student Numbers	Likely	Major	Possible	Major
Course Development	Likely	Major	Possible	Major
Budget Management	Highly Likely	Major	Possible	Major
Health and Safety	Highly Likely	Major	Possible	Major

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.

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 College's financial position.

Statement from the audit committee

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

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

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The 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.

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 2021, the Corporation carried out the annual assessment for the year ended 31 July 2021 by considering documentation from the senior management team and internal audit and taking account of events since 31 July 2021.

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 2021 and signed on its behalf by:



C Warren

Chair



A Broadbent

Principal and Chief Executive

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Statement of Regularity, Propriety and Compliance

The Corporation has considered its responsibility to notify the ESFA of material irregularity, impropriety and non-compliance with terms and conditions of funding, under the College's financial memorandum. As part of its consideration the Corporation has had due regard to the requirements of the financial memorandum.

We confirm, on behalf of the Corporation, that after due enquiry and to the best of our knowledge, we are not able to identify any material irregular or improper use of funds by the College, nor any material non-compliance with the terms and conditions of funding under the College's financial memorandum.

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

Approved by order of the Members of the Corporation on 08 December 2021 and signed on its behalf by:



C Warren

Chair



A Broadbent

Principal and Chief Executive

NEW COLLEGE DURHAM

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 2020 to 2021 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 2021 and signed on its behalf by:



C Warren

Chair

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

In our opinion the financial statements:

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

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the Report and Financial Statements other than the financial statements and our auditor's report thereon. The governors are responsible for the other information contained within the Report and Financial

Statements. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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

In our opinion, in all material respects:

- funds from whatever source administered by the college for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the Office for Students, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and Department for Education have been applied in accordance with the relevant terms and conditions; and
- the requirements of the Office for Students' accounts direction for the relevant year's financial statements have been met.

Matters on which we are required to report by exception

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

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

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

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

Responsibilities of the Corporation of 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:

- obtained an understanding of the nature of the sector, including the legal and regulatory framework 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;
- 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 advisors.

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 July 2020. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are engaged to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

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

1012121

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Consolidated and College Statements of Comprehensive Income

	Note	Year ended 31 July 2021		Year ended 31 July 2020	
		Group £'000	College £'000	Group £'000	College £'000
Income					
Funding body grants	2	27,423	27,423	26,959	26,959
Tuition fees and education contracts	3	13,917	13,917	8,265	8,265
Other grants and contracts	4	20	20	22	22
Other income	5	393	398	597	598
Endowment and investment income	6	37	37	75	75
Donations and Endowments	7	0	0	0	2
Total Income		41,790	41,795	35,918	35,921
Expenditure					
Staff costs	8	24,820	24,820	22,580	22,580
Other operating expenses	9	14,643	14,647	11,554	11,570
Amortisation	12	92	92	96	96
Depreciation	13	1,999	1,997	1,866	1,854
Interest and other finance costs	10	460	460	450	450
Total Expenditure		42,014	42,016	36,546	36,550
(Deficit) before other gains and losses		(224)	(221)	(628)	(629)
Gain on disposal of assets	12,13	2	2	5	5
(Deficit) before tax		(222)	(219)	(623)	(624)
Taxation	11	0	0	(2)	0
(Deficit) for the year		(222)	(219)	(625)	(624)
Actuarial gain / (loss) in respect of pensions schemes	24	7,180	7,180	(10,620)	(10,620)
Total Comprehensive Income / (Expense) for the year		6,958	6,961	(11,245)	(11,244)
Represented by:					
Unrestricted comprehensive income / (expense)		6,958	6,961	(11,245)	(11,244)
		6,958	6,961	(11,245)	(11,244)
(Deficit) for the year attributable to:					
Non controlling interest		0	0	0	0
Group		(222)	(219)	(625)	(624)
Total Comprehensive income / (expense) for the year attributable to:					
Non controlling interest		0	0	0	0
Group		6,958	6,961	(11,245)	(11,244)

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

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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 2019	14,355	12,171	2	26,528	26,528
Deficit from the statements of comprehensive income	(625)	0	0	(625)	(625)
Other comprehensive expense	(10,620)	0	0	(10,620)	(10,620)
Transfers between revaluation and income and expenditure reserves	156	(156)	0	0	0
Total comprehensive income for the year	<u>(11,089)</u>	<u>(156)</u>	<u>0</u>	<u>(11,245)</u>	<u>(11,245)</u>
Balance at 31st July 2020	<u>3,266</u>	<u>12,015</u>	<u>2</u>	<u>15,283</u>	<u>15,283</u>
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 expense	7,180	0	0	7,180	7,180
Transfers between revaluation and income and expenditure reserves	156	(156)	0	0	0
Total comprehensive expense 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>
College					
Balance at 1st August 2019	14,354	12,171	2	26,527	26,527
Deficit from the statements of comprehensive income	(624)	0	0	(624)	(624)
Other comprehensive expense	(10,620)	0	0	(10,620)	(10,620)
Transfers between revaluation and income and expenditure reserves	156	(156)	0	0	0
Total comprehensive income for the year	<u>(11,088)</u>	<u>(156)</u>	<u>0</u>	<u>(11,244)</u>	<u>(11,244)</u>
Balance at 31st July 2020	<u>3,266</u>	<u>12,015</u>	<u>2</u>	<u>15,283</u>	<u>15,283</u>
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 expense	7,180	0	0	7,180	7,180
Transfers between revaluation and income and expenditure reserves	156	(156)	0	0	0
Total comprehensive expense 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>

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Balance Sheets as at 31 July 2021

	Note	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
Non current assets					
Intangible assets	12	187	187	223	223
Tangible fixed assets	13	49,947	49,947	48,595	48,592
Non-current investments	14	2	4	2	6
Total non current assets		50,136	50,138	48,820	48,821
Current assets					
Trade and other receivables	15	4,022	4,056	6,323	6,368
Investments	16	12,550	12,550	9,050	9,050
Cash and cash equivalents	20	6,726	6,692	4,117	4,060
Total current assets		23,298	23,298	19,490	19,478
Creditors - amounts falling due within one year	17	(7,005)	(7,004)	(5,464)	(5,453)
Net current assets		16,293	16,294	14,026	14,025
Total assets less current liabilities		66,429	66,432	62,846	62,846
Creditors - amounts falling due after one year	18	(14,938)	(14,938)	(13,813)	(13,813)
Provisions					
Defined benefit obligations	19	(29,250)	(29,250)	(33,750)	(33,750)
TOTAL NET ASSETS		22,241	22,244	15,283	15,283
Unrestricted Reserves					
Income and expenditure account		10,380	10,383	3,266	3,266
Designated reserve		2	2	2	2
Revaluation reserve		11,859	11,859	12,015	12,015
Total unrestricted reserves		22,241	22,244	15,283	15,283
Restricted Reserves					
Restricted reserves		0	0	0	0
Total restricted reserves		0	0	0	0
TOTAL RESERVES		22,241	22,244	15,283	15,283

The financial statements on pages 43 to 73 were approved by the governing body on 08 December 2021 and were signed on its behalf on that date by:



C Warren - Chair



A Broadbent - Principal & Chief Executive (Accounting Officer)

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Consolidated Statement of Cash Flows

	Note	2021 £'000	2020 £'000
Cash inflow from operating activities			
(Deficit) for the year		(222)	(625)
Adjustment for non cash items			
Amortisation	12	92	96
Depreciation	13	1,999	1,866
Decrease / (increase) in debtors	15	2,301	(4,263)
Increase in creditors due within one year	17	1,541	411
Increase in creditors due after one year	18	1,125	4,558
Pensions costs less contributions payable	24	2,680	1,640
Adjustment for investing or financing activities			
Investment income	6	(37)	(75)
(Gain) on disposal of fixed assets		(2)	(5)
Net cash inflow from operating activities		9,477	3,603
Cash flows from investing activities			
Proceeds from sale of fixed assets		5	5
Investment income	6	37	75
Withdrawal of deposits		0	1,000
New deposits		(3,500)	0
Payments made to acquire intangible assets	12	(56)	(50)
Payments made to acquire tangible fixed assets	13	(3,354)	(3,681)
		(6,868)	(2,651)
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		2,609	952
Cash and cash equivalents at beginning of the year	20	4,117	3,165
Cash and cash equivalents at end of the year	20	6,726	4,117

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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 2021.

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 2021. The College has submitted a financial forecast to the ESFA covering the period to July 2023 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. As part of the financial forecast the College conducted a sensitivity analysis to assess the impact of changes in financial assumptions and found the college to be financially strong. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

The sector is going through a period of significant change due to the impact of the COVID-19 pandemic and Brexit, however the College continues to ensure high quality teaching is provided both on site and remotely. The budget forecasts for 2021/2022 and 2022/2023 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 £8,070,000 for the extension to the Sports and Music Building along with the College's annual capital investment in Equipment. The College continue to review forecasts, monitor costs and update plans on a regular basis to ensure future challenges can be met.

NEW COLLEGE DURHAM

Notes to the Financial Statements (continued)

Student recruitment in both full time 16-19 year olds and Higher Education has been less than expected in 2021/2022, however the College have seen a significant increase in students undertaking Apprenticeships and joining the College sixth form. The College budget for both 2021/2022 and 2022/2023 was set very prudently allowing for fluctuations in learner numbers and enables the College to be resilient against the ever changing Education landscape.

There will be further challenges ahead but as the Economy continues to recover the College are well positioned to meet the needs of the people and employers of County Durham.

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 represent the funding allocations attributable to the current financial year and is credited direct to the Statement of Comprehensive Income.

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

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

Capital grant funding

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

NEW COLLEGE DURHAM

Notes to the Financial Statements (continued)

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.

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.

NEW COLLEGE DURHAM

Notes to the Financial Statements (continued)

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.

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 3 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.
- 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.

NEW COLLEGE DURHAM

Notes to the Financial Statements (continued)

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 a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 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 2021. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

NEW COLLEGE DURHAM

Notes to the Financial Statements (continued)

2 Funding body grants

	Year ended 31 July		Year ended 31 July	
	2021	2021	2020	2020
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Recurrent grants				
Education and Skills Funding Agency - 16-18	14,212	14,212	12,785	12,785
Education and Skills Funding Agency - Adult education non procured	2,011	2,011	2,371	2,371
Education and Skills Funding Agency - Apprenticeships	3,532	3,532	3,667	3,667
Adult education procured	1,220	1,220	540	540
Office for Students grant	1,026	1,026	752	752
Specific grants				
Education and Skills Funding Agency - ESF	3,526	3,526	5,695	5,695
Education and Skills Funding Agency 16-19 Tuition Fund	324	324	0	0
Education and Skills Funding Agency Covid 19 High Value Courses for school and college leavers	40	40		
Teacher Pension Scheme contribution grant	607	607	526	526
Office for Students non recurrent grant	354	354	180	180
Releases of deferred capital grants	571	571	443	443
Total	27,423	27,423	26,959	26,959
Office for Students analysis				
Grant income from the Office for Students	1,026	1,026	752	752
Grant income from other bodies	0	0	0	0
Fee income for taught awards	12,978	12,978	7,131	7,131
Fee income for research awards	0	0	0	0
Fee income for non-qualifying course	0	0	0	0
	14,004	14,004	7,883	7,883

3 Tuition fees and education contracts

	Year ended 31 July		Year ended 31 July	
	2021	2021	2020	2020
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Adult education fees	362	362	518	518
Apprenticeship fees and contracts	56	56	70	70
Fees for FE loan supported courses	343	343	317	317
Fees for HE loan supported courses	12,978	12,978	7,131	7,131
International students' fees	50	50	97	97
Total tuition fees	13,789	13,789	8,133	8,133
Education contracts	128	128	132	132
Total	13,917	13,917	8,265	8,265

4 Other grants and contracts

	Year ended 31 July		Year ended 31 July	
	2021	2021	2020	2020
	Group	College	Group	College
	£'000	£'000	£'000	£'000
European Commission funds	0	0	6	6
Non-government capital grants	20	20	16	16
Total	20	20	22	22

NEW COLLEGE DURHAM

Notes to the Financial Statements (continued)

5 Other income

	Year ended 31 July		Year ended 31 July	
	2021	2021	2020	2020
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Catering and residences	14	9	30	25
Other grant income	158	158	175	175
Miscellaneous income	221	231	392	398
Total	393	398	597	598

6 Investment income

	Year ended 31 July		Year ended 31 July	
	2021	2021	2020	2020
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other investment income	35	35	60	60
Other interest receivable	2	2	15	15
Total	37	37	75	75

7 Donations - College only

	Year ended 31 July		Year ended 31 July	
	2021	2021	2020	2020
	College	College	College	College
	£'000	£'000	£'000	£'000
Unrestricted donations		0		2
Total		0		2

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:

	2021 No.	2020 No.
Teaching staff	454	466
Non-teaching staff	196	193
	650	659

Staff costs for the above persons:

	2021 £'000	2020 £'000
Wages and salaries	16,855	16,180
Social security costs	1,575	1,494
Apprenticeship Levy	69	66
Other pension costs (including FRS102-28 adjustments of £2,220,000 - 2020 £1,190,000)	5,907	4,584
Payroll sub-total	24,406	22,324
Contracted out staffing services	193	161
	24,599	22,485
Restructuring costs - contractual	142	84
Restructuring costs - non contractual	79	11
Total Staff Costs	24,820	22,580

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

	2021 No.	2020 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	
	2021 No.	2020 No.	2021 No.	2020 No.
£ 5,001 to £ 10,000 *	-	1	-	-
£ 35,001 to £ 40,000 **	-	1	-	-
£ 60,001 to £ 65,000	-	-	6	2
£ 65,001 to £ 70,000	1	-	1	1
£ 70,001 to £ 75,000	1	-	-	-
£ 75,001 to £ 80,000	-	1	-	-
£ 80,001 to £ 85,000	1	1	-	-
£ 85,001 to £ 90,000	1	-	-	-
£ 90,001 to £ 95,000	-	1	-	-
£ 95,001 to £ 100,000	1	-	-	-
£ 110,001 to £ 115,000	-	1	-	-
£ 115,001 to £ 120,000	1	-	-	-
£ 120,001 to £ 125,000	1	-	-	-
£ 130,001 to £ 135,000 ***	-	1	-	-
£ 155,001 to £ 160,000	1	-	-	-
£ 180,001 to £ 185,000 ***	-	1	-	-
	<u>8</u>	<u>8</u>	<u>7</u>	<u>3</u>

* Deputy Principal started on 6 July 2020

**Vice Principal left 31 December 2019

*** The Principal left on 5 July 2020 and replacement started on 6 July 2020

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:

	2021 £'000	2020 £'000
Basic Salary	786	686
Performance related pay and bonus	13	20
Benefits in kind	7	6
Pension contributions	172	141
Total key management personnel compensation	978	853

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 J Widdowson - Accounting Officer - 1 August 2019 to 5 July 2020

	2021 £'000	2020 £'000
Salaries	-	165
Performance related pay and bonus	-	9
Benefits in kind	-	2
	-	176
Pension contributions	-	38

Mr A Broadbent - Accounting Officer - 6 July 2020 to 31 July 2021

	2021 £'000	2020 £'000
Salaries	148	12
Performance related pay and bonus	7	-
Benefits in kind	1	-
	156	12
Pension contributions	30	2

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 2020/21 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 2020/21.

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

	2021 £'000	2020 £'000
Principal and Chief Executive's basic salary as a multiple of the median of all staff	4.88	5.85
Principal and Chief Executive's total remuneration as a multiple of the median of all staff	5.25	6.46

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	
	2021	2021	2020	2020
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Teaching costs	8,773	8,773	4,276	4,276
Subcontractor costs	3,088	3,088	4,898	4,898
Non-teaching costs	1,769	1,765	1,318	1,316
Premises costs	1,013	1,021	1,062	1,080
Total	14,643	14,647	11,554	11,570

Other operating expenses include (excluding VAT):

	2021	2020
	£'000	£'000
Auditors' remuneration:		
Financial statements audit - RSM *	31	23
Internal audit **	15	14
Other services provided by the financial statements auditors	2	1
Other services provided by the internal auditors	2	0
Depreciation	1,999	1,866

* includes £29,000 in respect of the College (2020 £21,000)

** includes £15,170 in respect of the College (2020 £14,350)

9a Access and participation spending

	2021	2020
	College	College
	£'000	£'000
Access investment	292	824
Financial Support to students	59	41
Disability support	26	36
Research and evaluation	70	38
Total	447	939

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

10 Interest and other finance costs

	2021	2021	2020	2020
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Net interest on defined pension liability (note 25)	460	460	450	450
Total	460	460	450	450

11 Taxation

	2021	2021	2020	2020
	Group	College	Group	College
	£'000	£'000	£'000	£'000
United Kingdom corporation tax at 19.00% (2020: 19.00%)	0	0	2	0
Total	0	0	2	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 2020	2,506
Additions	56
Disposals	(137)
At 31 July 2021	<u>2,425</u>
Accumulated Amortisation	
At 1 August 2020	2,283
Charge for year	92
Eliminated in respect of disposals	(137)
At 31 July 2021	<u>2,238</u>
Net book value	
At 31 July 2021	<u>187</u>
Net book value	
At 31 July 2020	<u>223</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 2020	166	49,220	0	13,045	62,431
Additions	0	3	0	3,351	3,354
Reclassification of asset	0	0	0	0	0
Disposals	0	0	0	(208)	(208)
At 31 July 2021	166	49,223	0	16,188	65,577
Accumulated Depreciation					
At 1 August 2020	151	4,604	0	9,081	13,836
Charge for year	11	871	0	1,117	1,999
Eliminated in respect of disposals	0	1	0	(206)	(205)
At 31 July 2021	162	5,476	0	9,992	15,630
Net book value					
At 31 July 2021	4	43,747	0	6,196	49,947
Net book value					
At 31 July 2020	15	44,616	0	3,964	48,595

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 2020	166	49,155	0	12,855	62,176
Additions	0	3	0	3,351	3,354
Reclassification of asset	0	0	0	0	0
Disposals	0	0	0	(208)	(208)
At 31 July 2021	166	49,158	0	15,998	65,322
Accumulated Depreciation					
At 1 August 2020	151	4,544	0	8,889	13,584
Charge for year	11	871	0	1,115	1,997
Eliminated in respect of disposals	0	0	0	(206)	(206)
At 31 July 2021	162	5,415	0	9,798	15,375
Net book value					
At 31 July 2021	4	43,743	0	6,200	49,947
Net book value					
At 31 July 2020	15	44,611	0	3,966	48,592

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 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
Investments in subsidiary companies	0	2	0	2
Charities Official Investment Fund - Re Edgar Stephenson Memorial Trust	2	2	2	2
Total	2	4	2	4
Investment in subsidiary company (inter-company loan > 1 Year)	0	0	0	2

The College owns 100% of the issued £1 ordinary shares in Westfirst Limited, a company incorporated in England and Wales (Registered Office: New Collge 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 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
Amounts falling due within one year:				
Trade receivables	1,031	1,031	1,016	1,016
Amounts owed by subsidiary undertakings	0	44	0	49
Prepayments and accrued income	1,807	1,797	4,323	4,319
Amounts owed by the ESFA	1,184	1,184	984	984
Total	4,022	4,056	6,323	6,368

16 Investments

	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
Short-term deposits	12,550	12,550	9,050	9,050
Total	12,550	12,550	9,050	9,050

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

17 Creditors - amounts falling due within one year

	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
Trade payables	482	482	354	342
Payments received in advance	931	931	1,070	1,070
Amounts owed to subsidiary undertakings	0	23	0	15
Other taxation and social security	1,093	1,093	959	959
Accruals	2,964	2,940	2,044	2,030
Holiday pay	624	624	567	567
Deferred income - government capital grants	756	756	469	469
Amounts owed to the ESFA	155	155	1	1
Total	7,005	7,004	5,464	5,453

NEW COLLEGE DURHAM

Notes to the Financial Statements (continued)

18 Creditors - amounts falling due after one year

	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
Deferred income - government capital grants	14,938	14,938	13,813	13,813
Total	14,938	14,938	13,813	13,813

19 Provisions - defined benefit obligations (Group and College)

	Defined benefit Obligations £'000
At 1 August 2020	(33 750)
Expenditure in the year	1,870
Additions in year	2,630
At 31 July 2021	(29,250)

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government pension Scheme. Further details are given in Note 25.

NEW COLLEGE DURHAM

Notes to the Financial Statements (continued)

20 Cash and cash equivalents

Group	At 1 August 2020 £'000	Cash flows £'000	Other changes £'000	At 31 July 2021 £'000
Cash and cash equivalents	4,117	2,609	0	6,726
Total	<u>4,117</u>	<u>2,609</u>	<u>0</u>	<u>6,726</u>

College	At 1 August 2020 £'000	Cash flows £'000	Other changes £'000	At 31 July 2021 £'000
Cash and cash equivalents	4,060	2,632	0	6,692
Total	<u>4,060</u>	<u>2,632</u>	<u>0</u>	<u>6,692</u>

21 Capital and other commitments

	2021 £'000	2020 £'000
Commitments contracted for as at 31 July (payable within 1 year)	<u>1,137</u>	<u>304</u>

22 Contingencies

There were no contingent liabilities (2020 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 as at 31 March 2019 and of the LGPS 31 March 2019.

Total pension costs for the year	2021 £'000	2020 £'000
Teachers' Pension Scheme: contributions paid	1,817	1,730
Local Government Pension Scheme:		
Contributions paid	1,870	1,670
FRS 102 (28) charge	<u>2,220</u>	<u>1,190</u>
Charge to the Statement of Comprehensive Income	4,090	2,860
Total Pension Cost for Year within staff costs	<u>5,907</u>	<u>4,590</u>

Employer contributions amounting to £365,000 (2020 £325,000) were payable to the schemes at 31st 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. These regulations apply to teachers in schools and other educational establishments. Membership is automatic for teachers and lecturers at eligible institutions. Teachers and lecturers are able to opt out of the TPS.

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

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

Accordingly, the College has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined-contribution plan. The College has set out above the information available on the plan and the implications for the College in terms of the anticipated contribution rates.

The valuation of the TPS is carried out in line with regulations made under the Public Service Pension Act 2013. Valuations credit the teachers' pension account with a real rate of return assuming funds are invested in notional investments that produce that real rate of return.

The latest actuarial review of the TPS was carried out as at 31 March 2019. The valuation report was published by the Department for Education (the Department in April 2019). The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £198 billion giving a notional past service deficit of £22 billion.

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/9). DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2019-20 academic year.

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

The pension costs paid to TPS in the year amounted to £1,817,000 (2020: £1,730,000)

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 2021 was £2,370,000 of which employer's contributions totalled £1,870,000 and employees' contributions totalled £500,000. 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 2021 by Aon Hewitt Limited.

	At 31 July 2021	At 31 July 2020
CPI Inflation	2.6%	2.3%
Rate of increase in salaries	3.6%	3.3%
Rate of increase for pensions	2.6%	2.3%
Discount rate for scheme liabilities	1.7%	1.4%
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 2021	At 31 July 2020
<i>Retiring today</i>		
Males	22.30	22.20
Females	24.30	24.20
<i>Retiring in 20 years</i>		
Males	23.30	23.20
Females	25.80	25.70

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 2021 £'000	Fair Value at 31 July 2020 £'000
Equities	25,099	18,300
Property	2,789	2,673
Government Bonds	7,197	8,983
Corporate Bonds	7,871	5,457
Cash	2,024	1,707
Total fair value of plan assets	44,980	37,120

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

	2021 £'000	2020 £'000
Fair value of plan assets	44,980	37,120
Present value of plan liabilities	(74,230)	(70,870)
Net pensions liability (Note 20)	(29,250)	(33,750)

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

	2021 £'000	2020 £'000
Amounts included in staff costs		
Current service cost	4,090	2,860
Past service cost	0	0
Total	4,090	2,860

Amounts included in interest and other finance costs

Interest on scheme assets	530	820
Interest on pension liabilities	(990)	(1,270)
Total	(460)	(450)

Amounts recognised in Other Comprehensive Income

Return on pension plan assets	6,210	(1,270)
Changes in assumptions underlying the present value of plan liabilities	970	(9,350)
Total	7,180	(10,620)

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

	2021 £'000	2020 £'000
Net defined liability in scheme at 1 August	(33,750)	(21,490)
Movement in year:		
Current service cost	(4,090)	(2,860)
Employer contributions	1,870	1,670
Past service costs	0	0
Net interest on the defined liability	(460)	(450)
Actuarial gain / (loss)	7,180	(10,620)
Net defined liability at 31 July	(29,250)	(33,750)

Asset and Liability Reconciliation

	2021 £'000	2020 £'000
Changes in present value of defined benefit obligations		
Defined benefit obligations at start of year	70,870	58,460
Current service cost	4,090	2,860
Interest cost	990	1,270
Contributions by scheme participants	500	470
Changes in financial assumptions	(970)	9,350
Estimated benefits paid	(1,250)	(1,540)
Past service cost	0	0
Defined benefit obligations at end of year	74,230	70,870

	2021 £'000	2020 £'000
Changes in fair value of plan assets		
Fair value of plan assets at start of year	37,120	36,970
Interest on plan assets	530	820
Return on plan assets	6,210	(1,270)
Employer contributions	1,870	1,670
Contributions by scheme participants	500	470
Estimated benefits paid	(1,250)	(1,540)
Fair value of plan assets at end of year	44,980	37,120

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.

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%.

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 £212 ; 2 governors (2020: £447 ; 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 (2020: 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 £1,000 (2020 £1,320) relating to incentive grants took place. At the year-end £0 was outstanding and included in creditors (2020 £0).

Sales transactions totalling £107 relating to interview expenses took place in 2021. In 2020, sales transactions totalling £23,986 were for supply of teaching staff. At the year-end £0 was outstanding (2020 £6,031).

Durham University - a company for which Professor Towl (a Board Member until October 2020) is in paid employment.

Purchase transactions totalling £0 (2020 £1,000) took place. At the year-end £0 was outstanding (2020 £0).

Sales transactions totalling £0 (2020 £2,678), relating to tuition fees took place. At the year-end £0 was outstanding (2020 £0).

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

Purchase transactions totalling £193,959 (2020 £557,066) relating to student bus passes took place. At the year-end £0 was outstanding and included in creditors (2020 £0).

Sales transactions totalling £0 took place (2020 £1,800) . At the year-end £0 was outstanding (2020 £0).

NEW COLLEGE DURHAM

Notes to the Financial Statements (continued)

26 Amounts disbursed as agent

	2021 £'000	2020 £'000
Funding body grants - Learner Support Funds	809	550
Other funding body grants	<u>332</u>	<u>197</u>
	1,141	747
Disbursed to students	628	402
Disbursed to employers	<u>332</u>	<u>197</u>
Balance unspent at 31 July, included in creditors	<u>181</u>	<u>148</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.

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 4 November 2021 and further to the requirements of the grant funding agreements and contracts with the Education and Skills Funding Agency (the "ESFA") or any other public funder, to obtain limited assurance about whether the expenditure disbursed and income received by New College Durham during the period 1 August 2020 to 31 July 2021 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2020 to 31 July 2021 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Basis for conclusion

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

We are independent of the 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 1 August 2020 to 31 July 2021 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

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

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

Use of our report

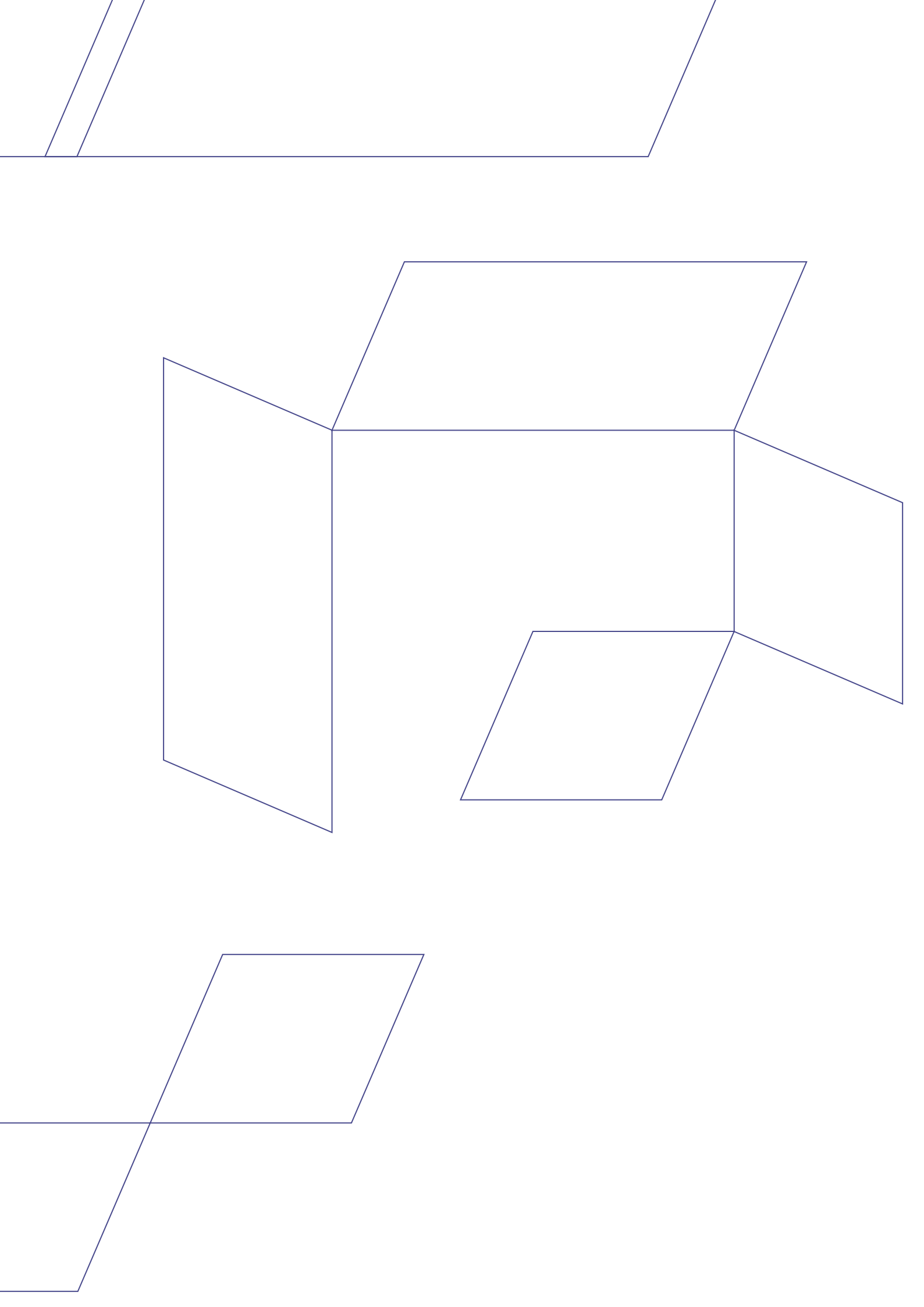
This report is made solely to the Corporation of New College Durham and the Secretary of State for Education acting through the ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the Corporation of New College Durham and the Secretary of 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.

Rsm uk Audit up

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Chartered Accountants
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Date 10/12/21







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