
DERWENTSIDE COLLEGE

**Report and Financial Statements
For the Year Ended 31 July 2021**

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DERWENTSIDE COLLEGE
Report and Financial Statements
For the Year Ended 31 July 2021

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

Public Benefit Statement

Derwentside College is an exempt charity under Part 3 of the Charities Act 2011 and following the Machinery of Government changes in July 2016, is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on page 14.

In setting and reviewing the College's strategic objectives, the Governing Body has had due regard for the Charity Commission's guidance on charitable purposes and public benefit - 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.

The College has set out its aims in the following Mission, Vision and Values statements:

Mission, Vision and Values

The College has recently published a new Strategic Development Plan which documents the aims of the College through to 2026. The plan provides clarity on the College's Mission, Vision and Values which are shown below:

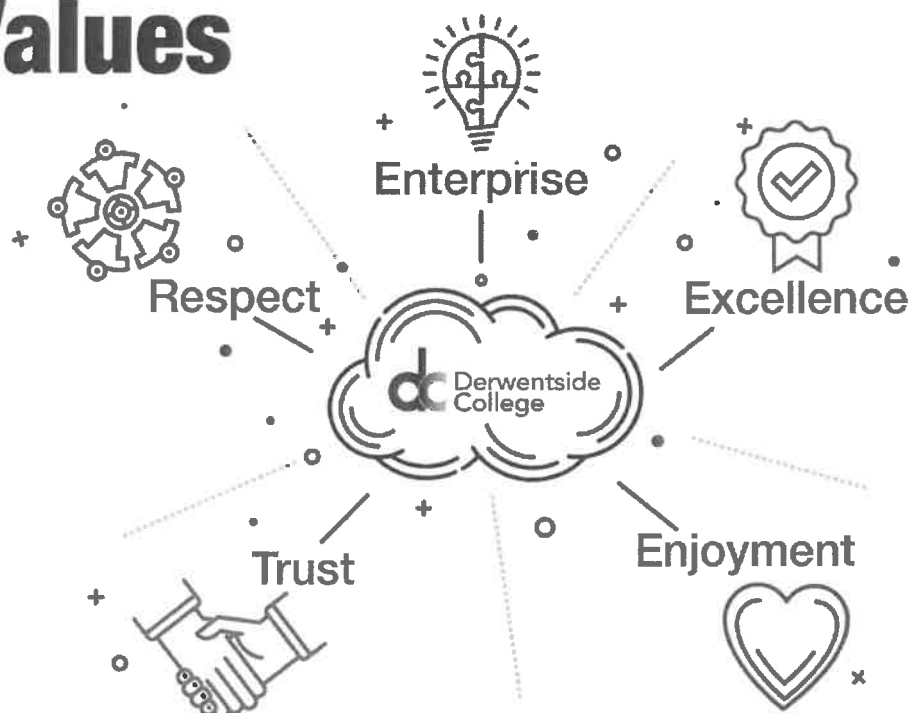
Mission

To provide high quality
education and training
that shapes the future
and transforms lives

Vision

To be an outstanding
college that is highly
valued by our learners
and partners

Values



Trust

- We take responsibility for our own work and actions, holding ourselves to account;
- We follow through on our commitments, making sure we deliver what we say we will;
- We are trusted to do our jobs well and we are given freedom and flexibility to achieve this in our own way.

Respect

- We treat everyone with respect and support each other;
- We value diversity and difference;
- We accept people for who they are.

Enterprise

- We think differently and are not afraid to innovate and try new things;
- We accept that problems can occur, but we are solutions focussed, taking the lead and actively challenging the status quo;
- We adapt well to change and embrace new opportunities.

Excellence

- We have the highest expectations for our learners;
- We strive to achieve excellence in all that we do;
- We take the lead on improving our services and get things done;
- We learn from our mistakes in an environment free from blame, where learning and reflection is encouraged.

Enjoyment

- We approach our work with enthusiasm and we are optimistic about the future;
- We enjoy our work and the relationships we have with each other;
- We are welcoming and friendly, and enjoy having fun with colleagues, learners and all those we come into contact with.

Strategic Summary

Overview

Over the last three years, the College has continued to perform well financially, continuing to generate a positive Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA). The Education specific EBITDA surplus is £746k in 2020-21 (£406k in 2019-20). This has resulted in strengthening the Net Assets before Pension Liabilities. The Education specific EBITDA removes deferred capital grant income and the interest and service costs of the LGPS in addition to the standard items in an EBITDA calculation.

During the year, the College's financial health grade for 2019-20 was confirmed by the Education and Skills Funding Agency (ESFA) to be 'outstanding'. Based on the results presented in these accounts is our expectation that we will improve our Financial Health score, thereby retaining a grading of Outstanding Financial Health in 2020-21. The College has continued to perform well in most areas despite continuing lockdowns and disruption caused by the Coronavirus.

One area of activity that has been adversely affected by the Coronavirus lockdowns in 2020-21 is our Adult Education Budget (AEB) provision, much of the delivery in this area is on short course activity, and is provided in conjunction with Job Centre Plus and others. During periods of lockdown some of this provision was not possible to deliver in person due to virus restrictions or online due to the technical limitations of the target learners. Some courses were able to go ahead as remote learning, but the general reduction in activity has seen an decrease in AEB income, and a significant provision for a clawback of AEB funds made on the Balance Sheet. A Business Case will be submitted to the ESFA outlining our circumstances and we await to hear the outcome of our case.

The College has continued to see consistent growth in our Apprenticeship provision. Our engagement with employers continues to improve and has resulted in an increase in income in the 2020-21 year for Apprentice provision.

Our budget planning for 21-22 has seen an increase in Payroll budgets in order to be able to have the correct amount of resource for continued steady growth in our Apprenticeship provision, although we are still taking an overall prudent approach to our expectations for the year ahead.

Wherever possible training consultants have continued to engage remotely with learners, using Microsoft Teams to maintain learner visits. This has meant that the number of learners continuing their learning programme continues to remain higher than we first anticipated at the beginning of the Coronavirus pandemic and the level of withdrawals and breaks in learning has been lower than anticipated, which has allowed us to maintain better than expected funding position for Apprenticeships at year end.

However, based on the figures presented within these accounts, there has still been a reduction in income when compared to the prior year. We have also reduced costs where possible and as a result our financial health grade for 2020-21 will retain a grading of 'Outstanding', with a forecast predicting this to continue in 2021-22. The College's zero debt and strong current ratio (current assets : current liabilities) always enable us to score well on these measures. 2020-21 has seen an increase in the level of EBITDA surplus resulting in an improved score for this category in the year to 31 July 2021.

Moving forward, the Corporation Board is confident that the College remains a going concern based on our strong financial performance and positive outlook for the future. The board has approved future budget plans that recognise the difficulties that face the UK and College economy and are realistic and achievable and thus, the financial plan will continue to support the College in pursuance of its strategic objectives. Our aim over the coming years will be to maintain our financial health grading, generating cash to improve our solvency and increasing our ability to use cash surpluses to invest in our facilities and improve the learner experience.

Recent Progress

2020-21 has been an unusual year for Derwentside College – as it has no doubt been for the Education Sector as a whole, due to the disruptions caused by the Coronavirus pandemic.

The College was fully closed to learners from the first lockdown that started in March 2020, so we started the 2020-21 academic year having not operated classroom learning at any point in the previous six months. We were required to build in extensive Covid testing of staff and learners at the beginning of term and carry out extension risk assessments and implement social distancing, learner bubbles and hygiene measures that had never been used previously in College.

Despite these additional burdens, we were very happy to welcome learners back to in College learning, although we were still operating remote learning and part College / part remote teaching to our students (a blended learning approach).

However, with case numbers increasing significantly in Autumn 2020, a second national lockdown came into force in November and learners were once again being taught via remote learning. During this time it became impossible for the College to deliver much of its short course format Adult Education (AEB), as it is often reliant on practical hands on workshop experience. We could not provide all of our Sector Based Work Academies, even though as much as possible continued to be delivered via online remote learning.

Although the Government wanted learners to return to Schools and Colleges from the beginning of January 2021, continuing high levels of infection meant that this did not happen until 8 March 2021 when we were able to re-commence classroom teaching. AEB short course activity also restarted, but has required more lead time to get back up and running.

Budgeting and predicting levels of activity for the 2020-21 year was always expected to be difficult, so a prudent approach was adopted and with the exception of our AEB delivery we have been encouraged by the positive results – particularly with our Apprenticeship provision in the year which as a result of our continued engagement with employers has continued to perform better than initially expected during the year.

Despite these difficulties, the College has had another very successful year. We have continued to make good progress towards the achievement of our mission and vision, as well as our 'statements of intent' against each of our identified key strategic pillars. We have created a completely new Strategic Plan which outlines the College aims through to 2026 and provides targets for our key strategic outputs, which the Board of the Corporation use to measure performance on an annual basis.

The College has consistently performed in top 10% against national benchmarks for learner achievement in all areas of provision. Although many benchmark measures have been suspended in light of the Coronavirus pandemic, in the most recent FE Choices survey available to the sector, our learners reported a satisfaction rate of 94%, which places us first amongst the North East Colleges and fourth best in England. Provisional outcomes from the national employer satisfaction survey paint a similar picture, with a provisional employer satisfaction rating of 94%, which represents an exceptional outcome.

The College, in many ways, is not a traditional further education College with just over half of our income being generated by our Apprenticeship provision. In this particularly difficult year, the Government has recognised the part Apprenticeships can play in boosting employment for young people and has increased the incentives to employers to take on a young apprentice. The College has been well placed to work with employers so they can utilise the incentive schemes and employ young apprentices. This has allowed the College to continue be a leading provider of Apprenticeships both regionally and nationally, maintaining and building its market share and continuing to improve quality.

Moving forward, the increasing level of vaccination of the UK population, which now covers all over 16s, and the determination of the UK government not to return to lockdown conditions, that the Coronavirus pandemic has stabilised, we will look to recover and grow our provision over the coming years, improving teaching, learning and assessment, with the aim of becoming an outstanding provider.

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Members' Report (continued)
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For 2020-21, achievement rates on our adult programmes are anticipated to reach 97.8% at the end of the 2020/21 (2019/20 95.9%), which is an improvement in year. The comparison with prior year is not all together straight forward as 2019/20 was subject to a decrease due to the severe March 2020 lockdown. Even after bearing this in mind, the 2020/21 performance returns us to our pre pandemic levels of achievement.

The College intends to recover the AEB provision to pre-pandemic levels during 2021/22. We have increased the volume of provision we deliver directly, further reducing our reliance on sub-contracting, and improving the quality of provision. Programmes have been able to re-start in earnest from August 2021 and will form a significant part of our Adult Classroom delivery, with demonstrable curriculum intent and implementation, as well as measurable impact through high quality learner destinations.

The College's full time 16-18 learning programmes continued to see improvement in 2020/21, although representing the smallest aspect of our provision, during 2020/21 attainment levels look set to rise to 92.6% achievement, compared to 90.4% in 2019/20. Significant improvements are evident in the vocational subject areas, including demonstrating a continuous improvement in our 16-18 maths and English attainment having been from 66% in 2018/19, 79% in 2019/20 and is now 84.3% in 2020/21.

Moving forward, our objectives are to restore and grow our provision, in particular, against our full time programmes (16 to 18) and Apprenticeships, whilst also continuing on our journey towards outstanding. Continuous improvement, combined with empowering leadership and management, will underpin this and will ensure we achieve our mission, and in particular, our vision, 'to be an outstanding College that is highly valued by our learners and partners'.

The Further Education Landscape

The Further Education Landscape continues to change and develop, with 2020-21 representing another year of significant change and political uncertainty. In the sections below, an overview has been provided of key development in the external landscape that have featured during the year:

Coronavirus

As discussed in earlier sections of this report, the national lockdown and order to close the College buildings to learners has had a significant impact on both College activity and finances. All short course activity ceased on 20 March 2020 and subsequent lockdowns since then have meant the College has been open to Classroom teaching intermittently since then. We have implemented remote learning as widely as possible over the past year including Classroom type delivery remotely. Apprentices have continued to meet with their Training Consultants via remote meetings online. The number of new starts for Apprenticeships has continued to remain robust in 2020-21 and continues to improve going forward.

Brexit

The UK officially left the EU, on 31 January 2020 and transitional arrangements continued into the 2020-21 academic year, but came to an end 31 December 2020. Within the College year no significant effects were felt, but due to a combination of Brexit and Covid, supply chains for goods and services has recently made it more difficult and more expensive to procure the materials that some of our workshop and other realistic working environment provision relies upon.

The Further Education sector is likely to be less affected than most however, any potential economic disruption carries an obvious risk to public spending, and thus, the level of funding available to further education Colleges.

On a more positive note, the labour shortages that the UK is experiencing should create an increased demand for skills and apprentices within the UK, potentially creating demand that FE Colleges can fulfil.

Augar Review

In July 2019, Phillip Augar published his much anticipated report on post 18 education and funding. The report makes a number of recommendations relating to further education, which, if implemented, would be overwhelmingly positive for the sector. Following the publishing of the report, both the AoC and Principals &

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CEOs of Colleges across the country continue to encourage the Government to implement the recommendations made in the report.

FE Commissioner / College Financial Forecast Return (CFFR)

During 2019-20 the complex financial Integrated Financial Model for Colleges (IFMC) was introduced for Colleges. In 2020-21 the return has evolved into the CFFR which collected much of the same data, but in a more usable format. The aim of the return is still to provide ESFA and FE Commissioner a cash solvency based, highly detailed dataset that would identify financial weaknesses within Colleges in advance of significant problems occurring.

Government Comprehensive Spending Review / Capital Investment

With the UK economy changing rapidly, the Government Comprehensive Spending Review was largely deferred until more stable economic certainty could be established, so only a one year budget was published in 2020. Another Comprehensive Spending Review is due in October / November 2021 and it is hoped that this will outline Government plans over the next three years.

As part of support for the Sector during the Coronavirus pandemic, the College was allocated a capital allocation of £422k. This was granted on the understanding it was spent on improving the condition of our Buildings and Infrastructure. The Capital funds were received in September 2020 but needed to be spent by 31 March 2021, giving the College just six months to plan, commission and complete projects (including our match funding) with a value of over £600k. The College used this opportunity to almost double the floorspace available in the Construction Workshop by installing a mezzanine floor and comprehensively improve its IT infrastructure, as well as replacement of some doors and roofing alongside some other small improvement projects.

Derwentside was one of a small number of Colleges that met the original deadline. Despite an initial firm line from the ESFA that the capital deadline could not be extended, because the majority of FE Colleges were unable to comply with the tight timescales, so the completion deadline was extended for most other Colleges.

During the year, the ESFA has invited bids to other Capital Expenditure funds. The College has submitted a bid to the Post 16 Capacity Fund which, if successful, would allow us to expand our classroom space.

T-Levels and the Overhaul of Technical and Professional Education

The government introduced its post-16 Skills Plan in July 2016, which set out proposed reforms to the technical education system in England. Under the proposals, there will be two education routes from age 16: a technical options and an academic option.

The technical option comprises of occupations grouped together with shared training requirements into 15 technical education routes, which will continue to be delivered by a combination of College-based education and Apprenticeships. The remit of the Institute for Apprenticeships will be expanded to cover all technical education and the Institute is responsible for convening panels of employers to advise on the standards that individuals will need to meet in each route.

Two-year College-based programmes have been created at the start of each technical route, with nationally recognised certificates at levels 2 and 3. Each programme includes a 'common core', applying to all individuals studying that route and aligned to Apprenticeships, followed by specialisation towards a skilled occupation or set of occupations. In order to successfully complete a T Level Qualification at Level 3, learners need to achieve the vocational qualification, English and Maths at Level 2 and have completed a substantial work experience and project. For learners not able to access a technical route at 16, there will be a 'transition year' where tailored support will be provided based on their prior attainment.

Routes extend up to higher skill levels, with the Institute for Apprenticeships maintaining a register of technical qualifications at levels 4 and 5 which are eligible for Government-backed student loans.

The five National Colleges focus on delivering technical education at levels 4 to 6 in sectors crucial to the Government's productivity agenda. In addition, a network of Institutes of Technology have been created

across the country, likely building on existing infrastructure, to provide technical education in STEM subjects at levels 3, 4 and 5.

As it currently stands, Derwentside College is due to start delivering T Level programmes from September 2023. However, at the time of writing, we are still waiting for confirmation which existing Level 3 qualifications will remain eligible for funding and certification.

Apprenticeships

The Apprenticeship reforms, although largely implemented, continue to mean the College has to develop and change at pace. New funding rules and regulations are being developed and introduced regularly, and in order to comply, Colleges are spending an increasing amount of time on administration and compliance. The move from frameworks to standards is now fully implemented.

Despite this, there continues to be many opportunities for growth into the future, with the College continuing to perform well. There remain challenges however, with employer uncertainty surrounding the stability of the UK economy due to Coronavirus and Brexit a common worry, but recent significant labour shortages has led to an increase in the number of employers who wish to recruit new apprentices. Employers are regaining confidence in the economic outlook to create apprentice opportunities, so Government action and incentives to improve the take up of apprentices is working within the Apprenticeship sector.

Adult Education Budget Devolution

In 2019-20, the Adult Education Budget was devolved in Tees Valley, with the College securing a delivery contract. During 2020/21, the College was able to obtain approval to expand its AEB delivery in the Tees Valley area, increasing this income stream to £393k in year. The College was invited to re-apply for funding in 2021/22 and was successful, being awarded a contract for the 21/22 year of £407k.

New Ofsted Inspection Framework

A new Ofsted Education Inspection Framework (EIF) was consulted on during 2018-19 and has subsequently been introduced in September 2019. The new EIF represents a significant change in the focus and approach to inspections within further education and skills, with a shift towards the breadth and quality of the curriculum, and a specific focus on intent, implementation and impact.

Inspection visits were put on hold due to the Coronavirus pandemic from March 2020. As we are overdue an inspection the College is carrying out as much advanced preparation as we can, to ensure we are ready for a short notice inspection.

The College Development Plan – Strategy into Action

Mission, Vision and Values

The College's Mission, Vision and Values set out our core purpose; our aspirations for the future; and our organisational culture.

The College Development Plan

The College recently reviewed its Strategic Plan and has reset its objectives through to 2026. This then influences the Annual Development Plan which has the specific actions that will take place allowing us to reach our overall targets and deliver against its Mission and Vision, supporting the achievement of its goals and providing clear direction on what needs to be done.

The College Development Plan is built around four Strategic Pillars, as follows:

- Leadership and Management
- Apprenticeships
- Full-Time Learning Programmes
- Adult Learning Programmes

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The strategic pillars represent the core aspects of our business and within each one, we have set out a clear statement of intent providing clarity on what we want to achieve.

Our development planning and objectives flow from these statements and our self-assessment processes, providing clear direction towards the achievement of our Vision and statements of intent over time.

Our success will be measured against the achievement of our Development Plan and ultimately our strategic outputs, with the Executive Team and Board taking responsibility for monitoring our performance and progress over time.

Operational Implementation

In order to oversee the implementation of each aspect of our Development Plan, the College's internal structures have been aligned to the strategic pillars, with teams of staff empowered to lead development and continuous improvement against each strand.

Performance Review

On an annual basis, the Board of the Corporation receive a report from the Principal and Chief Executive, in November each year, highlighting performance against the Annual Development Plan and in particular, our defined Strategic Outputs. This provides the Board with a clear, high level summary of the College's performance, and over time, will demonstrate the College's success, or otherwise, in achieving its mission and vision.

Financial Position

The College generated a deficit in the year of £563k (2019/20: Deficit of £527k). The £563k deficit includes a charge of £890k relating to pension adjustments made under FRS 102 (£630k in 2019/20). Excluding this, the surplus reported was £327k (£103k surplus in 2019/20), which represents an increase of £224k on the previous year.

Fixed asset additions in the year amount to £687k (£229k in 2019/20). A significant amount of capital investment in the year was supported by an ESFA capital grant of £422k. The grant was specifically provided to improve building condition and upgrading building infrastructure. Approximately 49% of the expenditure related to updating and improving College buildings, 13% on replacement of fixtures, fittings and other equipment and the final 37% of expenditure being spent on replacing or improving IT equipment.

The College has reported net current assets of £1,809k at year end (£1,358k in 2019/20), which demonstrates a significant improvement on the prior year. This is mainly due to an improvement in the cash reserves of the College. There has been overfunding of AEB income in the year and as a result our year end creditors (particularly the amounts repayable to the ESFA) have increased significantly, although overall our current ratio remains in a strong position at year end.

Our Cash balance has increased significantly in 2020-21 showing a year end balance of £3,010k (£1,880k in 2019/20). This is partly due to the overfunding of AEB income which will be subject to clawback in 2021-22, but even without the AEB funds the College has still generated a net increase in cash from activity in year. Both the ESFA and the FE Commissioner place a great deal of emphasis on the solvency of Colleges, so our aim to maintain a substantial cash balance continues. The College continues to have zero borrowings and it is an aim of the College to further increase reserves and maintain cash balances to create a contingency fund and also finance further investment.

At the end of the year the College has total assets less current liabilities of £9,526k (2019/20: £8,919k) and net liabilities of £4,629k (2019/20: £7,706k), including the pension liability. The significant movement which decreases the overall College liability by £3.08m is due to the continuing volatility in the LGPS valuation of the pension liability. In 2019/20 the LGPS pension liability increased by £4.66m – mainly because the LGPS valuation took place at 31 March 2020, just as the first Coronavirus lockdown started and asset values plummeted. The 2020/21 valuation, one year on at 31 March 2021 has seen a significant recovery in asset values hence the decrease in our pension liabilities by £2.75m. Over the long term, these large movements in pension

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scheme values will need to be absorbed and could result in potential increases to employer contributions, which could potentially limit the College's ability to raise funds through borrowing in the future. More may be known after the next tri-ennial valuation due to take place in March 2022, although results of this may not be published until the following year.

The College is heavily dependent upon the main funding body (Education & Skills Funding Agency) for funding. The level of total funding has decreased in 2020/21: £8,211k was recognised in the year (2019/20: £8,552k). The largest decreases were seen in 16-19 Programme Funding, due to the lower funding allocation for 2020/21. With an uptick in 16-19 demographics in the College catchment area this funding stream is expected to improve in future years – a theory that has been borne out in levels of learner recruitment in 2020/21. Adult Education Budget provision has been significantly affected by continued lockdowns and is likely to be subject to a funding clawback for 2020/21, which has been provided for at 31 July 2021. The £8,211k recognised in the 31 July 2021 accounts does not include any income that we expect to be clawed back. Apprenticeship income has increased in 2020/21 and is expected to do so again in 2021/22.

The financial statements include the impact of the accounting requirement relating to pension funds (FRS102 8.28) which results in a movement in the statement of comprehensive income and also the increase of the pension liability in the balance sheet. This only relates to the pensions of non-teaching staff and is administered as part of the Durham County Council Local Government Pension Scheme. It does not involve any actual cash spend, other than employers pension contributions, and is based on a range of actuarial assumptions. The impact of FRS102 is ignored by the funding bodies in the assessment of financial health and sustainability. In 2018/19 two legal cases have resulted in an increase in the valuation of the College liability – GMP Equalisation and McCloud / Sargeant cases. In the year 2019/20 the economic impact of the Coronavirus has had a significant effect on the value of the pension scheme liability. This has seen a recovery in the 2020/21 valuation. More detail on this is given in the relevant Pensions note.

Student Numbers and Performance

During the 2020/21 year, the College recruited 405 16-18 classroom based learners (2019/20: 401) and 1017 Adult classroom based learners (2019/20: 849). As part of its Apprenticeship provision the College has 2,645 Apprentices on programme (2019/20: 2,664).

Principal Risks and Uncertainties

The College has identified the key risks that might prevent the achievement of its strategic and development plans. These are reviewed and agreed by the Corporation Board regularly throughout the year. The Strategic Risks identified at 31 July 2021 are as follows:

- **Risk 1** – The College's Apprenticeship provision fails to adapt to the heightened expectations of Ofsted and the ESFA.
- **Risk 2**– Failure to meet learner recruitment and funding targets.
- **Risk 3** – Failure to effectively manage the College's sub contracted partnership provision.
- **Risk 4** – Failure to achieve and maintain high levels of retention, achievement rates and other outcome based measures.
- **Risk 5** – Failure to develop and improve the quality of teaching, learning and assessment.
- **Risk 6** – Failure to deliver the College's financial objectives.
- **Risk 7** – Political challenges and large scale recession from a combination of Brexit fallout, but particularly the after effects of the Covid-19 pandemic leads to a general downturn in the UK economy, with a subsequent mid / long term decline in public sector funding.

- **Risk 8** – Further attempts to breach IT security compromises secure and confidential information.
- **Risk 9** –The roadmap out of lockdown that was announced February 2021 is subject to further delays beyond 19 July or regresses due to new variants of the virus, resulting in increased infection rates / hospital admissions, leading to a fourth wave of infections. This leads to a further lockdown either nationally or locally which disrupts business continuity.
- **Risk 10** – The FE White Paper ‘Skills for Jobs for Lifelong Learning for Opportunity and Growth’ results in outcomes that are detrimental to College independence.

Risks are not ranked by order of importance, but in the case of each risk, an individual risk score is formulated and a detailed action plan is in place where appropriate, to control and mitigate individual risks within the accepted risk appetite of the Corporation Board.

Stakeholder Relationships

In line with other Colleges, Derwentside College has many stakeholders. These include:

- Learners
- Staff
- Local schools and academies
- Partners
- Funding Bodies
- Local employers
- Local authorities
- The local community
- Other FE institutions
- Other training providers
- Trade unions
- Professional bodies

The College recognises the importance of these relationships and engages in regular communication with them.

Employment of Disabled Persons and Equal Opportunities

The College considers all applications for employment from disabled persons, bearing in mind the aptitudes of the individuals concerned. Where an existing employee becomes disabled every effort is made to ensure that employment with the College continues. The College’s policy is to provide training, career development and opportunities for promotion that are, as far as possible, identical to those for other employees.

The College believes that discrimination against someone on the grounds of age, disability, special needs, gender, marital status, sexual orientation, religion, race, colour, nationality, ethnic or national origin, political belief or any other grounds is incompatible with its belief in the equal value of all people. It is therefore committed to promoting equality of opportunity in education, training and employment by the continuous development of a non-discriminatory culture and an environment free from harassment, bullying or unfair treatment regardless of individual differences.

The College has an Equality and Diversity Committee that includes Board and Trade Union representation. Under the 2010 Equality Act the College has published, on its website, information to demonstrate compliance and also prepared and published a number of equality objectives.

Disability Statement

The College seeks to achieve the objectives set down in the Disability Discrimination Act 1995 as amended by the Special Education Needs and Disability Acts 2001 and 2005.

- a) All buildings facilitate easy access to people with disability;
- b) There is a list of specialist equipment, such as lighting for audio facilities, which the College can make available for use by students;
- c) The admissions policy for all students is described in the College charter. Appeals against a decision not to offer a place are dealt with under the complaints policy;
- d) The College has made a significant investment in the appointment of specialist lecturers to support students with learning difficulties and/or disabilities. There are a number of student support assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities;
- e) Specialist programmes are described in programme information guides, and achievements and destinations are recorded and published in the standard College format;
- f) Counselling and welfare services are described in the College charter.

Trade union facility time

The Trade Union (Facility Time Publication Requirements) Regulations 2017 require the College to publish information on facility time arrangements for trade union officials at the College

Numbers of employees involved in the relevant period	FTE employee number
7	6.8

Percentage of time	Number of employees
0%	4
1-50%	3
51-99%	0
100%	0

Total cost of facility time	£3,938.61
Total pay bill	£4,965,138.68
Percentage of total bill spent on facility time	0.079%

Time spent on paid trade union activities as a percentage of total paid facility time	0
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Going Concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Members' Report. The financial position of the College and its cash flows are presented in the Financial Statements and accompanying Notes.

The College currently has no borrowings or overdraft facility. The College continues to re-invest in its Estate and Asset base using cash reserves without the need for any external borrowings and hence has no borrowing covenants to comply with. At 31 July 2021 the College holds a cash balance of £3,010k. (2019/20 £1,880k) Despite the difficult circumstances due to interruption from the Coronavirus throughout the year, cash has increased by a significant amount of £1,130k in the year (2019/20 £55k increase). We acknowledge that AEB has been funded as per the full allocation and is likely to be subject to a clawback of approximately £310k, but even after factoring in the clawback, cash generation is overwhelmingly positive.

The College has delivered remote online learning when required throughout the pandemic by the government. This has not impacted student numbers in full time classroom learning, or the quality of provision by the College and despite the difficulties we have faced, the College has continued to trade in line with its most of its forecasts – with the exception of AEB provision as discussed earlier. The Colleges cash balances remain in line with the year end amount.

The College has prepared forecasts for the period though until July 2023 taking account of the anticipated impact of COVID-19. The College is of the opinion that, taking account of these forecasts, the College will have sufficient funds from cash reserves to meet its liabilities as they fall due over the period of 12 months from the date of approval of the financial statements (the going concern assessment period).

In 2019/20 the LGPS pension liabilities increased significantly, mainly due to the assets of the scheme being valued at 31 March, just as equity markets suffered a severe contraction. Much of the reduction in values has reversed in the year 2020/21 with a significant improvement in the value of the scheme assets and a corresponding decrease in the value of the LGPS liability. Both the College and ESFA view these items as a non cash matter which does not affect the ability of the College to produce a strong underlying performance which has generated good cash balances. The cash held by the College will allow us to continue making capital investment in the College facilities without external borrowing or requiring any overdraft facility both in the present and in the future.

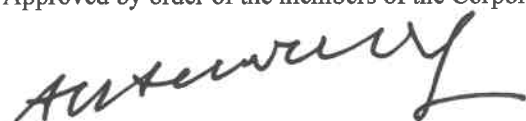
The Derwentside College ESFA financial health grade in 2019/20 was confirmed as outstanding, and our predictions for 2020/21 show that this will be maintained. Our current ratio score is predicted to remain at the maximum score available, our EBITDA score has been improved in 2020/21 and with zero borrowing or overdraft we are in a strong position. The 2019/20 ESFA published results showed only 3 FE Colleges in the North East with an outstanding health grade, with Derwentside College being one of them.

Consequently, the Corporation is confident that the College will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Disclosure of information to independent auditor

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

Approved by order of the members of the Corporation on 7 December 2021 and signed on that date by its order:



A N Edwards (Chair)

DERWENTSIDE COLLEGE
Statement of Corporate Governance and Internal Control
For the Year Ended 31 July 2021

The Corporation

The College is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the College has applied the principles set out in the revised *Combined Code on Corporate Governance* issued by the London Stock Exchange in July 2006 and the *Code of Good Governance for English Colleges* in March 2015. Its purpose is to help the reader of the financial statements understand how the principles have been applied. Whilst having not adopted the *UK Corporate Governance Code 2018*, the Corporation has due regard to its principles and guidance.

In the opinion of the governors, the College complies with all the provisions of the Combined Code in so far as they apply to the Further Education Sector, and it has complied throughout the year ended 31 July 2021.

The members who served on the Corporation during the year and up to the date of signature of this report were as listed in Table 1.

Table 1: Governors serving on the College board during 2020/21

	Date of appointment	Term of office	Date of Resignation	Status of appointment	20-21 attendance	Committees Served
Mr C Todd	August 2018	Ongoing		Principal	9 of 9	Search & Governance Committee
Mr A N Edwards (Chairman from Oct 01 to date)	April 1997, re-appointed April 2001, April 2005, March 2009, May 2013, May 2017, May 2019, May 2021	1 year		Independent	9 of 9	Search & Governance Committee, Remuneration Committee
Mr G Marshall	April 2001, re-appointed April 2005, March 2009, May 2013& May 2017, May 2021	4 years		Independent	9 of 9	Audit
Mr G Gibson (appointed Chair of Audit Nov 2020)	March 2008, re-appointed March 2012, March 2016 June 2020	4 years		Independent	9 of 9	Audit
Mrs G Granath	March 2012, re-appointed March 2016 (suspended March 2020 for 6 months due to ill health)	4 years	10/11/20	Independent	1 of 3	RESIGNED
Mrs C Richards	June 2014, re-appointed June 2018	4 Years		Staff	8 of 9	
Mr M Short	January 2015, re-appointed January 2019	4 Years		Independent	8 of 9	
Mr J Devanney	October 2017	4 Years	11/11/20	Independent	1 of 3	RESIGNED
Mrs N Dixon	December 2018	4 years		Staff	6 of 9	
Mr B Layton	8 October 2019, appointment extended September 2020	1 year		Student	5 of 5	Term expired
Dr K Chester (appointed Vice-Chair Nov 20)	8 October 2019	4 years		Independent	9 of 9	Search & Governance Committee, Remuneration Committee
Dr R Bedson	5 October 2020	4 years	18/01/21	Independent	3 of 4	RESIGNED

DERWENTSIDE COLLEGE
Statement of Corporate Governance and Internal Control
For the Year Ended 31 July 2021

	Date of appointment	Term of office	Date of Resignation	Status of appointment	20-21 attendance	Committees Served
Mr S Howard	5 October 2020	4 years		Independent	8 of 9	
Mr M Sowerby	8 December 2020	4 years		Independent	4 of 4	
Ms T Cramond (P)	8 December 2020	4 years	17/03/21	Independent	3 of 3	RESIGNED
Mr B Layton	18 March 2021*	4 years		Independent	4 of 4	Appointment to be confirmed 05/10/2021
Mr D Allsop (P)	18 March 2021*	4 years		Independent	3 of 4	Appointment to be confirmed 05/10/2021
Mr C Bozeate (P)	18 March 2021*	4 years		Independent	4 of 4	Appointment to be confirmed 05/10/2021
Mr G Lyons (P)	18 March 2021*	4 years		Independent	3 of 4	Appointment to be confirmed 05/10/2021
Mr A Lunn (P)	18 March 2021*	4 years	05/07/21	Independent	n/a	RESIGNED
Ms N Stamp (P)	18 March 2021*	1 year	02/06/21	Student	2 of 2	RESIGNED

(P) denotes Probationary Board Member – appointment is subject to observation of three Board Meetings.

* Date of potential Members' meetings with Chair and Clerk ahead of recommendation to appoint. Probationary Members observed Board meetings held in April, May and July 2021.

The members who attended the Audit Committee during the year and up to the date of signature of this report were as listed in Table 2.

Table 2. Members in attendance at The Audit Committee:

Audit Committee Member	Attendance 2020-21
Mr G Gibson (Chair)	5 of 5
Mr G Marshall	5 of 5
Mrs G Granath (resigned 10/11/20)	2 of 2
Mr J Devanney (resigned 11/10/21)	1 of 2
Mr C Todd	4 of 5

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

The Corporation conducts its business through regular board and committee meetings. Full minutes of all meetings are available from the clerk to the corporation at: Derwentside College, Front Street, Consett, County Durham, DH8 5EE.

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

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 a number of times 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 remuneration, search & governance and audit.

DERWENTSIDE COLLEGE
Statement of Corporate Governance and Internal Control
For the Year Ended 31 July 2021

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

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

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

There is a clear division of responsibility in that the roles of the Chair of the Corporation and principal are separate.

Meetings of the board and all committees continued throughout 2020-21 despite the Coronavirus pandemic. Whilst these meetings were traditionally held in person and on site at the College, all meetings since March 2020 have been conducted online and have taken place using Microsoft Teams in accordance with the meeting dates in the College's annual business cycle.

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a search committee which is comprised of 4 members; the Chairman and Vice Chairman of the Board, the Principal and one member who is not a governor from the local business community. The Corporation is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

Members of the Corporation are appointed for a term of office not exceeding 4 years.

Remuneration Committee

Throughout the year ended 31 July 2021, the College's remuneration committee comprised the Chairman of the Board, the Vice Chairman and one other member. The committee's responsibilities are to make recommendations to the board on remuneration and benefits of the principal.

Details of remuneration for the year ended 31 July 2021 are set out in note 9 to the financial statements.

Audit Committee

The audit committee comprises of four members of the Corporation (excluding the Principal and chair). The committee operates in accordance with written terms of reference approved by the Corporation.

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

The College's internal independent auditors monitor 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 are responsible for the implementation of agreed recommendations and internal audit undertake periodic follow up reviews to ensure such recommendations have been implemented.

DERWENTSIDE COLLEGE
Statement of Corporate Governance and Internal Control
For the Year Ended 31 July 2021

The audit committee also advises the Corporation on the appointment of internal, regularity and financial statements independent auditors and their remuneration for both audit and non-audit work.

The board appointed AuditOne to provide Internal Audit services with effect from 1 August 2020 and MHA Tait Walker were appointed as External Auditors, replacing KPMG LLP.

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 achievements 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 the Principal in the Financial Memorandum between Derwentside College and the Education & Skills Funding Agency. The Principal is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks of 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 Derwentside 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 ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the year ending 31 July 2021 and up to the date of approval of the annual report and financial statements. The 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.

DERWENTSIDE COLLEGE
Statement of Corporate Governance and Internal Control
For the Year Ended 31 July 2021

Derwentside College has an additional controls assurance service, which operates in accordance with the requirements of the ESFA Post-16 Audit Code of Practice 2020 to 2021. The work of the additional controls assurance service is informed by an analysis of the risks to which the College is exposed, and annual additional controls assurance plans are based on this analysis. The analysis of risks and the additional controls assurance plans are endorsed by the Corporation on the recommendation of the audit committee. The Independent Additional controls assurance service has provided reports throughout the year for the Audit Committee and annually for the Board of the Corporation. The Independent additional controls assurance service provides assurance of the College's system of risk management, controls and governance processes. Additional controls assurance services have been provided by AuditOne since 1 August 2020.

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 the system of internal control is informed by:

- the work of the additional controls assurance service
- 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 independent auditors, the regularity independent auditors in their management letters and other reports.

The Principal has been advised on the implications of the result of the Principal's review of the effectiveness of the system of internal control by the audit committee which oversees the work of the internal auditor, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior management team and the audit committee also receive regular reports from additional controls assurance service, which include recommendations for improvement. The audit committee's role in this area is confined to a high level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the audit committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

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 responsibilities for the 'effective and efficient use of resources, the solvency of the institution and the body and safeguarding of their assets'.

Approved by order of the members of the Corporation on 7 December 2021 and signed by its order:



A N Edwards (Chair)
Date: 7 December 20201



C Todd (Principal and Accounting Officer)
Date: 7 December 2021

DERWENTSIDE COLLEGE
Statement of Regularity, Propriety and Compliance
For the Year Ended 31 July 2021

Statement of Regularity, Propriety and Compliance

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

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

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

Approved by order of the members of the Corporation on 7 December 2021 and signed by its order:



A N Edwards (Chair)
Date: 7 December 2021



C Todd (Principal & Accounting Officer)
Date: 7 December 2021

DERWENTSIDE COLLEGE
Statement of Responsibilities of Members of the Corporation
For the Year Ended 31 July 2021

The members of the Corporation, as charity trustees, are required to present audited financial statements for each financial year.

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

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 UK 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
- 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 Members' Report which describes what it is trying to do and how it is going about it, including information about the legal and administrative status of the Corporation.

The Corporation is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the College and which enable it to ensure that the financial statements are prepared in accordance with relevant legislation including the Further and Higher Education Act 1992 and Charities Act 2011, and relevant accounting standards. It is responsible for taking steps that are reasonably open to it to safeguard its assets and to prevent and detect fraud and other irregularities.

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

Members of the Corporation are responsible for ensuring that 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 and any other public funds 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 by the ESFA or any other public funder. Members of the Corporation must ensure that there are appropriate financial and management controls in place to safeguard public and other funds and ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the Corporation's resources and expenditure so that the benefits that should be derived from the application of public funds from the ESFA and other public bodies are not put at risk.

Approved by order of the members of the Corporation on 7 December 2021 and signed on its behalf on that date by:

AN Edwards (Chair)



DERWENTSIDE COLLEGE
Independent Auditors' Report to the Corporation of Derwentside College
For the Year Ended 31 July 2021

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF DERWENTSIDE COLLEGE

Opinion

We have audited the financial statements of the Corporation of Derwentside College (the 'College') for the year ended 31 July 2021 which comprise the statement of comprehensive income, the statement of changes in reserves, the balance sheet, the statement of cash flows, and the notes to the financial statements, including the statement of accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice). In our opinion, the financial statements:

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

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Corporation is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the financial statements, 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 audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements

DERWENTSIDE COLLEGE
Independent Auditors' Report to the Corporation of Derwentside College
for the Year Ended 31 July 2021

or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Responsibilities of the Corporation of Derwentside College

As explained more fully in the Statement of Corporation Responsibilities on page 20, the Corporation is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporation is responsible for assessing the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Corporation either intends to liquidate the College or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Enquiry of management and those charged with governance around actual and potential litigation and claims;
- Review OFSTED report;
- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for bias.

DERWENTSIDE COLLEGE
Independent Auditors' Report to the Corporation of Derwentside College
for the Year Ended 31 July 2021

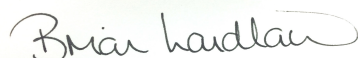
- Reviewing minutes of meetings of those charged with governance;
- Reviewing internal audit reports; and
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

Use of our report

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



Brian Laidlaw BA CA (Senior Statutory Auditor)
For and on behalf of MHA Tait Walker
Chartered Accountants
Statutory Auditor
Bulman House
Regent Centre
Gosforth
Newcastle upon Tyne
NE3 3LS

Date 10 December 2021

MHA Tait Walker is the trading name of Tait Walker LLP

DERWENTSIDE COLLEGE
Statement of Comprehensive Income
For the year ended 31 July 2021

	Note	Year ended 31 July 2021	Year ended 31 July 2020
		£'000	£'000
Income			
Funding body grants	3	8,211	8,552
Tuition fees and education contracts	4	361	331
Other grants and contracts	5	80	170
Other income	6	70	145
Investment income	7	-	9
Total Income		8,722	9,207
Expenditure			
Staff costs	8	5,655	5,956
Other operating expenses	10	2,879	3,199
Depreciation	13	531	389
Interest and other finance costs	11	220	190
Total Expenditure		9,285	9,734
Deficit before tax		(563)	(527)
Taxation	12	-	-
Deficit for the year		(563)	(527)
Actuarial gain / (loss) in respect on pension scheme	20	3,640	(4,030)
Total Comprehensive Income / (Expense) for the Year		3,077	(4,557)

DERWENTSIDE COLLEGE
Statement of Changes in Reserves
For the year ended 31 July 2021

	Income & Expenditure Reserve £'000	Total £'000
Balance at 1 August 2019	(3,149)	(3,149)
Deficit for the year	(527)	(527)
Actuarial loss in respect of pension scheme	(4,030)	(4,030)
Balance at 31 July 2020	(7,706)	(7,706)
Deficit for the year	(563)	(563)
Actuarial gain in respect of pension scheme	3,640	3,640
Balance at 31 July 2021	(4,629)	(4,629)
Balance represented by:		
Pension reserve	(11,430)	(11,430)
Income & Expenditure reserve	6,801	6,801
Balance at 31 July 2021	(4,629)	(4,629)

DERWENTSIDE COLLEGE
Balance Sheet
As at 31 July 2021

	Note	31 July 2021 £'000	31 July 2020 £'000
Non-current assets			
Tangible Fixed Assets	13	<u>7,717</u>	<u>7,561</u>
		7,717	7,561
Current assets			
Trade and other receivables	14	161	134
Cash at bank and in hand	19	<u>3,010</u>	<u>1,880</u>
		3,171	2,014
Less: Creditors – amounts falling due within one year	15	(1,362)	(656)
		<u>1,809</u>	<u>1,358</u>
Net current assets		1,809	1,358
Total assets less current liabilities		9,526	8,919
Less: Creditors - amounts falling due after more than one year	16	(2,019)	(1,734)
Provisions			
Defined benefit obligation	20	(11,430)	(14,180)
Other provisions	17	<u>(706)</u>	<u>(711)</u>
NET (LIABILITIES)		<u>(4,629)</u>	<u>(7,706)</u>
Income and expenditure account		<u>(4,629)</u>	<u>(7,706)</u>
TOTAL DEFICIT		<u>(4,629)</u>	<u>(7,706)</u>

The financial statements on pages 24 to 47 were approved and authorised for issue by the Corporation on 7 December 2021 and were signed on its behalf on that date by:-



A N Edwards (Chairman)



C Todd (Principal & Accounting Officer)

DERWENTSIDE COLLEGE
Statement of Cash Flows
For the year ended 31 July 2021

	Note	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
Cash flow from operating activities			
Deficit for the year		(563)	(527)
Adjustment for non-cash items			
Depreciation	13	531	389
Release of capital grants	19	(112)	(78)
Decrease in debtors	14	(27)	285
(Decrease) / Increase in creditors	15	671	(537)
Increase / (Decrease) in provisions	17	(5)	11
LGPS Current service pension costs	21	1300	1,120
LGPS Past service pension costs	21	-	10
LGPS Curtailment costs	21	20	-
LGPS Pension contributions paid	21	(630)	(690)
LGPS Interest charged on pension scheme liabilities	21	460	590
LGPS Interest earned on pension scheme assets	21	(260)	(400)
Adjustment for investing and financing activities			
Investment income	7	-	(9)
Interest payable	11	-	-
Net cash inflow from operating activities		<u>1,385</u>	<u>164</u>
Cash flows from investing activities			
Investment income	7	-	9
Capital Grants received in year	13	432	
Payments to acquire fixed assets	13	(687)	(228)
		<u>(255)</u>	<u>(219)</u>
Increase / (Decrease) in cash or cash equivalents in the year		<u>1,130</u>	<u>(55)</u>
Cash and cash equivalents at the beginning of the year		1,880	1,935
Cash and cash equivalents at the end of the year		3,010	1,880

DERWENTSIDE COLLEGE
Notes to the Financial Statements
For the year ended 31 July 2021

1 COMPLIANCE WITH FRS102

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2019 (the 2019 FE HE SORP), the College Accounts Direction for 2020 to 2021 and in accordance with Financial Reporting Standard 102 – “The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland” (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

2 ACCOUNTING POLICIES

Statement of accounting policies

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

Basis of preparation

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

Basis of accounting

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

Going concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Members' Report. The financial position of the College and its cash flows are presented in the Financial Statements and accompanying Notes.

The College currently has no borrowings or overdraft facility. The College continues to re-invest in its Estate and Asset base using cash reserves without the need for any external borrowings and hence has no borrowing covenants to comply with. At 31 July 2021 the College holds a cash balance of £3,010k. Despite the difficult circumstances due to interruption from the Coronavirus lockdown from March 2020 onwards and bearing in mind an estimated clawback of 20/21 AEB funding of £310k, we have been able to generate a positive cash inflow of £1,130k in the year (cash balance 31 July 2020 £1,880k).

The College has switched to remote online learning when required throughout the pandemic by the government which has not impacted student numbers or the quality of provision by the College and despite this change the College has continued to trade in line with its forecasts. The College's cash balances remain in line with the year end amount.

The College has prepared forecasts for the period through until July 2023 taking account of the anticipated impact of COVID-19. Although the Coronavirus pandemic currently appears to be under control, the College continues to be prepared for a severe but plausible scenario where we may need to return to remote online learning. The College is of the opinion that, taking account of these forecasts, the College will have sufficient funds from cash reserves to meet its liabilities as they fall due over the period of 12 months from the date of approval of the financial statements (the going concern assessment period).

Consequently, the Corporation is confident that the College will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

2 ACCOUNTING POLICIES (continued)

Recognition of income

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the Adult Skills 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 results 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 ESFA represents the funding allocations attributable to the current financial year and is credited direct to the Statement of Comprehensive Income.

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.

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual method as permitted by FRS 102. Other capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met.

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.

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.

Accounting for post-employment 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 plans, which are externally funded and contracted out of the State Second Pension.

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 the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. 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.

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 other recognised gains and losses. Actuarial gains and losses are recognised immediately in other comprehensive income.

2 ACCOUNTING POLICIES (continued)

Enhanced Pensions

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

Non-current Assets - Tangible fixed assets

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

Land and buildings

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

- Freehold Buildings – 25-50 years
- Leasehold Buildings – 50 years

Freehold buildings are depreciated over their expected useful economic life to the College of between 25 and 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 25 and 50 years.

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred income account within creditors, and are released to the statement of comprehensive income 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.

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets after initial purchase it is charged to income in the period it is incurred, unless it increases the future benefits to the College, in which case it is capitalised and depreciated on the relevant basis.

Equipment

Equipment costing less than £1,000 per individual item is recognised as expenditure in the period of acquisition. All other equipment is capitalised at cost.

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

- motor vehicles 25% per annum
- general equipment 25% per annum
- computer equipment 20% per annum
- furniture, fixtures and fittings 10% per annum

Where equipment is acquired with the aid of specific grants it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to income and expenditure account over the expected useful economic life of the related equipment.

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. Liquid resources include sums on deposit with Lloyds Banking Group

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.

2 ACCOUNTING POLICIES (continued)

Financial instruments

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

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

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 recover minimal amounts 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.

Maintenance of premises

The cost of routine corrective maintenance is charged to the income and expenditure account in the period it is incurred.

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.

Agency arrangements

The College acts as an agent in the collection and payment of discretionary support funds and learner loan support funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure of the College where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction. These transactions are shown in Note 23, except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant. The College employs one member of staff dedicated to the administration of discretionary support fund applications and payments.

2 ACCOUNTING POLICIES (continued)

Judgements in applying accounting policies and key sources of estimation uncertainty

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

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

Other key sources of estimation uncertainty

- *Tangible fixed assets*

Tangible fixed assets 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 21, 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.

3 FUNDING BODY GRANTS

	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
Recurrent grants		
Education & Skills Funding Agency – 16-18	1,755	2,017
Education & Skills Funding Agency - Adult	1,756	1,828
Education & Skills Funding Agency - Apprenticeships	3,958	3,972
Specific grants		
Education & Skills Funding Agency	130	242
ESFA Pension Scheme Contribution Grant	93	105
Tees Valley Combined Authority - Adult	393	273
Releases of deferred capital grants	99	66
Other funding body grants	27	49
	8,211	8,552

The income shown above includes that earned by the College in its capacity as a provider (and as consortium lead). Total income claimed in the year under this arrangement and the related payments to partners were as follows:

	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
ESFA Adult Classroom Based Income	266	265
Payments to College partners	(200)	(206)
Net Adult Skills Income	66	59
Apprenticeships income	380	496
Payments to College partners	(285)	(400)
Net Apprentices income	95	96
16-18 Learner Responsive income	683	590
Payments to College partners	(514)	(462)
Net 16-18 Learner Responsive income	169	128

4 TUITION FEES AND EDUCATION CONTRACTS

	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
Adult Education Fees	60	38
Full Cost Provision	1	5
Fees for FE loan supported courses	212	195
Total tuition fees	<u>273</u>	<u>238</u>
Education contracts	5	7
Employer Apprenticeship Levy Fees	83	86
	<u>361</u>	<u>331</u>

5 OTHER GRANTS AND CONTRACTS

	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
Other grants and contracts	13	12
Coronavirus Job Retention Scheme grant	67	158
	<u>80</u>	<u>170</u>

6 OTHER INCOME

	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
Catering income	31	64
Other income generating activities	5	11
Miscellaneous income	34	70
	<u>70</u>	<u>145</u>

7 INVESTMENT INCOME

	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
Other interest receivable	-	9
	<u>-</u>	<u>9</u>

8 STAFF COSTS

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

	Year ended 31 July 2021 Number	Year ended 31 July 2020 Number
Teaching Staff	81	91
Non Teaching Staff	69	78
	150	169

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

	Year ended 31 July 2021 Number	Year ended 31 July 2020 Number
Teaching staff	78	74
Non teaching staff	57	64
	135	138

	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
Wages and salaries	3,819	4,235
Social security costs	365	404
Other pension costs excluding FRS102 adjustments	781	756
	4,965	5,395
Contracted out staffing services	0	24
	4,965	5,419
Fundamental restructuring costs	20	97
FRS102 pension adjustments	670	440
	5,655	5,956

9 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 Management Team which comprises the Principal, Executive Director of Finance and Resources, Vice Principal Strategic Partnerships and Vice Principal Curriculum and Quality.

The number of key management personnel and other staff who received annual emoluments excluding pension contributions in the following ranges was;

	Key management personnel		Other Staff	
	2021 Number	2020 Number	2021 Number	2020 Number
£ 20,001 to £25,000	-	1	-	-
£ 30,001 to £35,000	1	-	-	-
£ 55,001 to £60,000	1	-	-	-
£ 70,001 to £75,000	1	1	-	-
£ 75,001 to £80,000	-	1	-	-
£ 80,001 to £85,000	1	1	-	-
£105,001 to £110,000	-	1	-	-
£110,001 to £115,000	1	-	-	-
	5	5	-	-

Key management personnel emoluments are made up as follows:

	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
Salaries	359	365
Pension contributions	75	61
Total emoluments	434	426

The above emoluments include amounts payable to the Accounting Officer (who is also the highest paid senior post-holder) of:

	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
Salary	110	109
	110	109
Pension contributions	22	20

Emoluments to key management personnel – including the Principal and Chief Executive, are set by the Remuneration Committee. All key management personnel are subject to an annual appraisal and performance review and the Committee takes the appraisal process, as well as the College performance in the year and external factors such as benchmarking to AOC standards into account when making its decisions.

9 KEY MANAGEMENT PERSONNEL (continued)

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

	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
Principals basic salary as a multiple of the median of all staff	3.98	3.95
Principals total remuneration as a multiple of the median of all staff	3.98	3.95

Median salary is calculated using the full time equivalent salary for all College employed staff.

10 OTHER OPERATING EXPENSES

	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
Partnership costs	999	1,035
Teaching costs	876	1,016
Non teaching costs	513	635
Premises costs	491	513
	2,879	3,199

Other operating expenses include:

	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
Independent auditors' remuneration		
Financial statements & regularity audit (KPMG)	8	24
Financial statements & regularity audit (MHA Tait Walker)	26	-
Other services provided: Teacher pension statement audit	1	1
	35	25

11 INTEREST AND OTHER FINANCE COSTS

	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
On bank loans, overdrafts and other loans	-	-
Net interest on defined pension liability (note 20)	220	190
	220	190

12 TAXATION

The members do not believe the Corporation was liable for any Corporation tax arising out of its activities.

13	TANGIBLE FIXED ASSETS	Land and buildings			Total £'000
		Freehold £'000	Long leasehold £'000	Equipment £'000	
	Cost				
	At 1 August 2020	10,087	183	3,483	13,753
	Additions	338	-	349	687
	At 31 July 2021	10,425	183	3,832	14,440
	Depreciation				
	At 1 August 2020	3,032	91	3,069	6,192
	Charge for year	319	6	206	531
	At 31 July 2021	3,351	97	3,275	6,723
	Net book value at 31 July 2021	7,074	86	557	7,717
	Net book value at 31 July 2020	7,055	92	414	7,561
14	TRADE AND OTHER RECEIVABLES			31 July 2021	31 July 2020
				£'000	£'000
	Amounts falling due within one year:				
	Trade receivables			37	46
	Prepayments and accrued income			124	88
				161	134
15	CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR			31 July 2021	31 July 2020
				£'000	£'000
	Trade payables			73	47
	Other taxation and social security			90	104
	Pension accrual			90	92
	Accruals			373	303
	Amounts owed to Funding Bodies			623	31
	Deferred income – government capital grants			99	67
	Deferred income - non government capital grants			14	12
				1,362	656

16 CREDITORS - AMOUNTS FALLING DUE AFTER ONE YEAR

	31 July 2021 £'000	31 July 2020 £'000
Deferred income – government capital grants	1,968	1,678
Deferred income - non government capital grants	51	56
	<u>2,019</u>	<u>1,734</u>

17 OTHER PROVISIONS

	College Enhanced Pensions £'000
At 1 August 2020	711
Expenditure in the year	(41)
Charge to income and expenditure account	36
At 31 July 2021	<u>706</u>

The enhanced pension provision relates to the cost of staff who have already left the College's employ and commitments for reorganisation costs from which the College cannot reasonably withdraw at the balance sheet date. This provision has been recalculated in accordance with the guidance issued by the LSC and its successor organisations.

The principal assumptions for this calculation are:

	2021	2020	2019	2018	2017
Price inflation	1.0%	1.4%	2.1%	2.8%	2.3%
Discount rate (CPI)	2.6%	2.3%	2.2%	2.1%	1.3%

18 DEFERRED CAPITAL GRANTS

	SFA Funding £'000	Other Grants £'000	Total £'000
At 1 August 2020			
Land and buildings	1,740	52	1,792
Equipment	4	16	20
	<u>1,744</u>	<u>68</u>	<u>1,812</u>
Grants received in year			
Land and buildings	309	-	309
Equipment	113	10	123
Released to income and expenditure account			
Land and buildings	(74)	(2)	(76)
Equipment	(25)	(11)	(36)
At 31 July 2021	<u>(2,067)</u>	<u>(65)</u>	<u>(2,132)</u>
The year end balance comprising;			
Land and buildings	1975	50	2,025
Equipment	92	15	107
At 31 July 2021	<u>2,067</u>	<u>65</u>	<u>2,132</u>
The year end balance comprising;			
Due in less than one year	99	14	113
Due in more than one year	1,968	51	2,019
At 31 July 2021	<u>2,067</u>	<u>65</u>	<u>2,132</u>

19 CASH AND CASH EQUIVALENTS

	At 1 August 2020 £'000	Cashflows £'000	Other Changes £'000	At 31 July 2021 £'000
Cash in hand, and at bank	1,880	1,130	-	3,010
	<u>1,880</u>	<u>1,130</u>	<u>-</u>	<u>3,010</u>

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

Total pension cost for the year	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
Teachers Pension Scheme: contributions paid	255	242
Local Government Pension Scheme: Contributions paid	526	514
Shortfall payments recognised in non- teaching costs	85	147
FRS 102 adjustments	670	440
Charge to the Income and Expenditure Account (staff costs)	1,536	1,343
Enhanced pension charge to Income and Expenditure Account (other operating expenses)	41	41
Total Pension Cost for Year	1,577	1,384

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

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations 2010, and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities. In addition, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and, from 1 January 2007, automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

The Teachers' Pension Budgeting and Valuation Account

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act 1972 and are paid by public funds provided by Parliament. 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.

The Teachers' Pensions Regulations 2010 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension increases). From 1 April 2001, the Account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

Valuation of the Teachers' Pension Scheme

The latest actuarial review of the TPS was carried out as at 31 March 2019 and are in accordance with The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education (the Department) in April 2019. The key results of the valuation are:

- New employer contribution rates were set at 23.68% of pensionable pay (including administration fees of 0.08%);
- total scheme liabilities for service to the effective date of £218.1 billion, and notional assets of £198 billion, giving a notional past service deficit of £22.0 billion;
- the employer contribution correction cost cap is 7.3% of pensionable pay from 01 April 2019 to 31 March 2023.

The new employer contribution rate for the TPS was implemented in September 2019. DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2020/21 academic year.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location:

<https://www.teacherspensions.co.uk/-/media/documents/member/documents/news-items/teachers-pension-scheme-actuarial-valuation-2016.ashx?rev=1d463cd3f4344c199ca0c2bcf193dc90&hash=D90840D6F4AF06461F6D927C4E6265B0>

The pension costs paid to TPS in the year amounted to £351k (2019-20: £336k). These amounts include employers contributions of £255k (2019-20 £242k).

FRS 102 (28)

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.

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The total contribution made for the year ended 31 July 2021 was £786,902 (£708,158 19/20) of which employers contributions totalled £526,046 (£514,094 19/20) and employees contributions totalled £194,064 (£191,889 19/20). In 2020/21 the contribution rates for employers was 20.2% (applied from April 2020). Rates for employees range from 5.5% to 12.5% in the year to 31 July 2021, depending on salary.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2021 by a qualified independent actuary.

	At 31 July 2021	At 31 July 2020	At 31 July 2019	At 31 July 2018	At 31 July 2017
Inflation (RPI)	n/a	n/a	3.2%	3.2%	3.1%
Inflation (CPI)	2.6%	2.3%	2.2%	2.1%	2.0%
Rate of increase in salaries	3.6%	3.3%	3.7%	3.6%	3.5%
Rate of increase for pensions	2.6%	2.3%	2.2%	2.1%	2.1%
Discount rate for liabilities	1.7%	1.4%	2.1%	2.8%	2.6%

Principal demographic assumptions

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

Life expectancy from age 65 (years)

	2021	2020	2019	2018	2017
Retiring in 20 years:					
Males	23.3	23.2	24.0	25.5	25.6
Females	25.8	25.7	25.7	27.3	27.5
Retiring today:					
Males	22.3	22.2	22.3	23.3	23.4
Females	24.3	24.2	23.8	25.0	25.3

	Proportion of assets		Fair Value £'000	
	31 July 2021	31 July 2020	31 July 2021	31 July 2020
Equity instruments	55.8%	49.3%	12,471	9,258
Government bonds	16.0%	24.2%	3,576	4,545
Corporate bonds	17.5%	14.7%	3,911	2,761
Property	6.2%	7.2%	1,386	1,352
Cash	4.5%	4.6%	1,006	864
Total market value of assets			22,350	18,780

20 PENSION AND SIMILAR OBLIGATIONS (continued)

The amounts recognised in the balance sheet in respect of the defined benefit pension plan is as follows:

	31 July 2021 £'000	31 July 2020 £'000
Fair value of plan assets	22,350	18,780
Present value of plan liabilities	(33,760)	(32,940)
Present value of unfunded liabilities	(20)	(20)
Net pensions liability	<u>(11,430)</u>	<u>(14,180)</u>

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

	31 July 2021 £'000	31 July 2020 £'000
Amounts included in staff costs:		
Current Service Cost	1,300	1,120
Past Service Cost	-	10
Total	<u>1,300</u>	<u>1,130</u>

	31 July 2021 £'000	31 July 2020 £'000
Amounts included in interest and other finance costs:		
Interest on plan assets	(260)	(400)
Interest on plan liabilities	460	590
Curtailement cost	20	-
Net interest on the defined benefit pension liability	<u>220</u>	<u>190</u>

	31 July 2021 £'000	31 July 2020 £'000
Amounts included in other comprehensive income:		
Actuarial (gain) / loss in respect of pension scheme	(3,640)	4,030
Actuarial (gain): Unfunded defined benefit obligation	-	-
Total	<u>(3,640)</u>	<u>4,030</u>

Movement in net defined benefit (liability) during year

	2021 £'000	2020 £'000
Net defined benefit liability in plan at start of year	(14,160)	(9,500)
Movement in Year:		
Current Service cost	(1,300)	(1,120)
Employer Contributions	630	690
Past Service cost	(0)	(10)
Net interest on the defined liability	(200)	(190)
Curtailement cost	(20)	-
Actuarial gain / (loss)	3,640	(4,030)
Net defined benefit liability at end of year	<u>(11,410)</u>	<u>(14,160)</u>

20 PENSION AND SIMILAR OBLIGATIONS (continued)

Asset and Liability Reconciliation

Changes in the present value of defined benefit obligations:

	2021	2020
	£'000	£'000
Defined benefit obligations at start of year	32,940	28,200
Current Service Cost	1,300	1,120
Past Service Cost	-	10
Interest cost	460	590
Actuarial (gains) / losses on liabilities	(540)	3,360
Estimated benefits paid	(600)	(540)
Contributions by scheme participants	180	200
Curtailement cost	20	-
	<u>33,760</u>	<u>32,940</u>

Changes in the fair value of plan assets:

	2021	2020
	£'000	£'000
Fair value of plan assets at start of year	18,780	18,700
Interest on plan assets	260	400
Return on plan assets	3,100	(670)
Employer contributions	630	690
Contributions by scheme participants	180	200
Estimated benefits paid	(600)	(540)
	<u>22,350</u>	<u>18,780</u>

The five year history of asset values, present value of liabilities and experience adjustments is as follows:

	2021	2020	2019	2018	2017
	£'000	£'000	£'000	£'000	£'000
Present value of defined benefit obligation (funded)	(33,760)	(32,940)	(28,200)	(23,920)	(22,860)
Present value unfunded liabilities	(20)	(20)	(20)	(20)	(40)
Fair Value of scheme assets	22,350	18,780	18,700	16,660	15,130
	<u>(11,430)</u>	<u>(14,180)</u>	<u>(9,520)</u>	<u>(7,280)</u>	<u>(7,770)</u>

Sensitivity Analysis

Changes to the Present value of the total obligation:

	At 31 July	At 31 July
	2021	2020
	£'000	£'000
(Discount rate +0.1%)	33,050	32,250
(Discount rate -0.1%)	34,470	33,630
Mortality assumption: 1 year increase	32,510	31,720
Mortality assumption: 1 year decrease	35,040	34,190
CPI rate +0.1%	34,400	33,570
CPI rate -0.1%	33,150	32,350

20 PENSION AND SIMILAR OBLIGATIONS (continued)

GMP & McCloud liability with regard to LGPS: Two recent legal cases have taken place which may have an effect on the value of the LGPS liability.

On 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits, "GMP". The Government will need to consider this outcome in conjunction with the Government's recent consultation on GMP indexation in public sector schemes before concluding on any changes required to LGPS schemes.

In the case of the McCloud / Sargeant case, in December 2018 the Court of Appeal ruled that the transitional protection arrangements put in place when the Firefighters and Judges pension schemes were reformed were discriminatory. This was appealed to the Supreme Court, but the request to appeal was rejected on 27 June 2019.

In both cases AON (LGPS actuary) have considered the likely implications on the College pension liabilities. Using a method that aims to arrive at an approximate adjustment using average weightings for age of scheme members, salary increases, increase in cost of benefits, the liabilities of the scheme now include an adjustment for both legal cases. In 2018/19 this resulted in a significant increase in liabilities, particularly in staff past costs and actuarial loss. There has been further refinement of the impact of both cases, but this only results in a minor change to staff past costs in 2019/20 due to the adjustment in the previous year.

21 CAPITAL COMMITMENTS

At 31 July the College had contracted for, but not yet paid capital expenditure of:

	2021	2020
	£'000	£'000
Commitments contracted for at 31 July	-	-
	<hr/>	<hr/>

22 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) there is the possibility that transactions could 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. No transactions were identified which should be disclosed in accordance with FRS 102 related party disclosures.

There were no waived payments, expenses or remuneration paid to Governors in the current or prior year.

23 AMOUNTS DISBURSED AS AGENT

	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
Discretionary Support Funds		
ESFA support	273	226
	<u>273</u>	<u>226</u>
Disbursed to Students	(176)	(197)
Administration costs	(10)	(10)
	<u>87</u>	<u>19</u>
Balance underspent as at 31 July	<u><u>87</u></u>	<u><u>19</u></u>

ESFA grants are available solely for students. In the majority of instances, the College acts only as a paying agent. In these circumstances, the grants and related disbursements are therefore excluded from the statement of comprehensive income. The income and expenditure consolidated in the College's financial statements relates to the payment of Childcare from the access fund paid by the College on the student's behalf.

The ESFA does not provide specific funds for Adult Learner Support. Instead an amount of £94,020 (the same amount that was allocated in 2019/20) was ringfenced from the Adult Skills Budget to be used for Discretionary Learner Support. This is included in the support funds income shown above.

DERWENTSIDE COLLEGE
Independent Auditor Report on Regularity
For the year ended 31 July 2021

Derwentside College Reporting Accountant's Assurance Report on Regularity

To: The Corporation of Derwentside College and Secretary of State for Education acting through the Education and Skills Funding Agency ("the ESFA")

In accordance with the terms of our engagement letter dated 15 October 2021 and further to the requirements and conditions of funding in the ESFA's grant funding agreements and contracts, or those of any other public funder, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by the Corporation of Derwentside College during the period 1 August 2020 to 31 July 2021 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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 or devolved authority has other assurance arrangements in place.

This report is made solely to the Corporation of Derwentside College and 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 Derwentside College and 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 Derwentside College and the ESFA for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of the Corporation of Derwentside College and the reporting accountant

The Corporation of Derwentside College is responsible, under the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed, and income received, are applied for the purposes intended by Parliament, and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2020 to 31 July 2021 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Code issued by the ESFA. We performed a limited assurance engagement as defined in that framework.

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 consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

Our engagement includes examination, on a test basis, of evidence relevant to the regularity of the College's income and expenditure.

Reporting accountant's assurance report on regularity (continued)

The work undertaken to draw to our conclusion includes:

- Documenting the framework of authorities which govern the activities of the College;
- Undertaking a risk assessment based on our understanding of the general control environment and any weaknesses in internal controls identified by our audit of the financial statements;
- Reviewing the self-assessment questionnaire which supports the representations included in the Chair of Governors and Accounting Officer's statement on regularity, propriety and compliance with the framework of authorities;
- Testing transactions with related parties;
- Confirming through enquiry and sample testing that the College has complied with its procurement policies and that these policies comply with delegated authorities; and
- Reviewing any evidence of impropriety resulting from our work and determining whether it was significant enough to be referred to in our regularity report.

This list is not exhaustive and we performed additional procedures designed to provide us with sufficient appropriate evidence to express a limited assurance conclusion on regularity consistent with the requirements of the Post-16 Audit Code of Practice.

Conclusion

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



MHA Tait Walker
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Statutory Auditor
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Date 10 December 2021

MHA Tait Walker is the trading name of Tait Walker LLP