



DERWENTSIDE COLLEGE

Annual Report and Financial Statements

For the Year Ended 31 July 2024

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Reference and administrative details

Key Management Personnel

Key management personnel are defined as members of the College Executive Team and the Head of Governance, and were represented by the following in 2023/24:

Chris Todd	Principal and Chief Executive and Accounting Officer
Susan Errington	Deputy Principal
Rachel Holmes	Director of Human Resources
Mal Gray	Director of Finance (to 2 February 2024)
Andrew Hayday	Interim Vice Principal Finance and Resources (24 October 2023 to 30 April 2024)
Tina Hannant	Vice Principal Finance and Resources and Chief Financial Officer (from 10 June 2024)
Elaine Gaines	Clerk to the Corporation Board / Head of Governance

Board of Governors

A full list of Governors is provided on page 13 in these financial statements.

The role of Clerk to the Corporation Board is undertaken by the Head of Governance.

Professional Advisors

*Chartered Accountants
& Statutory Auditor:*
Azets Audit Services
Bulman House
Regent Centre
Gosforth
Newcastle upon Tyne
NE3 3LS

Internal auditor:
Wylie & Bisset LLP
168 Bath Street
Glasgow
G2 4TP

Banker:
Lloyds Banking Group
4th Floor
Grey Street Branch
Newcastle upon Tyne
NE1 6AG

Additional Banking Services:
Nationwide Building Society
Kings Park Road
Moulton Park
Northampton
NN3 6NW

Legal advisors:
Sintons LLP
The Cube
Barrack Road
Newcastle upon Tyne
NE4 6DB

Strategic report

OBJECTIVES AND STRATEGY

The members present their annual report together with the financial statements and auditor's reports for Derwentside College for the year ended 31 July 2024.

Legal status

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

Mission, Vision, Strategy and Objectives

The College has set out its aims in the published Strategic Plan and the Annual Accountability Agreement

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 and Behaviours

The College values and behaviours are key to our culture and we strive to live by them every day. They are:

- Trust
- Respect
- Excellence
- Enjoyment
- Enterprise

Strategic Priorities

The College has six strategic priorities which underpin all that we do and provide clear direction across the organisation. They are:

- Governance
To develop a high performing Board that provides ambitious and empowering leadership across the College.
- Quality
To become an outstanding College across all areas of our provision.
- Curriculum
To deliver a highly effective curriculum that meets local and national skills needs.
- People
To be a College where people want to work and where learners want to study.
- Community
To become a College that is rooted in the local community as an integral part of the education landscape.
- Resources
To use our resources efficiently and effectively to the benefit of our staff, learners and stakeholders.

These strategic priorities are monitored through an annual quality improvement plan and a range of strategic objectives approved by the Governing Body. The governing Body regularly reviews performance against all strategic priorities at pivotal intervals during the year to ensure successful implementation of the College's goals.

Resources

The College has various resources of both a current and non-current nature it can deploy in pursuit of its strategic objectives.

The College employs 144 people, expressed as full-time equivalents, of whom 89 are teaching staff.

The college enrolled approximately 3,477 students. The college's student population includes 357 16-to-18-year-old students, 2,120 apprentices, 1,057 adult learners and no higher education students.

The College has £7.167m of net assets. The college has no borrowing.

The College has a good reputation locally and nationally. Maintaining a quality brand is essential for the College's success at attracting learners and maintaining positive and productive relationships with a range of external stakeholders.

Stakeholders

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

- Learners
- Staff
- Local schools and academies
- Partners
- Education sector funding bodies
- FE Commissioner
- Local employers
- Sub-contract partners
- Local authorities, Combined authorities, and elected Mayor.
- Local enterprise partnerships
- 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.

Public Benefit Statement

Derwentside College is an exempt charity under Part 3 of the Charities Act 2011 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 13.

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.

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

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- High-quality teaching leading to excellent attainment by our students.
 - Widening participation and tackling social exclusion.
 - Excellent destinations for students moving into work, further or higher education.
 - Strong student support systems leading to high attainment, improved confidence and excellent employability.
 - Contributing to the local economy, and reducing skills gaps, by maintaining close links with employers, industry and commerce.
 - Supporting local industries and economic strategy by working closely with partners such as Local Enterprise Partnerships (LEPs) and Combined Authorities.

The College has set out its aims in the published Strategic Plan and the Annual Accountability Agreement.

DEVELOPMENT AND PERFORMANCE

Financial Review

The College generated a Statement of Comprehensive Income (SOI) surplus in the year of £0.420m (compared to a £0.376m deficit the previous year). Income received for the year was £10.171m, with £9.786m from funding body grants (Note 3). As at 31 July 2024 the College had £7.167m in reserves (an increase of £0.191m from £6.976m in 2022/23). The cash and cash equivalents held at the end of the year have decreased to £1.409m from £2.606m in 2023/23 (a £1.197m decrease primarily as a result of the T Level Capital Project). The total cost of this capital project is £2.1m, with £1.5m being funded by the DfE, which includes specialist equipment funding. The College contribution is £0.6m, funded from cash reserves.

Cash flows and liquidity

Cash balances of £1.409m at 31 July 2024 remain strong. The net cash decrease for the year was £1.197m. During the year the net cash flow from operating activities was positive £0.004m. Capital grant receipts towards key strategic capital projects were £0.434m and capital outflows were £1.675m. The college has maintained a strong underlying level of cash generation to support its continued operations.

The college does not have any lending facilities in place and therefore borrowings are nil.

The Board believes that the College has sufficient cash reserves to allow the College to continue to meet its liabilities as they fall due and continue to invest in the development of the college and its curriculum.

FUTURE PROSPECTS

Future Developments

The College has recently refreshed its Strategic Plan, which will be in place up to the end of July 2026. Within this, we have developed a new set of strategic priorities, as follows:

- **Leadership & Governance** - Leadership and governance are crucial strategic priorities for the College, impacting our overall effectiveness, sustainability, and reputation. Over the coming years, we will provide outstanding leadership and governance across the organisation, delivering on our strategic plan and achieving our goals.
- **Curriculum & Quality** - Delivering a high-quality curriculum that is aligned with national, regional, and local skills needs is of paramount strategic importance to the College. We will strive to deliver a

curriculum that provides a significant contribution to the economy and our employer partners, but one which also enriches the prospects and lives of our students.

- **Engagement** - We believe that communication and engagement are critical factors in our ongoing success as a College. We will optimise our services through our people agenda, empowering our staff, students, employers and stakeholders to release our full potential.

Over the next two years, we will continue towards the delivery of our mission and vision, with the ultimate aim of being recognised as an 'outstanding' College. Our journey will be focused on delivering exceptional leadership and governance, delivering growth in our curriculum, and driving continuous improvement in the quality of our provision.

From a leadership and governance perspective, we will continue to develop our Board over the next two years, recruiting additional governors in key areas and driving continuous improvement in corporate governance. Additionally, we are looking to roll out a People Strategy, with a strong focus on leadership and professional development. This will support our focus on outstanding leadership and management, but also innovation in teaching, learning and assessment.

Moving on to the curriculum, over the next two years we will continue our roll out of the new T-Level qualifications, working with the local schools to support further recruitment and focusing on the quality of provision. We also intend to continue our positive work in the recruitment of young people to our full-time programmes, where we have enjoyed significant success. Expanding the volume of learners studying at all levels and continuing our drive to support the County Council to reduce the number of NEETs will continue as key priorities for us.

Additionally, we intend to work very closely with our colleagues in the North-East Combined Authority and Tees Valley MCA, to grow our adult skills offer and expand our reach. There is significant scope for us to do this within the North-East region and we will continue to build our capacity, working with local employers to provide the skills their businesses need.

In apprenticeships, we have spent significant time and effort towards driving the quality of our provision forward, narrowing our offer slightly and focussing on provision that is in high demand and good quality. We have also invested significantly into our business development team and from 2024-25 onwards, we intend to deliver significant growth and expansion.

From a corporate perspective, we will be looking to become stronger financially in the years ahead, increasing our EBITDA surpluses to support capital investment and future pay awards for our staff. Financial and curriculum efficiency will be key areas of focus for us, as we look to ensure that we continue to deliver value for money. We are also actively working towards the development of a new Estates Strategy, linked to our Curriculum Plan, and providing an ambitious blueprint for our development of our facilities in the years ahead.

Financial Plan

The College governors approved a three-year strategic plan and supporting financial plan in July 2023 which sets objectives for the period to 2026. This was further refined in July 2024. In the year to 31 July 2025 a significant financial priority is to re-build cash reserves and strengthen financial health, maintaining the current rating of 'Good'. Our strategy for growth from 2024/25 onwards will support the creation of increased EBITDA surpluses and improved cash reserves, strengthening our financial health and providing further capacity for further capital investments, aligned to our developing Estates Strategy. In the year to July 31 July 2026, the College aims to achieve a health rating of 'Outstanding' and maintain that rating thereafter.

Treasury policies and objectives

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

The College has a Treasury Management Policy in place to manage cash flows, banking arrangements and the risk associated with those activities.

Short-term borrowing for temporary revenue purposes is authorised by the Principal. All other borrowing requires the authorisation of the Corporation Board and shall comply with the requirements of the Financial Memorandum.

The College has not made use of any short-term borrowing during 2023/24.

Reserves

The college had no formal Reserves Policy during 2023/24 but one is in place for 2024/25 to guide financial decision-making in future. The policy gives guidance on the minimum level of cash working capital and unrestricted reserves balances to ensure the college can both meet any short-term obligation but also ensure long-term sustainability. The reserves policy is not the only means of assessing going concern but contributes to this. The college holds cash and reserves to ensure that it meet unexpected costs, deal with income shortfalls resulting from enrolment reductions, of government funding changes and to meet the future investment costs of improving the estate.

At the end of the year the College had reserves of £7.167m.

It is the Corporation's intention to increase reserves over the life of the strategic plan through the generation of operating surpluses.

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 alongside the updated risk register. The key risks identified at 31 July 2024 are as follows:

- Governance
- Leadership and management
- Learner recruitment and retention
- Quality of education
- Financial
- Political and economical
- Information technology
- Global pandemics
- Staff recruitment and retention.

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.

A full review of the College approach to risk management is being undertaken during 2024/25.

KEY PERFORMANCE INDICATORS

The College is committed to monitoring its performance using a range of key performance indicators, covering the full range of its activities. Within the Strategic Plan, key performance indicators and targets have been established, with the Principal and CEO reporting on Strategic Performance at each meeting of the Corporation Board. The detailed KPIs can be found in the published Strategic Plan and a summarised extract of performance is presented in the table below:

Key performance indicator	Measure/Target	Actual for 2023/24
Ofsted Grade	Good	Good
Financial Health Grade	Good	Good
Apprenticeship Funding	£4,754k	£4,698k
Adult Education Funding	£2,026k	£2,120k
Education Progs for Young People Funding	£1,994k	£2,227k
Staff Sickness (long-term)	<3%	1.57%
Staff Sickness (short-term)	<3%	1.31%
Staff Turnover	<20%	18.8%
Staff Satisfaction	90%	93%
Employer Satisfaction	95%	91%
Employer Satisfaction (gov.uk site)	Excellent	Excellent
Learner Satisfaction	95%	92%
Learner Satisfaction (gov.uk site)	Good	Good
Apprenticeship Achievement Rate %	60%	63.1%
EPYP Achievement Rate %	87%	87%
Adult Achievement Rate %	86%	86.5%

Performance during 2023-24 has been very positive overall, with the College delivering positive results in almost all areas. Significantly, we have demonstrated positive growth in our education programmes for young people and adult education provision, which are key strategic priorities for us. Additionally, we have addressed the challenges faced in our apprenticeship achievement rates, which are now significantly above the national benchmarkings, with a significant turnaround evident in our Health and Social Care provision. Employer, learner and staff satisfaction levels remain strong, and our performance against the Ofsted framework is also very positive.

The College is required to complete the annual Finance Record and College Financial Forecast Return (CFFR) for the Education and Skills Funding Agency (ESFA). The financial health grading of the College has been confirmed by the ESFA as 'Good' for 2023/24 (2022/23 'Good').

Student achievements

Learners and apprentices continue to prosper at the College. Student achievement rates remains very positive within our three key areas of provision.

- Apprenticeships – achievement rates in apprenticeships have demonstrated significant improvement in the last three years. At the end of 2023/24, our overall apprenticeship achievement rate was 63.1% with 37% of apprentices achieving a high grade. This is significantly above the national benchmarks, and given that a large proportion of our provision is in health and social care (where achievement is low), our performance is particularly positive.
- Adult Education – achievement rates in adult education remain positive at 86.5%. The majority of our work in this area is employer responsive, with a significant volume of sector based work academies delivered. This makes delivering high achievement rates more challenging however, the programmes are incredibly worthwhile and lead to strong job outcomes. In the Tees Valley MCA region, we are the best performing training organisation for job outcomes.

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- Education Programmes for Young People – achievement rates in this area remain high at 87%. The College has grown significantly in this area the last three years and despite this, we have maintained very strong performance, which is positive.

The College has placed a major emphasis on enrichment in the 2023/24 academic year, with a large number of our learners participating in various skills competitions. We have been incredibly successful during the year with our learners winning several competitions and securing medals (2nd and 3rd place) in a number of instances.

Curriculum developments

The College has developed an excellent reputation with employers and learners through offering a broad and responsive curriculum that empowers our learners and apprentices to develop the knowledge and skills that are highly sought across the region. The College is extremely proactive in respect to local, regional, and national priorities and recognises the significant skills challenges faced by County Durham and the wider region in sectors such as health and social care, engineering and digital; including those identified within the North East Local Skills Improvement Plan (NELSIP). As such, the College continually embraces labour market priorities in the development of its curriculum strategy in order to make a significant contribution to the prosperity of the region. The College's provision covers three core markets, as follows:

- **Apprenticeships**
The College has gained a specialist reputation for the delivery of high-quality apprenticeships which has been developed over a number of years. We deliver across 34 apprenticeship standards to around 2,500 apprentices, mainly in the North-East, but also in the Tees Valley and the Yorkshire and Humber regions. The College's apprenticeship provision covers 5 vocational areas, from level 2 to level 5, with the largest area of provision residing in Professional and Business Services, which includes Childcare and Education.
- **Adult Education**
In the area of adult education, the College delivers a range of innovative programmes which have had a profound impact within the region in terms of learners progressing into jobs and to further learning. Most of this provision is delivered via a range of sector-based work academies, in partnership with employers, with the College having developed outstanding partnerships with Job Centre Plus across all districts. This enables the College to continually align its programmes to job vacancy trends and meet the specific needs of employers.
- **Education Programmes for Young People**
The College's provision across its Education Programmes for Young People is relatively small but continues to grow year-on-year and is highly valued within the local community. This provision covers 8 different curriculum areas, with 400 16-18 learners on roll, and with a small number of adults in-filling. Additionally, the College has developed excellent relationships with the three main feeder schools within the local area which is supporting our continued growth. We also deliver a very successful Prince's Trust Programme, through a long-standing collaboration, with the learners engaged in this provision significantly valuing from the nurturing environment to restart their life chances

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During the accounting period 1 August 2023 to 31

July 2024, the College paid 93 per cent of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

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
5	4.40

Percentage of time	Number of employees
0%	2
1-50%	3
51-99%	0
100%	0

Total cost of facility time	£2,354.90
Total pay bill	£5,909,498.20
Percentage of total bill spent on facility time	0.04%

Time spent on paid trade union activities as a percentage of total paid facility time	0
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EQUALITY AND DIVERSITY

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 Equality Act 2010:

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- 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.

GOING CONCERN

After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future.

The College has continued to invest in its estate during 2023/24, using cash reserves and government funding and without the need for any external borrowings and hence has no borrowing covenants to comply with. The College cash reserves of £7.167m (£6.976m 2022/23), whilst lower than previous years due to the capital investments are adequately sufficient to support its operational requirements. Cash levels are expected to increase during 2024/25 due to the completion of the current capital projects.

The current financial health grading of the College is confirmed by the ESFA as “Good” for the year ended 31 July 2024 (2023/24: Good). The College’s main source of income is public funding and guaranteed at comparable level to the previous year. Enrolment at September 2024 is ahead of target and allocation levels which will result in further increased funding in 2025/26.

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

EVENTS AFTER THE REPORTING PERIOD

There are no significant events to disclose after the reporting period.

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 10 December 2024 and signed on that date by its order:



D Allsop (Chair)

Governance Statement

The following statement is provided to enable readers of the annual report and accounts of the college to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2023 to 31 July 2024 and up to the date of the annual report and financial statements.

GOVERNANCE CODE

The College endeavours to conduct its business:

1. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
2. in full accordance with the guidance to colleges from the Association of Colleges in the Code of Good Governance for English Colleges (“the Code”).

In the opinion of the Governors, the College complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2024. This opinion is based on an internal review of compliance with the Code endorsed by the Search & Governance Committee on 20th May 2024 and approved by the Governing Body on 9th July 2024. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in 2023, which it formally adopted on 24th October 2023.

THE CORPORATION

The members who served on the Corporation during the year and up to the date of signature of this report were as listed in the following table:

Governors serving on the College board during 2023/24

Name	Date of appointment	Term of office	Date of Resignation	Status of appointment	Corporation attendance 2023/24	Committees Served
Mr C Todd	August 2018	N/A		Principal & CEO	7 of 8	Search & Governance Quality & Standards Audit & Risk (attendee)
Ms V McDermott	- Appointed Governor on 6 th December 2022 - Appointed Chair Designate on 6 th December 2022 - Appointed Chair on 14 th February 2023	4 years	22 May 2024	Independent	1 of 3	Search & Governance Remuneration
Mr D Allsop	- Appointed Governor - October 2021 - Appointed Vice Chair on 11 July 2023 - Appointed Chair – 5 th December 2023	4 years		Independent	8 of 8	Search & Governance, Remuneration
Mr C Bozeate	October 2021	4 years		Independent	8 of 8	Audit & Risk Quality & Standards
Mrs L Sewell	December 2022	4 years	24 June 2024	Independent	3 of 3	Audit & Risk Quality & Standards

Statement of Corporate Governance and Internal Control for the year ended 31 July 2024

Mr M Short	January 2015, re-appointed January 2019, re-appointed October 2023	4 years		Independent	4 of 8	
Mr M Sowerby	December 2020	4 years	8 November 2023	Independent	2 of 2	
Mr S Howard	October 2020	4 years		Independent	1 of 1	
Ms C Loader	December 2023	4 years		Independent	4 of 6	Quality & Standards
Mr G Lyons	October 2021	4 years	25 September 2023	Independent		
Mrs H Brennan	December 2022	4 years		Staff	7 of 8	Quality & Standards
Mrs N Dixon	December 2018, re-appointed December 2022	4 years		Staff	8 of 8	
Mr G Brown	February 2024 - Appointed Vice Chair on 9 th July 2024	4 years		Independent	5 of 5	Quality & Standards Remuneration
Ms S Jones	February 2024 - Appointed second Vice Chair on 9 th July 2024)	4 years		Independent	5 of 5	Search & Governance
Ms K Miller	February 2024	4 years		Independent	5 of 5	Quality & Standards
Mr M Taylor	February 2024	4 years		Independent	3 of 5	Audit & Risk
Mr D McHugh	May 2024	4 years		Independent	3 of 3	Audit & Risk
Mr S Corbridge	- Appointed Governor on 21 st May 2024 - Appointed Senior Independent Governor on 9 th July 2024	4 years		Independent	3 of 3	
Mr A Hayday	July 2024	4 years		Independent	1 of 1	

The Governance Framework

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

The corporation is provided with regular and timely information on the overall financial performance of the college together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety and environmental issues. Eight corporation board meetings took place between 1 August 2023 and 31 July 2024.

The corporation conducts its business through a number of committees. Each committee has established terms of reference, which have been approved by the corporation. These committees are Audit & Risk, Search & Governance, Remuneration and Quality & Standards. Full minutes of all meetings, except those aspects deemed to be confidential by the corporation, are available on the college's website or from the Head of Governance at: Derwentside College, Front Street, Consett, County Durham, DH8 5EE. At the corporation board meeting on 9th July 2024, governors approved the implementation of a Finance & Resources Committee into the governance framework for the 2024/25 business cycle.

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

All governors are able to take independent professional advice in furtherance of their duties at the College's expense and have access to the Head of Governance, who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Head of Governance 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 and Accounting Officer are separate.

Appointments to the Corporation

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

Members of the corporation are appointed for a term of office not exceeding 4 years. Additional terms of office are subject to recommendation to the corporation by the Search & Governance Committee and based on the Governance need.

Governance succession planning takes place through the Search & Governance Committee, recruitment took place during 2023-24 and will continue into 2024-25 to meet the Governance needs identified.

Governors fully take part in development activities. In 2023/24 the board has undergone a number of significant changes – the appointment of a new chair and vice chairs, as well as recruitment of several new board members. As recommended to the corporation by the Search & Governance Committee, the corporation board approved at the meeting held on 9th July 2024, the introduction of a Senior Independent Governor into to the governance framework.

The board has met outside of the regular board meetings at a strategy away day to review strategic direction and risks facing the College. Governors were able to gain understanding of the current FE landscape and discuss the future for FE in a session with our AOC Regional Director. Governors also engaged in a task to define a set of Governor behaviours aligned with the College values, to foster greater cultural alignment among the Board, leaders, staff, and students.

As part of their role and the drive towards more effective governance, governors are afforded opportunities to engage with college life. The Safeguarding Lead Governor maintains oversight and scrutiny of the safeguarding policy, procedures, and practice on behalf of the Corporation. All governors complete Safeguarding training and are subject to enhanced DBS checks.

Meetings of the board and all committees continued throughout 2023/24. All board meetings have been held in person and on site at the College, with members occasionally attending committee meetings remotely due to personal constraints using Microsoft Teams.

The Head of Governance is a senior postholder and was appointed by the Board in February 2024 and is enrolled onto the Level 4 Governance Officer qualification as part of their professional development. The apprenticeship qualification has been approved by the Institute for Apprenticeships and Technical Education (IfATE) and aligns with Chartered Governance Institute Foundation Level.

Governance Review

The Corporation undertook a full independent Governance review which commenced April 2022 and was conducted by Stone King. The Corporation has since undergone significant changes to the format and focus of board meetings and this development has continued throughout 2023/24, particularly in response to the appointment of a new Corporation Chair who has reshaped how the Board operates and the way in which reports and information are delivered. The corporation is continuing to work with an external specialist to undergo a search exercise to recruit additional board members with Audit & Risk expertise.

Remuneration Committee

Throughout the year ended 31 July 2024, the College's remuneration committee comprised three independent members of the corporation. The committee's responsibilities are to make recommendations to the board on remuneration and benefits of the Accounting Officer and other senior postholders.

The corporation has adopted AoC's Senior Postholder Remuneration Code. Details of remuneration for the year ended 31 July 2024 are set out in Note 9 to the financial statements.

Membership and attendance during the 2023-24 period was:

Remuneration Committee Members	Attendance 2023-24
Mr D Allsop (Committee Chair up to May 2024)	3 of 3
Ms L Sewell (resigned June 2024)	1 of 1
Mr G Brown (appointed Interim Committee Chair May 2024)	2 of 2
Mr C Todd (Principal & CEO)	3 of 3
Ms V McDermott (removed from office May 2024)	1 of 1

Audit and Risk Committee

The Audit and Risk Committee comprises of three independent members of the corporation (excluding the Principal and Corporation Chair). The committee operates in accordance with written terms of reference approved by the Corporation.

Audit & Risk Committee members	Attendance 2023-24
Mr D Allsop (Committee Chair – up to 5 December 2023)	1 of 1
Mrs L Sewell (appointed Committee Chair 5 December 2023 resigned June 2024)	2 of 2
Mr C Bozeate	2 of 3
Mr M Taylor (appointed Committee Chair – 25 June 2024)	2 of 2
Mr D McHugh	1 of 1
Mr C Todd (attendee)	3 of 3

The Audit & Risk 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 & Risk Committee.

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

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

INTERNAL CONTROL

Scope of responsibility

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

The Corporation has delegated the day-to-day responsibility to the Principal, as Accounting Officer for maintaining a sound system of internal control that supports the 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 funding bodies. 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 2024 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 2024 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 has an internal audit service, which operates in accordance with the requirements of the ESFA Post-16 Audit Code of Practice 2023 to 2024. The work of the internal audit assurance service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit and Risk Committee. The internal audit service has provided reports throughout the year for the Audit and Risk Committee and annually for the Board of the Corporation. The internal audit service provides assurance of the College's system of risk management, controls and governance processes. Internal audit services have been provided by Wylie and Bisset LLP (WBG) since 1 August 2023.

Risks faced by the Corporation

The College management team identifies, quantifies and reports risks to the Audit and Risk Committee at each meeting of the committee. The risks that are currently identified are listed in the Members Report (Page 11). The Audit and Risk Committee gives consideration to the likelihood and impact of each risk and notes developing and receding risks and adjusts the threat level of each risk. A review of the College's approach to risk management is being undertaken early 2024/25.

Statement of Corporate Governance and Internal Control for the year ended 31 July 2024

A revised Board Assurance Framework (BAF) was implemented in 2023/24. The BAF provides a structured approach to assess and monitor the effectiveness of governance, internal controls, risk management and compliance across the organisation. The framework ensures that key organisational requirements are identified, managed and reported effectively, promoting accountability, transparency and effective governance. By establishing clear responsibilities, monitoring mechanisms and reporting structures, this framework supports the Board in fulfilling its governance responsibilities and promotes a culture of accountability and continuous improvement. The Corporation Board with greater insight and expertise into those risk areas.

Responsibilities under accountability agreements

The Department for Education and Education and Skills Funding Agency introduced new controls for the college on 29 November 2022 on the day that the Office for National Statistics reclassified colleges as public sector organisations in the national accounts. The ESFA chief executive communicated these changes to all college accounting officers and explained plans to introduce a college financial handbook in 2024 – this handbook was published in March 2024 and came into effect on 1 August 2024. The college has reviewed its policies, procedures and approval processes in line with the new requirements to ensure there are systems in place to identify and handle any transactions for which DfE approval is required.

Statement from the Audit and Risk Committee

The Audit and Risk Committee has advised the board of governors that the corporation does have an effective framework for governance and risk management in place. The committee believes the corporation has effective internal controls in place.

The specific areas of work undertaken by the committee in 2023/24 and up to the date of the approval of the financial statements are summarised in the following table.

Area	Conclusion	High Priority Recommendations	Medium Priority Recommendations	Low Priority Recommendations
ESFA Funding Review	Strong	0	0	4
Payroll	Strong	0	0	2
ONS Reclassification	Strong	0	0	2
Cyber Security	Substantial	0	5	0
Follow up	Substantial	0	2	0

All recommendations have an action plan with timescales for completion. The year-end audit has not raised any significant issues.

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 internal audit 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.

Statement of Corporate Governance and Internal Control for the year ended 31 July 2024

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 Executive Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Executive Team and the Audit and Risk Committee also receive regular reports from the internal audit service, which include recommendations for improvement. The 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 and Risk Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

Based on the advice of the Audit and Risk 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 10 December 2024 and signed by its order:



D Allsop (Chair)
Date: 10 December 2024



C Todd (Principal and Accounting Officer)
Date: 10 December 2024

Statement of Regularity, Propriety and Compliance

As Accounting Officer, I confirm that the corporation has had due regard to the framework of authorities governing regularity, priority and compliance, and the requirements of grant funding agreements and contracts with ESFA, and has considered its responsibility to notify ESFA of material irregularity, impropriety and non-compliance with those authorities and terms and conditions of funding.

I confirm on behalf of the corporation that after due enquiry, and to the best of my knowledge, I am able to identify any material irregular or improper use of funds by the corporation, or material non-compliance with the framework of authorities and the terms and conditions of funding under the corporation's grant funding agreements and contracts with ESFA, or any other public funder. This includes the elements outlined in the "Dear Accounting Officer" letter of 29 November 2022 and ESFA's bite size guides.

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

Approved by order of the members of the Corporation on 10 December 2024 and signed by its order:



C Todd (Principal & Accounting Officer)
Date: 10 December 2024

Statement of the chair of governors

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



D Allsop (Chair)
Date: 10 December 2024

Statement of the Responsibilities of the Members of the Corporation for the year ended 31 July 2024

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 and that the financial transactions conform to the authorities that govern them. In addition, they are responsible for ensuring that funds from ESFA, and any other public funds, are used only in accordance with ESFA's grant funding agreements and contracts and any other conditions, that may be prescribed from time to time by ESFA, or any other public funder, including that any transactions entered into by the corporation are within the delegated authorities set out in the "Dear accounting officer" letter of 29 November 2022 and ESFA's bite size guides. 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 economic, 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 ESFA and other public bodies are not put at risk.

Approved by order of the members of the Corporation on 10 December 2024 and signed on its behalf on that date by:



D Allsop (Chair)

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 2024 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 2024 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.

Emphasis of Matter – LGPS

We draw your attention to the key judgements made in relation to the accounting treatment and assumptions regarding the Local Government Pension Scheme (LGPS). The key judgements are disclosed on page 34 and note 20 includes the relevant pension scheme disclosures. It should be noted that for sector-wide comparability users of these financial statements should take into consideration differing sector judgements relating to asset ceiling calculations, where appropriate. Our Auditor's Report is unmodified in this respect.

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.

Independent Auditors Report to the Corporation of Derwentside College for the year ended 31 July 2024

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 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.
- Conclusions relating to appropriateness of the use of the going concern basis of accounting and disclosures of material uncertainties, subject to the requirements of ISA 570 Going Concern, and whether the auditor has concluded that there is a material misstatement in other information, subject to the requirements of ISA 720 The Auditor's Responsibilities Relating to Other Information.

Responsibilities of the Corporation of Derwentside College

As explained more fully in the Statement of Corporation Responsibilities on page 22, 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;

Independent Auditors Report to the Corporation of Derwentside College for the year ended 31 July 2024

- 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.
- 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.



Claire Hinshaw (Senior Statutory Auditor)

For and on behalf of Azets Audit Services

Chartered Accountants

Statutory Auditor

Bulman House

Regent Centre

Gosforth

Newcastle upon Tyne

NE3 3LS

Date 12 December 2024

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 18 November 2024 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 2023 to 31 July 2024 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 2022 to 31 July 2023 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 2023 to 31 July 2024 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



Azets Audit Services
Chartered Accountants
Bulman House
Regent Centre
Gosforth
Newcastle upon Tyne
NE3 3LS

12 December 2024

Statement of Comprehensive Income and Expenditure for the year ended 31 July 2024

	Note	Year ended 31 July 2024	Year ended 31 July 2023
		£'000	£'000
Income			
Funding body grants	3	9,786	8,778
Tuition fees and education contracts	4	173	245
Other grants and contracts	5	-	-
Other income	6	172	118
Investment income	7	40	15
Total Income		10,171	9,156
Expenditure			
Staff costs	8	6,043	5,829
Other operating expenses	10	3,147	3,048
Depreciation	13	567	497
Interest and other finance costs	11	(6)	158
Total Expenditure		9,751	9,532
Surplus (Deficit) before tax		420	(376)
Taxation	12	-	-
Surplus (Deficit) for the year		420	(376)
Actuarial (loss) / gain in respect of pension schemes	17/20	(229)	4,736
Total Comprehensive Income and Expenditure for the Year		191	4,360

Statement of Changes in Reserves for the year ended 31 July 2024

	Income & Expenditure Reserve £'000	Total £'000
Balance at 1 August 2022	2,616	2,616
Deficit for the year	(376)	(376)
Actuarial gain in respect of pension scheme	4,736	4,736
Balance at 31 July 2023	6,976	6,976
Surplus for the year	420	444
Actuarial loss in respect of pension scheme	(229)	(253)
Balance at 31 July 2024	7,167	7,167
Balance represented by:		
Pension reserve	-	-
Income & Expenditure reserve	7,167	7,167
Balance at 31 July 2024	7,167	7,167

Balance Sheet as at 31 July 2024

	Note	31 July 2024 £'000	31 July 2023 £'000
Non-current assets			
Tangible Fixed Assets	13	9,493	8,385
		<u>9,493</u>	<u>8,385</u>
Current assets			
Trade and other receivables	14	525	107
Cash at bank and in hand	19	1,409	2,606
		<u>1,934</u>	<u>2,713</u>
Less: Creditors – amounts falling due within one year	15	(1,600)	(1,544)
		<u>334</u>	<u>1,169</u>
Net current assets		334	1,169
Total assets less current liabilities		9,827	9,554
Less: Creditors - amounts falling due after more than one year	16	(2,223)	(2,096)
Provisions			
Defined benefit obligation	20	-	-
Other provisions	17	(437)	(482)
		<u>7,167</u>	<u>6,976</u>
NET ASSETS / (LIABILITIES)		7,167	6,976
Income and expenditure account		<u>7,167</u>	<u>6,976</u>
TOTAL RESERVES		7,167	6,976

The financial statements on pages 27 to 49 were approved and authorised for issue by the Corporation on 10 December 2024 and were signed on its behalf on that date by:-



D Allsop (Chair)



C Todd (Principal & Accounting Officer)

Statement of Cashflows for the year ended 31 July 2024

	Note	Year ended 31 July 2024 £'000	Year ended 31 July 2023 £'000
Cash flow from operating activities			
Surplus (Deficit) for the year		420	(376)
Adjustment for non-cash items			
Depreciation	13	567	497
Release of capital grants	18	(231)	(86)
(Increase) Decrease in debtors	14	(418)	37
Increase (Decrease) in creditors	15	(20)	226
Decrease in provisions for Enhanced Pension Provision	17	(24)	(24)
LGPS Current service pension costs	20	540	870
LGPS Past service pension costs	20	50	-
LGPS Curtailment costs	20	-	-
LGPS Pension contributions paid	20	(810)	(720)
LGPS Interest charged on pension scheme liabilities	20	1,020	870
LGPS Interest earned on pension scheme assets	20	(1,050)	(730)
Adjustment for investing and financing activities			
Investment income	7	(40)	(15)
Interest payable	11	-	-
Net cash inflow from operating activities		<u>4</u>	<u>549</u>
Cash flows from investing activities			
Investment income	7	40	15
Capital Grants received in year	18	434	276
Payments to acquire fixed assets	13	(1,675)	(898)
		<u>(1,201)</u>	<u>(607)</u>
Decrease in cash or cash equivalents in the year		<u>(1,197)</u>	<u>(58)</u>
Cash and cash equivalents at the beginning of the year		<u>2,606</u>	<u>2,664</u>
Cash and cash equivalents at the end of the year		<u>1,409</u>	<u>2,606</u>

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 2023 to 2024 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 2024 the College holds a cash balance of £1.409m (cash balance 31 July 2023 £2.606m). Overall there has been a net cash outflow of £1.197m in the year.

The College has prepared forecasts for the period though until July 2026 which forecast modest growth in activity and continued targeted investment in our facilities. 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).

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.

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 and Nationwide Building Society.

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

Financial 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.

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 20, 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 2022

has been used by the actuary in valuing the pensions liability at 31 July 2024. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability. The UK corporate bond yields at 31 July 2024 and 2023 and are at their highest levels for many years resulting in higher accounting discount rates at the year end. This places a significantly lower value on the pension obligations compared to last year and will be one of the main reasons a net asset has been reported. We have ensured that our assumptions are appropriate for the College and the valuation has been based on the following estimates:

- There is a minimum funding requirement in relation to LGPS
- There is the ability to recover a surplus through the ability to reduce future contributions (not refund)
- In calculating the surplus, the present value of current and past service costs is offset against the future contributions over the future period
- The present values in the above calculations are calculated using an annuity representing participation into perpetuity.

There is no known intention to exit the LGPS and therefore the economic benefit of a refund would be highly unlikely and on that basis recognition of an asset is considered inappropriate. We have however considered the economic benefit available to the College as a future contribution reduction and whether it is appropriate to recognise the net asset in full. Under FRS 102, a net asset restriction may apply as the prevailing view is that a minimum funding requirement for future service exists in the LGPS. We requested our actuaries consider the impact of the minimum funding requirement on the asset ceiling and as a result we have restricted the asset to £0 based upon an asset restriction calculation. We consider this to be appropriate and a more accurate reflection of the pension positions as at the 31 July 2024.

3 FUNDING BODY GRANTS

	Year ended 31 July 2024 £'000	Year ended 31 July 2023 £'000
Education & Skills Funding Agency – 16-18	2,126	1,547
Education & Skills Funding Agency - Adult	1,678	1,348
Education & Skills Funding Agency - Apprenticeships	4,698	4,950
Specific grants		
Education & Skills Funding Agency	140	314
ESFA National Skills Fund	37	23
ESFA Pension Scheme Contribution Grant	203	100
Tees Valley Combined Authority - Adult	406	365
North of Tyne - Adult	118	-
Releases of deferred capital grants	231	86
ESFA 16-19 Tuition Fund	41	-
Other funding body grants	108	45
	9,786	8,778

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 2024 £'000	Year ended 31 July 2023 £'000
ESFA Adult Classroom Based Income	195	238
Payments to College partners	(148)	(180)
Net Adult Skills Income	47	58
Apprenticeships income	1	14
Payments to College partners	-	(11)
Net Apprentices income	1	3
16-18 Learner Responsive income	377	368
Payments to College partners	(283)	(278)
Net 16-18 Learner Responsive income	94	90

4 TUITION FEES AND EDUCATION CONTRACTS

	Year ended 31 July 2024 £'000	Year ended 31 July 2023 £'000
Adult Education Fees	20	33
Full Cost Provision	-	-
Fees for FE loan supported courses	93	126
Total tuition fees	<u>113</u>	<u>159</u>
Education contracts	4	4
Employer Apprenticeship Levy Fees	56	82
	<u>173</u>	<u>245</u>

5 OTHER GRANTS AND CONTRACTS

	Year ended 31 July 2024 £'000	Year ended 31 July 2023 £'000
Other grants and contracts	-	-
	<u>-</u>	<u>-</u>

6 OTHER INCOME

	Year ended 31 July 2024 £'000	Year ended 31 July 2023 £'000
Catering income	107	97
Other income generating activities	64	13
Miscellaneous income	1	8
	<u>172</u>	<u>118</u>

7 INVESTMENT INCOME

	Year ended 31 July 2024 £'000	Year ended 31 July 2023 £'000
Other interest receivable	40	15
	<u>40</u>	<u>15</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 2024 Number	Year ended 31 July 2023 Number
Teaching Staff	112	97
Non Teaching Staff	65	59
	<u>177</u>	<u>156</u>

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 2024 Number	Year ended 31 July 2023 Number
Teaching staff	89	92
Non teaching staff	55	53
	<u>144</u>	<u>145</u>

	Year ended 31 July 2024 £'000	Year ended 31 July 2023 £'000
Wages and salaries	4,716	4,327
Social security costs	442	413
Other pension costs excluding FRS102 adjustments	969	972
Redundancy Costs	81	1
	<u>6,208</u>	<u>5,713</u>
Contracted out staffing services	31	8
	<u>6,239</u>	<u>5,721</u>
Fundamental restructuring costs		-
FRS102 pension adjustments	(196)	108
	<u>6,043</u>	<u>5,829</u>

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, Deputy Principal, Vice Principal of Finance and Resources and Director of Human Resources. Not all of the posts listed were appointed to the Management Team for the whole of the 12 month period. The costs shown in the table below are relevant for the periods postholders were part of the Senior Management Team.

Notes to the Financial Statements for the year ended 31 July 2024

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	
	2024 Number	2023 Number	2024 Number	2023 Number
£ 30,001 to £35,000	-	-	-	-
£ 35,001 to £40,000	-	1	-	-
£ 60,001 to £65,000	-	-	-	1
£ 65,001 to £70,000	1	1	-	-
£ 70,001 to £75,000	1	-	-	-
£ 75,001 to £80,000	-	-	-	-
£ 80,001 to £90,000	1	1	-	-
£ 90,001 to £120,000	-	1	-	-
£120,001 to £125,000	1	-	-	-
	4	4		1
	4	4		1

Key management personnel emoluments are made up as follows:	Year ended 31 July 2024	Year ended 31 July 2023
	£'000	£'000
Salaries	319	305
Pension contributions	54	57
Total emoluments	373	362
	373	362

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

	Year ended 31 July 2024	Year ended 31 July 2023
	£'000	£'000
Salary	120	116
	120	116
	120	116
Pension contributions	20	19
	20	19

Emoluments to key management personnel – including the Principal and Chief Executive, are set by the Remuneration Committee, giving due regard to the AoC College Senior Staff Remuneration Code and being compliant with Managing Public Money Senior Pay Controls.

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.

Notes to the Financial Statements for the year ended 31 July 2024

9 KEY MANAGEMENT PERSONNEL (continued)

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

	Year ended 31 July 2024	Year ended 31 July 2023
Principals basic salary as a multiple of the median of all staff	4.50	4.17
Principals total remuneration as a multiple of the median of all staff	3.91	4.04

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

10 OTHER OPERATING EXPENSES

	Year ended 31 July 2024 £'000	Year ended 31 July 2023 £'000
Partnership costs	397	342
Teaching costs	1,248	1,295
Non teaching costs	902	714
Bad Debt write off costs	5	28
Premises costs	595	669
	3,147	3,048

Other operating expenses include:

	Year ended 31 July 2024 £'000	Year ended 31 July 2023 £'000
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Independent auditors' remuneration:

Financial statements & regularity audit	33	24
Other services provided: Teacher pension statement audit	2	1
	35	25

11 INTEREST AND OTHER FINANCE COSTS

	Year ended 31 July 2024 £'000	Year ended 31 July 2023 £'000
On bank loans, overdrafts and other loans	-	-
Net interest on defined pension liability (note 20)	(30)	140
Interest on Enhanced Pension Provision	24	18
	(6)	158

12 TAXATION

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

13 TANGIBLE FIXED ASSETS

	Land and buildings		Equipment £'000	Total £'000
	Freehold £'000	Long leasehold £'000		
Cost				
At 1 August 2023	11,569	183	4,330	16,082
Additions	1,400	-	275	1,675
At 31 July 2024	<u>12,969</u>	<u>183</u>	<u>4,605</u>	<u>17,757</u>
Depreciation				
At 1 August 2023	3,883	109	3,705	7,697
Charge for year	323	6	238	567
At 31 July 2024	<u>4,206</u>	<u>115</u>	<u>3,943</u>	<u>8,264</u>
Net book value at 31 July 2024	<u>8,763</u>	<u>68</u>	<u>662</u>	<u>9,493</u>
Net book value at 31 July 2023	<u>7,686</u>	<u>74</u>	<u>625</u>	<u>8,385</u>

14 TRADE AND OTHER RECEIVABLES

	31 July 2024 £'000	31 July 2023 £'000
Amounts falling due within one year:		
Trade receivables	387	32
Prepayments and accrued income	138	75
	<u>525</u>	<u>107</u>

15 CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 July 2024 £'000	31 July 2023 £'000
Trade payables	463	252
Other taxation and social security	103	92
Pension accrual	116	97
Accruals	70	166
Amounts owed to Funding Bodies	660	824
Deferred income – government capital grants	186	109
Deferred income - non government capital grants	2	4
	<u>1,600</u>	<u>1,544</u>

The College has not included a holiday pay accrual on the basis the impact is minimal both in 2024 and 2023.

16 CREDITORS - AMOUNTS FALLING DUE AFTER ONE YEAR

	31 July 2024 £'000	31 July 2023 £'000
Deferred income – government capital grants	2,179	2,049
Deferred income - non government capital grants	45	47
	<u>2,224</u>	<u>2,096</u>

17 OTHER PROVISIONS

	College Enhanced Pensions £'000
At 1 August 2023	482
Expenditure in the year	(48)
Charge to income and expenditure account	24
Actuarial (gains) / losses	(21)
At 31 July 2024	<u><u>437</u></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:

	2024	2023	2022	2021	2020
Price inflation	4.8%	5.0%	3.3%	1.0%	1.4%
Discount rate (CPI)	2.8%	2.8%	2.9%	2.6%	2.3%

18 DEFERRED CAPITAL GRANTS

	SFA Funding £'000	Other Grants £'000	Total £'000
At 1 August 2023			
Land and buildings	2,034	47	2,081
Equipment	124	4	128
	<u>2,158</u>	<u>51</u>	<u>2,209</u>
Grants received in year			
Land and buildings	95	-	95
Equipment	339	-	339
Released to income and expenditure account			
Land and buildings	(138)	(2)	(140)
Equipment	(89)	(2)	(91)
At 31 July 2024	<u>2,365</u>	<u>47</u>	<u>2,412</u>
The year end balance comprising;			
Land and buildings	1,991	45	2,036
Equipment	374	2	376
At 31 July 2024	<u>2,365</u>	<u>47</u>	<u>2,412</u>
The year end balance comprising;			
Due in less than one year	186	2	188
Due in more than one year	2,179	45	2,224.
At 31 July 2024	<u>2,365</u>	<u>47</u>	<u>2,412</u>

19 CASH AND CASH EQUIVALENTS

	At 1 August 2023 £'000	Cashflows £'000	Other Changes £'000	At 31 July 2024 £'000
Cash in hand, and at bank	2,606	(1,197)	-	1,409
	<u>2,606</u>	<u>(1,197)</u>	<u>-</u>	<u>1,409</u>

20 PENSIONS AND SIMILAR OBLIGATIONS

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 2024 £'000	Year ended 31 July 2023 £'000
Teachers Pension Scheme:contributions paid	261	249
Local Government Pension Scheme: Contributions paid	624	632
Shortfall payments recognised in non- teaching costs	84	91
FRS 102 adjustments	(196)	108
Charge to the Income and Expenditure Account (staff costs)	773	1,080

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 2020 and of the LGPS 31 March 2022.

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.

20 PENSION AND SIMILAR OBLIGATIONS (continued)

Valuation of the Teachers' Pension Scheme

The latest actuarial review of the TPS was carried out as at 31 March 2020. The valuation report was published by the Department for Education (the Department) in October 2023. The key results of the valuation are:

- New employer contribution rates were set at 28.68% of pensionable pay from April 2024 (compared to 23.68% during 2018/2019);
- total scheme liabilities for service to the effective date of £262 billion, and notional assets of £222 billion, giving a notional past service deficit of £40.0 billion (compared to £22 billion in the 2016 valuation);

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

[tps-ew-2020-valuation-results-report---26_10_23-\(002\).ashx \(teacherspensions.co.uk\)](https://www.teacherspensions.co.uk/tps-ew-2020-valuation-results-report---26_10_23-(002).ashx)

The pension costs paid to TPS in the year amounted to £355k (22/23 £341k). These amounts include employers contributions of £261k (22/23 £249k).

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 2024 was £936,000 (£924,924 22/23) of which employers contributions totalled £726,000 (£631,557 22/23), employees contributions totalled £210,000 (£202,700 22/23) and shortfall deficit payments were £84,000 (£90,667 22/23). In 2023/24 the contribution rates for employers was 23.68% until 31 March 2024. From April 2024 where increased to 28.68%. Rates for employees range from 5.5% to 12.5% in the year to 31 July 2024, depending on salary.

20 PENSION AND SIMILAR OBLIGATIONS (continued)**Principal Actuarial Assumptions**

The following information is based upon a full actuarial valuation of the fund at 31 March 2023 updated to 31 July 2024 by a qualified independent actuary.

	At 31 July 2024	At 31 July 2023	At 31 July 2022	At 31 July 2021	At 31 July 2020
Inflation (RPI)	n/a	n/a	n/a	n/a	n/a
Inflation (CPI)	2.6%	2.6%	2.6%	2.6%	2.3%
Rate of increase in salaries	3.6%	3.6%	3.6%	3.6%	3.3%
Rate of increase for pensions	2.6%	2.6%	2.6%	2.6%	2.3%
Discount rate for liabilities	5.1%	5.0%	3.5%	1.7%	1.4%

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)

	2024	2023	2022	2021	2020
Retiring in 20 years:					
Males	22.4	22.9	23.2	23.3	23.2
Females	24.6	25.0	25.7	25.8	25.7
Retiring today:					
Males	21.5	21.7	22.1	22.3	22.2
Females	23.8	23.9	24.2	24.3	24.2

	Proportion of assets		Fair Value £'000	
	31 July 2024	31 July 2023	31 July 2024	31 July 2023
Equity instruments	55.2%	50.9%	12,530	10,630
Multi Asset Credit	15.2%	15.3%	3,450	3,200
Government bonds	9.9%	10.6%	2,250	2,220
Corporate bonds	9.5%	9.4%	2,160	1,970
Property	6.4%	7.5%	1,450	1,570
Cash	2.1%	2.0%	480	420
Other	1.7%	4.3%	390	900
Total market value of assets			22,710	20,910

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 2024	31 July 2023
	£'000	£'000
Fair value of plan assets	22,710	20,910
Present value of plan liabilities	(21,510)	(20,680)
Present value of unfunded liabilities	(10)	(10)
Net pensions (liability) / asset – prior to restriction	<u>1,190</u>	<u>220</u>
Restriction in pension asset	<u>(1,190)</u>	<u>(220)</u>
Net Pension asset / (liability)	<u><u>-</u></u>	<u><u>-</u></u>

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

Amounts included in staff costs:	31 July 2024	31 July 2023
	£'000	£'000
Current Service Cost	540	870
Past Service Cost	50	-
Total	<u><u>590</u></u>	<u><u>870</u></u>

Amounts included in interest and other finance costs:	31 July 2024	31 July 2023
	£'000	£'000
Interest on plan assets	(1,050)	(730)
Interest on plan liabilities	1,020	870
Curtailement cost	-	-
Net interest on the defined benefit pension liability	<u><u>(30)</u></u>	<u><u>140</u></u>

Amounts included in other comprehensive income:	31 July 2024	31 July 2023
	£'000	£'000
Actuarial (gain) in respect of pension scheme	(720)	(4,910)
Actuarial (gain): Unfunded defined benefit obligation	-	(10)
Total	<u><u>(720)</u></u>	<u><u>(4,920)</u></u>

	2024	2023
	£'000	£'000
Movement in net defined benefit (liability) during year		
Net defined benefit liability in plan at start of year	10	(4,390)
Movement in Year:		
Current Service cost	(540)	(870)
Employer Contributions	810	720
Past Service cost	(50)	-
Net interest on the defined liability	30	(140)
Curtailement cost	-	-
Actuarial gain / (loss)	720	4,910
Actuarial gain adjustment	(970)	(220)
Net defined benefit asset / (liability) at end of year	<u><u>10</u></u>	<u><u>10</u></u>

20 PENSION AND SIMILAR OBLIGATIONS (continued)**Asset and Liability Reconciliation**

Changes in the present value of defined benefit obligations:

	2024	2023
	£'000	£'000
Defined benefit obligations at start of year	20,680	25,200
Current Service Cost	540	870
Past Service Cost	50	-
Interest cost	1,020	870
Actuarial (gains) / losses on liabilities	(210)	(5,830)
Estimated benefits paid	(780)	(630)
Contributions by scheme participants	210	200
Curtailment cost	-	-
Defined benefit obligations at end of year	<u>21,510</u>	<u>20,680</u>

Changes in the fair value of plan assets:

	2024	2023
	£'000	£'000
Fair value of plan assets at start of year	20,910	20,810
Interest on plan assets	1,050	730
Return on plan assets	510	(920)
Employer contributions	810	720
Contributions by scheme participants	210	200
Estimated benefits paid	(780)	(630)
Fair value of plan assets at end of year	<u>22,710</u>	<u>20,910</u>

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

	2024	2023	2022	2021	2020
	£'000	£'000	£'000	£'000	£'000
Present value of defined benefit obligation (funded)	(21,510)	(20,680)	(25,200)	(33,760)	(32,940)
Present value unfunded liabilities	(10)	(10)	(20)	(20)	(20)
Fair Value of scheme assets	22,710	20,910	20,810	22,350	18,780
Restriction in Pension Asset	(1,190)	(220)	-	-	-
Surplus / (Deficit) in the scheme	<u>-</u>	<u>-</u>	<u>(4,410)</u>	<u>(11,430)</u>	<u>(14,180)</u>

Sensitivity Analysis

Changes to the Present value of the total obligation:

	At 31 July	At 31 July
	2024	2023
	£'000	£'000
(Discount rate +0.1%)	21,140	20,330
(Discount rate -0.1%)	21,880	21,030
Mortality assumption: 1 year increase	20,950	20,140
Mortality assumption: 1 year decrease	22,007	21,220
CPI rate +0.1%	21,830	20,990
CPI rate -0.1%	21,117	20,350

21 CAPITAL COMMITMENTS

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

	2024 £'000	2023 £'000
Commitments contracted for at 31 July 24	342	232
	<u>342</u>	<u>232</u>

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 or remuneration paid to Governors in the current or prior year. There was no expense claims paid to Governors in the current year.

23 AMOUNTS DISBURSED AS AGENT

	Year ended 31 July 2024 £'000	Year ended 31 July 2023 £'000
Discretionary Support Funds		
ESFA support	238	222
	<u>238</u>	<u>222</u>
Disbursed to Students	(160)	(174)
Administration costs	(8)	(7)
	<u>70</u>	<u>41</u>
Balance underspent as at 31 July	<u><u>70</u></u>	<u><u>41</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 £50,020 was ringfenced from the Adult Skills Budget to be used for Discretionary Learner Support (£50,020 22/23). This is included in the support funds income shown above.