

Queen Elizabeth Sixth Form College

Annual Report and Financial Statements

Year ended 31 July 2022

Key Management Personnel, Board of Governors and Professional advisers

Key management personnel

Key management personnel are defined as members of the College Leadership Team and were represented by the following in 2021/22:

Tim Fisher	- Principal and Accounting Officer
Laurence Job	- Deputy Principal
Stuart Hargrove	- Chief Financial Officer- Lisa Marron from 1/9/22 Vice Principal
Meirion Baker	- Assistant Principal
Theresa Amarawansa	- Assistant Principal – Became Vice Principal from 1/9/22
Ian Waite	- Assistant Principal

Board of Governors

A full list of Governors is given on page 15 of these financial statements.

Mr S Dowson acted as Clerk to the Corporation until 31st December 2021 and Mrs Nicola Wade held the role of Acting Clerk thereafter.

Professional advisers

Financial statements auditors and reporting accountants:

Wylie & Bisset (Audit) Limited
Chartered Accountants
168 Bath Street
Glasgow
G2 4TP

Internal auditors:

Haines Watts
30 Camp Road
Farnborough
Hampshire
GU14 6EW

Bankers:

Lloyds Bank
21-23 Northgate
Darlington
DL1 1TL

Solicitors:

Eversheds
Central Square South, Orchard Street
Newcastle upon Tyne
NE1 3XX

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Members' Report Operating and Financial Review

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

OBJECTIVES AND STRATEGIES

Legal status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting Queen Elizabeth Sixth Form College. The College is an exempt charity for the purposes of part 3 of the Charities Act 2011.

Mission

Governors reviewed the College's mission during 2014/15 and in July 2015 approved the following mission and strategic objectives:

"To provide an outstanding educational experience for students, which equips them with the knowledge, confidence and skills to flourish in their lives and careers."

Public Benefit

Queen Elizabeth Sixth Form College is an exempt charity under Part 3 of the Charities Act 2011 and following the Machinery of Government changes in July 2016 is regulated by Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on page 15.

In setting and reviewing the College's strategic objectives, the Governing Body has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. The guidance sets out the requirement that all organisations wishing to be recognised as charities must demonstrate, explicitly, that their aims are for the public benefit.

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

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

The delivery of other aspects of public benefit is covered throughout this Members' Report/Operating and Financial Review.

Implementation of strategic plan

In July 2015 the College adopted a strategic plan for the period 1 August 2015 to 31 July 2020. It was agreed, due to the disruption caused by the Covid-19 pandemic, to extend this strategic plan to 31 July 2022. The strategic plan is currently under review and will be underpinned by individual property and financial plans. The Corporation monitors the performance of the College against these plans. The plans are reviewed and updated each year. The College's continuing strategic objectives are:

- To achieve excellent academic progress and outcomes for all students.
- To provide outstanding teaching and learning across the curriculum.
- To support, guide and inspire all students to achieve their full potential.
- To develop employability skills and personal qualities including confidence, independence and tolerance in all students.
- To provide a dynamic, aspirational and well-resourced learning environment.
- To enhance the student experience with outstanding extra-curricular provision.
- To enable all students to progress successfully from the College to university, training or work.
- To keep students, staff and visitors safe.
- To develop the skills and abilities of all staff and support them to realise their ambitions.
- To maintain a robust financial position and achieve value for money in all that we do.
- To communicate successfully the qualities and attributes of the College to prospective students, their parents, their schools and the wider community.
- To develop strong and productive links with business, employers and other organisations.
- To make the College a significant contributor to the future of Darlington and the local area.
- To be innovative and flexible in our response to local and national needs.

The strategic plan will be revisited and revised during the 2021-22 financial year.

Financial objectives

The College's financial objectives are:

- to achieve an operating surplus/(deficit) before grants and depreciation as % of income of at least 4.0%
- to achieve an operating surplus each year
- to achieve a ratio of staff cost % to income of less than or equal to 76.0%
- to maintain at least 30 cash days in hand at all times
- to maintain a ratio of current assets to current liabilities of better than 1.5
- to generate a cash inflow from operating activities
- to generate sufficient funds to enable the maintenance and improvement of accommodation and equipment

A series of performance indicators have been agreed to monitor the successful implementation of these objectives. These objectives were all achieved in the financial year.

Performance indicators

Performance indicators relating to key areas of the College’s activity are produced annually by the College for internal use and address the following issues:

- intake numbers and average class sizes;
- retention and attendance rates;
- examination results – raw and value added;
- student destinations;
- views of students, staff (every 2 years) and other stakeholders; and
- lesson observations.

These are all monitored regularly by the Governing Body, which places a high priority on the monitoring and analysis of students’ achievements.

The College is committed to observing the importance of sector measures and indicators and uses the FE Choices data available on the GOV.UK website which looks at measures such as achievement rates.

Key performance indicator	Measure/Target	Actual for 2021/2022
Student number targets	2050	2041
A Level Pass Rate	100%	99%
Operating surplus/EBITDA as % of income	5%	6.4%
Bank Loans as % of income	2.1%	2.1%
Ratio of Current Assets to Current Liabilities	5.1	6.4

The College is required to complete the annual Finance Record for the Education and Skills Funding Agency (“ESFA”). The College is assessed by the ESFA as having an “Outstanding” financial health grading. The current rating of Outstanding is considered an acceptable outcome.

FINANCIAL POSITION

Financial results

The College generated a deficit before other gains and losses in the year of £270,000 (2021/22 surplus of £340,000, with total comprehensive income of £2,950,000, (2020/21 1,630,000). The deficit before other gains and losses includes an FRS102 (28) pension charge to staff costs of £430,000 (2020/21 - £410,000) and an interest charge of £50,000 (2020/21 - £50,000). The total comprehensive gain in 2021/22 is stated after accounting for the actuarial gain in respect of pension schemes of £3,220,000 (2020/21 actuarial gain of £1,290,000). The College’s operating surplus before FRS102 (28) pension charges was therefore £210,000 (2020/21 -£800,000).

During 2021/22 the College generated a cash flow from operating activities of £862,000 (2020/21 - £1,603,000).

Tangible fixed asset additions during the year amounted to £839,000. This was split between land and building additions of £500,000, Asset works in progress of £33,000 and equipment purchased of £306,000.

The College has accumulated reserves of £11,305,000 and cash and short-term investment balances of £4,738,000. An additional £1,000,000 is on medium term deposit. The College wishes to continue to accumulate reserves and cash balances in order to create a future contingency fund and to enable it to capitalise on future opportunities.

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2021/22 the FE funding bodies provided 98.7 % of the College's total income.

Treasury policies and objectives

Treasury management is the management of the College's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. The College's treasury management policies are included in its Financial Control Procedures.

Short term borrowing for temporary revenue purposes is authorised by the Accounting Officer. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum as revised from 22nd April 2013.

Cash flows and liquidity

With an inflow of £ (2020/21 inflow of £1,103,000), net cash flow from operating activities was strong. The College continues to invest in its assets without taking out any loan finance.

Reserves Policy

The College has no formal reserves policy but recognises the importance of financial stability of an organisation, whilst ensuring that adequate resources are provided for the College's core business. The College currently holds no restricted reserves.

As at the balance sheet date, the income and expenditure account reserve stand at £9,481,000 (2021: £6,473,000). It is the Corporation's intention to increase reserves over the life of the strategic plan, by the generation of operating surpluses. Reserves will be used in future years to reinvest in the development of the College's accommodation, curriculum offer and other development opportunities.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

The College is funded according to the level of activity it generates each year. In 2021/22 the College enrolled 2,041 full-time 16–18-year-old students, 48 more than the allocation for the year. Under the latest methodology based on lagged student numbers, the allocation of funding in 2021/22 was for 1,993 students.

Student achievements

Students continue to prosper at the College. In 2022, when external exams last took place, the pass rate for A level was 99%, significantly above the national average. The College has put in place many actions to improve student progress which has resulted in strong improvements. The progress of students completing their 16-18 study programmes has risen from 2017 where it matched the national average to significantly above national average in both 2018 and 2019 external

examinations. Teacher assessed grades in 2022 and analysis of the progress of current students suggests that this strong progress will be maintained.

Curriculum developments

In 2021-22 students at the College were able to choose their courses from 30 subjects at GCE Advanced Level, 9 at Applied General level 3 and 7 at GCSE/level 2. In addition, students benefitted from a significant amount of enrichment provision including courses accredited by the Open College Network. There was also a foundation course in Art & Design (BTEC). The College works collaboratively with local providers and employers to ensure that there are appropriate programmes of study available to meet the needs of young people and to develop a wide range of skills of young people in the Darlington area.

A student progress support structure is in place, whereby the College employs a team of specialist Progress Tutors. This has enabled the College to use teachers' time to maximum effect by optimising contact time with students in their subject areas. This system has had a positive impact on student outcomes and the pastoral care that they receive whilst at College.

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During the accounting period 1 August 2021 to 31 July 2022, the College paid over 95 per cent of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

Events after the end of the reporting period

There were no significant post balance sheet events.

Future developments

As student numbers have continued to increase, the College continues to assess its accommodation strategy. In recent years the College has been successful in securing funding to upgrade and maintain its estate. This has seen improvements to the external fabric of buildings, roof refurbishments and upgrades to heating infrastructure. All College lighting has also been upgraded to the latest energy efficiency standards using LED based technology. The College was successful within the year of receiving a DFES Post 16 Capacity fund grant of £2,260,120 which will complete within the 22/23 academic year. This space will increase student capacity.

Whilst recognising the changes to the funding bodies' ability to provide further capital project funding, the College will always continue to review its options for the development of its accommodation, including expansion and the flexible use of space to meet future demand.

The Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

During the 2015/16 financial year, the College was subject to involvement in the Tees Valley Area Review. The review found the College to be financially viable and recommended that Queen

Elizabeth Sixth Form College remains as an independent institution and pursues conversion to academy status and establishes a multi-academy trust with local schools. Although not currently intending to convert to academy status, the College continues to collaborate with local schools and national sixth form colleges.

RESOURCES:

The College has various resources that it can deploy in pursuit of its strategic objectives. Tangible resources include the main college site and £5.9 million held in current assets.

Financial

The College has £11.3 million of net assets (2020/21 £ 8.4 million) including a £0.5 million pension liability (2020/21 £3.2 million) and a modest interest free Salix financed loan of £0.2m (2020/21 £0.2m).

People

The College employs 142 people (expressed as full-time equivalents), of whom 83 are teaching staff.

The college had approximately 2,041 students enrolled during 2021/22. These were primarily 16-to-18-year-old students studying level 3 qualifications.

Reputation

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

PRINCIPAL RISKS AND UNCERTAINTIES:

The College continued to undertake further work during the year to develop and embed the system of internal control, including financial, operational and risk management which is designed to protect the College's assets and reputation. A risk register, based on the College's strategic objectives, identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to mitigate the risks. The risk register is reviewed regularly by the Audit Committee and is subject to ongoing review and reflection by senior management.

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

1 Government funding

The College has considerable reliance on continued government funding through the education sector funding bodies. In 2021/22, 98.7 % of the College's revenue was ultimately public funding and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same level or on the same terms.

The College is aware of several issues which may impact on future funding. Apart from the anticipated revisions in future funding methodologies, a prime risk is that funding is now based on lagged student numbers. Any reduction in student numbers will therefore have a direct impact on

funding in the following year. Next year's student funding will be higher This risk will continue to be mitigated by ensuring the College is rigorous in delivering high quality education and ensuring the College is focussed on those priority sectors that will continue to benefit from public funding. A clear focus on the importance of maintaining student recruitment and retention is embedded in the College's systems. The College is also aware of the changing landscape for Higher Education funding which could ultimately act as a disincentive to students going to university and hence the need for them to take 'A' Level qualifications. The College therefore continues to highlight and promote the value of 'A' Level qualifications for students progressing to employment as well as for those going in to Higher Education.

2 Reliance on students from outside of Darlington

This risk is mitigated by the full engagement of the College at all levels with the 14-19 Partnership and Children's Trust activities in Darlington and through strong school liaison links beyond the borough. Also, the College is a member of the Aycliffe and Shildon Schools Education Trust, which helps to enable smooth progression for students from three schools in south west Durham to the College. Close collaboration with key partner schools and a comprehensive offer of College bus routes are also key factors in mitigating this risk.

3 Effect of Covid-19 Pandemic

The Covid-19 pandemic has had a limited effect on 2021/22 financial results with any loss of income and/or additional costs being offset by savings in site running costs. The risks of additional costs and further losses in income do however remain moving forward into 2022/23 compounded by economic pressures. A robust financial forecast has been drawn up for both the 2022/23 and 2023/24 financial years which incorporate estimates of further Covid-19 related financial impacts. Annual operating cash flow for 2022/23 is anticipated to be lower than in 2021/22 but still remains positive. The anticipated financial impacts of Covid-19, although potentially significant, are not seen to threaten the going concern of the College.

STAKEHOLDER RELATIONSHIPS

In line with other colleges and with universities, Queen Elizabeth Sixth Form College has many stakeholders. These include: students; staff; the local community; the local authority; local employers; the Education and Skills Funding Agency (ESFA); other FE institutions; trade unions and professional bodies. The College recognises the importance of these relationships and engages in regular communication with them.

Staff and student involvement

The College attaches considerable importance to the quality of its communication with staff and students. The College has clear systems and procedures which ensure effective consultation and communication with staff.

All staff attend a short daily briefing during which they are welcome to contribute notices. Due to Covid-19, daily face-to-face briefings have been suspended but have been replaced with daily electronic communications and periodic meetings with staff. Curriculum and support staff are involved in a regular structured programme of committee meetings. Three staff governors and two student governors sit on the Board of the Corporation.

The Principal also meets, every term, with representatives from each of the recognised unions. Students are encouraged to participate in College matters. A Student Association ensures the representation of all tutor groups and meetings occur on a monthly basis to allow students to discuss issues of importance to them. Representatives of the Students' Association meet every term with the Principal and other senior members of staff. In addition, students contribute to a range of committees and focus groups. Part of the College's Quality Assurance procedures includes all students providing feedback about their experiences at College. All of these meetings and activities allow Senior Managers to act upon any suggestions made by students.

The College continues to develop its use of multi-media to communicate with staff and students. This includes communication via social networks such as Facebook and Twitter; via email and text; and via the use of a rapidly developing intranet accessible from both within and outside of the College. Google Meet is used extensively for communications between staff, students and other external agencies.

As an integral part of its Single Equality Scheme, the College has developed a disability focus group, comprising staff and students. This group meets every term to discuss issues of equality which inform the actions taken within the Equality Scheme.

The College is actively involved with a range of other stakeholders including: the Local Authority, through the Children's Trust and 14-19 Partnership; local universities, through a variety of linking activities; and the local business community, through the College's Business Links scheme.

Equal opportunities and employment of disabled persons

The College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, gender, sexual orientation, disability, religion or belief and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry. This policy will be resourced, implemented and monitored on a planned basis.

The College's Equality and Diversity Policy is published on the College's website. The College's values are communicated via a tutorial programme for students and through whole college activities. They are also embedded by being an integral part of College policies and procedures. Staff Development activities occur and actions are monitored by the College's Equality and Diversity Committee, Senior Managers and Governors.

The College publishes an Annual Equality Report and Equality Objectives to ensure compliance with all relevant equality legislation including the Equality Act 2010. The College undertakes equality impact assessments on all new policies and procedures and publishes the results. Equality impact assessments are also undertaken for existing policies and procedures on a prioritised basis.

The College considers all applications for employment from people with a protected characteristic including disabled persons, bearing in mind the aptitudes of the individuals concerned. Where an existing employee becomes disabled, every effort will be 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.

Disability statement

The College seeks to achieve the objectives set down in the Disability Discrimination Act 2010.

Accommodation improvements have significantly improved access to College facilities for those with physical disabilities and all floors of the main building are accessible.

The College's Equality Duty Statement which is available on the College website, clearly outlines our approach and progress against our action plan.

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 procedure.

The College has made a significant investment in the appointment of specialist staff to support students with learning difficulties and/or disabilities. There are a number of learning support assistants who can provide a variety of support for students. 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. The College also has a wide range of assistive technology to support students with learning difficulties and/or disabilities including visual impairment.

Specialist programmes are described in College prospectuses, and achievements and destinations are recorded and published in the standard College format.

Counselling and welfare services along with other Complaints and Disciplinary Procedures are described within the information provided to students at induction.

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 who were relevant period	FTE employee number
2	2

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

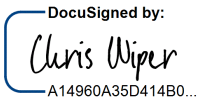
Total cost of facility time	0
Total pay bill	£7,083,400
Percentage of total bill spent on facility time	0

Time spent on paid trade union activities as a percentage of total paid facility time	0
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Disclosure of information to 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 auditor is aware of that information.

Approved by order of the members of the Corporation on 8th December 2022 and signed on its behalf by:

DocuSigned by:

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C Wiper

Chair

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1st August 2021 to 31st July 2022 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

- i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- ii. in full compliance with the guidance from the Charity Governance Code (“the Code”), formally adopted by the Corporation in June 2021;

In the opinion of the Governors, the College complies with/exceeds all the provisions of the Code, and it has complied throughout the year ended 31 July 2022.

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

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

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

Curriculum Planning – substantial assurance
Core Financial controls – adequate assurance
HR Health check – substantial assurance
Quality Management - substantial assurance
Curriculum Planning – substantial assurance

The Information governance health check will roll into 2022/23 as will some follow up items from the Estates and I.T reviews – these items have adequate assurance.

Internal audit during 2021/22 concluded “overall in our opinion, based upon the reviews performed during the year, the College:

- has adequate and effective risk management;
- has adequate and effective governance; and
- has adequate and effective control processes.

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 table below.

Governor	Category	Term	Date first appointed	Term expires	Membership of Committees						Attendance
					Board	Audit	C&S	F&R	Rem	S&R	
Mr C Wiper	Independent	4 years	01 Sept 1996	01 Sept 2024	Board		C&S	F&R	Rem	S&R	88%
Prof L Oglesby OBE	Independent	4 years	01 Sept 2004	01 July 2022	Board			F&R	Rem		78%
Mr T Fisher	Ex-Officio (Principal)	n/a	16 Aug 2007	n/a	Board		C&S	F&R		S&R	100%
Mr A Wilson	Independent	4 years	01 Sept 2007	01 Sept 2024	Board			F&R	Rem	S&R	69%
Mr D Warman	Independent	4 years	01 Apr 2008	01 Apr 2024	Board			F&R		S&R	92%
Mr A Teague	Independent	4 years	01 Jul 2010	01 Jul 2022	Board	Audit	C&S		Rem		100%
Ms J Pan	Independent	4 years	01 Oct 2010	01 Sept 2024	Board						100%
Mrs J Hillyard	Staff	4 years	01 Sept 2012	01 Sept 2024	Board		C&S				57%
Mr S Heath	Independent	4 years	27 Jun 2013	24 Jun 2025	Board		C&S				57%
Mr C Kipling	Independent	4 years	19 Jun 2014	03 Dec 2023	Board		C&S				57%
Mr I Clyde	Parent	4 years	03 Dec 2015	18 May 2024	Board	Audit					83%
Mr J Deane	Independent	4 years	26 Jan 2017	26 Jan 2025	Board	Audit		F&R			64%
Miss J Barrett	Independent	4 years	14 Mar 2019	14 Mar 2023	Board		C&S				57%
Mrs V Snowball	Staff	4 years	14 Mar 2019	14 Mar 2023	Board		C&S				71%
Mrs E Hickerson	Independent	4 years	05 Mar 2020	05 Mar 2024	Board						25%

Governor	Category	Term	Date first appointed	Term expires	Membership of Committees						Attendance
					Board	Audit	C&S	F&R	Rem	S&R	
Mr J Heathwaite	Student	1 year	01 Sept 2021	31 Aug 2022	Board						0%
Mr V Pacheco	Student	1 year	01 Sept 2021	31 Aug 2022	Board						50%

Attendance figures are defined as the percentage of meetings attended out of number of meetings the member was due to attend.

The Corporation

The members who served on the Corporation during the year and up to the date of signature of this report are set out on pages 15 to 17. It is the Corporation's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

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

The Corporation meets at least four times a year and has several committees that consider, in detail, College issues. Each committee has terms of reference, which have been approved by the Corporation. These committees include the Finance & Resources Committee, the Search & Review Committee, the Remuneration Committee, the Audit Committee and the Curriculum & Standards Committee.

The existence of the Curriculum & Standards Committee reflects the priorities of the College and its commitment to generating high standards alongside an excellent student experience.

Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available from the Clerk to the Corporation at:

Queen Elizabeth Sixth Form College
Vane Terrace
Darlington
DL3 7AU

The Clerk to the Corporation maintains a register of financial and personal interests of the governors, including any gifts and hospitality. 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 Clerk to the Corporation, who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Clerk are matters for the Corporation as a whole.

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

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

There is a clear division of responsibility in that the roles of the Chair and Accounting Officer of the College are separate.

It should be noted that during the Covid-19 pandemic, the College has applied Procurement Policy Notices in line with guidance. In particular, College transport suppliers and sub-contracted canteen provision were supported and the Accounting Officer is satisfied that the College obtained value for money by doing so. No staff were furloughed due to Covid-19 and therefore no funds were required from the Government's Coronavirus Job Retention Scheme.

Governor Development

100% of governors completed at least one development activity in 2021-22, some completed several. Examples of activities include:

- SFCA Governance Webinar 2022 – Equality & Diversity
- SFCA Governance Webinar 2022 – External Reviews of Governance
- SFCA Governance Webinar 2022 - Finance and Funding
- QE Equality, Diversity & Inclusion Committee meeting
- QE HE/Careers Workshops
- QE LGBTQ+ Committee meeting
- QE Open Evenings
- QE Vice Principal (Student Support & DSL) – Interviews
- QE Volunteering Awards 2022
- Safeguarding Level 3
- Early Help – review and updates
- Designated Safeguarding Lead training

Governors took part in the following statutory training activities:

- PREVENT
- Safeguarding Level 1
- Keeping Children Safe in Education – update 20

Governors took part in the following training sessions at Board meetings:

- September 2021 COVID-19 Recovery Plan and operational update
- December 2021 Academisation
- March 2022 Education Inspection Framework
- June 2022 External Reviews of Governance

Development of the Clerk 2021-22

The Acting Clerk took part in the following training activities:

SFCA Governance Webinar - Tricky Situations	Jan '22
SFCA Clerks' Conference	Jan '22
NorVIC Clerks' meeting	Mar '22
SFCA Governance Webinar - Finance & Funding	Apr '22
SFCA Governance Webinar - External Reviews of Governance	May '22

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 & Review Committee, consisting of four 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 four years.

Corporation Performance

The Corporation carried out a self-assessment of its own performance for the year ended 31 July 2022 and graded itself as "Good" on the OFSTED scale. An External Review of Governance is due to be completed in 2022/23 or 2023/24.

Remuneration Committee

Throughout the year ending 31st July 2022, the College's Remuneration Committee comprised the Chair and three other members of the Corporation. The Committee's responsibilities include approving the remuneration and benefits of the Accounting Officer and other senior post-holders. The minutes of the Remuneration Committee are presented to the next meeting of the Corporation.

Details of remuneration for the year ended 31st July 2022 are set out in note 6 to the financial statements.

Audit Committee

The Audit Committee comprises three members of the Corporation (excluding the Accounting Officer and Chair). The Committee operates in accordance with written terms of reference approved by the Corporation. Its purpose is to advise the Corporation on the adequacy and effectiveness of the College's system of internal control and its arrangements for risk management, control and governance processes.

The Audit Committee meets at least twice per year and provides a forum for reporting by the College's internal, regularity and financial statements auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the main FE funding bodies, as they affect the College's business. From 2022/23 onwards, the Audit Committee will meet at least three times per year.

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

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

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

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

<u>Committee member</u>	<u>Meetings attended</u>
Mr A Teague	2
Mr I Clyde	1
Mr J Deane	2
<i>Mr D Warman</i>	1

Internal control

Scope of responsibility

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

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

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Queen Elizabeth Sixth Form College for the year ended 31st July 2022 and up to the date of approval of the annual report and accounts.

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

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

Risks faced by the Corporation

The Corporation identifies, evaluates, and manages risk, including an impact and likelihood evaluation of key risks and records these in a risk register. Principal risks identified include the College's reliance on government funding which is in turn reliant on recruiting and retaining high numbers of students for funding purposes. Risks associated with the COVID-19 pandemic were also identified via the risk register which was informed by a comprehensive risk assessment. The risk register is regularly reviewed, updated and reported to the Audit Committee.

Control weaknesses identified

No significant control weaknesses or failures were identified during the 2021/22 year.

Responsibilities under funding agreements

The College's main funding agreement is with the ESFA, is for 16 to 19 revenue funding and is subject to the Conditions of Funding (Grant) (Colleges) for the delivery of Education and Training. It is the College's responsibility to comply with the Conditions of Funding. The College has robust systems in place to ensure that the Conditions of Funding are met.

Review of effectiveness

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

- the work of the internal auditor;
- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework; and

- comments made by the College's financial statements auditor and the regularity auditor in their management letters and other reports.

The Accounting Officer has been advised on the implications of the result of his review of the effectiveness of the system of internal control by the Audit Committee, which oversees the work of the internal auditor, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Senior Management Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Senior Management Team and the Audit Committee also receive regular reports from internal audit, which include recommendations for improvement.

In the year to 31st July 2022 there were two internal audit reviews. Amongst the recommendations made, there were no critical recommendations identified during any of the internal audits. Both audits provided substantial assurance that the controls upon which the organisation relies to manage risks material to the achievement of the organisation's objectives are suitably designed and effective.

The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Senior Management Team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its November meeting, the Corporation carries out the annual assessment for the previous year by considering documentation from the Senior Management Team and internal audit, and taking account of events since 31st July 2022.

The Audit Committee also oversaw and authorised the College's risk assessment to deal with the potential impacts of Covid-19. A comprehensive risk assessment is in place which is regularly reviewed to ensure that mitigating actions are in place to deal with the risk of Covid-19 infection.

Based on the advice of the Audit Committee, the Corporation is of the opinion that the College has an adequate and effective framework for governance, risk management and control, and has fulfilled its statutory responsibility for "the effective and efficient use of resources, the solvency of the institution and the body and the safeguarding of their assets".

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31st July 2022 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

Going concern

After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

Approved by order of the members of the Corporation on 8th December 2022 and signed on its behalf by:

DocuSigned by:
Chris Wiper
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C Wiper

Chair

DocuSigned by:
Tim Fisher
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T J Fisher

Principal

Statement of Regularity, Propriety and Compliance

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

We confirm, on behalf of the Corporation, that to the best of its knowledge, the Corporation believes it is able to identify any material irregular or improper use of funds by the College, or material non-compliance with the terms and conditions of funding under the College's financial memorandum.

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

Approved by order of the members of the Corporation on 8th December 2022 and signed on its behalf by:

DocuSigned by:
Chris Wiper
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C Wiper

Chair

DocuSigned by:
Tim Fisher
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T J Fisher

Principal

Statement of Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the Financial Memorandum with the ESFA, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education Institutions and with the College Accounts Direction 2021 to 2022 issued by the ESFA, and which give a true and fair view of the state of affairs of the College and the result for that year.

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

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess whether the corporation is a going concern, noting the key supporting assumptions qualifications or mitigating actions as appropriate; and
- 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 an Operating and Financial Review which describes what it is trying to do and how it is going about it, including the College's legal and administrative status.

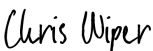
The Corporation is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the College and which enable it to ensure that the financial statements are prepared in accordance with the relevant legislation of incorporation and other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

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

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

Approved by order of the members of the Corporation on 8th December 2022 and signed on its behalf by:

_____ **C Wiper, Chair**

DocuSigned by:

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Independent auditor's report to the Corporation of Queen Elizabeth Sixth Form College for the year ended 31 July 2022

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Queen Elizabeth Sixth Form College (the 'College') for the year ended 31 July 2022 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 a summary of significant accounting policies and other explanatory information. 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the College's affairs as at 31 July 2022, and of its income over expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Corporation's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Corporation has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the College's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the report and financial statements, other than the financial statements and our auditor's report thereon. The Corporation is responsible

for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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.

Responsibilities of the Corporation

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

In preparing the financial statements, the Corporation is responsible for assessing the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Corporation either intend to liquidate the 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 responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and with ISAs (UK). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

We identify and assess risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, responding appropriately to fraud or suspected fraud identified during the audit process. This includes obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The primary responsibility however for the prevention and detection of fraud rests with those charged with governance and executive management of the entity.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we have considered the following:

- *We obtained an understanding of the legal and regulatory framework applicable to the company. We determined the most significant are those relating to the financial reporting framework (namely the Companies Act 2006, UK GAAP and the application of FRS102), HMRC tax compliance in the UK and EU General Data Protection Regulation. In addition we concluded there are laws and regulations specific to operating in the hospitality sector with which there has to be compliance.*
- *We developed an understanding of how Historic Environment Scotland Enterprises Limited is complying with those frameworks by making enquiries of those charged with governance and management. We corroborated our enquiries through review of Board minutes and correspondence with third party entities where relevant and available.*
- *We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur, at the planning stage of the audit by meeting with executive management and those charged with governance to understand where they considered there to be fraud risk and susceptibility. We also reviewed budgeted projections and actual outturn against prior year budget to determine if there were any anomalies. Where we considered audit risk to be higher we undertook tests to mitigate each identified risk.*
- *We assessed the internal control environment established to mitigate risks of fraud or non-compliance with laws and regulations. In addition to this we evaluated compliance with laws and regulations and made enquiries of any non-compliance.*
- *With regards to detecting and responding to fraud we made enquiries of those charged with governance and executive management as to whether there was any knowledge of actual, suspected or alleged fraud.*
- *We undertook discussions amongst the audit engagement team with respect to how and where fraud might occur in the financial statements and what the likely indicators would be.*

As a result of the procedures noted above we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud to be in the following areas;

- timing of recognition of income;
- posting of unusual journals;
- management override on internal controls.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would be to become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Use of our report

This report is made solely to the Corporation, as a body, in accordance with the Funding Agreement published by Education and Skills Funding Agency and our engagement letter.

Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are 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 Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

Wylie & Bisset (Audit) Limited

Claire Dalrymple

Wylie & Bisset (Audit) Limited

Chartered Accountants

Statutory Auditor

168 Bath Street

Glasgow

G2 4TP

Date: 8 December
2022

Reporting accountant's assurance report on regularity

To: The corporation of Queen Elizabeth Sixth Form College and Secretary of State for Education, acting through Education and Skills Funding Agency (the ESFA)

In accordance with the terms of our engagement letter dated 7 October 2020 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, in all material respects, the expenditure disbursed and income received by Queen Elizabeth Sixth Form College during the period 1 August 2021 to 31 July 2022 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 data returns, for which the ESFA has other assurance arrangements in place.

This report is made solely to the corporation of Queen Elizabeth Sixth Form 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 Queen Elizabeth Sixth Form 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 Queen Elizabeth Sixth Form College and the ESFA for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Queen Elizabeth Sixth Form College and the reporting accountant

The corporation of Queen Elizabeth Sixth Form 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 that 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 2021 to 31 July 2022 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

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.

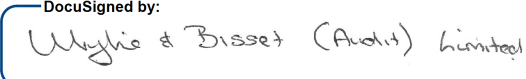
Our engagement includes examination, on a test basis, of evidence relevant to the regularity of the corporation's income and expenditure.

The work undertaken to draw 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.

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 2021 to 31 July 2022 has not been applied to purposes intended by Parliament, and the financial transactions do not conform to the authorities that govern them.

DocuSigned by:

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Wylie & Bisset (Audit) Limited
Chartered Accountants
Statutory Auditors
168 Bath Street
Glasgow
G2 4TP

Date: 8th December 2022

Statement of Comprehensive Income

	Notes	2022 £'000	2021 £'000
INCOME			
Funding body grants	2	9,319	9,679
Tuition fees and education contracts	3	-	4
Other income	4	113	121
Endowment and investment income	5	14	3
Total income		9,446	9,807
EXPENDITURE			
Staff costs	6	7,540	7,351
Other operating expenses	7	1,642	1,587
Depreciation	10	484	479
Interest and other finance costs	8	50	50
Total expenditure		9,716	9,467
(Deficit)/surplus before other gains and losses		(270)	340
(Deficit)/surplus before tax		(270)	340
(Deficit)/surplus for the year		(270)	340
Actuarial gain in respect of pensions schemes	21	3,220	1,290
Total Comprehensive income for the year		2,950	1,630

All items of income and expenditure relate to continuing activities.

College Statement of Changes in Reserves

	Income and expenditure account	Revaluation Revaluation reserve	Total
	£'000	£'000	£'000
Balance at 1st August 2020	4,786	1,939	6,725
Surplus from the income and expenditure account	340	-	340
Other comprehensive income	1,290	-	1,290
Transfers between revaluation and income and expenditure reserves	57	(57)	-
Total comprehensive income for the year	1,687	(57)	1,630
Balance at 31st July 2021	6,473	1,882	8,355
Deficit from the income and expenditure account	(270)	-	(270)
Other comprehensive income	3,220	-	3,220
Transfers between revaluation and income and expenditure reserves	58	(58)	-
Total comprehensive income for the year	2,992	(58)	2,934
Balance at 31 July 2022	9,481	1,824	11,305

Balance sheet as at 31 July 2022

	Notes	2022 £'000	2021 £'000
Non-current assets			
Tangible Fixed assets	10	12,903	12,548
		12,903	12,548
Current assets			
Trade and other receivables	11	115	111
Current investments	12	1,000	1,000
Cash and cash equivalents	17	4,738	4,745
		5,853	5,856
Less: Creditors – amounts falling due within one year	13	(1,678)	(1,700)
Net current assets		4,175	4,156
Total assets less current liabilities			
Creditors – amounts falling due after more than one year	14	(5,283)	(5,119)
Provisions			
Defined benefit obligations	16 / 21	(490)	(3,230)
Total net assets		11,305	8,355
Unrestricted Reserves			
Income and expenditure account		9,481	6,473
Revaluation reserve		1,824	1,882
Total unrestricted reserves		11,305	8,355

The financial statements on pages 31 to 50 were approved and authorised for issue by the Corporation on 8 December 2022 and were signed on its behalf on that date by:

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Chris Wiper
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Chris Wiper

Chair

DocuSigned by:
Tim Fisher
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Tim Fisher

Principal

Statement of Cash Flows

	Notes	2022 £'000	2021 £'000
Cash flow from operating activities			
Surplus/deficit for the year		(270)	340
Adjustment for non-cash items			
Depreciation		484	479
(Increase)/decrease in debtors		(4)	72
Increase/(decrease) in creditors due within one year		22	256
Increase/(decrease) in creditors due after one year		164	5
Pensions costs less contributions payable		480	460
Adjustment for investing or financing activities			
Investment income		(14)	(3)
(Profit)/loss on sale of fixed assets		0	(6)
Net cash flow from operating activities		<u>862</u>	<u>1,603</u>
Cash flows from investing activities			
Proceeds from sale of fixed assets		0	6
Investment income		14	3
Payments made to acquire fixed assets		(839)	(465)
Proceeds from receipt of government grant		-	-
		<u>(825)</u>	<u>(456)</u>
Cash flows from financing activities			
New unsecured loans			
Repayments of amounts borrowed		(44)	(44)
		<u>(44)</u>	<u>(44)</u>
(Decrease)/increase in cash and cash equivalents in the year		<u><u>(7)</u></u>	<u><u>1,103</u></u>
Cash and cash equivalents at beginning of the year	17	4,745	3,642
Cash and cash equivalents at end of the year	17	4,738	4,745

Notes to the Accounts

1. Statement of accounting policies and estimation techniques

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

Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2019* (the 2019 FE HE SORP), the *College Accounts Direction for 2021 to 2022* and in accordance with Financial Reporting Standard 102 – “*The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland*” (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention as modified by the revaluation of certain fixed assets and in accordance with applicable United Kingdom standards.

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 Operating and Financial Review Report. The financial position of the College, its cash flow, liquidity and borrowings are presented in the Financial Statements and accompanying Notes.

The College currently has £198,000 (2021: £242,000) loans outstanding and has cash of £4,738,000 (2021: £4,745,000). The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

Any negative financial impact from addressing COVID-19 has been mitigated through savings made in other areas. COVID-19 has therefore had no material impact on the College operating on a going concern basis.

The College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

Recognition of income

Government revenue grants 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 Education Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the Funding body following the year end, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

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

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

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 income and expenditure account in the period in which it is earned on a receivable basis.

Agency arrangements

The College acts as an agent in the collection and payment of Learner Support Funds and Care to Learn Travel Payments. 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.

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 in 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 income statement 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 the statement of comprehensive income 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 the Statement of Comprehensive Income. Further details of the pension schemes are given in note 21.

Short term Employment benefits

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

Non-current Assets - Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 2019 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Land and buildings

Freehold buildings are depreciated over their expected useful economic life to the College of 60 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life. Freehold land is not depreciated as it is considered to have an indefinite useful life.

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 income and expenditure account over the expected useful economic life of the related asset on a systematic basis consistent with the depreciation policy.

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

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1994, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

Assets under construction

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs, incurred to 31 July 2022. They are not depreciated until they are brought into use.

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 £500 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 of four years.

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

Investments

Current asset investments are stated at the lower of their cost and net realisable value.

Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value. An investment qualifies as a cash equivalent when it has maturity of 3 months or less from the date of acquisition.

Financial liabilities and equity

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

All loans, investments and short term deposits held by the Group are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however the 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.

Foreign currency translation

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

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 receives no exemption in respect of Value Added Tax. For this reason the College is generally unable to recover input VAT it suffers on goods and services purchased. Non-pay expenditure is therefore shown inclusive of VAT with any partial recovery netted off against these figures.

Provisions and contingent liabilities

Provisions are recognised when

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

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

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

Judgements in applying accounting policies and key sources of estimation uncertainty

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

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

Other key sources of estimation uncertainty

- *Tangible fixed assets*

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 21, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation

performed at 31 March 2022 has been used by the actuary in valuing the pensions liability at 31 July 2022. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2 Funding body grants

	2022	2021
	£'000	£'000
Recurrent grants		
Education and Skills Funding Agency – 16 -18	9,153	9,468
Specific grants		
Releases of government capital grants	166	211
Total	9,319	9,679

3 Tuition fees and education contracts

	2022	2021
	£'000	£'000
Adult education fees	-	
Fees for FE loan supported courses	-	4
Total tuition fees	-	4
Education contracts	-	-
Total	-	4

4 Other income

	2022	2021
	£'000	£'000
Miscellaneous income	113	121
Total	113	121

5 Investment income

	2022	2021
	£'000	£'000
Other interest receivable	14	3
Total	14	3

6 Staff costs

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

	2022	2021
	No.	No.
Teaching staff	83	85
Non-teaching staff	59	58
	142	143

Staff costs for the above persons	2022	2021
	£'000	£'000
Wages and salaries	5,451	5,318
Social security costs	545	518
Other pension costs (note 21)	1,544	1,515
	<u>7,540</u>	<u>7,351</u>
Total Staff costs	<u>7,540</u>	<u>7,351</u>

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 College Leadership Team which comprises the Principal, Deputy Principal, a Chief Financial Officer and two Assistant Principals. Staff costs include compensation paid to key management personnel for loss of office.

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

	2022	2021
	No.	No.
The number of key management personnel including the Accounting Officer was:	<u>6</u>	<u>6</u>

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

	Senior post-holders		Other staff	
	2022	2021	2022	2021
	No.	No.	No.	No.
£55,000 to £59,999	-	-	-	-
£60,000 to £64,999	3	3	-	-
£80,000 to £84,999	2	2	-	-
£115,000 to £119,999	-	-	-	-
£120,000 to £124,999	1	1	-	-
	<u>6</u>	<u>6</u>	<u>-</u>	<u>-</u>

Key management personnel compensation is made up as follows:

	2022	2021
	£'000	£'000
Salaries – gross of salary sacrifice and waived emoluments	480	473
Employers National Insurance	61	58
Benefits in kind	-	-
	<u>541</u>	<u>531</u>
Pension contributions	<u>97</u>	<u>95</u>
Total key management personnel compensation	<u>638</u>	<u>626</u>

Remuneration paid to all key management personnel including the Principal (Accounting Officer) is subject to an independent, externally scrutinised appraisal process. Remuneration for all senior post-holders is in line with national and local benchmarks for similar sized and types of organisation and is reviewed annually by the Corporation's Remuneration Committee. There were no amounts due to key management personnel that were waived in the year, nor any salary sacrifice arrangements in place.

The above compensation includes amounts payable to the Accounting Officer (who is also the highest paid officer) of:

	2022	2021
	£'000	£'000
Salaries	125	123
Benefits in kind	-	-
	<u>125</u>	<u>123</u>
Pension contributions	<u>30</u>	<u>29</u>

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

The Accounting Officer's Pay as a multiple of the median pay is as follows:

	2022	2021
	£'000	£'000
Accounting Officer Salary	125	123
Median Salary	40	39
Multiple	<u>3.2</u>	<u>3.16</u>
	2022	2021
	£'000	£'000
Accounting Officer Total Emoluments	155	152
Median Total Emoluments	49	48
Multiple	<u>3.2</u>	<u>3.16</u>

7 Other operating expenses

	2022	2021
	£'000	£'000
Teaching costs	562	402
Non-teaching costs	625	678
Premises costs	455	507
Total	<u>1,642</u>	<u>1,587</u>

Other operating expenses include:

Auditor's remuneration:

Financial statements audit	14	12
Internal audit	16	13
Other services provided by the financial statements auditor (Teachers' Pension audit)	1	1
	<u>31</u>	<u>26</u>

8 Interest and other finance costs

	2022	2021
	£'000	£'000
Pension finance costs (note 21)	50	50
Total	50	50

9 Taxation

The members do not believe the College was liable for any corporation tax arising out of its activities during either year.

10 Tangible fixed assets

	Freehold land and buildings	Equipment	Assets in the course of construction	Total
	£'000	£'000	£'000	£'000
Cost or deemed cost				
At 1 August 2021	16,283	2,866	125	19,274
Additions	500	306	33	839
Disposals	-	(355)		(355)
Transfers from assets in the course of construction	-	-	-	-
At 31 July 2022	16,783	2,817	158	19,758
Depreciation				
At 1 August 2020	4,305	2,421	-	6,726
Charge for the year	277	207	-	484
Elimination in respect of Disposals	-	(355)	-	(355)
At 31 July 2022	4,582	2,273	-	6,855
Net book value at 31 July 2022	12,201	544	158	12,903
Net book value at 31 July 2021	11,978	445	125	12,548

Land and buildings were last valued in 1996 at depreciated replacement cost by a firm of independent chartered surveyors. Thereafter this valuation has been adopted as deemed cost.

11 Trade and other receivables

	2022	2021
	£'000	£'000
Amounts falling due within one year:		
Trade receivables	10	25
Prepayments and accrued income	105	86
Total	115	111

12 Current investments

	2022	2021
	£'000	£'000
Short term deposits	1,000	1,000
Total	<u>1,000</u>	<u>1,000</u>

Deposits are held with banks and building societies operating in the London market and licensed by the Financial Conduct Authority with more than three months' maturity at the balance sheet date. The interest rates for these deposits are fixed for the duration of the deposit at time of placement.

13 Creditors: amounts falling due within one year

	2022	2021
	£'000	£'000
Bank loans and overdrafts	44	44
Trade payables	112	230
Other taxation and social security	267	261
Other creditors	106	120
Accruals and deferred income	167	945
Deferred income - government capital grants	982	100
Total	<u>1,678</u>	<u>1,700</u>

14 Creditors: amounts falling due after one year

	2022	2021
	£'000	£'000
Bank Loans	154	198
Deferred income - government capital grants	5,129	4,921
Total	<u>5,283</u>	<u>5,119</u>

15 Maturity of debt

Bank loans and overdrafts are repayable as follows:

	2022	2021
	£'000	£'000
In one year or less	44	44
Between one and two years	44	44
Between two and five years	110	132
In five years or more	-	22
Total	<u>198</u>	<u>242</u>

Bank loans and overdrafts are interest free and repayable by instalments falling due between 1 June 2020 and 01 December 2026 totalling £242,000, and are unsecured.

The corporation took out an interest free, Salix funded loan of £308,000 in December 2019 to fund LED lighting throughout the College's estate. The loan term is 7 years and is payable in equal instalments at 6 monthly intervals.

16 Provisions

	Defined benefit obligations
	£'000
At 1 August 2021	3,230
Expenditure in the period	480
Transferred to income and expenditure account	(3,220)
At 31 July 2022	490

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government Pension Scheme. Further details are given in Note 21.

The principal assumptions for this calculation are:

	2022	2021
Price inflation (CPI)	2.60%	2.30%
Discount rate	3.50%	1.40%

17 Cash and cash equivalents

	At 1 August 2021 £'000	Cash flows £'000	At 31 July 2022 £'000
Cash and cash equivalents	4,745	(7)	4,738
Total	4,745	(7)	4,738

18 Capital and other commitments

	2022 £'000	2021 £'000
Commitments contracted for at 31 July	2,501	325

19 Lease Obligations

At 31 July the College had minimum lease payments under non-cancellable operating leases as follows:

	2022 £'000	2021 £'000
Future minimum lease payments due		
Other		
Not later than one year	27	29
Later than one year and not later than five years	23	50
later than five years	-	-
Total lease payments due	50	79

20 Events after the reporting period

There have been no events requiring disclosure since the reporting period.

21 Defined benefit obligations

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

Total pension cost for the year	2022	2021
	£000	£000
Teachers' Pension Scheme: contributions paid	821	824
Local Government Pension Scheme:		
Contributions paid	293	281
FRS 102 (28) charge	430	410
Charge to the Statement of Comprehensive Income	723	691
Enhanced pension charge to Statement of Comprehensive Income	-	-
Total Pension Cost for Year within staff costs	1,544	1,515

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

There were no outstanding or prepaid contributions at either the beginning or the end of the financial year.

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools, colleges and other educational establishments. Membership is automatic for teachers and lecturers at eligible institutions. Teachers and lecturers are able to opt out of the TPS.

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

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

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

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

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

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/9. DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2020-21 academic year.

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

The pension costs paid to TPS in the year amounted to employer contributions totalling £824,000 (2020: £753,000) and employee contributions totalling £331,000 (2020: £305,000).

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Durham County Council. The total contributions made for the year ended 31 July 2021 were £363,000, of which employer's contributions totalled £280,000 and employees' contributions totalled £83,000. The agreed contribution rates for future years are 20.7% for employers and range from 5.5% to 12.5% for employees, depending on salary.

Principal Actuarial Assumptions

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

	At 31 July 2022	At 31 July 2021
Rate of increase in salaries	3.60%	3.60%
Future pensions increases	2.60%	2.60%
Discount rate for scheme liabilities	3.50%	1.70%
Inflation assumption (CPI)	2.60%	2.60%
Commutation of pensions to lump sums	80%	80%
The current mortality assumptions include sufficient allowance for future improvements in mortality rates.		
The assumed life expectations on retirement age 65 are:		
	At 31 July 2022	At 31 July 2021
	years	years
<i>Retiring today</i>		
Males	22.10	22.60
Females	24.20	24.30
<i>Retiring in 20 years</i>		
Males	23.20	23.30
Females	25.70	25.80

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

	Fair Value at 31 July 2022 £'000	Fair Value at 31 July 2021 £'000
Equities	4,280	4,615
Property	660	513
Government bonds	880	1,323
Corporate bonds	340	1,447
Cash	110	372
Other	1,540	-
Total fair value of plan assets	<u>7,810</u>	<u>8,270</u>
Actual return on plan assets	<u>(620)</u>	<u>1,240</u>

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

	2022 £'000	2021 £'000
Fair value of plan assets	7,810	8,270
Present value of plan liabilities	(8,300)	(11,500)
Net pensions liability (Note 16)	<u>(490)</u>	<u>(3,230)</u>

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

	2022 £'000	2021 £'000
Amounts included in staff costs		
Current service cost	720	690
Past service cost	0	0
Total	<u>720</u>	<u>690</u>

Amounts included in investment income

Net interest income	50	50
	<u>50</u>	<u>50</u>

Amount recognised in Other Comprehensive Income

Return on pension plan assets	(760)	1,140
Experience losses arising on defined benefit obligations	3,980	150
Changes in assumptions underlying the present value of plan	-	-
Amount recognised in Other Comprehensive Income	<u>3,220</u>	<u>1,290</u>

Movement in net defined benefit liability during year

	2022	2021
	£'000	£'000
Net defined benefit liability in scheme at 1 August	(3,230)	(4,060)
Movement in year:		
Current service cost	(720)	(690)
Employer contributions	290	280
Past service cost	-	-
Net interest on the defined liability	(50)	(50)
Actuarial gain or loss	3,220	1,290
Net defined benefit liability at 31 July	(490)	(3,230)

Asset and Liability Reconciliation

	2022	2021
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	11,500	10,900
Current service cost	720	690
Interest cost	190	150
Contributions by Scheme participants	90	80
Experience gains and losses on defined benefit obligations	(3,980)	(150)
Changes in financial assumptions	-	-
Estimated benefits paid	(220)	(170)
Past Service cost	-	-
Curtailments and settlements	-	-
Defined benefit obligations at end of period	8,300	11,500

Changes in fair value of plan assets

Fair value of plan assets at start of period	8,270	6,840
Interest on plan assets	140	100
Return on plan assets	(760)	1,140
Employer contributions	290	280
Contributions by Scheme participants	90	80
Estimated benefits paid	(220)	(170)
Fair value of plan assets at end of period	7,810	8,270

22 Related party transactions

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

The total expenses paid to or on behalf of the Governors during the year was £nil (2021: £nil).

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

23 Amounts disbursed as agent**Learner support funds**

	2022	2021
	£'000	£'000
Funding body grants – bursary support	285	89
Funding body grants – discretionary learner support	-	-
Interest earned	-	-
	<u>285</u>	<u>89</u>
Disbursed to students	(215)	(171)
Administration costs	-	(10)
Consolidated in financial statements	152	244
	<u>222</u>	<u>152</u>
Balance unspent as at 31 July, included in creditors	<u>222</u>	<u>152</u>

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

24 Financial instruments

	2022	2021
	£'000	£'000
<i>Financial assets measured at amortised cost</i>		
Current assets	<u>1,010</u>	<u>1,025</u>
<i>Financial liabilities measured at amortised cost</i>		
Current Liabilities	<u>652</u>	<u>1,060</u>

25 Contingent liabilities**2023 Pension Increase Order**

The 2023 PI Order is used to set the level of pension increases, deferred revaluation and CARE revaluation with effect from 1 April 2023. This is expected to be significantly higher than the CPI assumption set by the College as at 31 July 2022. The PI Order is typically set with reference to the change in CPI inflation over the 12 months to the previous September (announced in October), so the 2023 PI Order is expected to be set with reference to September 2022 CPI. However, the actual 2023 PI Order is not automatically set with reference to the September CPI. The actual PI Order is only known with certainty in March, once this has been approved by Parliament. It is possible that the actual PI Order will be lower than the change in CPI over the 12 months to September 2022. It is due to this uncertainty that the actuarial assumptions as at 31 July 2022 make no allowance for a 2023 PI Order. It is common practice for pensions disclosures to recognise experience as and when this materialises, so the College would intend on recognising the 2023 PI Order when this is known with certainty, i.e., when preparing pensions disclosures as at 31 July 2023.

Harpur Trust vs Brazel

Following the year end date, a Supreme Court ruling was made on the Harpur Trust vs Brazel case regarding holiday pay for employees who only work for part of the year, including term time employees. As a result of this ruling there may be a liability attributable to the College with regards to unpaid holiday pay, however this liability cannot be reliability estimated at the present date as the period for which claims can be backdated is unknown