

Darlington College

**Members' Report and
Financial Statements**
for the year ended
31 July 2022

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Key Management Personnel, Board of Governors and Professional Advisors

Key management personnel

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

Kate Roe, Principal and Chief Executive and Accounting Officer
Carole Todd, Deputy Principal
Carolyn Kipling, Director of Finance & Corporate Resources
Mike Chapman, Assistant Principal

Board of Governors

A full list of Governors is given on pages 10 to 11 to these financial statements.

Sarah Thompson acted as Clerk to the Corporation for the period to 31 July 2022.

Professional Advisors

Financial statements and regulatory auditor:

Mazars LLP
Park View House
58 The Ropewalk
Nottingham
NG1 5DW

Internal auditor:

Audit One
Tanfield Lea Business Centre
Tanfield Lea
Stanley, Durham
DH9 9DB

Bankers:

Barclays Bank Plc
High Row
Darlington
LD3 7QS

Legal advisers:

Ward Hadaway
102 Quayside
Newcastle Upon Tyne
NE1 3DX

Principal and Registered Office

Central Park, Haughton Road, Darlington, DL1 1DR

Members' Report and Operating and Financial Review

NATURE, OBJECTIVES AND STRATEGIES

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

Legal status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting Darlington College. The College is an exempt charity for the purposes of the Charities Act 2011. The Corporation was incorporated as Darlington College of Technology. In January 2006 the Secretary of State granted consent to the Corporation to change the College's name to Darlington College.

Public Benefit

Darlington College is an exempt charity under the Part 3 of the Charities Act 2011 and following the Machinery of Government changes in July 2016 is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 10-11.

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

The Strategic Plan

The College developed a five-year Strategic Plan for 2018-2023 and the Corporation monitors the performance of the College against these targets. Within the overall Strategy, annual delivery plans are reviewed and updated each year.

The College's Mission is to be a centre of excellence for education and skills that supports and inspires people to achieve their aspirations and prepares them for their next steps in life.

In developing the Strategic Plan, the College also refreshed its Values statement following discussions at team briefings where staff talked about what is most important and valued about the College. This feedback led to the following Values being chosen.

Community

It is important to us that the college remains at the heart of our wider community. It is also important to us that we maintain our strong sense of community within the college, valuing our culture of teamwork and respect.

Pride and passion

We all work with pride and passion for our students, celebrating their achievements, and working towards high expectations and continued excellence in everything we do.

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Student focus

We are committed to being student-focused, and our ambition is for our students to achieve to the highest level they possibly can. We also put a high value on our reputation as a college with a caring and friendly environment that is second to none.

Inclusion

It is important to us that the College is inclusive, widening opportunities for the future and maximising the potential of all our learners. Our social purpose matters to us.

The Strategic Plan focuses on two core aims:

- Maintaining high quality learning and outcomes for students
- Building a successful, financially sustainable college.

It also identifies two key areas for development that underpin the success of the College as a whole:

- Better management information
- Workforce engagement and development.

Key achievements against the plan for 2021/22 include:

- The quality outcomes of education for all provision types remained good overall
- Good achievement by all groups of students including those with disabilities and looked after children
- Safeguarding and student support services were highly effective and provided a high level of support to students throughout the year
- Excellent levels of student and employer satisfaction overall
- Increased apprenticeship delivery as a result of continued investment in business development
- Commencement of T-level programmes from September 2022 in engineering and education & childcare
- A strong financial performance which saw the College maintain its healthy reserve, meet bank covenants and considered as Good financial health grade
- Continued capital investment from college reserves plus successfully securing grant funds to invest in key areas of the curriculum such as engineering and business and professional.

Performance indicators

The College is committed to observing the importance of sector measures and indicators and uses qualification achievement rates data to assess performance. The College is required to complete the annual Finance Record and College Financial Forecast Return (CFFR) for the Education and Skills Funding Agency (ESFA). The Finance Record produces a financial health grading. The current financial health grading of the College is expected to be measured by the ESFA as "Good".

FINANCIAL POSITION

The financial results for the year can be summarised as follows:

	2022	2021
	£'000	£'000
Surplus for the year from continuing operations	131	345
Pension accounting interest and charges	(1,406)	(1,381)
Actuarial gain on pensions	12,399	4,481
Total comprehensive gain for the year	11,124	3,445

The College's result from operations before pension accounting entries was a surplus of £0.131m (2020/21: surplus £0.345m). After accounting for LGPS pension entries of £1.406m charged to staffing costs and interest, the position is a deficit of £1.275m. The LGPS valuation at 31 July 2022 resulted in an actuarial gain of £12.360m along with an actuarial gain on the enhanced pension scheme of £0.039m (2020/21 combined

Members' Report and Operating and Financial Review

actuarial gain £4.481m), the total comprehensive gain for the year being recognised as £11.124m (2020/21 £3.445m).

Covid-19 had less of impact on operations in 2021/22 compared to the two previous accounting periods, as government guidelines changed and lockdown events were not in place during the year. The college continued to follow health and safety practices in accordance with guidelines in place.

Key factors influencing the 2021/22 results are as follows:

- **College Income** – net increase of £0.5m in 2021/22 to £17.8m (2020/21: £17.3m). The core income streams for the year performed as follows:
 - Decreased ESFA 16-18 funding due to a reduction in funded learner numbers as a result of reduced recruitment in 2020/21 of ESFA funded Gurkha learners in Catterick (impacted by Covid and inability to settle in the UK). Under lagged funding methodology this impacted the allocation level in 2021/22. This provision came to an end from April 2022.
 - ESFA funded Adult Education delivery out of area was impacted during the year as a result of the end of a contract with the MOD in Catterick, North Yorkshire from April 2022 onwards. A strategy was put in place to replace this activity for the remainder of the contractual period and resulted in falling short of overall allocation by £0.118m.
 - Tees Valley adult education delivery continued to be impacted by Covid at the start of the year, predominantly in the employability provision. As a result, the college has under-delivered against its allocation and has made a provision within the financial statements for clawback of £0.215m.
 - Apprenticeship recruitment was strong at the start of the year and remained buoyant throughout, exceeding budgeted position by £0.5m. Delivery increased by £0.57m to £2.59m in 21/22 compared to the prior year at £2.02m.
 - Commercial catering and childcare centre income recovered as no lockdown periods were encountered during the year.
- **Staff costs** – decreased by £0.79m in 2021/22 to £13m (2020/21 £13.1m). Included here is the LGPS net current service cost of £1.150m, the reduction is due to the difficulty in recruiting staff in certain curriculum areas and gaps in recruitment.
- **Non staff costs** – savings were made wherever possible to mitigate any impact of lost income, however additional expenditure was required for agency staff due to the difficulty in recruitment and increases in energy and food costs as a result of global and inflationary impacts.
- **Pension adjustments** – The College has recorded pension interest for the Local Government Pension Scheme of £0.25m (2020/21 £0.25m) and pension charges of £1.150m (2020/21 £1.120m).

The actuarial gain of £12.399m recorded in the financial statements is in relation to the College's share of assets and liabilities in the County Durham Local Government Pension Scheme. Over recent years, the Corporation has noted significant volatility in this liability (2020/21 actuarial gain £4.470m), which is calculated by an independent actuary engaged directly by the pension scheme. The latest full triennial valuation of this scheme was based on the position as at 31 March 2019 and has resulted in increased contribution rates.

The College's defined benefit pension liabilities are excluded from any covenant calculations regarding the College's borrowings. It should be noted that the college does not currently have any borrowings. Similarly, they are excluded from the financial health grading calculations which are monitored by the Education and Skills Funding Agency. Accordingly, there is no immediate risk to the College resulting from the movement in this liability, however the Corporation will continue to monitor the position moving forward.

As at 31 July 2022 consolidated accumulated reserves are positive £13.847m (2020/21 positive reserves £2.723m) and cash balances are £3.218m (2020/21: £2.535m).

The College is reliant on the ESFA as its principal source of funding and in 2021/22 these bodies provided 70% (2020/21: 74%) of the College's total income. Combined income for ESFA and the TVCA provided funding of 80% (2020/21: 81%).

The financial statements reflect the operations of Darlington College and its wholly owned subsidiary company, Quadrant (Darlington) Limited, which has not traded since 2016/17.

Members' Report and Operating and Financial Review

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 policy is embedded within the Financial Regulations, updated and approved by Corporation Board in December 2021.

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

The College has not made use of any short term borrowing during 2021/22.

Cash flows and liquidity

Cash balances of £3.218m at 31 July remain strong. The net cash increase for the year was £0.683m. During the year the net cash flow from operating activities was £1.170m. Capital grant receipts towards key strategic capital projects were £0.978m and capital outflows were £1.449m. The college has maintained a strong underlying level of cash generation to support its continued operations.

The size of the College's total borrowing and its approach to interest rates has been calculated to ensure a reasonable cushion between the total cost of servicing debt and the College's cash reserves.

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

Reserves Policy

The Reserves Policy forms part of the College's Financial Regulations, reviewed and updated on an annual basis. The College recognises the importance of reserves in the financial stability of any organisation, and ensures that there are adequate reserves to support the College's core activities. The conditions surrounding the management of cash reserves is also set out in the Financial Regulations which covers investment of surpluses and levels of borrowing. As at the balance sheet date the Income and Expenditure reserve stands at positive £13.847m (2020/21: £2.723m).

Going Concern

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

The College cash reserves of £3.218m are adequately sufficient to support its operational requirements and is reporting a financial health status of "Good" under the ESFA financial health measure for 31 July 2022 (July 2021: Outstanding). The College's main source of income is public funding and guaranteed at comparable level to the previous year, while mitigating measures have been included in the budget to reflect the reduction in income for 16 to 19 delivery, this is anticipated to increase again in the following period as enrolment volumes have returned to pre-pandemic levels and recruitment targets have been met.

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

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CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Financial health

The College's financial performance, before adjusting for the LGPS costs, is an operating surplus of £0.131m (2020/21: surplus £0.345m) with cash balances of £3.218m (2020/21: £2.535m). The College has loan balances of £nil at the year end, gaining maximum points in the borrowing ratio measurement (2020/21: £nil) Due to the relatively good performance of the College during 2021/22, borrowings at nil value and healthy cash reserves, the College considers the financial health to be Good (2020/21: Outstanding).

Student Numbers

In 2021/22 the College has delivered activity that has produced £14.5m in funding body main allocation funding (2020/21: £14m). The College had approximately 4,834 ESFA funded and 571 non-ESFA students (4,189 and 952 retrospectively 2020/21).

Student Achievements

The achievement rate for 16-18 year old students (all qualifications) in 2021/22 was 84% (2020/21: 86%). The achievement rate for adult students (all qualifications) in 2021/22 was 92% (2020/21: 93%). The achievement rate is defined as the proportion of students that successfully achieve the learning aims to which they are enrolled. The Coronavirus pandemic means no comparisons can be drawn between the achievement rates in previous or following years.

Curriculum Developments

The College continues to review the curriculum offer and to respond to local and regional needs. The College considers a range of factors in developing the curriculum offer including:

- Local and regional current and future skills/qualification level requirements
- Labour market information (LMI) on new and replacement jobs
- Feedback from employers, students, schools and other stakeholders
- Local/regional industrial plans and economic priorities
- Demographics including equality and diversity indicators (E&D), deprivation, local educational participation and attainment levels
- The social and cultural wellbeing of the local/regional community
- Increased access to/promoting higher level skills
- Improving access to opportunities for all, improving social mobility, tackling exclusion
- Reducing unemployment, especially in young people
- Realistic and aspirational destinations for students
- Contributing to economic growth.

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 94 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

On 7 November 2022, the college was subject to an Ofsted inspection. The outcome of this review is positive with an overall grade of Good confirmed with a grade of Good awarded to each element.

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On 29 November 2022, the Office for National Statistics reclassified all college corporations (and their subsidiaries) as public sector institutions with immediate effect and this prompted the Department for Education to introduce some new rules for colleges which will take effect during 2022/23.

The College considers this announcement to be a non adjusting post balance sheet event and is evaluating the implications of the announcement and the potential new rules but do not consider that they will have an impact on these financial statements.

Future prospects

The College continues to develop and innovate to address the challenges of maintaining and improving quality and performance, meeting learner number and funding targets, meeting and addressing local economic priorities and securing a healthy and sustainable financial position. The College works with a range of partners to ensure that it continues to operate at the heart of the communities it serves, communities that stretch beyond Darlington into North Yorkshire and Co Durham.

The College commenced delivery of T Level qualifications in September 2022 in engineering and education and childcare pathways and has plans to extend this in the short term.

In January 2023 the college will complete a £2.6m capital project wholly funded by Darlington Borough Council through Town Fund grant monies. This project extends the existing engineering facilities to accommodate growth in T Level learners, providing an environment of dedicated workshops and additional teaching and learning accommodation.

RESOURCES

The College has various resources that it can deploy in pursuit of its strategic objectives. Tangible resources include the Haughton Road site, opened in 2006, which provides up to date accommodation suitable for the delivery of teaching and learning in a variety of vocational areas.

Financial

The College has £13.847m of net assets including £4.405m pension liability (2020/21: £2.723m net assets including a £15.437m pension liability) and bank debt of £nil (2020/21: £nil).

People

The College employs 449 staff (315 expressed as full time equivalents), of which 224 (132 FTE) are teaching staff. Comparative figures for 2020/21 are 465 staff of which 241 (133 FTE) were teaching staff.

Unions

The College recognises two unions and has a facilities agreement in place with the University and College Union and Unison. On 31 July 2022 the College reported on Trade Union facility time via the Government cabinet office data notifications service. During the year (1 April 2021 to 31 March 2022) the College employed between 390-465 staff, at 31 March 2022 there were 459 staff employed. There were 2 trade union representatives during this time working on union duties in College. The total cost of this facility time was £8,232 (0.08% of the pay bill). During the year 435 hours of trade union representative time was spent on paid facility time and 7 hours spent on paid trade union activities time. The percentage of the total paid facility time spent on paid union activities was 2%.

Reputation

The College has a good reputation locally, regionally and nationally. Maintaining a quality brand is essential for the College's success at attracting students and developing strong external relationships. Initiatives such as adult employability skills and employer linked skills pilots have continued to be developed through 2021/22 and will be developed further next year.

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PRINCIPAL RISKS AND UNCERTAINTIES

A risk register is maintained at the College level which is reviewed tri-annually by the Audit Committee. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

Based on the strategic plan, the Risk Management Working Group regularly undertakes comprehensive reviews of the risks to which the College is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the College. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions. In addition to the regular reviews, the Risk Management Working Group will also consider any risks which may arise as a result of a new area of work being undertaken by the College.

The risks and impact of the Pandemic were considered and assessed and were thought to have significantly reduced during the year in terms of impact to the ongoing business of the College. Mitigation measures previously implemented remain relevant, including enhancements to the virtual learning platform (which was already very well advanced and widely used), increased hygiene and safety measures across the whole campus, online enrolment developed and remains available and ability to switch to blended learning if required and working from home remains an option to reduce overall attendance numbers throughout the College should future lockdowns be a requirement.

The risks that are a consequence of the UK's decision to withdraw from the EU have been considered and are not thought to be significant to the ongoing business of the College.

Risks continue to be monitored, addressed and appropriately mitigated within the changing environment.

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

- Failure to respond to the global pandemic and its impact on teaching and learning
- Failure to maintain and improve the College's quality of its provision
- Failure to generate enough income to sustain and grow the current provision
- Failure to react to changes in local and national education policy changes
- Failure to ensure adequate capacity in the workforce and recruit and retain the best employees
- Failure to maintain and improve college governance and leadership
- Failure to enhance and improve the college's reputation and influence both locally and regionally
- Failure to align college delivery to local social, economic and demographic profile
- Failure to protect students and staff from the risk of harm
- Failure to ensure that Darlington College is a leading Further Education establishment.

Mitigating controls and sources of assurance are identified in the Risk Register which is reviewed termly by the Risk Management Group and reported to the Audit Committee.

STAKEHOLDER RELATIONSHIPS

In line with other colleges and with universities, Darlington College has many stakeholders. These include:

- Students
- Education Sector Funding bodies
- FE Commissioner
- Staff
- Local employers (with specific links)
- Sub-contract partners
- Local Authorities, Combined Authorities (specifically Tees Valley), and elected mayor
- Local Enterprise Partnerships
- The local community
- Teesside University

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- Other FE institutions
- Trade unions
- Professional bodies.

The College recognises the importance of these relationships and engages in regular communication with them through the College Internet site and by meetings and other networks.

Equality

Darlington College is committed to ensuring equality of opportunity for all who learn and work under its banner. The College positively respects and values differences in race, gender, sexual orientation, disability, religion or belief and age. It strives vigorously to remove conditions which place people at a disadvantage and it actively combats bigotry.

The College's Equality Policy is published on its internet site as a publically accessible document.

The College is a 'Positive about Disabled' employer and has committed to the principles and objectives of the Positive about Disabled standard. The College considers all applications from disabled persons, bearing in mind the aptitudes of the individuals concerned. Where an existing employee becomes disabled every effort is made to ensure that employment within the College continues. The College's policy is to provide training, career development and opportunities for promotion, which are, as far as possible identical to those for all employees.

An Equality and Diversity plan is produced annually, which includes a review of the year ended and actions for the following year. This is monitored by the Executive and Corporation Board.

Disability statement

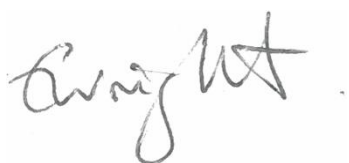
The College seeks to achieve the objectives set down in the Equality Act 2010:

- The College's Haughton Road site is fully accessible. Accessibility audits were completed as part of the development of the site
- The College has an Additional Learning Support manager who provides information, advice and arranges support where necessary for students with learning difficulties and disabilities
- Specialist equipment is available for the use of students and the College has a range of assistive technology available to support learning
- The College has an admissions policy for all students. Appeals against a decision not to offer a place are dealt with under the Customer Comments procedure
- The College has made a significant investment in the appointment of specialist staff to support students with learning difficulties or disabilities.

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 auditors are 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 auditors are aware of that information.

Approved by order of the members of the Corporation on 13 December 2022 and signed on its behalf by:



Emma Wright
Chair
13 December 2022

Statement of Regularity, Propriety and Compliance

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

The College endeavours to conduct its business:

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

In the opinion of governors, the college complies with all the provisions of the Code and it has complied throughout the year ended 31 July 2022. This opinion is based on an internal review of compliance with the Code reported to the board 13 December 2022. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, revised May 2019, which was formally adopted on 14 May 2015.

The Corporation

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

Table 1: Members who served during the year

Name	Date appointed	Term of office	Date resigned	Status	Committees served	Attendance
Mr Lekan Adesanya	Dec 2021	Dec 2025		Staff	Q&S	9/11
Mr Owen Archibald	April 2022	April 2026		Independent	A	5/6
Mr Michael Bean	April 2022	April 2026	19.04.22	Independent		0/0
Ms Victoria Bell	May 2019	May 2023		Independent	FE&E	10/12
Mr Kenton Christie	Dec 2021	Dec 2025	21.05.22	Student		3/6
Ms Julie Davison	April 2018	April 2022		Staff	Q&S, SL	15/16
	April 2022	April 2026				
Mr Gareth Devine	Oct 2018	Oct 2022		Independent	FE&E, R	11/14
Ms Sandra Glaister	July 2020	July 2024	02.09.21	Independent	A	0/0
Ms Nicky Grace	Feb 2016	Feb 2020		Independent	A, S	13/14
	Feb 2020	Feb 2022				
	Feb 2022	July 2022				
Mr Gary Hope	Oct 2013	Oct 2017		Independent	Q&S, SL	1/2
	Oct 2017	Oct 2019				
	Oct 2019	Oct 2011				
Ms Frances Hoy	Feb 2016	Feb 2020	07.04.22	Independent	A, S, R	10/12
	Feb 2020	Feb 2024				
Mr Calvin Kipling	Sept 2016	Aug 2020		Independent	Q&S, R	12/13
	Sept 2020	Aug 2024				
Mr Tarryn Lloyd Payne	Dec 2021	Dec 2025		Independent	A, Q&S, SL	11/11
Mr Kelland Moore	Dec 2021	Dec 2025	31.07.22	Student		3/8
Ms Beverly Neeson	Mar 2021	Mar 2025	08.11.21	Student	Q&S, SL	0/2
Dr Colin Price	Jan 2015	Jan 2019	05.04.22	Independent	FE&E	7/7
	Jan 2019	Jan 2023				
Ms Jan Richardson-Wilde	Dec 2020	Dec 2024		Independent	FE&E	
Ms Kate Roe	Aug 2014	Ex Officio		Principle	FE&E, Q&S, SL,S	24/24

Statement of Responsibilities of the Members of the Corporation

Mr Colin Scott	Jan 2021	Jan 2025	Independent	Q&S	7/12
Mr Garry Toulouse	Oct 2019	Oct 2023	Independent	A, SL, S	15/20
Mr Craig Wade	Apr 2022	Apr 2026	Independent	Q&S	3/6
Mr Eric Walsh	Dec 2017	Dec 2021	Staff	FE&E	3/3
Ms Emma Wright	Dec 2019	Dec 2023	Independent	FE&E, R	9/13

Emma Wright served as Corporation Chair from 1 August 2021 to 22 November 2021. Due to professional commitments, Emma Wright stepped down as chair for a temporary period from 22 November 2021 to 1 August 2022. Calvin Kipling served as Corporation Chair during this period.

Sarah Thompson served as clerk to the Corporation until September 2022. Carol Meade was appointed as Head of Governance (Clerk to the Corporation) from September 2022.

Table 2: Co-opted Members of committees

Name	Date appointed	Term of office	Resigned	Status	Committees served	Attendance
Ms Helen Ellison	Aug 2018	Jul 2022		Co-opted	Q&S	3/4
Ms Susan Hewison	Aug 2018	Jul 2022	May 2022	Co-opted	FE&E	2/3
Mr Gary Hope	Oct 2021	Oct 2023		Co-opted	SL	2/3
Mr Tom Lee-Gough	Apr 2019	Apr 2023		Co-opted	A	4/4

Table 3: Subsequent Changes

Victoria Bell, Tarryn Lloyd Payne and Gary Toulouse appointed to Search and Governance and Remuneration Committee 01.08.22
Calvin Kipling and Gareth Devine appointed to Search and Governance Committee 01.08.22
Jan Richardson-Wilde appointed to Remuneration and Search and Governance Committees 18.10.22
Tarryn Lloyd Payne appointed to Student Liaison Committee 18.10.22

Key to Committees:

- S Search and Governance
- Q&S Quality and Standards
- A Audit
- R Remuneration
- FE&E Finance, Estates and Employment
- SL Student Liaison

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 met on eight occasions in 2021/22, with six scheduled meetings and two special meetings. The Corporation also held two full day Strategy Events to discuss future plans.

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Finance, Estates and Employment; Remuneration; Audit; Quality and Standards; Student Liaison; and Search and Governance. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available from the Clerk to the Corporation.

The Clerk to the Corporation maintains a register of financial and personal interests of the governors. The register is available for inspection at Darlington College, Central Park, Haughton Road, Darlington.

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Statement of Responsibilities of the Members of the Corporation

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

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

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

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

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search and Governance Committee comprised of between two and four independent Corporation members in 2021/22 in addition to the Principal. The Search and Governance Committee 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 and may be reappointed for a second term following review of skills, experience and contribution. The Corporation follows the AoC Code of Good Governance in setting a maximum term of office of eight years, other than in exceptional circumstances.

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.

The governing body is committed to development and held two full day strategy events in September 2021 and May 2022. Both sessions included opportunities for learning walks by governors. Other discussion topics included: staff welfare and wellbeing; risk appetite; Equality, Diversity and Inclusion; and Local Skills Improvement Plan (presentation by North East Chamber of Commerce).

The Corporation additionally held training sessions considering Equality, Diversity and Inclusion (facilitated by an external facilitator), the Ofsted inspection framework and Safeguarding and Prevent.

Four new governors completed internal induction training with the Clerk and senior managers and governors also attended self assessment report validation meetings. External training and development completed by governors included: ETF T Level Training; Recruiting and Retaining Diverse Governors; Financial Health Grades / FE Benchmarks (AoC webinar); Interpreting Management Accounts Finance Masterclass (AoC webinar); safeguarding Young People in Colleges and Universities (Educare); AoC events for Chairs and Vice Chairs.

Training and development opportunities accessed by the Clerk to the Corporation during the 2021/22 year included: the Association of Colleges' Governance Professionals Conference 2022, the Association of Colleges Regional Governance Conferences, Education Training Foundation Governance and Governance Professionals' Development Workshops, and the AoC Governors Summit. The Clerk to the Corporation also regularly attended meetings of the North East Governance Professionals network and served as the North East representative on the AoC National Governance Professionals Special Interest Group until February 2022 (end of term of office). The Clerk also attended a range of webinars covering topics such as charity law, trustee appointments, improving board diversity and local skills improvement plans and has previously

The Further Education Corporation of Darlington College – Report and Financial Statements 2021/22

Statement of Responsibilities of the Members of the Corporation

undertaken the Education and Training Foundations Intermediate Level Programme for Governance Professional, 'The Technical Aspects of being a Governance Professional'.

The governing body has considered DfE guidance on board reviews and has plans to commission an external reviewer in future but did not carry out a formal review in 2021/22.

Remuneration Committee

Throughout the year ending 31 July 2022, the college's Remuneration Committee comprised two independent Corporation members and a co-opted member. The committee's responsibilities are to consider the performance of the Accounting Officer, other senior post holders and the Clerk to the Corporation and make recommendations to the Board on the remuneration and benefits of these posts.

The Corporation adopted the AoC Senior Staff Remuneration Code in March 2019 and the committee provided an annual report to the Corporation and a public statement in autumn 2021. The Remuneration report for 2021/22 was considered by the Remuneration Committee at its meeting in October 2022 prior to presentation to the Corporation in December.

Details of remuneration for the year ended 31 July 2021 are set out in note 7 to the financial statements.

Audit Committee

In 2021/22, the Audit Committee comprised between three and four independent Corporation members and an external co-opted member. The Accounting Officer and Corporation Chair are excluded from Audit Committee membership. 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 termly and provides a forum for reporting by the College's internal and financial statement auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the main FE funding bodies, as they affect the College's business.

The College's internal 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 recommendations and internal audit undertake periodic follow up reviews to ensure such recommendations have been implemented.

The Audit Committee also advises the Corporation on the appointment of internal auditors, reporting accountants 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 four times in the year to 31 July 2022. The members of the Audit Committee and their attendance records are shown below:

Committee member	Number of meetings attended	% Attendance
Nicky Grace (Chair)	4/4	100%
Owen Archibald	1/1	100%
Francis Hoy	3/3	100%
Tom Lee-Gough (co-opted member)	4/4	100%
Tarran Lloyd Payne	2/2	100%
Gary Toulouse	3/4	75%
	17/18	94%

Statement of Responsibilities of the Members of the Corporation

Search and Governance Committee

In 2021/22 the Search and Governance Committee comprises between two and four independent members of the Corporation and the Principal and met on four occasions.

The main aims of the Committee are to:

- monitor vacancies and potential vacancies on the Corporation Board and to seek and consider potential new members for recommendation to the Board for immediate or future membership having considered carefully their skills, experience and other relevant aspects
- consider carefully the current skills, experience and previous attendance, performance and commitment of retiring board members who are standing for re-election (including the consideration of other potential board members) and make recommendations to the board as to their re-election
- oversee advertisements (if any) for new members
- consider and review the induction requirements for new Corporation members and the training needs of existing members
- monitor the composition of committees and to make or consider appointments in line with its delegated powers.

The Quality and Standards Committee

The Quality and Standards Committee meets at least three times a year and has a minimum of five members including the Principal. In 2021/22, the Committee operated with a membership of between five and eight, including one external co-opted member.

The purposes of the Committee are to:

- recommend targets for standards measurement
- monitor academic performance including attendance, retention, achievement and success patterns with a view to making recommendations
- be responsible for monitoring the outcomes of learners' performance
- monitor and make recommendations regarding quality of provision
- investigate and monitor customer feedback including Student Voice, with a view to making recommendations
- monitor and make recommendations arising from Equality and Diversity across college reports
- review the College's Self-Assessment Report
- and review and monitor the College's Quality Improvement Plan.

The Finance, Estates and Employment Committee

The Finance, Estates and Employment Committee meets at least once a term. The Committee operated with a membership of between four and seven, including one co-opted member, during the 2021/22 academic year. The senior staff responsible for finance, funding, HR and estates will normally attend the meeting.

The principal responsibilities of the Finance, Estates and Employment Committee are to provide advice and/or recommendations to the Board on:

- Monitoring financial performance
- Financial policies and controls
- Financial Regulations
- Annual estimates of income/expenditure and budgets
- Significant variances to budgets
- Capital expenditure, approval and monitoring
- Accommodation Strategy
- Relevant taxation issues
- Annual Financial report (jointly with Audit Committee)

Statement of Responsibilities of the Members of the Corporation

- Levels of subcontracting
- Assets
- Solvency/Value for Money
- Management Accounts
- Capital Projects
- Estates
- Investment and Borrowing Policies
- Tuition Fees
- Health and Safety
- Employment/Personnel matters.

Student Liaison Committee

The Student Liaison Committee meets not less than once per term. The committee comprises a minimum of three members, including the Principal and student governors.

The aim of the committee is to provide an additional mechanism for the Board to seek and listen to the views of students, and generate action to respond to feedback, compliments and concerns.

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 she is personally responsible, in accordance with the responsibilities assigned to her in the Financial Memorandum between the College and the funding bodies. She is also responsible for reporting to the Corporation any material weaknesses or break-downs 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 on-going process designed to identify and prioritise the risks to the achievement of college policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Darlington College for the year ended 31 July 2022 and up to the date of approval of the annual report and financial statements.

Capacity to Handle Risk

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

Statement of Responsibilities of the Members of the Corporation

The Risk and Control framework

The system of internal control is based on a framework of regular management information, administration 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
- The adoption of formal project management disciplines, where appropriate.

Darlington 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. At 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 opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Statement from the Audit Committee

The Audit Committee has advised the board of governors that the Corporation has an effective framework for governance and risk management in place.

At each meeting held, the Audit Committee has considered the Board Assurance Framework and reviewed college risks and mitigating actions.

The committee has also monitored fraud and regularity issues, as well as compliance with GDPR requirements.

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

Internal Audit Area	Audit opinion	Recommendations
Budgetary Control	N/A - advisory	N/A
Curriculum Planning	Good	Two medium priority recommendations and one low priority recommendation
Apprenticeship Onboarding and Tracking	Good	Three medium and four low priority recommendations
Subcontracting	Substantial	Two low priority recommendations
Mobile Device Management	Good	Two medium priority recommendations and one low priority recommendations
Follow-up of Previous Recommendations	Good	One medium priority recommendation

Statement of Responsibilities of the Members of the Corporation

Review of effectiveness

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

- The work of the internal auditors
- The work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework
- Comments made by the College’s financial statements auditors, the reporting accountant for regularity assurance, the appointed funding auditors (for colleges subject to funding audit) in their management letters and other reports.

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

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

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

Based on the advice of the Audit Committee and the Accounting Officer, 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”.

Approved by order of the members of the Corporation on 13 December 2022 and signed on its behalf by:



Emma Wright
Chair
13 December 2022



Kate Roe
Principal
13 December 2022

Statement of Responsibilities of the Members of the Corporation

Statement of Regularity, Propriety and Compliance

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

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

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



Emma Wright
Chair
13 December 2022



Kate Roe
Principal
13 December 2022

The Further Education Corporation of Darlington College – Report and Financial Statements 2021/22

Statement of Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the College's Funding Agreement with the ESFA, the Corporation, through its Accounting Officer, is required to prepare financial statements and an operating financial review for each financial year in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education, ESFA's college accounts direction and the UK's Generally Accepted Accounting Practice, and which give a true and fair view of the state of affairs of the College and its surplus/deficit of income over expenditure for that period.

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

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- assess the group and parent College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent College or to cease operations, or have no realistic alternative but to do so.

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

The Corporation is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the parent 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 such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for taking steps that are reasonably open to it in order to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

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

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 Agreement 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 in order to safeguard public and other funds and to ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the group and parent 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 13 December 2022 and signed on its behalf by:



Emma Wright
Chair

13 December 2022

Independent Auditor’s Report to the Members of Darlington College

Opinion

We have audited the financial statements of Darlington College (the ‘College’) and its subsidiary (the ‘Group’) for the year ended 31 July 2022 which comprise the Group and College Statement of Comprehensive Income and Expenditure, the Group and College Statement of Changes in Reserves, the Group and College Balance Sheet, the Group Statement of Cashflows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” (United Kingdom Generally Accepted Accounting Practice) and the 2019 Statement of Recommended Practice: Accounting for Further and Higher Education.

In our opinion, the financial statements:

- give a true and fair view of the state of the Group’s and College’s affairs as at 31 July 2022 and of the Group’s and College’s deficit of expenditure over income for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor’s report thereon. The Corporation is responsible for the other information contained within the annual report. 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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether 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.

Independent Auditor’s Report to the Members of Darlington College (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Post 16 Audit Code of Practice 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 returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- the information given in the report of the Members of the Corporation, including the operating and financial review and statement of corporate governance, is inconsistent with the financial statements; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Corporation

As explained more fully in the Statement of Responsibilities of the Members of the Corporation set out on page 19, the Corporation is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor’s responsibilities for the audit of the financial statements

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

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the Group and the College and their industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: compliance with the ESFA funding agreements, the OFSTED regulatory framework, safeguarding, pensions legislation, employment regulation and health and safety regulation, anti-bribery, corruption and fraud, money laundering.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of management and, where appropriate, those charged with governance, as to whether the Group and the College is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the Group and the College which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as tax legislation and pension legislation.

Independent Auditor’s Report to the Members of Darlington College (continued)

In addition, we evaluated the members of the corporation’ and management’s incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to revenue recognition (which we pinpointed to the cut off assertion) and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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

Use of the audit report

This report is made solely to the Corporation as a body in accordance with Article 22 of the College’s Articles of Government. Our audit work has been undertaken so that we might state to the Corporation those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and the College and the Corporation as a body for our audit work, for this report, or for the opinions we have formed.



Mazars LLP (Dec 16, 2022 12:54 GMT)

Mazars LLP

Chartered Accountants and Statutory Auditor

Park View House
58 The Ropewalk
Nottingham
NG1 5DW

Date Dec 16, 2022

Independent Reporting Accountant’s Report on Regularity

To: The corporation of Darlington College and Secretary of State for Education acting through Education and Skills Funding Agency (“ESFA”) and the Tees Valley Combined Authority (“TVCA”)

In accordance with the terms of our engagement letter dated September 2022 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 Darlington 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 ESFA and in any relevant conditions of funding concerning adult education notified by a relevant funder.

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

Respective responsibilities of Darlington College and the reporting accountant

The corporation of Darlington 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 and in accordance with any guidance provided by the TVCA. We performed a limited assurance engagement as defined in that framework.

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity.

A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion. Our engagement includes examination, on a test basis, of evidence relevant to the regularity of the college’s income and expenditure.

The work undertaken to draw to our conclusion includes:

- Reviewed the statement on the College’s regularity, propriety and compliance with Funding body terms and conditions of funding.
- Reviewed the College’s completed self-assessment questionnaire on regularity.
- Read the financial memorandum with the ESFA / funding agreement with the ESFA.

Independent Reporting Accountant’s Report on Regularity

- Tested a sample of expenditure disbursed and income received to consider whether they have been applied to purposes intended by Parliament and in accordance with funding agreements where relevant.
- Tested a sample of individual learner records.
- Reviewed approved policies and procedures operating during the year for each funding stream that has specific terms attached.
- Obtained the policy for personal gifts and/or hospitality.
- Obtained the register of personal interests.
- Obtained the financial regulations/financial procedures.
- Obtained the College’s whistleblowing policy.

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 which govern them.

Signed:



Mazars LLP (Dec 16, 2022 12:54 GMT)

Mazars LLP

Date: Dec 16, 2022

Consolidated Statements of Comprehensive Income and Expenditure

	Notes	Year ended 31 July		Year ended 31 July	
		2022	2022	2021	2021
		Group	College	Group	College
		£'000	£'000	£'000	£'000
INCOME					
Funding body grants	2	14,523	14,523	14,044	14,044
Tuition fees and education contracts	3	1,818	1,818	2,183	2,183
Other grants and contracts	4	243	243	141	141
Other income	5	1,222	1,222	886	886
Endowment and investment income	6	2	2	-	-
Total income		17,808	17,808	17,254	17,254
EXPENDITURE					
Staff costs	7	13,007	13,007	13,086	13,086
Other operating expenses	8	4,686	4,679	3,615	3,615
Depreciation	11	1,120	1,120	1,190	1,190
Interest and other finance costs	9	275	275	400	400
Total expenditure		19,086	19,081	18,291	18,291
Deficit for the year before other gains		(1,278)	(1,273)	(1,037)	(1,037)
Profit on disposal of assets		3	3	1	1
Deficit for the year		(1,275)	(1,270)	(1,036)	(1,036)
Actuarial gain in respect of pension schemes	21/22	12,399	12,399	4,481	4,481
Total comprehensive income		11,124	11,129	3,445	3,445

All items of income and expenditure relate to continuing activities.
The deficit recorded for the year is after pension accounting entries of £1.926m.

Consolidated and College Statement of Changes in Reserves

	Income and Expenditure Account	
	Group £'000	College £'000
Balance at 31 July 2020	(722)	(772)
Deficit from the income and expenditure account	(1,036)	(1,036)
Other comprehensive income	4,481	4,481
Total comprehensive income	3,445	3,445
Balance at 31 July 2021	2,723	2,673
Deficit from the income and expenditure account	(1,275)	(1,270)
Other comprehensive income	12,399	12,399
Total comprehensive income	11,124	11,129
Balance at 31 July 2022	13,847	13,802

Balance Sheets at 31 July

	Notes	2022 Group £'000	2022 College £'000	2021 Group £'000	2021 College £'000
Non Current Assets					
Tangible fixed assets	11	28,675	28,675	28,324	28,324
Investments	12	-	25	-	25
		28,675	28,700	28,324	28,349
Current Assets					
Stocks		9	9	8	8
Trade and other receivables	13	1,490	1,490	1,520	1,520
Cash and cash equivalents	16	3,218	3,218	2,535	2,535
		4,717	4,717	4,063	4,063
Less: Creditors amounts falling due within one year	14	(3,297)	(3,367)	(2,937)	(3,011)
Net current assets		1,420	1,350	1,126	1,051
Less: Creditors amounts falling due after more than one year	15	(11,843)	(11,843)	(11,290)	(11,290)
Provisions					
Defined benefit obligations	22/23	(4,090)	(4,090)	(15,050)	(15,050)
Other provisions	22	(315)	(315)	(387)	(387)
Total net assets		13,847	13,802	2,723	2,673
Unrestricted reserves					
Income and expenditure account		13,847	13,802	2,723	2,673
Total unrestricted reserves		13,847	13,802	2,723	2,673

The financial statements on pages 25 to 43 were approved and authorised for issue by the Corporation on 13 December 2022 and were signed on its behalf by:



Emma Wright

Chair



Kate Roe

Accounting officer

Consolidated Statement of Cash Flows

	Notes	2022 £'000	2021 £'000
Cash flow from operating activities			
Deficit for the year		(1,275)	(1,036)
Adjustment for non-cash items			
Depreciation	11	1,120	1,190
Increase in stocks		(1)	-
Increase in debtors	13	(171)	(943)
Increase in creditors due within one year	14	574	472
Decrease in creditors due after one year	15	(425)	(431)
Decrease in provisions	21	(72)	(33)
Pensions costs less contributions payable	22	1,150	1,120
		900	339
Adjustment for investing or financing activities			
Investment income	6	(2)	-
Interest payable	9	275	400
Profit on sale of fixed assets		(3)	(1)
		272	399
Net cash flow from operating activities		1,170	738
Cash flow from investing activities			
Proceeds from sale of fixed assets		3	1
Investment income	6	-	-
Capital grant receipts	15	978	1,690
Payments made to acquire fixed assets	11	(1,449)	(2,105)
		(468)	(414)
Cash flow from financing activities			
Interest paid	9	(19)	(139)
Repayments of amounts borrowed		-	(3,055)
		(19)	(3,194)
Increase / (decrease) in cash and cash equivalents in the year	17	683	(2,870)
Cash and cash equivalents at the beginning of the year	17	2,535	5,405
Cash and cash equivalents at the end of the year	17	3,218	2,535

Notes to the Financial Statements at 31 July 2022

1 Statement of accounting policies

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

Basis of preparation

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.

Basis of consolidation

The consolidated financial statements of the group include the financial statements of the College and its subsidiary undertaking Quadrant (Darlington) Limited. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Intra-group sales and profits are eliminated fully on consolidation. All financial statements are prepared to 31 July 2022.

Going concern

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

At 31 July 2022 the College had cash reserves of £3.218m with £nil loans outstanding. The college arranged a short term revolving credit facility of £3m for a period of three years from May 2021, reducing by £0.3m per annum. This facility provides the college with headroom and flexibility in its working cash cycle should it be required. The bank covenants associated with this facility have been met as at 31 July 2022.

The College cash reserves of £3.218m are adequately sufficient to support its operational requirements and is reporting a financial health status of “Good” under the ESFA financial health measure for 31 July 2022 (July 2021: Outstanding). The College's main source of income is public funding and guaranteed at comparable level to the previous year.

Accordingly, 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

Revenue grant funding

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 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.

Notes to the Financial Statements at 31 July 2022

Capital grant funding

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

Fee income

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

Investment income

All income from short-term deposits is credited to the 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 certain discretionary support funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure of the College where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

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.

Teachers' Pension Scheme (TPS)

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method.

The TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

Durham Local Government Pension Scheme (LGPS)

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

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

Notes to the Financial Statements at 31 July 2022

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.

Enhanced pensions

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

Non-current assets - Tangible fixed assets

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

Land and buildings

The College's buildings are specialised buildings and therefore it is not appropriate to value them on the basis of open market value. The College's policy is to carry all assets at historic cost. 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.

Freehold land is not depreciated as it is considered to have an infinite useful life. Freehold buildings are depreciated over their expected useful economic life to the College of up to 50 years.

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

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. 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 £1,000 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost. Capitalised equipment is depreciated on a straight line basis at the following rates:

- PCs and related IT equipment over 4 years, at 25% per annum
- IT Infrastructure equipment over 8 years, at 12.5% per annum
- Furniture & fittings over 8 years, at 12.5% per annum

Notes to the Financial Statements at 31 July 2022

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term to the Statement of Comprehensive Income and Expenditure. Any lease premiums or incentives relating to leases signed after 1st August 2014 are spread over the minimum lease term.

Investments in subsidiaries

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

Inventories

Inventories are stated at the lower of their cost (using the name method) and net realisable value, being selling price less costs to complete and sell. Where necessary, provision is made for obsolete, slow-moving and defective items.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with a maturity of 3 months or less. Bank overdrafts that are repayable on demand and form an integral part of the College's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Financial liabilities and equity

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

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

Taxation

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478-488 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The College is partially exempt in respect of Value Added Tax, so that it can only recover a minimal amount of the VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

The College's subsidiary company is subject to corporation tax and VAT in the same way as any commercial organisation.

Provisions

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.

Notes to the Financial Statements at 31 July 2022

Judgements in applying accounting policies and key sources of estimation uncertainty

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

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the group's tangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

- **Tangible fixed assets** - Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programs 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 23, will impact the carrying amount of the pension liability. The actuary has used a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 has been used by the actuary in valuing the pensions liability at 31 July 2021. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2 Funding body grants

	Year ended 31 July		Year ended 31 July	
	2022	2022	2021	2021
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Recurrent Grants				
Education and Skills Funding Agency - 16-18	8,139	8,139	8,766	8,766
Education and Skills Funding Agency - adult	1,081	1,081	1,191	1,191
Education and Skills Funding Agency - apprenticeships	2,592	2,592	2,022	2,022
Specific grants				
Teacher Pension Scheme contribution grant	360	360	345	345
Release of government capital grants	332	332	242	242
Total ESFA Grants	12,504	12,504	12,566	12,566
Tees Valley Combined Authority - adult	2,019	2,019	1,478	1,478
Total funding body grants	14,523	14,523	14,044	14,044

Notes to the Financial Statements at 31 July 2022

3 Tuition fees and education contracts

	Year ended 31 July		Year ended 31 July	
	2022	2022	2021	2021
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Adult education fees	379	379	545	545
Apprenticeship fees and contracts	31	31	(2)	(2)
Fees for FE loan supported courses	491	491	618	618
Total tuition fees	901	901	1,161	1,161
Education contracts	917	917	1,022	1,022
Total	1,818	1,818	2,183	2,183

4 Other grants and contracts

	Year ended 31 July		Year ended 31 July	
	2022	2022	2021	2021
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other grant income	71	71	-	-
Non-Government capital grants	172	172	35	35
Coronavirus Job Retention Scheme grant	-	-	106	106
Total	243	243	141	141

5 Other income

	Year ended 31 July		Year ended 31 July	
	2022	2022	2021	2021
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Catering and residences	425	425	232	232
Other income generating activities	555	555	331	331
Miscellaneous income	242	242	323	323
Total	1,222	1,222	886	886

6 Investment income

	Year ended 31 July		Year ended 31 July	
	2022	2022	2021	2021
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other interest receivable	2	2	-	-

Notes to the Financial Statements at 31 July 2022

7 Staff costs - Group and College

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

	2022 No	2021 No
Teaching staff	224	241
Non teaching staff	265	224
	489	465

	2022 £'000	2021 £'000
Staff costs for the above persons		
Wages and salaries	9,079	9,265
Social security costs	852	801
Other pension costs (note 22)	3,076	3,020
Payroll sub total	13,007	13,086

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 Executive Team which comprises the Principal (Accounting Officer), Deputy Principal, Director of Finance and Corporate Resources and the Assistant Principal.

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

	2022 No.	2021 No.
Number of key management personnel including the Accounting Officer:	4	4

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

	Key management personnel		Other staff	
	2022 No.	2021 No.	2022 No.	2021 No.
£50,001 to £55,000	1	1	-	-
£65,001 to £75,000	1	1	-	-
£75,001 to £80,000	-	-	-	-
£80,001 to £85,000	1	1	-	-
£120,001 to £125,000	-	-	-	-
£125,001 to £130,000	1	1	-	-
Total	4	4	-	-

	2022 £'000	2021 £'000
Key management personnel compensation is made up as follows:		
Salaries – gross of salary sacrifice and waived emoluments	342	332
Employers National Insurance	44	41
	386	373
Pension contributions	73	71
Total key management personnel compensation	459	444

Notes to the Financial Statements at 31 July 2022

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

	2022 £'000	2021 £'000
Salaries	127	125
Pension contributions	25	25
	152	150

The governing body adopted AoC's Senior Staff Remuneration Code in July 2019 and will assess pay in line with its principles in future.

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

The Principal and Chief Executive reports to the Chair of Governing Council, who undertakes an annual review of her performance against the college's overall objectives using both qualitative and quantitative measures of performance.

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

	2022	2021
Principal's basic salary as a multiple of the median of all staff	5.2	5.2
Principal and CEO's total remuneration as a multiple of the median of all staff	5.2	5.2

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.

8 Other operating expenses

	Year ended 31 July 2022		Year ended 31 July 2021	
	Group £'000	College £'000	Group £'000	College £'000
Teaching costs	751	751	582	582
Non-teaching costs	2,117	2,117	1,783	1,783
Premises costs	1,158	1,158	1,017	1,017
Subcontract costs	658	658	233	233
Total	4,684	4,684	3,615	3,615

Other operating expenses include:

	2022 £'000	2021 £'000
Auditors' remuneration		
Financial statements audit*	25	24
Internal audit**	16	13
Other services provided by the financial statements auditors	-	-
Hire of assets under operating leases	57	71

* Includes £25k in respect of the College (2021: £24k)

** Includes £16k in respect of the College (2021 £13k)

Notes to the Financial Statements at 31 July 2022

9 Interest and other finance costs - Group and College

	2022 £'000	2021 £'000
On bank loans and other loans	19	139
Pension finance costs (note 23)	256	261
	<u>275</u>	<u>400</u>

10 Taxation

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

11 Tangible Fixed Assets - Group and College

	Freehold land & buildings £'000	Equipment £'000	Assets under construction £'000	Total £'000
Cost				
At 1 August 2021	33,701	3,511	1,540	38,752
Additions	159	219	1,096	1,474
Reclassification of Assets	1,691	-	(1,691)	-
At 31 July 2022	<u>35,551</u>	<u>3,730</u>	<u>945</u>	<u>40,226</u>
Depreciation				
At 1 August 2021	8,873	1,555	-	10,428
Charge for the year	768	352	-	1,120
Disposals Adjustment	-	3	-	3
At 31 July 2022	<u>9,641</u>	<u>1,910</u>	<u>-</u>	<u>11,551</u>
Net book value at 31 July 2022	<u>25,910</u>	<u>1,820</u>	<u>945</u>	<u>28,675</u>
Net book value at 31 July 2021	<u>24,828</u>	<u>1,956</u>	<u>1,540</u>	<u>28,324</u>

12 Non current investments

	College 2022 £'000	College 2021 £'000
Investment in subsidiary company	<u>25</u>	<u>25</u>

Darlington College owns 100% (2020: 100%) of the ordinary shares of Darlington (Quadrant) Limited, a company which no longer trades and which will be wound up in due course. The company was incorporated in England and its registered address is Darlington College, Central Park, Haughton Road, Darlington, Durham, DL1 1DR.

13 Trade and other receivables

	2022 Group £'000	2022 College £'000	2021 Group £'000	2021 College £'000
Amounts falling due within one year:				
Trade receivables	89	89	56	56
Prepayments and accrued income	1,385	1,385	1,455	1,455
Other debtors	16	16	9	9
Total	<u>1,490</u>	<u>1,490</u>	<u>1,520</u>	<u>1,520</u>

Notes to the Financial Statements at 31 July 2022

14 Creditors amounts falling due within one year

	2022 Group £'000	2022 College £'000	2021 Group £'000	2021 College £'000
Trade payables	235	235	443	443
Amounts owed to subsidiary undertakings	-	70	-	74
Other taxation and social security	395	395	433	433
Accruals and other creditors	752	752	1,034	1,034
Amounts owed to the ESFA	118	118	-	-
Amounts owed to the TVCA	388	388	531	531
Deferred income- government capital grants	589	589	431	431
Other creditors	820	820	65	65
Total	<u>3,297</u>	<u>3,367</u>	<u>2,937</u>	<u>3,011</u>

Amounts owed to the TVCA in relation to clawback of under delivery of adult education against funding received have been provided for in creditors falling due within one year. £0.175m relates to 2020/21 and was remitted in August 2022, the balance of £0.215m relates to provision made in 2021/22.

15 Creditors amounts falling due after one year

	2022 Group £'000	2022 College £'000	2021 Group £'000	2021 College £'000
Deferred income- government capital grants	11,843	11,843	11,290	11,290
Total	<u>11,843</u>	<u>11,843</u>	<u>11,290</u>	<u>11,290</u>

16 Cash and cash equivalents

	At 1 August 2021 £'000	Cash flows £'000	At 31 July 2022 £'000
Cash and cash equivalents	2,535	684	3,218

17 Capital commitments

	2022 £'000	2021 £'000
Commitments contracted for at 31 July	632	163

18 Lease obligations

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

Other	2022 £'000	2021 £'000
No later than one year	52	52
Later than one year and not later than five years	52	104
Later than five years	-	-
Total Lease payments due	<u>104</u>	<u>156</u>

Notes to the Financial Statements at 31 July 2022

19 Contingencies

There are no contingencies to disclose.

20 Events after the reporting period

On 8 November 2022, the college was subject to an Ofsted inspection. The outcome of this review is positive with an overall grade of Good confirmed with a grade of Good awarded to each element.

On 29 November 2022, the Office for National Statistics reclassified all college corporations (and their subsidiaries) as public sector institutions with immediate effect and this prompted the Department for Education to introduce some new rules for colleges which will take effect during 2022/23.

The College considers this announcement to be a non adjusting post balance sheet event and is evaluating the implications of the announcement and the potential new rules but do not consider that they will have an impact on these financial statements.

21 Provisions

	2022	2021
	£'000	£'000
Enhanced pension provision		
At start of period	(387)	(420)
Expenditure in the year	39	32
Movement in year		
Interest on provision	(6)	(10)
Actuarial gain	39	11
At end of period	<u>(315)</u>	<u>(387)</u>
	2022	2021
	£'000	£'000
Defined benefit obligations		
Deficit in scheme at start of period	(15,050)	(18,150)
Movement in year:		
Current service cost	(1,920)	(1,870)
Past service cost	-	-
Employer contributions	770	750
Net interest on the defined benefit liability	(250)	(250)
Actuarial gain	12,360	4470
Net defined benefit liability at end of period	<u>(4,090)</u>	<u>(15,050)</u>
Total pension liability	<u>(4,405)</u>	<u>(15,437)</u>

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government Pension Scheme. Further details are given in Note 22.

The enhanced pension provision relates to the cost of staff who have already left the College's employ. This provision has been recalculated in accordance with guidance issued by the funding bodies.

The principal assumptions for this calculation are:

	2022	2021
Price inflation (CPI)	2.60%	2.60%
Discount rate	1.60%	1.60%

Notes to the Financial Statements at 31 July 2022

22 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 Durham Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Durham County Council. Both are multi-employer defined-benefit plans.

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

Total pension cost for the year	2022	2021
	£'000	£'000
Teachers' Pension Scheme: contributions	1,197	1,179
Local Government Pension Scheme:		
Contributions paid	770	750
FRS 102 (28) charge	1,150	1,120
Charge to the Statement of Comprehensive Income	1,920	1,870
Total pension cost for the year within staff costs	3,117	3,049

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 2018/19). DfE has continued to pay a teacher pension employer contribution grant to cover the additional costs during the 2021/22 academic year. A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website.

The pension costs paid to TPS in the year amounted to £1.197m (2020/21: £1.179m).

Notes to the Financial Statements at 31 July 2022

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 2022 was £1,000k, of which employer's contributions totalled £770k and employees' contributions totalled £230k. The agreed contribution rates are currently 19.9% for employers and range from 5.5% to 12.5% for employees, depending on salary.

Pension Increase Orders are used to set the level of pension increases with effect from 1 April of each year, normally with reference to the change in CPI inflation over the 12 months to the previous September, which was announced in October. This was 10.1% and was considerably higher than the CPI assumption set by employers as at 31 July 2022. As Pension Increase orders are not automatically set with reference to the September CPI and they are only known with certainty when the Pension Increase Order is enacted by Parliament, which is usually in April of the following year, no adjustment has been made to recognise the possible 2023 Pension Increase Order within the CPI assumption.

Principal actuarial assumptions

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

	At 31 July	
	2022	2021
Rate of increase in salaries	3.60%	3.60%
Future pensions increases	2.60%	2.60%
Discount rate for scheme liabilities	3.40%	1.70%
Inflation assumption (CPI)	2.60%	2.60%

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

	At 31 July	
	2021 years	2021 years
Retiring today		
Males	22.1	22.3
Females	24.2	24.3
Retiring in 20 years		
Males	23.2	23.3
Females	25.7	25.8

Local Government Pension Scheme

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

	Long-term rate of return expected at 31 July 2022	Fair Value at 31 July 2021 £'000	Long-term rate of return expected at 31 July 2022	Fair Value at 31 July 2021 £'000
Equities	54.7%	14,090	55.8%	15,340
Property	8.4%	2,160	6.2%	1,710
Government Bonds	11.3%	2,910	16.0%	4,400
Corporate Bonds	4.4%	1,130	17.5%	4,810
Multi Asset credit	14.5%	3,740	-	-
Cash	1.4%	360	4.5%	1,240
Other	5.3%	1,370	0.0%	0
Total fair value of assets		25,760		27,500

Notes to the Financial Statements at 31 July 2022

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

	2022	2021
	£'000	£'000
Fair value of plan assets	25,760	27,500
Present value of plan liabilities	(29,830)	(42,530)
Present value of unfunded liabilities	(20)	(20)
Net pensions liability	(4,090)	(15,050)

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

	2022	2021
	£'000	£'000
Amounts included in staff costs		
Current service cost	1,920	1,870
Past service cost	-	-
	<u>1,920</u>	<u>1,870</u>
Amounts included in interest payable		
Net interest cost	<u>250</u>	<u>250</u>
Amounts included in Other Comprehensive Income		
Return on pension plan assets	(2,520)	3,810
Experience gains arising on defined benefit obligations	14,880	660
	<u>12,360</u>	<u>4,470</u>

Movement in net defined benefit liability during the year

	2022	2021
	£'000	£'000
Deficit in scheme at start of period	(15,050)	(18,150)
Movement in year:		
Current service cost	(1,920)	(1,870)
Employer contributions	770	750
Net interest on the defined benefit liability	(250)	(250)
Actuarial gain	12,360	4,470
Adjustment for unfunded liabilities	-	-
Net defined benefit liability at end of period	(4,090)	(15,050)

Asset and Liability Reconciliation

	2022	2021
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	42,550	41,030
Movement in year:		
Current service cost	1,920	1,870
Interest cost	720	570
Contributions by scheme participants	230	230
Experience losses on defined benefit obligations	(14,880)	(660)
Estimated benefits paid	(690)	(490)
Defined benefit obligations at end of period	<u>29,850</u>	<u>42,550</u>

Notes to the Financial Statements at 31 July 2022

Changes in fair value of plan assets	2022	2021
	£'000	£'000
Fair value of plan assets at start of period	27,500	22,880
Movement in year:		
Interest on plan assets	470	320
Return on plan assets	(2,520)	3,810
Employer contributions	770	750
Contributions by scheme participants	230	230
Estimated benefits paid	(690)	(490)
Fair value of plan assets at end of period	25,760	27,500

23 Related party transactions

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

In the year 2021/22 the college commenced a Town Fund building project. This was financed through grant funds secured by Darlington Borough Council, committee member Calvin Kipling is an employee of Darlington Borough Council but had no involvement with the project. Invoices and supporting documentation were sent to Darlington Borough Council as stages were completed in order to receive the funds.

The total expenses paid to or on behalf of the Governors during the year was £nil; (2020/21: £nil). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity. During 2021/22 governor meetings were conducted virtually at the start of the year and therefore no travel expenses were incurred.

No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2020/21: None).

Quadrant (Darlington) Limited is a 100% wholly owned subsidiary of Darlington College. At the year end the College owed Quadrant (Darlington) Limited £74k (2021: £74k).

24 Amounts disbursed as agents

Learner support funds	2022	2021
	£'000	£'000
16-18 bursary support	171	130
19+ bursary support	244	184
Other funding body grants	73	58
	488	372
Disbursed to students	(312)	(267)
Administration costs	(17)	(17)
Balance unspent at 31 July, included in creditors	159	88

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.