New College Durham

Annual Report and Financial Statements

For the year ended 31 July 2019

NEW COLLEGE DURHAM

Key Management Personnel, Board of Governors and Professional Advisers

Key management personnel

Key management personnel are defined as members of the College Leadership Team and were represented by the following in 2018/19:

Mr J Widdowson	Principal and Chief Executive; Accounting Officer
Mr I Walton	Deputy Chief Executive and Principal (resigned on 30th June 2019)
Mr A Broadbent	Deputy Principal and Chief Financial Officer
Mr K Fairley	Deputy Principal - Human Resources and Corporate Services
Mr M Anderson	Vice Principal - Apprenticeships and Employer Engagement
Ms M Dixon	Vice Principal – Higher Education and Inclusion
Mr A Stephenson	Vice Principal – Quality and Improving Learning
Ms D Fairlamb	Vice Principal – Economic Development and Student Progression

Board of Governors

A full list of Governors is given on page 18 of these financial statements.

Clerk to the Corporation

Ms S Dring acted as Clerk to the Corporation throughout the financial year.

Professional advisers

Financial statement independent auditors and reporting accountants:

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Central Square South
Orchard Street
Newcastle upon Tyne
NE1 3AZ

Internal auditors:

Wylie Bisset
168 Bath Street
Glasgow
G2 4TP

Solicitors:

Eversheds Sutherland LLP
Orchard Street
Newcastle upon Tyne
NE1 3XX

Bankers:

Barclays Bank PLC
North East and Yorkshire Larger Business
71 Grey Street
Newcastle upon Tyne
NE99 1JP

NEW COLLEGE DURHAM

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Strategic Report

NATURE, OBJECTIVES AND STRATEGIES:

The members present their report and the audited consolidated financial statements for the year ended 31 July 2019.

Legal status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting New College Durham. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

The Corporation was incorporated as New College Durham.

Vision, Contribution and Values

The College vision as approved by its members is:

'New College Durham will be recognised as a leading provider of Further and Higher Education in the North East region, nationally and internationally.

The College contribution as approved by its members is:

'New College Durham will contribute to social, economic and environmental wellbeing, changing lives for the better by enabling people of all abilities to fulfil their potential in work and in the community through high quality professional, technical and general education.'

The College values as approved by its members are:

As an employer and learning organisation, we will:

- **maintain a safe and inclusive environment in which students can learn, achieve and progress;**
- **achieve and maintain high standards in everything that we do;**
- **celebrate achievement in learning for people of all abilities;**
- **act fairly, openly and transparently;**
- **conduct our activities in a manner which makes a positive contribution to sustainability and the environment in a global economy;**
- **fulfil our commitment to equality and diversity and the rights of others;**
- **work in partnership with those who share our vision and values.**

Public benefit

New College Durham is an exempt charity under the Part 3 of the Charities Act 2011 and following the Machinery of Government changes in July 2016 is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on page 20.

In setting and reviewing the College strategic objectives, the Governing Body has 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 vision, the College provides the following identifiable public benefits through the advancement of education:

- High-quality teaching, learning and assessment
- Widening participation and tackling social exclusion
- Excellent employment record for students
- Strong student support systems
- Links with employers, industry and commerce

Strategic Report (continued)

Public benefit (continued)

- Links with Local Enterprise Partnerships (LEPs).

New College Durham is a large, general further education (GFE) College. The College is the largest college to provide vocational further and higher education in County Durham. Within a 15 mile radius there are six colleges and four universities. 11of the 28 secondary schools have sixth forms.

Courses are offered in fourteen sector subject areas recognised by the Education and Skills Funding Agency (ESFA). Higher Education (HE) courses are provided to over 486 full-time equivalent students and 261 part time students drawn from the region, nationally and internationally. In addition to these figures, the College has continued to broaden its apprenticeship offer in line with regional and national priorities, including a significant increase in the number of Higher and Degree Apprenticeships.

The College has managed a wide range of local and regional projects financed by European Social Fund (ESF) funding with project delivery taking place in both the Tees Valley and North East LEP areas. The projects delivered training and qualifications to individuals who were unemployed, at risk of redundancy and those recently made redundant. A significant project commenced in the Tees Valley to support those not in education, employment or training (NEET), to provide a pathway into work. All of these projects will continue throughout 2019/20.

County Durham continues to have a higher than average percentage of young people who are not engaged in education, employment or training. The College has continued to work with partners to address this issue, including continuation of its “Choices” programme which offers opportunities to enrol during the year. The College continues to work in partnership with Durham Works.

The proportion of students at the College from minority ethnic backgrounds remains low but is in line with regional averages.

Implementation of the strategic plan

As a “Mixed Economy College”, New College Durham offers a range of Further and Higher level courses. This not only enables students in the College to progress from further to higher education in one institution, it also provides employers with a wide range of provision appropriate to the skills needs of their employees across an equally broad range.

The College’s mixed economy status also means that, in addition to direct fees from students and employers, the College draws income from a variety of funding bodies and agencies. They are the Education and Skills Funding Agency (ESFA), Student Loans Company (SLC), National Health Service (NHS) and to a much lesser extent than in previous years, from Office for Students (OfS).

The College positions itself to respond to skills needs locally and across the region and works with employers and their representative groups to ensure that future skills needs are being addressed. Good links have been established with the North East Local Enterprise Partnership (LEP) and the Tees Valley LEP and an on-going priority is to develop links with employers. Key in addressing the current and future skills need is responding to the demand for a literate and numerate work force as well as the increased demand for level 4 and 5 skills.

The strategic plan includes curriculum, property and financial plans. The Corporation monitors the performance of the College against these plans on a regular basis. The plans are reviewed and updated annually.

The College continues to monitor and respond to national developments which might affect its activities and viability.

NEW COLLEGE DURHAM

Strategic Report (continued)

Implementation of the strategic plan (continued)

The College's continuing strategic objectives are to:

- educate in excess of 2,500 16-19 year old further education learners per annum funded by the Education and Skills Funding Agency (ESFA);
- increase the number of apprenticeships delivered to respond to the Government target of three million apprenticeships starting in England between 2015 and 2020;
- tailor provision funded by the Education and Skills Funding Agency (ESFA) through the Adult Skills Budget to meet the demands of employers, stakeholders and the local community;
- seek to increase the income obtained from other sources including grant supported projects such as ESF and commercially generated income;
- expand current levels of enrolment to higher level courses including both full and part-time learners using our Foundation Degree Awarding Powers to develop higher education courses to meet the needs of learners and employers;
- maintain student achievement rates in the top 10.00% of performing Colleges nationally;
- further strengthen links with employers and other stakeholders;
- act as lead sponsor for our academies in North Durham and Consett.

The College is confident that the strategic objectives will be achieved.

Financial objectives

The College has recently submitted a new two-year financial plan to the ESFA which covers the financial year to 31st July 2021 and confirms its financial objectives to:

- achieving at least a break-even position before FRS102-28 pension adjustments;
- achieving EBITDA (education specific) >4%;
- maintaining Adjusted Current Ratio > 2.0 : 1;
- maintaining nil borrowing;
- generating sufficient funds to ensure that the Corporation can maintain the College estate and invest in new technology and equipment required to support learning and administration;
- maintaining the level of free reserves above 15% of annual turnover in line with the Board approved reserves policy.

A series of performance indicators have been agreed to monitor the successful implementation of the policies.

Performance indicators

Throughout the financial year the College has monitored key performance indicators set as part of the two-year financial plan submitted to the ESFA in July 2019. Actual performance against these performance indicators is shown below:

NEW COLLEGE DURHAM

Strategic Report (continued)

Performance indicators (continued)

	Target	Actual
Surplus before FRS102-28 pension adjustment	£317k	£969k
(Deficit) / surplus after FRS102-28 pension adjustment	£-746k	£-1,161k
Net Current Assets	£9.7m	£10.2m
Cash Days in Hand	126	140
Adjusted Current Ratio	3.82 : 1	3.65 : 1
EBITDA as a percentage of income (education specific)	5.27%	6.63%
Gearing Ratio	0%	0%
Financial Health Score	250	260
Financial Health Rating	Outstanding	Outstanding

FINANCIAL POSITION:

The College is committed to observing the importance of sector measures and uses the FE Choices data available on GOV.UK website which looks at measures such as success rates. The College is required to complete the annual Finance Record for the ESFA. The College is assessed by the ESFA as having an "**Outstanding**" financial health rating.

Financial results

The Annual Report and Financial Statements have been prepared in accordance with Financial Reporting Standard 102 (FRS102) and the 2015 FE HE Statements of Recognised Practice (SORP).

The Group (New College Durham and its subsidiary company Westfirst Limited) generated an operating surplus (before FRS102-28 LGPS pension charges and other gains and losses) of £969,000 (2017/18 – surplus of £1,683,000).

FRS102-28 LGPS pension charges recognised in the profit and loss account in 2018/19 are £2,130,000 (2017/18 £1,110,000). These charges are based on actuarial assumptions which the College has no control over and relate to estimates of current service costs, past service costs and defined benefit plan finance costs. The significant increase in costs relate to inclusion of past service cost provisions for the McCloud/Sergeant judgement estimate of £1,010,000 and the Guaranteed Minimum Pension (GMP) Indexation and Equalisation estimate of £110,000 which are further explained in Note 25.

After FRS102-28 the Group generated a deficit of £1,161,000 (2017/18 – surplus of £573,000).

The Group has accumulated reserves of £26,528,000 (stated net of pension reserve) and cash at bank and short term investment balances of £13,215,000. The Group will continue to accumulate reserves and cash balances in order to finance the replacement of capital plant and equipment as necessary and to further strengthen its financial position in order to deliver its strategic plan.

Tangible and intangible fixed asset additions during the year amounted to £5,891,000. This was split between land and buildings costs of £4,973,000, software cost of £97,000 and equipment and furniture and fittings costs of £821,000.

The Group has significant reliance on the ESFA for its principal funding source, largely from recurrent grants. In 2018/19 the ESFA provided 54.05% (2017/18 52.28%) of the Group's total income in respect of 16-19 Further Education, Apprenticeship and Adult education funding. European Social Fund Contracts (ESF) accounted for 19.91% (2017/18 21.78%) of the Group's total income.

Strategic Report (continued)

Financial results (continued)

The College has a subsidiary company, Westfirst Limited. The principal business activities are boiler house management, the supply of heat, gas and electricity and lettings of College premises. Any surpluses generated by the subsidiary company are assessed, and where appropriate transferred to the College under gift aid.

The subsidiary company has an un-provided for deferred tax asset of £1,021 arising from the difference between the net book value and written down value of fixed assets. In the current year, the subsidiary company generated a profit before taxation of £6,325 before allowing for any gift aid transfer to the College. Any gift aid payment will be made within 9 months of the year end and will be treated as a non-adjusting post balance sheet event.

Treasury policies and objectives

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

The College has a separate treasury management policy in place.

Short term borrowing for temporary revenue purposes has not been required during 2018/19. However if it were necessary it would be authorised by the Principal and Chief Executive. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum.

Cash flows and liquidity

The College's operating cash in-flow from operating activities was strong at £3,371,000 (2017/18 cash in-flow £2,657,000). The strong cash in-flow enabled the College to invest £5,891,000 in tangible and intangible assets (2017/18 £1,462,000).

At 31st July 2019 the College does not hold any financing debt.

Financial risk management

The College's operations expose it to a variety of financial risks that include the effect of changes in credit risk and liquidity. The College has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the College where appropriate.

Credit risk
The College has implemented policies that require appropriate credit checks on potential customers and sub-contractors.

Liquidity risk
The College actively manages its risk profile on a regular basis to ensure the College has sufficient available funds for operations and planned expansions.

Reserves policy

The College is required to hold reserves in order to:

- ensure that adequate funds are available to safeguard the College;
- ensure that the College has sufficient cash to meet its short term financial liabilities as they fall due;
- provide the financial resources to enable investment in premises, facilities and equipment in order to enhance the range of services and education the College is able to provide to its stakeholders;
- maintain sufficient funds to enable operational activities to be maintained, taking account of potential financial risks, uncertainties and contingencies that may arise from time to time.

Reserves policy (continued)

In light of the above, the College will aim to maintain a minimum level of free reserves of 15% of annual turnover to support continuing operations. The College will aim to build free reserves in excess of 15% to support future investment in premises, facilities and equipment. For the purposes of this calculation, free reserves are defined as Net Current Assets excluding deferred capital grants, less capital commitments. Turnover excludes income from capital grants.

The level of free reserves held at the end of the financial year was 28.59% of annual turnover (2017/18 38.51%).

Going concern

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

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

The College has always looked to find new funding sources. This is more important than ever following the June 2016 referendum vote to leave the European Union which will reduce the funds available through the European Social Fund (ESF). The College has won a number of large ESF contracts which will end in July 2021. The College is in ongoing discussions around contracts that will replace their ESF counterparts. Contracts from the Shared Prosperity Fund will be tendered for as we progress into 2019/20.

Changes to the way that apprenticeships are funded (large employer levies) give the College the opportunity to increase its delivery of apprenticeships in the coming years. The devolution agreement within the Tees Valley has provided tendering opportunities for the College to deliver Adults funded courses within this region. The College has been successful in the early opportunities that have been presented.

Since 2014 the 16-18 year old population has been reducing but this will bottom out in 2019.There will then be increases to the 16-18 population such that by 2024 it will have risen back to what it was in 2014. The implication of this is that more teaching space will be needed to cope with the increasing demand for places, especially in specialised areas such as technology. In response to this the College has committed £8,182,000 to create a world class facility for the teaching of STEM (Science, Technology, Engineering and Mathematics). This is an integral element in the College’s Institute of Technology proposal. The operational facility will open from October 2019.

The financial forecast was submitted at the end of July 2019 to the ESFA and shows that the College is expecting to maintain financial strength throughout the period of the plan.

Education and Training

The quality of provision at the College continues to be outstanding. For education and training, qualification achievement rates, across education programmes for young people and adult learning programmes, have consistently placed the College in the top 10% of General Further Education (GFE) Colleges nationally. While achievement rate data has not yet been finalised for 2018/19, performance is predicted to remain high. Most students are expected to successfully achieve the qualifications on which they enrol. As with other providers in the sector, the College identified some areas for improvement within the qualification outcomes for mathematics and English. Specifically GCSE mathematics and functional skills. Throughout 2018/19 a robust quality improvement plan placed a considerable amount of activity on these areas. This has led to continued improvements in the performance specifically the achievement of high grades (9 to 4) in GCSE mathematics with the high grade rate improving to 25% in a landscape where the national rate for GFE Colleges saw a decline.

Outcomes for learners on apprenticeships continues to be good with the College achievement rate performing well above the national achievement rate and in the top 10% of General Further Education

Strategic Report (continued)

Education and Training (continued)

Colleges nationally. The College was one of only 3 Colleges nationally and the only North East College to secure achievement rates in the top 10% for both education and training and apprenticeship provision. Students studying in the workplace on ESFA, ESF-funded courses and on Apprenticeships provision make better than expected progress and in the vast majority of instances achieve well.

Attendance and punctuality, in most curriculum areas, are good and support excellent progress. In the Sixth Form Centre the level of progress of students studying A-levels is excellent with an Alps grade of 2. Study programmes include a range of personal development activities to enhance the skills, knowledge and behaviours of students. These include opportunities to develop the English, mathematics and ICT Skills. They also develop broader employability skills and meaningful work related learning including work placements, which are key features in ensuring that students understand their pathway to next steps, whether this be further training or employment.

The quality of work produced by students is outstanding and is frequently commended by awarding bodies as not only meeting, but in the large majority of cases, exceeding the standards expected nationally. Consequently, our students are typically very successful in the regional and national skills competitions in which they take part. This has a positive impact on their progression opportunities. The combined effect is that 93% of students progress to positive destinations.

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

Care, guidance and support continue to be considered some of the key strengths of the College's provision. Specialist support services augment a broader suite of welfare support services and are easily accessible by students to support their learning. Initial assessment is robust and is employed to rapidly identify learners individual needs at a point prior to, or close to enrolment. This informs effective planning of learning both inside and outside of the classroom. Students identified as being in need of support, in the vast majority of instances access it regularly and, as a consequence, progress well and successfully achieve their qualifications.

Academies

The College is lead sponsor for two 11-18 academies, Consett Academy and North Durham Academy in Stanley. Both academies are founded on the three Core Principles of Inclusion, Progression and Excellence. The established Trust Board provides strategic direction and guidance, placing high expectations on each academy to transform the educational landscape in their area by driving up standards and raising levels of aspiration. Both Academies enjoy excellent facilities on purpose built campuses. Consett Academy has been assessed as “Good” by Ofsted. North Durham Academy has begun to implement improvements which has seen a positive impact on its performance, improving its Ofsted grading to “Requires Improvement”. The College will continue to implement these measures to continue to make the necessary improvements.

Higher Education

The College has held Foundation Degree Awarding Powers since August 2011. In this time the College has established a reputation regionally and nationally as an outstanding provider of higher education. The College now has over 50 Foundation Degrees, Honours Degrees and Professional Qualifications.

All programmes are designed and developed in conjunction with local and regional employers, ensuring graduates have the skills and knowledge required for their chosen sector. The College enjoys a successful working relationship with the Open University as it continues to grow its portfolio of Honours provision. Part time and overseas enrolments continue to follow national trends and remain low.

Strategic Report (continued)

Higher Education (continued)

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

The results of the National Student Survey were excellent with the College scoring the highest student satisfaction rate in the region. 95% of higher education students stated that they were satisfied with the overall quality of their course at New College Durham which is the highest result amongst the universities and colleges in the North East.

The College has seen a significant growth in Higher Apprenticeships over the last two years. The College has utilised its own Foundation Degree qualifications alongside a range of management and professional qualifications to support these programmes. The College is also part of two national working groups looking at Degree Apprenticeships in Podiatry and Leadership and Management.

Employer engagement

The College's apprenticeship provision has been broadened ensuring the needs of local and regional employers are met. This year saw continued growth in higher apprenticeships across a range of occupational areas. The College's apprenticeship provision continues to be successful with the vast majority of apprentices successfully completing their apprenticeship programme. The College has responded positively to the apprenticeship reforms, having successfully adapted its delivery, support and management structures. The College made a strategic decision to stop Apprenticeship provision delivery by sub-contractors and focus on its own internal delivery. The College continues to work with a number of subcontractors for the delivery of ESFA Adult Education Budget and ESF funded qualifications. These areas continue to be monitored and supported by the Colleges in-house Quality and Apprenticeship teams with outstanding performance. Following the devolution of funding to Tees Valley, the College has continued to be successful winning tenders within this region.

Employers are involved in many aspects of core curriculum delivery. In Higher Education, they continue to inform the College's foundation degree offer, supporting many students with effective work placements. In Further Education, employers deliver sessions within the College and the workplace and provide real life projects for students to practice their vocational skills. The study programme offers further opportunities for College staff, students and employers to work together to enhance the student experience. This has proved very effective with the students taking part in successful work experience and work placement programmes resulting in many students gaining employment. A considerable amount of work has been completed in 2018/19 using the Capacity Delivery Fund to secure industry placement opportunities across the region. The College took a strategic decision to test the feasibility of this in the T-level subject areas in readiness for the delivery in 2020.

This year saw the continuation and expansion of the College's Business Breakfast initiative with over 150 employers attending an event to discuss key educational developments including T Levels, Apprenticeships, Professional and Higher qualifications. These events have been established as key activities within the events calendar of the College to connect the College curriculum with local employers.

Staff and student involvement

The Annual Staff Conference continues to provide a focus for staff involvement in the College and its wider environment. The Conference is an opportunity for staff to receive updates on the Colleges strategic plan from the Principal and complemented by the engagement of regional and/or national speakers that support the key messages from the Principal.

In addition staff receive regular updates through newsletters from the Principal, notice board items, feedback in team meetings and briefings on staff development days (one per term). Two members of staff and two students are elected as members of the Corporation and play an active role in the governance of the College.

Strategic Report (continued)

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 95.00%.

During the financial year 1 August 2018 to 31 July 2019, the College paid 98.86% by count (99.77% by value) of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this financial year.

Events after the end of the reporting year

There were no events after the end of the reporting year.

Planned maintenance programme

The College plans to spend an average of £600,000 per annum in maintaining the new buildings to keep them in good order.

Future prospects

The College has continued to improve the facilities available to our students. A further series of capital developments are planned to ensure that the College remains at the forefront of vocational education and training. The investment was in line with the North East Local Enterprise Partnership (NELEP) and North East Combined Authority (NECA) priorities to develop provision in “STEM” subjects.

The College continues to reduce its dependency on European Social Funding by delivering a number of cost efficiencies and winning growth funding from other sources. The Shared Prosperity Fund which will replace the current ESF funding will also provide the College with opportunities to tender to win new business.

New College Durham is one of only four FE providers in the country to be both named in the government’s shortlist to become an Institute of Technology (IoT) and to deliver the new T Level qualification.

As an IoT, New College Durham will offer top quality training and apprenticeships in higher-level technical skills, ranging from A-Level equivalents up to degree level and above. The College’s application was created in partnership with Newcastle University, Nissan Motors and Esh Group and also includes a range of other colleges from across the region to form the North East Institute of Technology (NEIoT). The College consulted with over twenty key regional employers, including Nissan, ESH Group, Komatsu, Siemens and Tarmac, when developing the proposal, to ensure employers would support the College and students by providing training that addresses the gaps in skills, and the emerging skills required by the region. Twelve providers across the country have progressed to the final stage of the application process to become an IoT. The successful proposals are expected to be announced early in the new academic year.

The College continues to be at the forefront of curriculum developments across the FE Sector. New College Durham has been selected as only one of four providers in the region to deliver the new T Levels qualifications in 2020. These are a new technical Level 3 qualification, equivalent to A-Levels. The College will offer T-levels in all three routes digital, construction and education & childcare. A further route of Health and Science has been added for delivery from 2021. The College is also one of only two North East Colleges selected to be involved in the planning and delivery for the T level Transitional programme from 2020.

The College has begun to explore possible options to establish associate agreements with other education providers to utilise its Foundation Degree Awarding Powers for the delivery of qualifications elsewhere in the UK. This opens up new markets that will help mitigate some of the decreases the College has seen in HE numbers.

Strategic Report (continued)

Future prospects (continued)

Having due regard to best practice developments in the UK Corporate Governance Code 2014 in respect of "going concern" and risk management reporting, the College believes it will be able to continue in operation and meet its liabilities, taking account of the current position and principal risks, for at least the next two years. This is supported by the two year financial plan submitted to the ESFA in July 2019.

RESOURCES:

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

Tangible resources include tangible fixed assets with a value of £46,780,000 which include the main College campus and the Bishop Auckland Podiatry Clinic and net current assets of £10,267,000. The College also has leased premises at Belmont Business Park and the Low Carrs podiatry training facility all of which are located in Durham.

Financial
The College has £26,528,000 of net assets (stated after £21,490,000 in pension liability) and has successfully maintained its financial debt at nil.

People

The average number of persons employed by the College during the year, expressed as full-time equivalents, was 530, of which 372 were teaching and teaching support staff.

The College has 419 staff registered on our agency of whom 160, on average, work on a monthly basis.

Reputation

The College has a good reputation locally, nationally and internationally. Maintaining a quality brand is essential for the College's success in attracting students and improving external relationships.

PRINCIPAL RISKS AND UNCERTAINTIES:

The College has undertaken further work during the year to develop and embed a system of internal control, including financial, operational and risk management which is designed to protect the College's assets and reputation.

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

A risk register is maintained at the College level which is reviewed at least annually by the Audit Committee and more frequently where necessary. 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.

This is supported by a risk management training programme to raise awareness of risk throughout the College.

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 below may also adversely affect the College.

Strategic Report (continued)

1. Government funding

The College has considerable reliance on continued government funding through the ESFA for its 16 to 19 Further Education provision.

Adult skills funding is now predominately for apprenticeships (16 to 18 and adults) and an increasing element of the funding for general adult further education is received through tuition fees paid via the Student Loans Company (SLC).

The College now receives the vast majority of its higher education funding through tuition fees paid via the SLC as all students are now funded through the new system. The remaining funding from the Office for Students (OfS) largely relates to widening participation and targeted allocations.

European Social Fund (ESF) provision relies heavily upon subcontractors to deliver the large volumes associated with each contract and to target the specific priority sectors. This in turn makes the contracts subject to employer demand and the College needs to build the provision around their changing requirements. There is great volatility within the SME sector particularly in regards to redundancies. With the uncertainty in the working environment employers will become more cautious about recruitment and training and development.

There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same level or on the same terms.

The College is aware of several issues which may impact on future funding, including apprenticeship reforms and the devolution of the adult education budget. The College, in conjunction with its key stakeholders, is developing a strategy for growth in response to the devolution agenda and to the apprenticeships reform. It is recognised that the introduction of the apprenticeship levy will significantly affect that marketplace though the full implications are not yet known as government policy continues to develop.

The College submitted a financial forecast to the ESFA covering the period to July 2021 and, in that plan, identified the possible reductions in funding and the measures by which the College will ensure that it remains financially viable during the period. This will involve a combination of cost efficiencies, growth in learner numbers and the pursuit of new income sources.

The College will continue to mitigate against potential loss of income by:

- ensuring that the College is rigorous in delivering high quality education and training;
- focusing on and investing in maintaining and managing key relationships with the various funding bodies;
- ensuring that the College is focused on the priorities of our stakeholders which will continue to benefit from public funding;
- maintaining its robust financial health as it enters the new academic year;
- strengthening the College's internal delivery teams to increase the volume of direct delivery and provide a more comprehensive offer to employers; and
- planning for cost efficiencies in operations without affecting front line delivery to learners.

2. Maintain adequate funding of pension liabilities

The financial statements report the share of the Local Government Pension Scheme (LGPS) deficit on the College balance sheet in line with the requirements of FRS 102. The College has no control over the annual actuarial calculations for the LGPS pension scheme.

3 Government policy

The College awaits the 2019 Autumn Statement through which it may see some detail of the likely funding changes expected in the coming months and years. The impact of the decision by UK voters to leave the European Union introduced a new set of risks for the College, some of which are known and others are yet to emerge.

Strategic Report (continued)

4. Demographic changes and increased competition

The College is in a period of increased competition for 16-18 provision whilst demographic changes mean the number of 16-18 year old learners are beginning to recover.

This risk is mitigated by:

- continuing to improve the quality of provision and success rates to encourage learners to the College; and
- working closely with feeder schools and academies to improve links and the offer to young people.

The College is in a period of increased competition for Higher Education provision and demographic changes have resulted in an aggressive market place.

This risk is mitigated by:

- continuing to provide quality provision that is relevant to the employment market;
- capturing and promoting excellent student feedback and destination data; and
- assessing new ways of working and new collaborative arrangements with other HEI's.

5. Failure to maintain the financial viability of the College

The College's current financial health grade is classified as "Outstanding" as described above. The continuing challenge to the College's financial position remains the constraint on further education funding arising from the ongoing cuts in public sector spending whilst maintaining the student experience and the increased pressure on the College staffing costs as a result of increased employer pension contributions and the demand for significant increases to staffing salaries following a prolonged period of below inflation pay awards.

This risk is mitigated in a number of ways:

- by rigorous budget setting procedures and sensitivity analysis;
- regular in-year budget monitoring;
- robust financial controls; and
- exploring new cost efficiencies.

STAKEHOLDER RELATIONSHIPS

In line with other colleges and universities, New College Durham has many stakeholders.

These include:

- students;
- education sector funding bodies;
- FE Commissioner;
- staff;
- local employers;
- local authorities;
- local enterprise partnerships (LEPs);
- the local community;
- local schools;

STAKEHOLDER RELATIONSHIPS (continued)

- universities;
- other FE institutions;
- trade unions;
- professional bodies.

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

Equality, Diversity and Inclusion

The College is proud of the social and cultural diversity of its community and sees it as a strength that inspires innovation and creativity. New College Durham is a place where learning and working exists in an environment that advances equality of opportunity, celebrates diversity and allows everyone to achieve their fullest potential. The College is opposed to any form of discrimination and we will ensure that our practices are **legal**, **accessible** and **fair** to students, staff, stakeholders and service users.

We are committed to:

Equality, Diversity and Inclusion (continued)

- ensuring potential and current staff, students, stakeholders and visitors do not experience discrimination;
- creating a positive and inclusive work and study environment where everyone feels valued and respected;
- raising the awareness with regards to discrimination and ensure that all students, staff, stakeholders and service users are aware of their responsibilities under the current equality legislation;
- supporting the recruitment, retention, progression, personal and professional development of all our students, staff, stakeholders and service users.

The College is proud of the social and cultural diversity of its community and sees it as a strength that inspires innovation and creativity. In pursuit of the goals, we have developed this Single Equality Scheme, which is reflective of the vibrant and inclusive environment at New College Durham. The Scheme serves to complement the Equality, Diversity and Inclusion Policy and has been developed in consultation with staff, students, stakeholders and service users and reflects our commitment to working in partnership to create an inclusive environment for all.

Any complaints relating to equality and diversity issues are effectively dealt with as part of the College's complaints procedure.

Our scheme has been developed in consultation with staff, students, stakeholders and service users and reflects our commitment to working in partnership to create an inclusive environment for all.

The College has been a Leader in Diversity since May 2016 and still remain the only North East College to have achieved this. Achievement of the award demonstrates to the College's learners, staff, stakeholders and service users its ongoing commitment to Equality, Diversity and Inclusion.

Strategic Report (continued)

Equality, Diversity and Inclusion (continued)

This process gave the College a framework against which to analyse its performance and identify areas for further development and improvement and The National Centre for Diversity recognised that the College has a combined supportive partnership approach with a stringent oversight of current practice and approach to Equality, Diversity and Inclusion. The National Centre identified that the College is committed to being a place where learning and working exists in an environment that advances equality of opportunity, celebrates diversity and allows everyone to achieve their fullest potential.

The College works hard to promote a cohesive community based on respect, shared values and a celebration of diversity and inclusion. The curriculum staff ensure they deliver a curricula which promotes personalised learning and the ethos of valuing diversity and difference with students and ensure that everyone is supported to their full potential.

In addition, learners' targets are sensitive to differences; appropriately challenging targets are set for learners with learning difficulties and/or disabilities to ensure that any gap in achievement/success is narrowed and also to create more independent learners.

The Training and Development Manager works in partnership with the Head of Improving Learning and Learner Development Co-ordinator for Progression & Student Support to ensure that equality, diversity and inclusion is fully embedded in staff development, teaching, learning and assessment. This is reviewed termly to ensure that appropriate and relevant training is available to staff. Staff Development Days effectively support staff to further develop session planning and schemes of learning to promote Equality, Diversity and Inclusion in the curriculum. This is monitored as part of the lesson observation process and has also been strengthened with the development of a database and through staff development on embedding Equality, Diversity and Inclusion in the curriculum.

All staff are required to refresh online Equality, Diversity and Inclusion training every 3 years. In addition to this training staff engage with a variety of activities on staff development days that continues to raise awareness of Equality, Diversity and Inclusion, supports them within their work and ensures that they have the confidence and skills to share this knowledge with our students and stakeholders. Governors are also briefed on Equality, Diversity and Inclusion during their induction and receive regular updates.

The College is constantly striving to move beyond legal compliance towards promoting and celebrating Equality, Diversity and Inclusion. The College is proud to be a Mindful Employer and a Level 2 Disability Confident Employer.

The College Equality, Diversity and Inclusion and Safeguarding Steering Groups are chaired by the Deputy Principal Human Resources and Corporate Services. Both groups convene four times a year to ensure appropriate Equality, Diversity and Inclusion plans, Safeguarding plans and relevant policies are in place and to monitor progress against objectives.

Sustainability Statement

As part of the College approved five-year estates strategy it is the College corporate objective to maintain the best environment in which to work and learn. This is currently being achieved through a planned preventative maintenance regime with a continued emphasis on sustainable development and meeting changes in legislation. Over the years the College has reduced its electricity consumption by 19.30%, an average of 1.75% per year, up to 2017. However this last year this has increased by 1.65% due to the fact that the STEM development works currently ongoing have all electric site cabins and the construction site has lighting which is on 24 hours per day. Taking out the total kilowatt hours for this would still result in a slight saving but we are now at base line level for overall electricity consumption. When the STEM development is handed over total electricity consumption will increase due to the increased gross internal floor area (GIA), increased numbers of students and increased numbers of computers and electrical equipment.

Since 2006 gas consumption has reduced by 28.87% up to end of year 2017 with a further saving this year of 3.06%. Again when the STEM development is handed over there will be an increase in overall

Strategic Report (continued)

Sustainability statement (continued)

gas consumption again due to GIA. Water consumption for this last year until the end of July 2019 has resulted in a 12.42% saving. This is a result of a wet winter with rain water stored in our rain water harvesting tanks which are used to flush toilets in the main building.

As always the College will continue to look for new ways to generate energy as new technology becomes available and more cost effective to implement.

The design specification for the new campus development features a wide range of environmentally friendly features, including:

- high thermal insulation and acoustic standards;
- minimum energy consumption;
- minimum water consumption, including rain water harvesting;
- minimum CO2 and other greenhouse gas emissions;
- maximum use of daylight whilst minimising solar gain.

The College has already made significant steps to conserve energy and natural resources. Examples of such measures include:

- the installation of infrared sensors in all rooms so that lights are switched off automatically when a room is empty;
- the installation of non-concussive aerated taps with automatic shut off to ensure that taps are not left on when not needed;
- the harvesting of rainwater which is used to flush toilets to the main building;
- the roll out of virtual desktops to significantly reduce electricity usage across the College;
- an extended recycling programme;
- energy labelling of all its buildings (DECs certificates again show a continued energy reduction year upon year of overall energy consumption);
- continued energy efficiency improvements;
- appointment of contractors with sustainable development/good environmental credentials;
- sustainable procurement;
- increase the biodiversity on campus;
- additional valve and pipe work insulation;
- extending the usage of the building energy management system (BEMS) to outlying College properties;
- introduction of smart metering to outstations;
- solar thermal array systems.
- pump replacements with low energy variable speed drive pumps;
- the adding of variable speed drives with inverters to Air Handling Units and Co2 detection within ducts to control drivers thus reducing overall electricity consumption;
- an on-going lighting replacement programme to change current lights to LED lights with reduced running costs and maintenance;
- further installation of smart buildings technology and controls. Presence detection to classrooms installed together with PIR controls to AC systems to switch when rooms are unoccupied.
- voltage reduction and balancing power factor correction;
- photovoltaic panels to the main building.

A programme of planned replacement plant and equipment is ongoing for the replacement of air conditioning units throughout the building with a review of the main chiller plant zoning and replacement. The Neville Building is now LED lighting throughout.

The new multimillion pound STEM development will be handed over by the end of October 2019. Plant and equipment is industry standard low energy consistent with the current building design.

New College Durham is one of the few colleges in the Northern Region that has ISO 14001:2015 Environmental Management System Certification which has been in place since 19 April 2012 and is continually monitored by external QAS International environmental auditors.

Strategic Report (continued)

Trade union facility time

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

Number of employees who were relevant in financial year	FTE employee number
4	3.4

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

Total cost of facility time	£12,775
Total pay bill	£21,856,000
Percentage of total bill spent on facility time	0.06%
Time spent on paid trade union activities as a percentage of total paid facility time	100%

Disclosure of information to auditors

The members who held office at the date of approval of this report confirm that, in as far as they are each aware, there is no relevant audit information of which the College's auditors are unaware. Furthermore, each member has taken all the steps that 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 6 November 2019 and signed on its behalf by:

Gary Ellis

G Ellis

Chair

NEW COLLEGE DURHAM

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and financial statements of the College to obtain a better understanding of its governance and legal structure. This statement covers the financial year from 1st August 2018 to 31st July 2019 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

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

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

In the opinion of the Governors, the College complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2019. The Corporation recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted on 8 July 2015.

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

NEW COLLEGE DURHAM

Statement of Corporate Governance and Internal Control (continued)

The Corporation

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

Name	Date first appointed & last reappointed	Current term of office	Resignation date	Category of members	Committees served during 2018/19	Combined attendance rate and number of meetings
Joy Brindle	13.7.16	4 years		Member	Strategy & Resources, Quality, Curriculum & Students Development	89% 17/19
Doug Chapman	3.11.10 1.11.18	2 years		Member	Audit Quality, Curriculum & Students	100% 13/13
Lindsay Deswert	1.9.15 1.9.18	3 years		Staff	Quality, Curriculum & Students Higher Education	83% 10/12
Joyce Drummond-Hill	22.6.16 1.7.19	4 years		Member	Audit Quality, Curriculum & Students Higher Education	93% 13/14
John Duggan	6.7.11 1.7.17	2 years	30.6.19	Member	Audit	78% 7/9
Gary Ellis Chair	5.12.12 1.12.16	4 years		Member	Strategy & Resources Remuneration, Search, Succession Planning Development	100% 29/29
Shireen Khattak	1.8.13 1.8.17	4 years		Member	Audit Succession Planning	80% 12/15
Charlie Lynch	1.7.18	1 year	30.6.19	Student	Quality, Curriculum & Students Higher Education	11% 1/9
David Norton	5.3.14 1.9.16	3 years	31.8.19	Staff	Strategy & Resources Academy Sponsorship Development	94% 17/18
Peter Nunn	1.9.19	3 years		Staff		
Roger Phillips	13.12.17	2 years		Member	Audit Quality, Curriculum & Students Higher Education Succession Planning	100% 16/16
Robbie Pick	7.3.18 1.7.18	1 year	5.4.19	Student	Quality, Curriculum & Students Higher Education	100% 7/7
Kathryn Rudd	8.7.19	1 year		Student		
Graham Towl	2.11.16 1.11.19	3 years		Member	Higher Education Strategy & Resources	71% 10/14
Mike Wade	31.10.18	3 years		Member	Strategy & Resources	90% 9/10
Christine Warren Vice Chair from 3.7.19	22.4.15 1.4.18	3 years		Member	Quality, Curriculum & Students Higher Education Academy Sponsorship Remuneration Succession Planning	100% 23/23
John Widdowson Principal & Chief Executive	1.8.98			Principal & Chief Executive	All Committees except Audit, Remuneration and Succession Planning	64% 18/28
Linda Wight Vice Chair	9.7.14 1.7.17	4 years		Member	Quality, Curriculum & Students Higher Education Strategy & Resources Academy Sponsorship Remuneration, Search, Succession Planning Development	100% 37/37

Combined attendance rate and number of meetings: disclosure of members' individual attendance at Corporation and Committee meetings during 2018/19. Overall attendance was: Corporation meetings 88%; Committee meetings 88%; and combined 88%. Target attendance for all meetings is 75%.

Ms S Dring acts as Clerk to the Corporation.

Statement of Corporate Governance and Internal Control (continued)

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

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

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Strategy and Resources, Quality, Curriculum and Students, Higher Education Student Experience & Quality Enhancement, Development, Academy Sponsorship, Remuneration, Succession Planning, Search and Audit. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website (at www.newcollegedurham.ac.uk) or from the Corporation Secretary at:

New College Durham
Framwellgate Moor
Durham
DH1 5ES

The Corporation Secretary maintains a register of financial and personal interests of the Governors. The register is available for inspection at the above address.

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

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

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

There is a clear division of responsibility in that the roles of the Chairman and Principal are separate.

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search Committee, comprising the Chair and Vice Chair plus one other Corporation member and the Corporation Secretary, which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

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

Corporation performance

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

Statement of Corporate Governance and Internal Control (continued)

Remuneration Committee

The College Remuneration Committee comprises three members of the Corporation (including the Chair and Vice Chair). The Committee's responsibilities are to make recommendations to the Board of Corporation on the general principles for remuneration and terms and conditions of employment of the Principal and other Senior Post Holders. The Committee has delegated authority from the board to approve pay awards for the Principal and Senior Post Holders under a salary progression methodology approved by the Board of Corporation. The governing body adopted AoC's Senior Staff Remuneration Code in March 2019 and will assess pay in line with its principles in future.

Details of remuneration for the year ended 31 July 2019 are set out in note 8 to the financial statements.

Audit Committee

The Audit Committee comprises five members of the Corporation (excluding the Principal, Chair and members of the Strategy and Resource Committee). The committee operates in accordance with written terms of reference approved by the Corporation.

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

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

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

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

Internal control

Scope of responsibility

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

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

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the College for the year ended 31 July 2019 and up to the date of approval of the annual report and financial statements.

Internal control (continued)

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 year ending 31 July 2019 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Corporation.

The risk and control framework

The system of internal control is based on a framework of regular management information, administrative procedures including the segregation of duties, and a system of delegation and accountability. In particular, it includes:

- comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the governing body;
- regular reviews by the governing body of periodic and annual financial reports which indicate financial performance against forecasts;
- setting targets to measure financial and other performance;
- clearly defined capital investment control guidelines;
- the adoption of formal project management disciplines, where appropriate.

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

Review of effectiveness

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

- the work of the internal auditors;
- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework;
- comments made by the College's Financial Statements Auditors, the regularity auditors and any appointed funding auditors in their management letters and other reports.

The Principal has been advised on the implications of the result of his review of the effectiveness of the system of internal control by the Audit Committee, which oversees the work of the internal auditors (and risk management group) and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The senior managers monitor reports setting out key performance and risk indicators and consider possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior management team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control and receiving reports thereon from senior managers. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

Statement of Corporate Governance and Internal Control (continued)

Internal control (continued)

At its November 2019 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2019 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2019.

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

Going concern

The College has submitted a financial forecast to the ESFA covering the period to July 2021 and, in that plan, has identified the possible reductions and growth in funding and the measures by which the College will ensure that it remains financially viable during the period. This will involve a combination of cost efficiencies, growth in learner numbers and the pursuit of new income sources. After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

Approved by order of the members of the Corporation on 6 November 2019 and signed on its behalf by:

G Ellis	**J Widdowson**
Chair	**Principal**

NEW COLLEGE DURHAM

Statement of Regularity, Propriety and Compliance

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

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

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

Approved by order of the members of the Corporation on 6 November 2019 and signed on its behalf by:

G Ellis	**J Widdowson**
Chair	**Principal**

Statement of Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the College's Financial Memorandum with the ESFA, the Corporation, through its Principal, is required to prepare financial statements for each financial year in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education, the College Accounts Direction for 2018 to 2019 issued by the ESFA and the UK's Generally Accepted Accounting Practice, and which give a true and fair view of the state of affairs of the College and its surplus or deficit for that year.

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

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the College will continue in operation.

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

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

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

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

Approved by order of the members of the Corporation on 6 November 2019 and signed on its behalf by:

G Ellis

Chair

Independent Auditors' Report to the Corporation of New College Durham (the "institution")

Report on the audit of the financial statements

Opinion

In our opinion, New College Durham's group financial statements and parent institution financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the parent institution's affairs as at 31 July 2019 and of the group's income and expenditure and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been properly prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise the consolidated and parent institution Balance Sheets as at 31 July 2019; the consolidated Statements of Comprehensive Income for the year then ended; the Consolidated and College Statement of Changes in Reserves for the year then ended; the Consolidated Statement of Cash Flows for the year then ended; and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and parent institution's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

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

Independent Auditors' Report to the Corporation of New College Durham (the "institution") (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the Corporation for the financial statements

As explained more fully in the Statement of Responsibilities of the Members of the Corporation set out on page 26, the Corporation is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Corporation is also responsible for such internal control as they 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 parent institution's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Corporation either intends to liquidate the group and parent institution or to cease operations, or has no realistic alternative but to do so.

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

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

Use of this report

This report, including the opinions, has been prepared for and only for the Corporation as a body in accordance with Article 22 of the institution's Articles of Government and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other Required Reporting

Opinions on other matters prescribed in the Audit Code of Practice issued by the Education and Skills Funding Agency

In our opinion, in all material respects:

- proper accounting records have been kept, and
- the financial statements are in agreement with the accounting records and returns.

Randal Casson

Randal Casson (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle upon Tyne
7 November 2019

NEW COLLEGE DURHAM

Independent Reporting Accountant's Assurance Report on Regularity to the Corporation of New College Durham and the Secretary of State for Education acting through the Education and Skills Funding Agency

In accordance with the terms of our engagement letter dated 7th October 2019 and further to the requirements and conditions of funding in the Education and Skills Funding Agency's grant funding agreements, 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 New College Durham during the period 01 August 2018 to 31 July 2019 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 issued by the Education and Skills Funding Agency. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record (ILR) data returns, for which Education and Skills Funding Agency has other assurance arrangements in place.

This report is made solely to the corporation of New College Durham and the Education and Skills Funding Agency in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the corporation of New College Durham and Education and Skills Funding Agency those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the corporation of New College Durham and Education and Skills Funding Agency for our work, for this report, or for the conclusion we have formed, save where expressly agreed in writing.

Respective responsibilities of New College Durham and the reporting accountant

The corporation of New College Durham 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 is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Post-16 Audit Code of Practice. 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 01 August 2018 to 31 July 2019 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 Post-16 Audit Code of Practice issued by the Education and Skills Funding Agency. 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.

Independent Reporting Accountant's Assurance Report on Regularity to the Corporation of New College Durham and the Secretary of State for Education acting through the Education and Skills Funding Agency (continued)

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 01 August 2018 to 31 July 2019 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Newcastle upon Tyne
7 November 2019

NEW COLLEGE DURHAM

Consolidated and College Statements of Comprehensive Income

	Note	Year ended 31 July 2019 Group £'000	2019 College £'000	Year ended 31 July 2018 Group £'000	2018 College £'000
Income					
Funding body grants	2	27,184	27,184	28,145	28,145
Tuition fees and education contracts	3	6,618	6,618	7,052	7,052
Other grants and contracts	4	22	22	12	12
Other income	5	786	780	728	724
Endowment and investment income	6	131	132	85	86
Donations and Endowments	7	0	2	0	16
Total Income		**34,741**	**34,738**	**36,022**	**36,035**
Expenditure					
Staff costs	8	21,856	21,856	19,896	19,896
Other operating expenses	9	11,812	11,825	13,293	13,309
Amortisation	12	101	101	140	140
Depreciation	13	1,693	1,680	1,670	1,657
Interest and other finance costs	10	440	440	450	450
Total Expenditure		**35,902**	**35,902**	**35,449**	**35,452**
(Deficit) / surplus before other gains and losses		**(1,161)**	**(1,164)**	**573**	**583**
Loss on disposal of assets	12,13	(820)	(820)	(32)	(32)
(Deficit)/ surplus before tax		**(1,981)**	**(1,984)**	**541**	**551**
Taxation	11	(2)	0	(3)	0
(Deficit) / surplus for the year		**(1,983)**	**(1,984)**	**538**	**551**
Actuarial (loss) / gain in respect of pensions schemes	25	(2,680)	(2,680)	2,180	2,180
Total Comprehensive (expense) / income for the year		**(4,663)**	**(4,664)**	**2,718**	**2,731**
Represented by:					
Unrestricted comprehensive (expense) / income		(4,663)	(4,664)	2,718	2,731
		(4,663)	**(4,664)**	**2,718**	**2,731**
(Defcit) / surplus for the year attributable to:					
Non controlling interest		0	0	0	0
Group		**(1,983)**	**(1,984)**	**538**	**551**
Total Comprehensive (expense) / income for the year attributable to:					
Non controlling interest		0	0	0	0
Group		**(4,663)**	**(4,664)**	**2,718**	**2,731**

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

NEW COLLEGE DURHAM

Consolidated and College Statement of Changes in Reserves

	Income and Expenditure account	Revaluation reserve	Restricted Reserves	Total excluding Non Controlling interest	Total
	£'000	£'000	£'000	£'000	£'000
Group					
Balance at 1st August 2017	15,988	12,483	2	28,473	28,473
Surplus from the statements of comprehensive income	538	0	0	538	538
Other comprehensive income	2,180	0	0	2,180	2,180
Transfers between revaluation and income and expenditure reserves	156	(156)	0	0	0
Total comprehensive income for the year	2,874	(156)	0	2,718	2,718
Balance at 31st July 2018	**18,862**	**12,327**	**2**	**31,191**	**31,191**
Balance at 1st August 2018	18,862	12,327	2	31,191	31,191
Deficit from the statements of comprehensive income	(1,983)	0	0	(1,983)	(1,983)
Other comprehensive expense	(2,680)	0	0	(2,680)	(2,680)
Transfers between revaluation and income and expenditure reserves	156	(156)	0	0	0
Total comprehensive expense for the year	(4,507)	(156)	0	(4,663)	(4,663)
Balance at 31st July 2019	**14,355**	**12,171**	**2**	**26,528**	**26,528**
College					
Balance at 1st August 2017	15,975	12,483	2	28,460	28,460
Surplus from the statements of comprehensive income	551	0	0	551	551
Other comprehensive income	2,180	0	0	2,180	2,180
Transfers between revaluation and income and expenditure reserves	156	(156)	0	0	0
Total comprehensive income for the year	2,887	(156)	0	2,731	2,731
Balance at 31st July 2018	**18,862**	**12,327**	**2**	**31,191**	**31,191**
Balance at 1st August 2018	18,862	12,327	2	31,191	31,191
Deficits from the statements of comprehensive income	(1,984)	0	0	(1,984)	(1,984)
Other comprehensive expense	(2,680)	0	0	(2,680)	(2,680)
Transfers between revaluation and income and expenditure reserves	156	(156)	0	0	0
Total comprehensive expense for the year	(4,508)	(156)	0	(4,664)	(4,664)
Balance at 31st July 2019	**14,354**	**12,171**	**2**	**26,527**	**26,527**

NEW COLLEGE DURHAM

Balance Sheets as at 31 July 2019

	Note	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
Non current assets					
Intangible assets	12	269	269	273	273
Tangible fixed assets	13	46,780	46,765	43,509	43,481
Non-current investments	14	2	6	2	21
Total non current assets		**47,051**	**47,040**	**43,784**	**43,775**
Current assets					
Trade and other receivables	15	2,060	2,109	2,553	2,591
Investments	16	10,050	10,050	10,500	10,500
Cash and cash equivalents	21	3,165	3,115	5,094	5,062
Total current assets		15,275	15,274	18,147	18,153
Less: Creditors - amounts falling due within one year	17	(5,053)	(5,042)	(4,632)	(4,629)
Net current assets		**10,222**	**10,232**	**13,515**	**13,524**
Total assets less current liabilities		**57,273**	**57,272**	**57,299**	**57,299**
Less: Creditors - amounts falling due after one year	18	(9,255)	(9,255)	(9,428)	(9,428)
Provisions					
Defined benefit obligations	20	(21,490)	(21,490)	(16,680)	(16,680)
TOTAL NET ASSETS		**26,528**	**26,527**	**31,191**	**31,191**
Unrestricted Reserves					
Income and expenditure account		14,355	14,354	18,862	18,862
Revaluation reserve		12,171	12,171	12,327	12,327
Total unrestricted reserves		**26,526**	**26,525**	**31,189**	**31,189**
Restricted Reserves					
Designated reserve		2	2	2	2
Total restricted reserves		**2**	**2**	**2**	**2**
TOTAL RESERVES		**26,528**	**26,527**	**31,191**	**31,191**

The financial statements on pages 31 to 58 were approved by the governing body on 6 November 2019 and were signed on its behalf on that date by:

Gary Ellis

G Ellis - Chair

John Widdowson

J Widdowson - Principal

NEW COLLEGE DURHAM

Consolidated Statement of Cash Flows for the Year Ended 31 July 2019

	Note	2019 £'000	2018 £'000
Cash inflow from operating activities			
(Deficit) / surplus for the year		(1,983)	538
Adjustment for non cash items			
Amortisation	12	101	140
Depreciation	13	1,693	1,670
Decrease in debtors	15	493	1,377
Increase / (decrease) in creditors due within one year	17	421	(1,912)
Decrease in creditors due after one year	18	(173)	(213)
Pensions costs less contributions payable	25	2,130	1,110
Adjustment for investing or financing activities			
Investment income	6	(131)	(85)
Loss on disposal of fixed assets		820	32
Net cash inflow from operating activities		**3,371**	**2,657**
Cash flows from investing activities			
Proceeds from sale of fixed assets		10	91
Investment income	6	131	85
Withdrawal of deposits		450	0
New deposits		0	(1,500)
Payments made to acquire intangible assets	12	(97)	(136)
Payments made to acquire tangible fixed assets	13	(5,794)	(1,326)
		(5,300)	**(2,786)**
Cash flows from financing activities			
Interest paid	10	0	0
New unsecured loans		0	0
Repayments of amounts borrowed		0	0
		0	**0**
Decrease in cash and cash equivalents in the year		**(1,929)**	**(129)**
Cash and cash equivalents at beginning of the year	21	5,094	5,223
Cash and cash equivalents at end of the year	21	3,165	5,094

NEW COLLEGE DURHAM

Notes to the Financial Statements

1. **Statement of accounting policies and estimation techniques**

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

Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2015* (the 2015 FE HE SORP), the *College Accounts Direction for 2018 to 2019* and in accordance with Financial Reporting Standard 102 – "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102). The College is a public entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention modified by the use of previous valuations as deemed cost at transition for certain non-current assets.

Basis of consolidation

The consolidated financial statements include the College and its subsidiary undertaking Westfirst Limited, controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Under the purchase method of accounting, the results of subsidiary and associated undertakings acquired or disposed of during the year are included in the consolidated income and expenditure account from or up to the date on which control of the undertaking passes. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS 102, the activities of the student union have not been consolidated because the College does not control those activities. All financial statements are made up to 31 July 2019.

Going concern

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

The College does not have any loan financing as at 31 July 2019. The College's forecasts and financial projections indicate that the College 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 accruals model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under achievement for the Adult Education Budget is adjusted for and reflected in the level of recurrent grant recognised in the Statement of Comprehensive Income. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end, and the result of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

The recurrent grant from OFS represent the funding allocations attributable to the current financial year and is credited direct to the Statement of Comprehensive Income.

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

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

Capital grant funding

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

Fee income

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

Investment income

All income from short-term deposits is credited to the Statement of Comprehensive Income in the period in which it is earned on a receivable basis. Income from restricted purpose endowment funds not expended in accordance with the restrictions of the endowment in the period is transferred from the Statement of Comprehensive Income to accumulated income within endowment funds.

Agency arrangements

The College acts as an agent in the collection and payment of certain discretionary support funds and employer incentives. Related payments received from the funding bodies and subsequent disbursement to students and employers, are excluded from the Statement of Comprehensive Income of the College where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

Accounting for post-retirement benefits

Post-employment benefits to employees of the College are principally provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit schemes, which are externally funded.

Teachers' Pension Scheme (TPS)

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method. The TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the Statement of Comprehensive Income in the periods during which services are rendered by employees.

Notes to the Financial Statements (continued)

Durham Local Government Pension Scheme (LGPS)

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

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

Actuarial gains and losses are recognised immediately in actuarial gains and losses.

Short term Employment benefits

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

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 and expenditure account 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. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Land and buildings

Freehold land is not depreciated as it is considered to have an infinite useful life.

Freehold buildings are depreciated on a straight-line basis over their expected useful economic life to the College of between 20 and 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 20 and 50 years. College land and buildings are held at depreciated replacement cost.

The substation held by the subsidiary company (Westfirst Limited) remains to be held at historic cost. This is considered to be the most appropriate treatment due to the specialist nature of the building.

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

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

Notes to the Financial Statements (continued)

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 2013, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

Assets under construction

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

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on a tangible fixed asset it is charged to the Statement of Comprehensive Income in the period it is incurred, unless it meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis:

- Market value of the fixed asset has subsequently improved
- Asset capacity increases
- Substantial improvement in the quality of output or reduction in operating costs
- Significant extension of the asset's life beyond that conferred by repairs and maintenance

Buildings owned by third parties

Where land and buildings are used, but the legal rights are held by a third party, for example a charitable trust, they are only capitalised if the College has rights or access to ongoing future economic benefit. These assets are then depreciated over their expected useful economic life.

Equipment

Equipment costing less than £2,000 per individual item is recognised as expenditure in the period of acquisition. All other equipment is capitalised at cost.

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

- motor vehicles and general equipment – 5 years
- computer equipment – 5 years
- furniture, fixtures and fittings – 20 years
- large items of equipment and specialist IT/computer equipment – useful economic life

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

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

Non-current Assets - Intangible fixed assets

Intangible Assets such as software are depreciated on a straight line basis over their useful economic life of 5 years.

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.

Notes to the Financial Statements (continued)

Any lease premiums or incentives relating to leases signed after 1st August 2014 are spread over the minimum lease term.

Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as finance leases.

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

Investments

Investments in subsidiaries

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

Other investments

Listed investments held as non-current assets and current asset investments, which may include listed investments, are stated at fair value, with movements recognised in Comprehensive Income. Investments comprising unquoted equity instruments are measured at fair value, estimated using a valuation technique.

Stocks

No significant stocks are held by the College and purchases of stock items are charged directly to the Statement of Comprehensive Income.

Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

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

Financial liabilities and equity

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

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

Notes to the Financial Statements (continued)

Maintenance of premises

The cost of long term and routine corrective maintenance is charged to the Statement of Comprehensive Income in the period that it is incurred.

Foreign currency translation

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

Taxation

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

The College is partially exempt in respect of Value Added Tax, so that it can only recover around 2% of the VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

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

Provisions and contingent liabilities

Provisions are recognised when

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

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

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

Contingent liabilities are not recognised in the balance sheet but are disclosed in the notes to the financial statements.

Judgements in applying accounting policies and key sources of estimation uncertainty

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

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

Notes to the Financial Statements (continued)

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

Other key sources of estimation uncertainty

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

- *Local Government Pension Scheme*
  The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 25, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2019. 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	
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Recurrent grants				
Education and Skills Funding Agency - 16-18	12,294	12,294	11,851	11,851
Education and Skills Funding Agency - adult	3,235	3,235	3,200	3,200
Education and Skills Funding Agency - apprenticeships	3,250	3,250	3,780	3,780
Specific grants				
Education and Skills Funding Agency - ESF	6,917	6,917	7,847	7,847
Office for Students non recurrent grant	374	374	418	418
Releases of deferred capital grants	331	331	326	326
Office for Students grant	783	783	723	723
Total	**27,184**	**27,184**	**28,145**	**28,145**

3 Tuition fees and education contracts

	Year ended 31 July		Year ended 31 July	
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Adult education fees	610	610	740	740
Apprenticeship fees and contracts	77	77	42	42
Fees for FE loan supported courses	350	350	328	328
Fees for HE loan supported courses	4,958	4,958	4,973	4,973
International students' fees	37	37	49	49
Total tuition fees	6,032	6,032	6,132	6,132
Education contracts	586	586	920	920
Total	**6,618**	**6,618**	**7,052**	**7,052**

4 Other grants and contracts

	Year ended 31 July		Year ended 31 July	
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
European Commission funds	22	22	12	12
Total	**22**	**22**	**12**	**12**

5 Other income

	Year ended 31 July		Year ended 31 July	
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Catering and residences	46	38	51	42
Other grant income	166	166	165	165
Non-government capital grants	21	21	49	49
Miscellaneous income	553	555	463	468
Total	**786**	**780**	**728**	**724**

6 Endowment and investment income

	Year ended 31 July		Year ended 31 July	
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other investment income	106	106	75	75
Other interest receivable	25	26	10	11
Total	**131**	**132**	**85**	**86**

7 Donations and endowments - College only

	Year ended 31 July	Year ended 31 July
	2019	2018
	College	College
	£'000	£'000
Unrestricted donations	2	16
Total	**2**	**16**

8 Staff costs - Group and College

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

	2019 No.	2018 No.
Teaching staff	372	354
Non-teaching staff	158	159
	530	**513**

Staff costs for the above persons:

	2019 £'000	2018 £'000
Wages and salaries	15,779	14,930
Social security costs	1,450	1,374
Apprenticeship Levy	64	60
Other pension costs (including FRS102-28 adjustments of £1,690,000 - 2018 £660,000)	4,325	3,095
Payroll sub-total	21,618	19,459
Contracted out staffing services	181	248
	21,799	19,707
Restructuring costs - contractual	43	189
Restructuring costs - non contractual	14	0
Total Staff Costs	**21,856**	**19,896**

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the Senior Executive Group which comprises the Principal and Chief Executive (also Accounting Officer), Deputy Chief Executive and Principal, Deputy Principal and Chief Financial Officer, Deputy Principal Human Resources and Corporate Services and four Vice Principals.

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

	2019 No.	2018 No.
The number of key management personnel including the Accounting Officer was:	8	8

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

	Key management personnel		Other Staff	
	2019 No.	2018 No.	2019 No.	2018 No.
£ 60,001 to £ 70,000	1	1	2	0
£ 70,001 to £ 80,000	0	1	0	0
£ 80,001 to £ 90,000 *	4	2	0	0
£ 90,001 to £ 100,000	1	3	0	0
£ 100,001 to £ 110,000	0	0	0	0
£ 110,001 to £ 120,000	1	0	0	0
£ 180,001 to £ 190,000	1	1	0	0
	8	8	2	0

* The Deputy Chief Executive and Principal was in post for 11 months up to 30th June 2019

8 Staff costs - Group and College (continued)

Key management personnel compensation is made up as follows:

	2019 £'000	2018 £'000
Salaries - gross of salary sacrifice and waived emoluments	804	779
Employers National Insurance	102	98
Benefits in kind	8	6
Pension contributions	114	109
Total key management personnel compensation	**1,028**	**992**

There were no amounts due to key management personnel that were waived in the year. Salary sacrifice arrangements available to all staff included cycle scheme, childcare vouchers, gym membership and holiday entitlement purchase.

The above compensation include amounts payable to the Principal (who is also the highest paid officer) of:

	2019 £'000	2018 £'000
Salaries	183	180
Benefits in kind	2	1
	185	181
Pension contributions	28	28

The governing body adopted AoC's Senior Staff Remuneration Code in March 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 Corporation, who undertakes an annual review of hisr performance against the college's overall objectives using both qualitative and quantitative measures of performance.

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

	2019 £'000	2018 £'000
Principal and Chief Executive's basic salary as a multiple of the median of all staff	6.07	6.34
Principal and Chief Executive's total remuneration as a multiple of the median of all staff	6.44	6.73

The above median calculations are based on substantive posts only and therefore exclude any internal and external agency staff.

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

9 Other operating expenses

	Year ended 31 July		Year ended 31 July	
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Teaching costs	3,261	3,261	3,179	3,179
Subcontractor costs	6,026	6,026	7,316	7,316
Non-teaching costs	1,367	1,365	1,534	1,532
Premises costs	1,158	1,173	1,264	1,282
Total	**11,812**	**11,825**	**13,293**	**13,309**

Other operating expenses include (excluding VAT):	**2019**	**2018**
	£'000	**£'000**
Auditors' remuneration:		
Financial statements audit *	22	18
Internal audit **	15	13
Other services provided by the financial statements auditors	2	2

* includes £20,000 in respect of the College (2018 £16,995)
** includes £15,170 in respect of the College (2018 £13,120)

10 Interest and other finance costs

	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Net interest on defined pension liability (note 25)	440	440	450	450
Total	440	440	450	450

11 Taxation

	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
United Kingdom corporation tax at 19.00% (2018: 19.00%)	2	0	3	0
Total	**2**	**0**	**3**	**0**

The members do not believe that the Collge was liable for any corporation tax arising out of its activities during the year. The tax charge above relates to its trading subsidiary company.

Notes to the Financial Statements (continued)

12 Intangible assets (Group and College)

	Software
	£'000
Cost or valuation	
At 1 August 2018	2,359
Additions	97
Disposals	0
At 31 July 2019	**2,456**
Accumulated Amortisation	
At 1 August 2018	2,086
Charge for year	101
Eliminated in respect of disposals	0
At 31 July 2019	**2,187**
Net book value	
At 31 July 2019	**269**
Net book value	
At 31 July 2018	**273**

NEW COLLEGE DURHAM

Notes to the Financial Statements (continued)

13 Tangible fixed assets (Group)

	Leasehold Land and Buildings £'000	Freehold Land and Buildings £'000	Assets Under Construction £'000	Equipment £'000	Total £'000
Cost or valuation					
At 1 August 2018	166	43,019	0	11,012	54,197
Additions	0	0	4,973	821	5,794
Reclassification of asset	0	(38)	38	0	0
Disposals	0	(1,156)	0	(342)	(1,498)
At 31 July 2019	**166**	**41,825**	**5,011**	**11,491**	**58,493**
Accumulated Depreciation					
At 1 August 2018	129	3,364	0	7,195	10,688
Charge for year	11	743	0	939	1,693
Eliminated in respect of disposals	0	(339)	0	(329)	(668)
At 31 July 2019	**140**	**3,768**	**0**	**7,805**	**11,713**
Net book value At 31 July 2019	**26**	**38,057**	**5,011**	**3,686**	**46,780**
Net book value At 31 July 2018	**37**	**39,655**	**0**	**3,817**	**43,509**

Buildings held by the Subsidiary company (Westfirst Limited) are held at historic cost and depreciated over a period of 20 years.

Notes to the Financial Statements (continued)

13 Tangible fixed assets (College only)

	Leasehold Land and Buildings £'000	Freehold Land and Buildings £'000	Assets Under Construction £'000	Equipment £'000	Total £'000
Cost or valuation					
At 1 August 2018	166	42,954	0	10,822	53,942
Additions	0	0	4,973	821	5,794
Reclassification of asset	0	(38)	38	0	0
Disposals	0	(1,156)	0	(342)	(1,498)
At 31 July 2019	**166**	**41,760**	**5,011**	**11,301**	**58,238**
Accumulated Depreciation					
At 1 August 2018	129	3,310	0	7,022	10,461
Charge for year	11	740	0	929	1,680
Eliminated in respect of disposals	0	(339)	0	(329)	(668)
At 31 July 2019	**140**	**3,711**	**0**	**7,622**	**11,473**
Net book value At 31 July 2019	**26**	**38,049**	**5,011**	**3,679**	**46,765**
Net book value At 31 July 2018	**37**	**39,644**	**0**	**3,800**	**43,481**

Cost and depreciation relating to fully depreciated assets which are no longer used have been removed.

Land and buildings were valued on 31 July 2013 by a firm of independent chartered surveyors (Ashley Smith Chartered Surveyors) at depreciated replacement cost as defined in the glossary of terms of the Royal Institution of Chartered Surveyors Appraisal and Valuation Standards (5th Edition).

The valuation of land at 31 July 2013 was £5,000,000 and its historic cost was £2,730,000 (land is not depreciated). The valuation of the buildings was £37,875,000 which had a historic cost of £35,693,000 and accumulated depreciation of £5,993,000 as at 31 July 2013.

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 2013, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

Notes to the Financial Statements (continued)

14 Non-current investments

	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
Investments in subsidiary companies	0	2	0	2
Charities Official Investment Fund - Re Edgar Stephenson Memorial Trust	2	2	2	2
Total	**2**	**4**	**2**	**4**
Investment in subsidiary company (inter-company loan > 1 Year)	0	2	0	17

The College owns 100% of the issued £1 ordinary shares in Westfirst Limited, a company incorporated in England and Wales (Registered Office: New Collge Durham, Framwellgate Moor Campus, Durham, County Durham, DH1 5ES). The principal business activities of Westfirst Limited are boiler house management, the supply of heat, electricity and lettings of the College to external organisations.

The directors believe that the carrying value of the investments is supported by their underlying net assets.

15 Trade and other receivables

	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
Amounts falling due within one year:				
Trade receivables	262	253	254	243
Amounts owed by subsidiary undertakings	0	73	0	56
Prepayments and accrued income	974	959	1,400	1,393
Amounts owed by the ESFA	824	824	899	899
Total	**2,060**	**2,109**	**2,553**	**2,591**

16 Investments

	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
Short-term deposits	10,050	10,050	10,500	10,500
Total	**10,050**	**10,050**	**10,500**	**10,500**

17 Creditors - amounts falling due within one year

	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
Trade payables	384	384	991	991
Payments received in advance	447	447	393	393
Amounts owed to subsidiary undertakings	0	77	0	20
Other taxation and social security	757	757	713	713
Accruals	2,592	2,504	1,600	1,577
Holiday pay	567	567	567	567
Deferred income - government capital grants	305	305	319	319
Amounts owed to the ESFA	1	1	49	49
Total	**5,053**	**5,042**	**4,632**	**4,629**

Notes to the Financial Statements (continued)

18 Creditors - amounts falling due after one year

	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
Deferred income - government capital grants	9,255	9,255	9,428	9,428
Total	**9,255**	**9,255**	**9,428**	**9,428**

19 Financial instruments

The carrying amounts of the financial assets and liabilities include:

	Note	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
Financial assets measured at amortised cost:					
Trade receivables	15	262	253	254	243
Amounts owed by subsidiary undertakings	15	0	73	0	56
Total		**262**	**326**	**254**	**299**
Financial liabilities measured at amortised cost:					
Trade payables	17	384	384	991	991
Amounts owed to subsidiary undertakings	17	0	77	0	20
Amounts owed to the ESFA	17	1	1	49	49
Total		**385**	**462**	**1,040**	**1,060**

20 Provisions - defined benefit obligations (Group and College)

	Defined benefit Obligations £'000
At 1 August 2018	(16 680)
Expenditure in the year	1,470
Additions in year	(6,280)
At 31 July 2019	**(21,490)**

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

Notes to the Financial Statements (continued)

21 Cash and cash equivalents

Group	At 1 August 2018 £'000	Cash flows £'000	Other changes £'000	At 31 July 2019 £'000
Cash and cash equivalents	5,094	(1,929)	0	3,165
Total	5,094	(1,929)	0	3,165

College	At 1 August 2018 £'000	Cash flows £'000	Other changes £'000	At 31 July 2019 £'000
Cash in hand, and at bank	5,062	(1,947)	0	3,115
Total	5,062	(1,947)	0	3,115

22 Capital and other commitments

	2019 £'000	2018 £'000
Commitments contracted for as at 31 July (payable within 1 year)	695	107

23 Contingencies

There were no contingent liabilities (2018 none)

24 Events after the reporting year

There were no events after the reporting year.

Notes to the Financial Statements (continued)

25 Defined benefit obligations

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

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2016 and of the LGPS 31 March 2016.

Total pension costs for the year		**2019 £'000**		**2018 £'000**
Teachers' Pension Scheme: contributions paid		1,185		1,157
Local Government Pension Scheme:				
Contributions paid	1,449		1,278	
FRS 102 (28) charge	1,690		660	
Charge to the Statement of Comprehensive Income		3,139		1,938
Total Pension Cost for Year within staff costs		**4,324**		**3,095**

Employer contributions amounting to £226,000 (2018 £292,000) were payable to the schemes at 31st July and are included within creditors.

Teachers' Pension Scheme

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

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

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

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

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

The latest actuarial review of the TPS was carried out as at 31 March 2016. The valuation report was published by the Department for Education (the Department in April 2019. The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £198 billion giving a notional past service deficit of £22 billion.

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

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

The pension costs paid to TPS in the year amounted to £1,175,000 (2018: £1,104,000)

Notes to the Financial Statements (continued)

25 Defined benefit obligations (continued)

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Durham County Council. The total contribution made for the year ended 31 July 2019 was £1,888,000 of which employer's contributions totalled £1,449,000 and employees' contributions totalled £439,000. The agreed contribution rates for employer contributions from 1 April 2017 to 31 March 2020 has been set at 16.1% with lump sum payments of £148,000 in year 1, £272,000 in year 2 and £396,000 in year 3. The employees contribution rate is dependent on the employees pensionable pay, with bands ranging from 5.5% to 12.5%.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2019 by Aon Hewitt Limited.

	At 31 July 2019	At 31 July 2018
RPI Inflation	3.2%	3.2%
CPI Inflation	2.2%	2.1%
Rate of increase in salaries	3.7%	3.6%
Rate of increase for pensions	2.2%	2.1%
Discount rate for scheme liabilities	2.2%	2.8%
Commutation of pensions to lump sums	80%	80%

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

	At 31 July 2019	At 31 July 2018
Retiring today		
Males	22.30	23.30
Females	23.80	25.00
Retiring in 20 years		
Males	24.00	25.50
Females	25.70	27.30

Notes to the Financial Statements (continued)

25 Defined benefit obligations (continued)

Local Government Pension Scheme (continued)

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

	Fair Value at 31 July 2019 £'000	Fair Value at 31 July 2018 £'000
Equities	18,115	15,946
Property	2,736	2,413
Government Bonds	9,723	7,859
Corporate Bonds	4,436	4,631
Cash	1,960	1,761
Total fair value of plan assets	36,970	32,610

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

	2019 £'000	2018 £'000
Fair value of plan assets	36,970	32,610
Present value of plan liabilities	(58,460)	(49,290)
Net pensions liability (Note 20)	(21,490)	(16,680)

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

	2019 £'000	2018 £'000
Amounts included in staff costs		
Current service cost	2,010	1,900
Past service cost	1,150	0
Total	3,160	1,900
Amounts included in interest and other finance costs		
Expected return on pension scheme assets	930	780
Interest on pension liabilities	(1,370)	(1,230)
Total	(440)	(450)
Amounts recognised in Other Comprehensive Income		
Return on pension plan assets	2,450	1,370
Changes in assumptions underlying the present value of plan liabilities	(5,130)	810
Total	**(2,680)**	**2,180**

NEW COLLEGE DURHAM

Notes to the Financial Statements (continued)

25 Defined benefit obligations (continued)

Local Government Pension Scheme (continued)

Movement in net defined benefit liability during the year

	2019 £'000	2018 £'000
Net defined liability in scheme at 1 August	(16,680)	(17,750)
Movement in year:		
Current service cost	(2,010)	(1,900)
Employer contributions	1,470	1,240
Past service costs	(1,150)	0
Net interest on the defined liability	(440)	(450)
Actuarial (loss) / gain	(2,680)	2,180
Net defined liability at 31 July	**(21,490)**	**(16,680)**

Asset and Liability Reconciliation

	2019 £'000	2018 £'000
Changes in present value of defined benefit obligations		
Defined benefit obligations at start of year	49,290	47,570
Current service cost	2,010	1,900
Interest cost	1,370	1,230
Contributions by scheme participants	440	410
Changes in financial assumptions	5,130	(810)
Estimated benefits paid	(930)	(1,010)
Past service cost	1,150	0
Defined benefit obligations at end of year	**58,460**	**49,290**

	2019 £'000	2018 £'000
Changes in fair value of plan assets		
Fair value of plan assets at start of year	32,610	29,820
Interest on plan assets	930	780
Return on plan assets	2,450	1,370
Employer contributions	1,470	1,240
Contributions by scheme participants	440	410
Estimated benefits paid	(930)	(1,010)
Fair value of plan assets at end of year	**36,970**	**32,610**

These accounts show a past service cost of £1,010,000 in respect of the McCloud / Sergeant judgment which ruled that the transitional protection for some members of public service schemes implemented when they were reformed constituted age discrimination. This provision is 14.2% of the annualised pensionable pay over the accounting period ending 31 July 2019.The calculation of adjustment to past service costs arising from the outcome of the Court of Appeal judgment is based on a number of key assumptions including:

- the form of remedy adopted
- how the remedy will be implemented
- which members will be affected by the remedy
- the earning assumptions
- the withdrawal assumption

The other financial and demographic assumptions adopted to calculate the past service cost are the same as those used to calculate the overall scheme liability. Adopting different assumptions, or making other adjustments to reflect behavioural changes stemming from the judgment, would be expected to change the disclosed past service cost. Similarly, allowing for variations in individual members' future service or salary progression is expected to produce higher costs. The past service cost is particularly sensitive to the difference between assumed long term general pay growth and the CPI. If the long term salary growth assumptions were 0.5% pa lower, then the past service cost disclosed here would be expected to reduce by 50%.

Notes to the Financial Statements (continued)

26 Related party transactions

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

The total expenses paid to or on behalf of the Governors during the year was £657 ; 3 governors (2018: £653 ; 3 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2018: None).

New College Durham Academies Trust - a company for which Mr Widdowson (Principal and Chief Executive) serves as a Director, Mr Duggan (a Board Member) serves as a Director and Ms Warren (a Board Member) serves as a Director.

Purchase transactions totalling £1,925 (2018 £240) relating to travel, pitch hire and incentive grants took place. At the year-end £0 was *outstanding and included in creditors (2018 £240).*
Sales transactions totalling £58,077 (2018 £374) relating to supply of teaching staff took place. At the year-end £15,800 was outstanding (2018 £0).

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

Purchase transactions totalling £2,500 (2018 £2,300), relating to employer incentive funds took place. At the year-end £0 was outstanding (2018 £160).
Sales transactions totalling £834 (2018 £2,079), relating toexam fees and hospitality took place. At the year-end £51 was outstanding (2018 £0).

Transactions with the funding bodies and HEFCE are detailed in notes 2, 15, 17 and 18. Mr Widdowson, Principal and Chief Executive, served as a HEFCE board member (term ended December 2014) .

The College established an Apprenticeship Training Association ('ATA') as a Joint Venture ('JV') with Derwentside Homes and East Durham Partnership Limited called Northern Apprenticeship Training Academy Ltd. A JV agreement has been in place between the participating organisations. The ATA was established to support smaller employers who could not afford to take on apprentices for 12 months. The ATA is a limited company by guarantee established to act as the apprentice's employer, placing them with a ''host employer' who pays the ATA a fee for doing so. The ATA has not begun trading yet and therefore no transactions are included in the College financial statements.

Notes to the Financial Statements (continued)

27 Amounts disbursed as agent

	2019 £'000	2018 £'000
Funding body grants - Learner Support Funds	467	431
Other funding body grants	206	149
	673	580
Disbursed to students	459	402
Disbursed to employers	206	149
Balance unspent at 31 July, included in creditors	8	29

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

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