DN Colleges Group

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED

31 July 2022

KEY MANAGEMENT PERSONNEL, BOARD OF GOVERNORS AND PROFESSIONAL ADVISERS

Key Management Personnel

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

Mick Lochran – Chief Executive Officer and Accounting Officer (until 31 July 2022)
John Rees – Chief Executive Officer and Accounting Officer (from 1 August 2022)
Sharon Smith – Principal and Deputy Chief Executive Officer (from 9 August 2021)
Rachel Maguire – Chief People Officer
Jason Wilkinson – Chief Information and Strategic Planning Officer (from 9 August 2021)
Kathryn Brentnall – Principal (until 31 August 2021)
Maxina Butler-Holmes – Vice Principal HE (until 31 August 2021)
Peter Doherty – Chief Operating Officer (until 31 August 2021)
Barrie Shipley – Chief Finance Officer
Daniel Fenwick – Deputy Principal
Alison Gray – Vice Principal, Quality, Teaching, Learning & Assessment
Karen Robson – Assistant Principal Higher Education (from 1 February 2022)
Jill Cooper – Executive Director Employer Engagement and Projects (until 31 July 2022)

Board of Governors

A full list of governors is given on pages 14 and 15 of these financial statements.
Joanne Garrison held the post of Clerk to the Corporation until 29 April 2022.
Joanne Platt was appointed Interim Clerk to the Corporation from 18 May 2022 until 5 September 2022.
Sharon Harmon was appointed Clerk to the Corporation from 30 August 2022

Professional Advisers

Financial Statements auditors and reporting accountants

Cavanagh Kelly
36-38 Northland Row
Dungannon
Northern Ireland
BT71 6AP

Internal Auditors

RSM Risk Assurance Services LLP
Suite A, 7th Floor, City Gate East
Tollhouse Hill
Nottingham
United Kingdom
NG1 5FS

Bankers

Lloyds Bank plc
2nd Floor, 14 Church Street
Sheffield
United Kingdom
S1 2HP

Santander UK Plc
7th Floor, 4 St Paul's Square
Liverpool
United Kingdom
L3 9SJ

Close Brother Limited
10 Crown Place
London
United Kingdom
EC2A 4FT

Solicitors

Eversheds Sutherland LLP
Bridgewater Place
Water Lane
Leeds
United Kingdom
LS11 5DR

Wilkin Chapman LLP
Cartergate House
26 Chantry Lane
Grimsby
United Kingdom
DN31 1LJ

Rollits LLP
Citadel House
58 High Street
Hull
United Kingdom
HU1 1QE

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REPORT OF THE GOVERNING BODY

NATURE, OBJECTIVES AND STRATEGIES

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

Legal Status
The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducing DN Colleges Group, comprising Doncaster College and North Lindsey College. The Corporation is an exempt charity for the purposes of part 3 of the Charities Act 2011.

Doncaster College and North Lindsey College will continue as operating divisions of DN Colleges Group under their existing branding, continuing to meet the needs of their respective communities.

Vision
The DN Colleges Group vision as approved by its members is as follows:

“Transforming our communities through learning”

Mission
The DN Colleges Group mission as approved by its members is as follows:

“Outstanding education and training that enables students to develop their full potential; meeting social, economic and community needs.”

Public Benefit
DN Colleges Group is an exempt charity under the Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 14 and 15. In setting and reviewing the College’s strategic objectives, the Governing Body has had due regard for the Charity Commission’s guidance on public benefit and particularly upon its supplementary guidance on the advancement of education.

In delivering its mission, the College provides identifiable public benefits through the advancement of education to over 16,000 students, including 281 students with high needs. The college provides courses without charge to young people, to those who are unemployed and adults taking English and maths courses. The college adjusts its courses to meet the needs of local employers and provides training to cover 2,200 apprentices. The college is committed to providing information, advice and guidance to the students it enrols and to finding suitable courses for as many students as possible regardless of their educational background.

DN Colleges Group adds value to the social, economic and physical well-being of its whole community by:

- Enabling the development of skills and knowledge to support and build the local economy
- Unlocking the potential of individuals by raising ambition and aspiration.
- Ensuring continuous improvement through critical self-evaluation and action.
- Promoting and building skills of employability and entrepreneurship.
- Working with partner organisations to ensure collective problem solving and action for improvement.
- Reflecting the needs of our community in the courses we offer for individuals and employers.
- Working with vulnerable groups to enable inclusion and participation.
- Contributing to the regeneration of the sub-region through positive engagement with new and existing industries.
- Contributing to the local economy as a major employer as well as a provider of education and training.

REPORT OF THE GOVERNING BODY (Continued)

- Ensuring we live by and reinforce our core values which underpin everything we want to do:
  - Ambition – to achieve the highest standards
  - Support – a caring, safe and inclusive environment
  - Partnership – collaborative working to achieve shared goals
  - Innovation – we use our initiative and are agile in finding creative solutions
  - Responsibility – we take individual and collective responsibility
  - Equality – we work with integrity and are open, honest and respectful of each other

- Working closely with the Sheffield City Region and Greater Lincolnshire and Humber Local Enterprise Partnerships (LEPs) to develop and deliver the education and training needs of local communities and businesses.

The delivery of public benefit is also covered throughout the report of the Governing Body.

Strategic Plan

The Corporation members received and approved an updated version of the 2020-2022 Strategic Plan, now extended to 2023 to allow the new CEO to develop a 5-year plan during 2022-23, at a meeting held on 4 July 2022. Detailed targets for this plan were approved at the same meeting.

The principles driving our Strategic Plan are:

- Outstanding and inspirational teaching and learning
- Local and regional growth through partnership and collaboration
- A high performing culture that realises potential
- Financially sustainable, investing in growth
- Responsive and adaptive to change
- Innovative and maximising the benefits of technology

The key performance indicator targets to be achieved by 2022 are:

- Ofsted Outstanding TEF Silver
- Outstanding Financial Health
- Top 25% Staff Satisfaction
- Top 25% National Student Survey Employer & Student Surveys
- Top 25% Achievement Rates – timely achievement / value added / student progress / HE continuation
- Top 25% National Destination Tables, School League Tables

The Corporation monitors the performance of the Group against its Strategic Plan throughout the year. The Strategic Plan is reviewed and updated annually.

Financial Objectives

The Group's financial objectives and key performance indicators have been aligned to the 2020-2023 Strategic Plan to secure the financial sustainability, resilience and future development of the Group.

The key financial performance indicator targets for 2021/22 were:

Key Performance Indicator	Measure / Target	Actual for 2021/22
Financial Health Grade	Outstanding	Outstanding
Total Combined Income	£61.97m	£57.96m
Sector EBITDA as % of income	9.79%	5.95%
Capital Expenditure	£6.4m	£6.2m
Solvency (Adjusted Current Ratio)	1.60	2.16
Borrowings as % of Annual Income	6.65%	7.06%
Staff Costs as % of Annual Income	63.39%	70.77%
Financial Statements' audit opinion	Unqualified	Unqualified

REPORT OF THE GOVERNING BODY (Continued)

A range of performance indicators are used to monitor the financial performance of the College and are reported to the Corporation throughout the year.

Income for the year was below target, primarily due to Higher Education funding, but the Group had year-on-year growth in 16-18, adult and apprenticeship funding. The reduction in income was partially offset by controlling staff costs and actions to target in year non-pay savings.

The Group continued to invest in capital expenditure to improve the condition of its estate and student equipment and facilities.

The Group still achieved a financial health grade rating of 'Outstanding' despite financial challenges in the reporting period.

FINANCIAL POSITION

Financial Results
DN Colleges Group generated an operating deficit in the year of £2.21m (2020/21: £1.36m surplus).

The Group has accumulated reserves of £47.7 million (2020/21: £13.9 million) primarily due to the year end revaluation of the LGPS resulting in a £38.5m movement in the provision and cash balances of £14.2 million (2020/21: £15.7 million).

Tangible fixed asset additions during the year amounted to £6.2 million.

The Group has significant reliance on the funding bodies for its principal funding source, largely from recurrent grants. In 2021/22 the funding bodies provided 68% (2020/21: 67%) of the Group's total income.

Group Activities

The Group has five subsidiary companies, Kingsway Consulting Ltd, Optime Support Limited, DC Teach Limited, Doncaster College and North Lindsey College. The principal activities of Kingsway Consulting Ltd were the rental of property and the provision of conferencing facilities, whilst Optime Support Limited and DC Teach Limited carry out employment services.

Any surpluses generated by the subsidiaries are transferred to the College under deed of covenant. Kingsway Consulting Limited made a surplus of £85k and has accrued a gift aid payment of £84k. Optime Support Limited made a surplus of £344k and has accrued a gift aid payment of £344k. DC Teach ceased trading before 31 July 2021 and was struck off at Companies House on 26 July 2022.

Doncaster College and North Lindsey College were incorporated on 29 March 2018 and have not traded since incorporation.

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

The Group has a separate treasury management policy in place. All borrowing requires the authorisation of the Corporation.

Cash Flows and Liquidity
At £2.6 million (2020/21: £10.5 million), the Group's cash maintained a cash inflow from operating activities. The net cash outflow of £1.5 million (2020/21: £11.2 million inflow) resulted from net outflow from investing activities of £3.6 million (2020/21: £1.3 million inflow) and an outflow from bank loan repayments and interest of £0.6 million (2020/21: £0.6 million).

REPORT OF THE GOVERNING BODY (Continued)

The size of the Group's total borrowing and its approach to interest rates have been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cash flow. During the year this margin was comfortably exceeded.

Reserves Policy

Total reserves were £47.7 million at 31 July 2022 (2020/21: £13.9 million), generated primarily by the annual revaluation of the LGPS provision and comprised an income and expenditure surplus of £33.4 million (2020/21: £0.4 million deficit) and a revaluation reserve of £14.3 million (2020/21: £14.3 million). The total net assets of £47.7 million (2020/21: £13.9 million) included cash at bank and in hand of £14.2 million (2020/21: £15.7 million) and net current assets of £7.0 million (2020/21: £8.0 million).

The need for day-to-day working capital is met by careful management of short-term liquid resources, with access to liquidity a priority. The Governors consider a minimum level for liquid assets (defined as cash and cash equivalents) to be the equivalent of one month's expenditure (currently approximately £4.0 million). However, the Governors consider that liquid assets equivalent to three months' expenditure is desirable.

There is a continuing requirement for investment in the Group, and the creation of free reserves is likely to remain a long-term objective. In recognition of this, the policy is to create free reserves out of operating surpluses once all bank debt has been repaid, whilst also recognising the need for targeted capital expenditure and sufficient capital funds to provide for future projects.

The Governors believe that the level of unrestricted reserves is adequate to cover the purposes for which they are intended.

REPORT OF THE GOVERNING BODY (Continued)

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student Numbers

Distinct learner numbers for Doncaster College and North Lindsey College for 2021/22 are provided in the table below:

Learner Category	**Doncaster College**	**North Lindsey College**	**Total**
16-18	2,410	1,706	4,116
Adult – Adult Education Budget	3,249	2,943	6,192
Adult – Learner Loan	378	60	438
Adult – Other	341	735	1,076
Higher Education	941	1,093	2,034
Apprenticeships	1,019	1,156	2,175
Total	**8,338**	**7,693**	**16,031**

Performance Indicators

Performance against 2021/22 targets for the Group are provided in the table below:

Further Education		**Target 2021/22**	**Actual 2021/22**
Young People	Achievement	87%	88%
	GCSE English Higher Grades	30%	21%
	GCSE Maths Higher Grades	20%	20%
Adult Learning	Achievement	90%	85%
	GCSE English Higher Grades	55%	37%
	GCSE Maths Higher Grade	45%	29%
Apprenticeships			
Intermediate	Achievement	70%	45%
Advanced	Achievement	67%	56%
Higher	Achievement	60%	60%

Higher Education		**Target 2021/22**	**Actual 2021/22**
Performance	Overall Achievement Rate	90%	79%
	Overall Retention	80%	83%
	Continuation Rate (Full Time)	85%	82%
	Honours Degree Classification 1st / 2:1	62%	60%
National Student Survey	Overall Satisfaction	86%	84%
	Teaching	89%	87%
	Assessment & Feedback	85%	83%
	Academic Support	85%	82%

REPORT OF THE GOVERNING BODY (Continued)

The Education and Skills Funding Agency (ESFA) monitors the financial health of colleges through financial returns and categorises their health as Inadequate, Requires Improvement, Good or Outstanding. The Group's financial key performance indicators targeted for an 'Outstanding' financial health score for 2021/22 with an "Outstanding" rating being achieved. The Group's financial health grade of 'Outstanding' is defined as 'Robust finances to meet current obligations and respond successfully to opportunities or adverse circumstances'.

Measure*	Group Plan 2021/22	Group Actual 2021/22	Achieved
Adjusted Current Ratio	1.6	2.16	Y
Borrowing as a % of Income	6.65%	7.06%	N
Sector EBITDA as % of Income	9.79%	5.95%	N
Overall Score	Outstanding	Outstanding	Y

*Further details of these measures are included on pages 11-14 of the College Financial Planning Handbook 2019 available on the Government UK website.

DN Colleges Group is committed to observing the importance of sector measures and indicators and use the FE Choices data available on the GOV.UK website which looks at measures such as success rates.

Resources (people and reputation)
The Group has various resources that it can deploy in pursuit of its strategic objectives.

Tangible resources include the College campuses at Scunthorpe and Doncaster.

The Group has financial resources in the form of net assets of £47.7 million with nil pension liability and long term debt of £3.6 million.

The Group employs 1,003 full time equivalents, of whom 456 are teaching staff.

The Group has an excellent reputation within the locality of its campuses and regionally within North Lincolnshire and South Yorkshire.

The Group is actively engaged with local and regional agendas and plays a key role in helping to influence decision making. The Group is an active stakeholder and plays a strategic and partnering role in local City Regions and is working closely with Doncaster Council, Sheffield City Region, the University of Lincoln and the Greater Lincolnshire and Humber Local Education Partnerships (LLEPs) and other partners to find innovative solutions to create a skilled and prosperous workforce and improve opportunities for learner and the communities it serves.

REPORT OF THE GOVERNING BODY (Continued)

Going Concern

After making appropriate enquiries, the Corporation considers that the Group has adequate resources to continue in operational existence for the foreseeable future and has demonstrated this in the detailed financial plan to July 2024. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

The Group has a long history of generating positive cash flows from operations and controlling costs through a robust process of business review. The Group has produced a detailed cash flow forecast to July 2024 with sensitivity analysis, and this is subject to close frequent monitoring.

The Group has maintained excellent working relations with its bankers. The Group's forecasts and financial projections indicate that it will be able to operate within its existing banking facilities and covenants for the foreseeable future. A sensitivity analysis of income streams and costs has been undertaken to assess headroom cover before the Group would be at risk of bank covenant breach. The Group continues to maintain a healthy total net assets position. Management deems the risk of covenant breach to be low/medium risk.

The Group's financial plan shared with the Education and Skills Funding Agency (ESFA) in July 2022 demonstrated an ability to continue with its plans for investment and generate cash from its operating activities. This plan is subject to regular review, particularly following student recruitment at the start of the academic year. Where actual performance is not as anticipated, mitigating actions are identified to target growth in income and/or control expenditure.

The Group's budget for the next twelve months through to 31 July 2023 was prepared taking into consideration the longer-term impact of Covid and current economic landscape. The Board takes assurance from this but recognises the challenges likely to impact on the sector over the next couple of years, particularly inflationary pressures on both staff costs and non-pay expenditure.

The Group continues to invest in its estates and facilities, with significant investment planned for later in the 2022/23 financial year to support T-levels, create a South Yorkshire Institute of Technology, and improving the condition of its buildings. A future £30m redevelopment of North Lindsey College campus is also progressing in partnership with the Department for Education.

After making appropriate enquiries, the Corporation considers that the Group has adequate resources; £47.7 million (2020/21: £13.9 million) net assets and £14.2 million (2020/21: £15.7 million) cash at bank and in hand to continue in operational existence for the foreseeable future, defined as the end of the 2022/23 academic year. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

On 29 November 2022 the Office for National Statistics published its decision to reclassify the statutory further education sector, which includes sixth form colleges, into the central government sector. The government have confirmed that colleges will retain their surpluses and be able to carry them over from one year to the next, but the transfer to the public sector will mean that colleges will be subject to the public sector framework for financial management as set out in the Managing Public Money document published by HM Treasury. The Corporation Board have considered this announcement in reaching their going concern opinion

REPORT OF THE GOVERNING BODY (Continued)

Future Developments

The Strategic Plan 2020-23 has identified the following objectives for the Group:

- **S01 – Leadership** – Embrace dynamic, devolved decision making
- **S02 – Curriculum** - Provide a dynamic and purposeful curriculum designed with opportunity in mind.
- **S03 – Teaching, Learning Assessment and Support** – Accelerate the adoption of individual learning including blended learning and student support
- **S04 – Progression** – Enhance and prioritise student progression
- **S05 – People** – Engage, reward and nurture high performing teams
- **S06 – Business Transformation** – Simplify processes and deliver automation, providing high quality services and reducing rework and workload
- **S07 – Estates and Facilities** – Create inspirational and flexible learning and work environments
- **S08 – Partnerships** – Cultivate mutually beneficial partnerships
- **S09 – Sustainability** – Cultivate and drive forward an ambitious whole-college approach towards net-zero emissions and reducing environmental impact through innovation and collaboration

Each strategic objective is underpinned by a number of key actions and is embedded within individual department Quality Improvement Plans.

Performance targets for 2022/23:

Further Education		**Target 2022/2023**
Young People	Achievement	89%
	GCSE English Higher Grades	25%
	GCSE Maths Higher Grades	25%
	Retention	91%
Adult Learning	Achievement	90%
	GCSE English Higher Grades	45%
	GCSE Maths Higher Grades	35%
	Retention	95%
Apprenticeships		
Intermediate, advanced and higher	Achievement	60%
	Retention	80%
FE and Apprenticeships		
Overall	Attendance	88%

Higher Education		**Target 2022/23**
Performance	Continuation Rate	85%
	Completion Rate (Full Time)	81%
	Honours Degree Classification 1^{st} / 2:1	62%
National Student Survey	Overall Satisfaction	87%
	Teaching	90%
	Assessment & Feedback	84%
	Academic Support	84%
Overall	Attendance	88%

REPORT OF THE GOVERNING BODY (Continued)

PRINCIPAL RISKS AND UNCERTAINTIES

Risk Management

The Group has well developed strategies for managing risks and strives to embed risk management in all that it does. Risk management processes are designed to protect its assets, reputation and financial stability. The governing body has overall responsibility for risk management and its approach to managing risks and internal controls is explained in the Statement of Corporate Governance and Internal Control.

A risk register is maintained at the Group level which is reviewed termly by the Audit and Risk Committee and more frequently where necessary. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the Group and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

The main risk factors affecting the Group are outlined below along with the action taken to minimise them. Not all the factors are within the Group's control. Other factors besides those listed below may also adversely affect the Group.

1	16-18 - Failure to recruit 16-18 provision student numbers and meet the demands and requirements of successful curriculum delivery
2	19+ - Failure to recruit 19+ provision student numbers and meet the demands and requirements of successful curriculum delivery
3	Apprenticeships - Failure to grow Apprenticeship provision and meet the needs of employers
4	Higher Education - Failure to recruit Higher Education student numbers and meet the demands and requirements of successful curriculum delivery
5	Legal - Serious breach of statutory duties and/or legal obligations
6	Finance - Failure to deliver financial sustainability
7	Digital – Significant operational disruption due to IT incident, or failure to deliver on the strategic objectives for Digital Technologies
8	Staff - Failure to attract, develop and retain the best staff to support the Group's vision and values
9	Property - Failure to provide College property whose size and condition is fit for purpose, compliant, and efficient
10	Governance – Failure to develop and maintain an effective corporate governance and internal control framework
11	Failure to develop and maintain effective control measures to prevent the transmission of COVID-19 on campus
12	Failure to respond to climate change and meet the Group's Net Zero ambitions and embed sustainability within the curriculum
13	Failure to maintain effective partnerships
14	Failure to comply with data returns and funding compliance – TBC

REPORT OF THE GOVERNING BODY (Continued)

STAKEHOLDER RELATIONSHIPS

The group has many stakeholders. These include:

- Current, future and past students;
- Parents or carers of students;
- Staff;
- Education sector funding bodies;
- FE Commissioner;
- Local employers;
- Local authorities;
- Local schools;
- Government offices and local enterprise partnerships;
- The local community;
- Other further education and higher education institutions;
- Trade unions;
- Professional bodies.

The Group recognises the importance of these relationships and engages in regular communication with its stakeholders.

TRADE UNION FACILITY TIME

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

Numbers of employees who were employed during the relevant period	FTE employee number
9	8.61

Percentage of time	Number of employees
0%	-
1-50%	9
51-99%	-
100%	-

Total cost of facility time	£0.027m
Total pay bill	£37.6m
Percentage of total bill spent on facility time	0.071%

Time spent on paid trade union activities as a percentage of total paid facility time	-

REPORT OF THE GOVERNING BODY (Continued)

EQUALITY AND DIVERSITY

DN Colleges Group is fully committed to all aspects of Equality, Diversity and Inclusion (EDI) as they relate to and impact upon all stakeholders. As a College we recognise that diversity is a positive attribute and force which brings a multitude of benefits. By placing EDI at the heart of our organisation, we will, as a result, embrace and reflect the many aspects of its diverse workforce and student and apprentice population. The aim of this policy is to support that intention by providing a framework for continuous improvement and to ensure we work together towards achieving equality for all. However, we will work to ensure that we move beyond compliance to securing excellence in all areas of our work. DN Colleges Group is committed to ensuring that all forms of prejudice and unfair discrimination are unacceptable and challenged. Continuous Professional Development and awareness in raising of these standards will be ongoing. Marketing materials, promotional messages and information aim to support equality of access and opportunity to the local communities served by DN Colleges Group.

Disability Statement

The Group seeks to achieve the objectives set down in the Equality Act 2010.

The Group has High Needs Co-ordinators who provide information and advice and arrange support where necessary for students with learning difficulties and/or disabilities. This is further supported by an Additional Learning Support Co-ordinator and specialist lecturers to support students with learning difficulties and/or disabilities.

There are a number of Teaching Assistants who provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities. Specialist equipment and assistive technology are available for use.

Specialist programmes are described in the College prospectus; achievements and destinations are recorded and published in the standard Group format.

Counselling and Student Support Services are described in the Student Handbook, which is available to students via Moodle. The Complaints and Disciplinary procedures are covered during the induction period and included in a short summary guide available at enrolment.

Gender pay gap reporting

The college publishes its annual gender pay gap report on its website.

https://www.don.ac.uk/wp-content/uploads/2022/04/Gender-Pay-Gap-Report-2021-1.pdf

Payment Performance

The Late Payment of Commercial Debts (Interest) Act 1998, in the absence of agreement to the contrary, requires organisations 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. During the accounting period 1 August 2021 to 31 July 2022, the College paid 70.13 (2020/21 66.25%) of its invoices within 30 days. The Group incurred no interest charges in respect of late payments for this period.

REPORT OF THE GOVERNING BODY (Continued)

DISCLOSURE OF INFORMATION TO AUDITORS

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

Approved by order of the members of the Corporation on 12 December 2022 and signed on its behalf by:

DocuSigned by:
Angela Briggs
E93F0728703C420...
……………………………..
Mrs A Briggs
Chair

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

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

The Corporation 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”); and

The Corporation is committed to exhibiting best practice in all aspects of corporate governance and in particular the Board has adopted and complied with the Code. We have not adopted and therefore do not apply the UK Corporate Governance Code. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the further education sector and best practice.

In the opinion of the Governors, the Corporation complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2022. This opinion is based on a Board Self-Assessment for 2021-22 undertaken in June 2022. The information in the Board Self-Assessment Report is taken from the annual Board Self-Assessment survey undertaken in June 2022, the outcome of a gap analysis against the Association of College’s Code of Good Governance for English Colleges, the outturn on the 2021-22 Governance Quality Improvement Plan (QIP) and feedback from the recent Ofsted inspection. It includes all the information required by the AoC Code of Good Governance for English Colleges.

Areas for improvement identified in the self-assessment have been incorporated into an action plan, which has been added to the action plan arising from a gap analysis of the Association of College’s Code of Good Governance for English Colleges, to form a new Governance QIP for 2022-23.

The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted in March 2015.

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 of First Appointment	Term of Office	Date of Resignation	Status of Appointment	Committees Served	Corporation Meeting Attendance
Mrs A Briggs (Chair from Oct 2018)	July 2013	2		Member	Finance & Resource, HE Performance & Quality, Curriculum Quality & Performance, Search & Governance; People & Transformation; SPH Staffing Remuneration	6 out of 6
Mr M Swales (Vice Chair from 1 August 2021)	March 2017	2		Member	Finance & Resources, Search & Governance, People & Transformation; Kingsway Consulting Ltd; SPH Staffing and Remuneration	5 out of 6
Mrs D Agoro	14 December 2021	1		Member	Audit & Risk; Curriculum Quality & Performance	4 out of 6
Mr A Ball	December 2018	1		Member	Audit & Risk, Search & Governance, People & Transformation;	5 out of 6
Mrs R Brook	December 2015	2		Member	Curriculum Quality & Performance, HE Performance & Quality, Optime Support Ltd	6 out of 6
Mr T Burton	August 2020	1	10 October 2022	Member	Curriculum, Quality & Performance; HE Performance & Quality	3 out of 5
Mr G Clarke	October 2013	3		Member	Audit & Risk	4 out of 6
Mr P Grant	20 October 2021	1		Member	Audit & Risk; HE Performance & Quality	6 out of 6
Mr R Gravestock	August 2020	1	31 July 2022	Member	Audit & Risk; Finance & Resources	3 out of 5
Mrs K Jackson	20 October 2021	1		Member	Finance & Resources	4 out of 6
Mrs P Kumar	30 March 2022	1		Member	Audit & Risk	3 out of 3
Mr M Lochran	7 August 2020		31 July 2022	Chief Executive Officer	Finance & Resources; Search & Governance; People & Transformation; Curriculum Quality & Performance; HE Performance & Quality	5 out of 5
Mr P Scanlon	March 2019	1		Member	Finance & Resources, SPH Staffing and Remuneration; Search & Governance, People & Transformation	3 out of 6

Name	Date of First Appointment	Term of Office	Date of Resignation	Status of Appointment	Committees Served	Corporation Meeting Attendance
Mr J Rees	1 August 2022	1		Chief Executive Officer	Finance & Resources; Search & Governance; People & Transformation; Curriculum Quality & Performance; HE Performance & Quality	1 out of 1
Mr L Tillman	March 2019	1		Member	Search & Governance; Audit & Risk	5 out of 6
Mrs I Ugiagbe-Green	1 September 2021	1	22 January 2022	Member	Audit & Risk	2 out of 2
Mr L Walker	March 2019	1		Member	Audit & Risk; Search & Governance, People & Transformation, SPH Staffing & Remuneration	5 out of 6
Mrs A Ward	August 2020	1		Member	Search & Governance, HE Performance & Quality	6 out of 6
Mr D Fell	16 October 2022	1		Member	To be decided	1 out of 1
Ms E Kirk	August 2021	1		Staff Member	Finance & Resources, HE Performance & Quality	6 out of 6
Mr A Rayment	August 2021	1	31 July 2022	Staff Member	Curriculum Quality & Performance, Search & Governance, People & Transformation	3 out of 5
Mr J Davies	August 2022	1		Staff Member	Curriculum Quality & Performance, Search & Governance, People & Transformation	0 out of 1
Harry Mallett	20 October 2021	1	31 July 2022	Student Member (FE)	Curriculum Quality & Performance	0 out of 5
Hayley Barker	20 October 2021	1	31 July 2022	Student Member (FE)	Curriculum Quality & Performance	1 out of 5
Luke Cantrill	20 October 2021	1		Student Member (HE)	HE Performance & Quality	5 out of 6
Scarlett Littlemore	10 November 2021	1	31 July 2022	Student Member (HE)	HE Performance & Quality	2 out of 5
Joe Bradley	19 October 2022	1		Student Member (HE)	HE Performance & Quality	1 out of 1

The Clerk to the Corporation until 29 April 2022 was Joanne Garrison. Joanne Platt acted as Interim Clerk between May 2022 and September 2022. Sharon Harmon was appointed Clerk to the Corporation with effect from 30 August 2022

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (Continued)

The governance framework

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

The Corporation is provided with regular and timely information on the overall financial performance of the Colleges and subsidiary companies 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 5 times each academic year.

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 Audit & Risk, Finance & Resources, Curriculum Quality & Performance, HE Performance & Quality, Search & Governance, People & Transformation and Senior Postholder Staffing & Remuneration Committee. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the Group's website (www.dncolleges.ac.uk) or from the Clerk to the Corporation at:

Doncaster College
The Hub
Chappell Drive
Doncaster
DN1 2RF

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

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

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

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

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

Appointments to the Corporation

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

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

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (Continued)

Finance & Resources Committee

Throughout the year ending 31 July 2022, the Corporation's Finance & Resources Committee comprised seven members. The Committee considers issues primarily of a financial, property or employment nature and had certain delegated authorities from the Corporation.

People & Transformation Committee

The Board approved the establishment of the People and Transformation Committee on 1st September 2021. Overall, the People & Transformation Committee's role shall provide strategic direction and board assurance in relation to all people and transformation matters.

Curriculum Quality & Performance

Overall, the Curriculum Quality and Performance Committee's role shall be to advise the Corporation with regard to its key statutory functions, in particular, approving the quality strategy of the institution, the determination and periodic review of the educational character and mission of the institution and the oversight of its activities; and to oversee and monitor the curriculum planning process in line with the educational character, mission and vision of DN Colleges Group.

Higher Education Performance & Quality Committee

Overall, the Higher Education Performance and Quality Committee's role shall be to advise the Corporation with regard to its responsibilities for oversight of HE provision, in particular, maintaining oversight of academic governance arrangements, respecting the principles of academic freedom and collegiality, maintaining oversight of academic risk, encouraging student involvement in academic governance, maintaining oversight of the effectiveness of student complaints processes and securing the welfare of students, reviewing the OfS Annual Assurance Statement and reviewing the annual HE Self-evaluation document.

Senior Post Holder Staffing Remuneration Committee

Overall, the purpose of the Senior Post Holder Staffing and Remuneration Committee is to advise the Board on staffing structures and conditions of service of the designated Senior Post Holders and the Clerk to the Corporation of DN Colleges Group. To advise the Corporation Board on the remuneration and pay and conditions of service of the designated Senior Post Holders and the Clerk to the Corporation of DN Colleges Group. Details of remuneration for the year ended 31 July 2022 are set out in Note 10 to the financial statements.

Search & Governance Committee

Review and approval of Senior Post Holders and Accounting Officer has been the responsibility of the Search & Governance Committee. Details of remuneration for the year ended 31 July 2022 are set out in note 10 to the financial statements. This is now the responsibility of the Senior Post Holder Staffing Remuneration Committee since September 2021.

Overall, the Search and Governance Committee's role shall be to advise and make recommendations to the Corporation on the Governor recruitment and appointment process, in line with the requirements of the Instrument and Articles of Government and the skills needs of the Board, its committees, and subsidiary companies; and the effectiveness of the Corporation's governance structure / arrangements, through annual review / self-assessment.

Corporation Performance

The Corporation is satisfied that it performed effectively for 2021/22, taking account not only of student numbers and student achievements, but also of curriculum developments, including further growth in apprenticeships, employer engagement and higher education provision.

The wide range of governors' skills, experience and expertise (as demonstrated by a skills audit) and the strong and dynamic partnerships held with key organisations locally is to students' benefit. Corporation and Committee meetings are well attended and governors' own performance is reviewed annually to help to ensure the Corporation's high performance and to maintain good governance.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (Continued)

Audit & Risk Committee

The Audit & Risk Committee comprises eight members of the Corporation (excluding the Accounting Officer and Chair). The Committee operates in accordance with written terms of reference approved by the Corporation.

The Audit & Risk Committee is required to meet 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 further education funding bodies, as they affect the College's business, and considers the adequacy and effectiveness of the Group's audit arrangements, the framework of governance, risk management and control.

The Corporation'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 & Risk Committee.

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

The Audit & Risk Committee also has certain delegated authorities from the Corporation, including approving the appointment of internal, regularity reporting accountants 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 system for 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 objective 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 Chief Executive Officer, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the Group'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 Group 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 of the achievement of Corporation's 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 for the Corporation for the year ended 31 July 2022 and up to the date of approval of the annual report and financial statements.

Capacity to handle risk

The Corporation has reviewed the key risks to which it 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 Group's significant risks that has been in place for the period ending 31 July 2022 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Audit & Risk Committee and by the Corporation.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (Continued)

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 Corporation 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 group is exposed, and the 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 recommendations of the Audit & Risk Committee. At minimum annually, the governing body is provided with a report on internal audit activity within the Group. The report includes an independent opinion on the adequacy and effectiveness of the Corporation's system of risk management, controls and governance processes.

The report informs the Audit & Risk Committee who, in turn, assess and provide the Corporation with an informed opinion. For the 12 months ended 31 July 2022, the head of internal audit assesses that the Corporation has an adequate and effective framework for risk management, governance and internal control. Further enhancements have been identified to the framework for risk management, governance and internal control to ensure that it remains adequate and effective.

Risks faced by the Corporation

A risk register is maintained at the Group level which is reviewed termly by the Audit & Risk Committee and more frequently where necessary. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the Group and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system. The main risks are as outlined on page 9.

Control weaknesses identified

The internal audit annual report identifies one topic where controls could be enhanced further.

The internal audit undertook an advisory Funding Assurance audit. Their testing identified a number of areas of non-compliance with the Funding Rules which could result in a funding error, and as a result 4 uncategorised actions were agreed with management. An action plan has been developed to improve those controls identified. It was also noted that procedures and procedures in relation to apprenticeship provision and demonstrating compliance with the Funding Rules had been reviewed and improved by the College since the previous review.

In addition, the Office for Students (OfS) undertook an audit follow up review of student data reporting in the 2020-21 Individual Learner Record (ILR) in August 2022. The previous audit of 2018-19 ILR data, found that the OfS did not have assurance over the data and made 17 recommendations, 14 of which were of high importance. Whilst progress had been made from the initial audit, 4 high priority recommendations were made to improve the systems and processes used in deriving ILR data return, and hence its accuracy. This resulted in the OfS obtaining limited assurance over the reporting of higher education students and accuracy of data submitted. An action plan has been submitted to the OfS accepting those recommendations.

Implementation of both action plan's above will be reported to the Audit and Risk Committee.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (Continued)

Statement from the Audit Committee

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

The Committee approved its annual work plan for 2021/22 at its meeting on 9 June 2021. The Committee reviewed its Quality Improvement Plan at is meetings on 16 March 2022 and 8 June 2022. The Committee reflected on is effectiveness in 2021/22 on 28 September 2022. The governors feel that they have undertaken a significant amount of work over the past year in ensuring that all aspects of audit and risk were thoroughly and robustly explored and challenged. The Committee noted that a significant amount of assurance work from internal and external auditors, together with internal management reports, had been presented to the Committee and reviewed for 2021/22. Based on all of its work during the year, the Audit & Risk Committee is of the opinion that:

- The Committee has operated effectively, evidenced by good attendance and Committee members' breadth of experience; and the Committee has considered issues in detail;

- The Committee has fulfilled its Terms of Reference by agreeing a suitable and balanced calendar of business throughout the year, and ensured all duties and responsibilities are covered;

- The Corporation's assurance arrangements, framework of governance, risk management and control processes for the effective and efficient use of resources are adequate and effective.

The annual internal audit opinion for the 12 months ended 31 July 2022 rates the Group as having an adequate and effective framework for risk management, governance and internal control. However, the work of internal audit has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.

Responsibilities under funding agreements

The Group has undertaken a regulatory self-assessment questionnaire that is reviewed by the external auditors in line with their reporting accountant's responsibilities for reporting on regularity. Their opinion can be found on page 57.

Review of effectiveness
As Accounting Officer, the Chief Executive Officer has responsibility for reviewing the effectiveness of the system of internal control. His review of the effectiveness of the system of internal control is informed by:

- The work of the internal auditors;
- The work of the Senior Leadership Team within the Group who have responsibility for the development and maintenance of the internal control framework;
- Comments made by the Corporation's financial statements auditors in the management letters and other reports.

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

The Accounting Officer and Senior Leadership Team receive 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.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (Continued)

The Chief Executive Officer and Senior Leadership Team receive 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 Chief Executive Officer and Senior Leadership Team and the Audit & Risk Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit & Risk Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Senior Leadership Team and the Audit & Risk Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

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

Approved by order of the members of the Corporation on 12 December 2022 and signed on its behalf by:

DocuSigned by:
Angela Briggs
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Mrs A Briggs
Chair

DocuSigned by:
John Rees
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Mr J Rees
Accounting Officer

GOVERNING BODY'S STATEMENT ON THE COLLEGE'S REGULARITY, PROPRIETY AND COMPLIANCE WITH FUNDING BODY TERMS AND CONDITIONS OF FUNDING

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

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

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

DocuSigned by:
Angela Briggs
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Mrs A Briggs
Chair

DocuSigned by:
John Rees
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Mr J Rees
Accounting Officer

STATEMENT OF RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION

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

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

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

- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Assess whether the corporation is a going concern, noting the key supporting assumptions, qualifications or mitigating actions as appropriate;
- Prepare financial statements on the going concern basis unless it is inappropriate to assume that the College will continue in operation.

The Corporation is also required to prepare a report of the Governing Body which describes what it is trying to do and how it is going about it, including information about the legal and administrative status of the corporation.

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

The Corporation is responsible for the maintenance and integrity of the college's websites; 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 ESFA and any other public funds, are used only in accordance with the Financial Memorandum in accordance with ESFA's grant funding agreements and contracts and any other conditions that may be prescribed from time to time by ESFA, or any other public funder.

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

Approved by order of the members of the Corporation on 12 December 2022 and signed on its behalf by:

DocuSigned by:
Angela Briggs
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Mrs A Briggs
Chair

INDEPENDENT AUDITORS' REPORT TO THE CORPORATION OF DN COLLEGES GROUP

Opinion

We have audited the financial statements of DN COLLEGES GROUP (the 'parent corporation') and its subsidiaries (the 'group') for the year ended 31 July 2022 which comprise the Consolidated and College Statement of Comprehensive Income, the Consolidated and College Balance Sheets, the Consolidated and College Statement of Changes in Reserves, the Consolidated Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent corporation's affairs as at 31 July 2022, and of the group's and parent corporation's income for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education as issued in October 2018 and any subsequent amendments.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The members of the corporation are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Office for Student's ('OfS') accounts direction (issued October 2019)

In our opinion, in all material respects:

- funds from whatever source administered by the parent corporation for specific purposes have been properly applied to those purposes and managed in accordance with the relevant legislation;
- funds provided by the OfS, the Education & Skills Funding Agency and the Department for Education have been applied in accordance with the relevant terms and conditions, and any other terms and conditions attached to them, and
- the requirements of the OfS accounts direction (issued October 2019) have been met.

INDEPENDENT AUDITORS' REPORT TO THE CORPORATION OF DN COLLEGES GROUP (CONTINUED)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Post-16 Audit Code of Practice 2021 to 2022 issued by the Education & Skills Funding Agency requires us to report to you if, in our opinion:

- the parent corporation has not kept adequate accounting records; or
- the group and parent corporation's annual accounts are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of the following matters where the OfS accounts direction (issued October 2019) requires us to report to you where:

- the group and parent corporation's grant and fee income, as disclosed in the note to the accounts, has been materially misstated; or
- the group and parent corporation's expenditure on access and participation activities for the financial year, as disclosed in the note to the accounts, has been materially misstated.

Responsibilities of the Corporation for the financial statements

As explained more fully in the statement of responsibilities of the members of the corporation as set out on page 23, the members of the Corporation are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Members of the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the members of the corporation are responsible for assessing the group's and parent corporation'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 trustees either intend to liquidate the group or the parent corporation or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The objectives of our audit in respect of fraud are to assess the risk of material misstatement due to fraud, design and implement appropriate responses to those assessed risks and to respond appropriately to instances of fraud or suspected fraud identified during the course of our audit. However, the primary responsibility for the prevention and detection of fraud rests with management and those charged with governance of the group.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and parent corporation, and the sector in which it operates. We determined that the following laws and regulations were most significant:
  - financial reporting legislation (FEHE SORP 2019, United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102, the Colleges accounts direction 2020 to 2021 and the OfS Accounts Direction (October 2019));
  - regulatory environment (including the ESFA funding rules 2020 to 2021 and the OfS; framework and relevant OfS regulatory notices);
  - Further and Higher Education Act 1992; and o The Code of Good Governance for English Colleges. The engagement team remained alert to any indications of fraud and non-compliance with laws and regulations throughout the audit.
- We have assessed the risk of material misstatement of the financial statements, including risk of material misstatement due to fraud and how it might occur by holding discussions with management and those charged with governance;

INDEPENDENT AUDITORS' REPORT TO THE CORPORATION OF DN COLLEGES GROUP (CONTINUED)

- We enquired of management and those charged with governance as to any known instances of non-compliance or suspected non-compliance with laws and regulations;
- Understanding the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations; and
- Discussions amongst the audit engagement team regarding how fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion we identified the following potential areas where fraud may occur:
    - timing of revenue recognition; and
    - management override of controls.

The audit response to risks identified included:

- Evaluating the processes and controls established to address the risks related to irregularities and fraud;
- In addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments, assessing whether the judgements made in making accounting estimates are reasonable and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risk of material misstatement due to fraud;
- Review of any correspondence with principal funders, including the ESFA and the OfS, and considering the outcome of any ongoing assessments;
- Identifying and testing related party transactions; and
- Reviewing the financial statements disclosures and testing to supporting documentation to assess compliance with the relevant laws and regulations above.

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

A further description of our responsibilities is available on the Financial Reporting Council's website at: https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx. This description forms part of our auditor's report.

Use of our report

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

DocuSigned by:

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For and on behalf of CavanaghKelly, Chartered Accountants and Statutory Auditors

36-38 Northland Row, Dungannon, Co. Tyrone, BT71 6AP

Date: 12 December 2022

CONSOLIDATED AND COLLEGE STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 JULY 2022

	Note	Group 2022 £000	College 2022 £000	Group 2021 £000	College 2021 £000
INCOME					
Funding body grants	3	40,443	40,443	39,242	39,242
Tuition fees and education contracts	4	14,139	14,139	16,332	16,332
Other grants and contracts	6	1,797	1,797	1,982	1,858
Other income	7	1,577	1,904	1,276	1,580
Investment income	8	1	1	4	4
Total Income		57,957	58,284	58,836	59,016
EXPENDITURE					
Staff costs	9	39,316	39,321	37,721	37,660
Other operating expenses	11	14,776	15,122	13,155	13,485
Depreciation and amortisation	15/16	5,276	5,276	4,775	4,775
Interest and further finance costs	12	794	794	861	855
Total Expenditure		60,162	60,513	56,512	56,775
(Deficit)/Surplus before other gains and loses		(2,205)	(2,229)	2,324	2,241
(Loss)/Gain on disposal of tangible and intangible fixed assets	16	-	-	(961)	(961)
(Deficit)/Surplus before tax		(2,205)	(2,229)	1,363	1,280
Taxation	14	-	-	-	-
(Deficit)/Surplus for the year		(2,205)	(2,229)	1,363	1,280
Actuarial gain/(loss)	24	35,960	35,960	7,031	7,008
Other Comprehensive Income for the year		35,960	35,960	7,031	7,008
Total Comprehensive Income for the year		33,755	33,731	8,394	8,288
(Deficit)/Surplus for the year attributable to the College Corporation		(2,205)	(2,229)	1,363	1,280
Total Comprehensive Income for the year attributable to the College Corporation		33,755	33,731	8,394	8,228

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

CONSOLIDATED AND COLLEGE BALANCE SHEETS AS AT 31 JULY 2022

	Note	Group 2022 £000	College 2022 £000	Group 2021 £000	College 2021 £000
Non-current assets					
Intangible assets	15	665	665	500	500
Tangible fixed assets	16	77,419	77,419	76,641	76,641
		78,084	78,084	77,141	77,141
Current assets					
Stocks		182	182	187	187
Trade and other receivables	18	3,127	3,995	3,280	3,305
Cash at bank and in hand	22	14,238	13,600	15,746	15,512
		17,547	17,777	19,213	19,004
Current Liabilities					
Creditors: amounts falling due within one year	19	(10,559)	(10,827)	(11,226)	(11,031)
Net current assets		6,988	6,950	7,987	7,973
Total assets less current liabilities		85,072	85,034	85,128	85,114
Creditors: amounts falling due after more than one year	20	(35,633)	(35,633)	(35,947)	(35,947)
Provisions for liabilities					
Defined benefit pension scheme	21/24	-	-	(33,206)	(33,206)
Other Provisions	21	(1,737)	(1,737)	(2,028)	(2,028)
Total net assets		47,702	47,664	13,947	13,933
Unrestricted Reserves					
Income and expenditure reserve		33,443	33,405	(364)	(378)
Revaluation reserve		14,259	14,259	14,311	14,311
Attributable to the College Corporation		47,702	47,664	13,947	13,933
Attributable to minority interests		-	-	-	-
Total unrestricted reserves		47,702	47,664	13,947	13,933

The financial statements on pages 27 to 56 were approved and authorised for issue by the Corporation on 12 December 2002 and were signed on its behalf by:

DocuSigned by:
Angela Briggs
E93F0728703C420...
Mrs A Briggs
Chair

DocuSigned by:
John Rees
6BCFC5A667BC477...
Mr J Rees
Accounting Officer

CONSOLIDATED AND COLLEGE STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 31 JULY 2022

	Income and expenditure reserve £000	Revaluation reserve £000	Total £000
Group			
Balance at 1 August 2020	(8,810)	14,363	5,553
Surplus for the year	1,363	-	1,363
Other comprehensive income	7,031	-	7,031
Transfers between revaluation and income and expenditure reserves	52	(52)	-
Total comprehensive income for the year	8,446	(52)	8,394
Balance at 31 July 2021	(364)	14,311	13,947
Deficit for the year	(2,205)	-	(2,205)
Other comprehensive income	35,960	-	35,960
Transfers between revaluation and income and expenditure reserves	52	(52)	-
Total comprehensive income for the year	33,807	(52)	33,755
Balance at 31 July 2022	33,443	14,259	47,702
College			
Balance at 1 August 2020	(8,718)	14,363	5,645
Deficit for the year	1,280	-	1,280
Other comprehensive income	7,008	-	7,008
Transfers between revaluation and income and expenditure reserves	52	(52)	-
Total comprehensive income for the year	8,340	(52)	8,288
Balance at 31 July 2021	(378)	14,311	13,933
(Deficit)/Surplus for the year	(2,229)	-	(2,229)
Other comprehensive income	35,960	-	35,960
Transfers between revaluation and income and expenditure reserves	52	(52)	-
Total comprehensive income for the year	33,783	(52)	33,731
Balance at 31 July 2022	33,405	14,259	47,664

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 JULY 2022

	2022 £000	2021 £000
(Deficit)/Surplus after tax for the year	(2,205)	1,363
Adjustment for:		
Depreciation and impairment losses	5,276	4,775
Investment income	(1)	(4)
Interest payable	246	271
(Decrease)/Increase in provisions	(291)	70
Loss on disposal of fixed assets	-	961
Pensions costs less contributions payable	2,754	2,638
Grants released	(2,432)	(2,465)
Operating cash flow before movements in working capital	3,347	7,609
Decrease in stocks	5	-
Decrease/(Increase) in debtors	153	(99)
(Decrease)/Increase in creditors	(865)	3,048
Cash generated from operations	2,640	10,558
Taxation paid	-	-
Net cash from operating activities	2,640	10,558
Investing activities		
Investment income	1	4
Capital grants received	2,626	4,834
Proceeds of sale of fixed assets	-	1,039
Purchase of fixed assets	(6,219)	(4,613)
	(3,592)	1,264
Financing activities		
Interest paid	(246)	(271)
Repayments of borrowings	(310)	(304)
	(556)	(575)
(Decrease)/Increase in cash and cash equivalents in the year	(1,508)	11,247
Cash and equivalents at beginning of the year	15,746	4,499
Cash and equivalents at end of the year	14,238	15,746

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. Statement of accounting policies

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

General information
DN Colleges Group is a Corporation established under the Further and Higher Education Act 1992 as an English general college of further education. The address of the Group's principal place of business is Doncaster College, The Hub, Chappell Drive, Doncaster, DN1 2RF. The nature of the Group's operations is set out in the Report of the Governing Body.

Basis of preparation
These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2019 (2019 FE HE SORP), the College Accounts Direction for 2021 to 2022 and in accordance with Financial Reporting Standard 102 – "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102) under the historical cost convention modified to include the revaluation of freehold land. The Group is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

The Group has taken advantage of the exemptions provided in FRS 102 1.12 and the 2019 FE HE SORP 3.3, and has not included a separate statement of its own cash flows and financial instruments. These cash flows are included within the Consolidated Statement of Cash Flows, and the Group Balance Sheet discloses cash at both the current and preceding reporting dates.

The consolidated financial statements are presented in sterling which is also the functional currency of the Group.

Monetary amounts in these financial statements are rounded to the nearest whole £1,000 except where otherwise indicated.

Basis of consolidation
The consolidated financial statements include the College and its subsidiaries, DC Teach Limited, Kingsway Consulting Ltd and Optime Support 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. In accordance with FRS 102, the activities of the North Lindsey College Students Association Fund for Education have not been consolidated because the Group does not control those activities. All financial statements are made up to 31 July 2022. The principal activity of DC Teach Limited was the provision of tuition services, however it ceased trading during the year ended 31 July 2021 and was dissolved 26 July 2022.

All intra-group transactions, balances and unrealised gains on transactions between group entities are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The Group also has two dormant subsidiaries, limited by guarantee and incorporated on 29 March 2018: Doncaster College and North Lindsey College. Both Doncaster College and North Lindsey College are entitled to exemption from audit under Section 477 of the Companies Act 2006. The members have not required an audit of the financial statements for the period ended 31 July 2022 in accordance with Section 476 of the Companies Act.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Going Concern

After making appropriate enquiries, the Corporation considers that the Group has adequate resources to continue in operational existence for the foreseeable future and has demonstrated this in the detailed financial plan to July 2024. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

The Group has a long history of generating positive cash flows from operations and controlling costs through a robust process of business review. The Group has produced a detailed cash flow forecast to July 2024 with sensitivity analysis, and this is subject to close frequent monitoring.

The Group has maintained excellent working relations with its bankers. The Group's forecasts and financial projections indicate that it will be able to operate within its existing banking facilities and covenants for the foreseeable future. A sensitivity analysis of income streams and costs has been undertaken to assess headroom cover before the Group would be at risk of bank covenant breach. The Group continues to maintain a healthy total net assets position. Management deems the risk of covenant breach to be low/medium risk.

The Group's financial plan shared with the Education and Skills Funding Agency (ESFA) in July 2022 demonstrated an ability to continue with its plans for investment and generate cash from its operating activities. This plan is subject to regular review, particularly following student recruitment at the start of the academic year. Where actual performance is not as anticipated, mitigating actions are identified to target growth in income and/or control expenditure.

The Group's budget for the next twelve months through to 31 July 2023 was prepared taking into consideration the longer-term impact of Covid and current economic landscape. The Board takes assurance from this but recognises the challenges likely to impact on the sector over the next couple of years, particularly inflationary pressures on both staff costs and non-pay expenditure.

The Group continues to invest in its estates and facilities, with significant investment planned for later in the 2022/23 financial year to support T-levels, create a South Yorkshire Institute of Technology, and improving the condition of its buildings. A future £30m redevelopment of North Lindsey College campus is also progressing in partnership with the Department for Education.

After making appropriate enquiries, the Corporation considers that the Group has adequate resources; £47.7 million (2020/21: £13.9 million) net assets and £14.2 million (2020/21: £15.7 million) cash at bank and in hand to continue in operational existence for the foreseeable future, defined as the end of the 2022/23 academic year. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

On 29 November 2022 the Office for National Statistics published its decision to reclassify the statutory further education sector, which includes sixth form colleges, into the central government sector. The government have confirmed that colleges will retain their surpluses and be able to carry them over from one year to the next, but the transfer to the public sector will mean that colleges will be subject to the public sector framework for financial management as set out in the Managing Public Money document published by HM Treasury. The Corporation Board have considered this announcement in reaching their going concern opinion.

Recognition of income

Revenue grant funding

Government revenue grants, including funding body and other grants, are accounted for under the accrual model as permitted by FRS 102 and are recognised where a reliable estimate of the fair value of the asset received or receivable can be made on a systematic basis over the periods in which the related costs for which the grant compensates are recognised. Funding body recurrent grants are measured in line with best estimates for the year of what is receivable and depend on the particular income stream involved. Any under achievement of the Adult Education Budget, outside of permitted tolerance, is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments and is recognised when receivable.

The recurrent grant from the Office For Students (OFS) represents the funding allocations attributable to the current financial year and is credited direct to the Statement of Comprehensive Income.

Grants from non-government sources, including grants relating to assets, are recognised in income when the Group has met the performance-related conditions and the grant will be received. Income received in advance of performance related conditions being met is recognised as a deferred income within creditors on the balance sheet and released to income as the conditions are met.

Capital grant funding

Government capital grants for assets, other than land, are accounted for under the accrual model. The grant income received or receivable will be recognised over the expected useful life of the asset with any amount of the asset-related grant that is deferred being recognised as deferred income. The deferred income is allocated between creditors due within one year and those due after more than one year.

Tuition fees and other income

Income from tuition fees is stated gross of any expenditure which is not a discount and is recognised spread evenly over the academic year in which it is earned.

Income from the supply of services is recognised at fair value of the consideration received or receivable and represents the value of services to the extent there is a right to consideration.

Investment income

All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned on a receivable basis.

Retirement benefits

Retirement benefits to employees of the Group are principally provided by Teachers' Pensions Scheme (TPS), and South Yorkshire Pension Fund (SYPF), which are multi-employer defined benefit plans.

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

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

The SYPF is a Local Government Pension Scheme (LGPS) and is a funded scheme. The assets of the LGPS and 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 charge to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred.

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 Group. The cost of any unused holiday entitlement the Group expects to pay in future periods is recognised in the period the employees' services are rendered.

Enhanced pensions
The actual cost of any continuing enhanced pension to a former member of staff is paid by the Group annually. An estimate of the expected future costs of any enhancement to the pension of a former member of staff is charged in full to comprehensive income in the year that the member of staff retires. In subsequent years a charge is made to provisions in the Balance Sheet using the enhanced pension spreadsheet provided by the funding bodies.

Non-current assets

Intangible assets
Intangible assets are initially recorded at cost less accumulated amortisation and accumulated impairment losses.

Software
Software required to run computer equipment is regarded as part of the equipment cost in tangible fixed assets. Other software costing less than £1,000 per individual item or set of items acquired together is recognised as expenditure in the period of acquisition. Annual costs for the use of software, and supplier support are recognised as expenditure in the Statement of Comprehensive Income. All other software is capitalised and recognised at cost less accumulated depreciation and accumulated impairment losses.

Amortisation and residual values
Depreciation on intangible assets is calculated, using the straight line basis, to write off the cost of each asset over its expected useful lives, as follows:

- Software – 4 to 10 years

Subsequent expenditure on existing intangible assets
Where significant expenditure is incurred on intangible assets after initial purchase it is charged to income in the period in which it is incurred, unless it increases the future benefits to the Group, in which case it is capitalised and amortised on the relevant basis.

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

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

Land and buildings
Land and buildings are stated at cost (or deemed cost for land and buildings held at valuation/revalued at the date of transition to FRS 102) less accumulated depreciation and accumulated impairment losses.

Leasehold land and buildings
Leasehold land is depreciated on a straight line basis over the term of the 999 year lease.

Leasehold buildings are depreciated over their expected useful economic life to the College up to a maximum of 50 years. The College has a policy of depreciating major adaptations to leasehold buildings over the period of their useful economic life up to a maximum of 50 years.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Properties under construction
Properties in the course of construction are accounted for at cost less any identified impairment loss. Cost includes professional fees and other directly attributable costs that are necessary to bring the property to operating condition. They are not depreciated until they are brought into use.

Equipment
Equipment costing less than £1,000 per individual item or set of items acquired together is recognised as expenditure in the period of acquisition. All other equipment is capitalised and recognised at cost less accumulated depreciation and accumulated impairment losses.

Depreciation and residual values
Freehold land is not depreciated.

Depreciation on other assets is calculated, using the straight line basis, to write off the cost of each asset to its estimated residual value over its expected useful lives, as follows:

- Leasehold land – over the period of the lease
- Leasehold buildings – over periods up to 50 years
- Freehold buildings – over periods up to 50 years
- Motor vehicles and general equipment – 3 to 10 years
- Computer equipment – 4 years

Residual value is calculated on prices prevailing at the reporting date, after estimated costs of disposal, for the asset as if it were at the age and in the condition expected at the end of its useful life.

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

Impairments of fixed assets
An assessment is made at each reporting date of whether there are indications that a fixed asset may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, an estimate is made of the recoverable amount of the asset.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use, are recognised as impairment losses. Impairment of revalued assets, are treated as a revaluation loss. All other impairment losses are recognised in comprehensive income.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in comprehensive income or, for revalued assets, as a revaluation gain. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.

Investments
Interests in subsidiaries are measured at cost less any accumulated impairment losses in the separate financial statements of the College.

Borrowing costs
Borrowing costs are recognised as expenditure in the period in which they are incurred.

Leased assets

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 12 months or less from the date of acquisition.

Financial instruments
The Group has chosen to adopt Sections 11 and 12 of FRS 102 in full in respect of financial instruments.

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

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 financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets measured at fair value through the profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless arrangement constitutes a financing transaction. A financial asset or financial liability that is payable or receivable in one year is measured at the undiscounted amount expected to be received or paid net of impairment, unless it is a financing transaction.

If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payment discounted at a market rate of interest for a similar debt instrument.

Financial assets and financial liabilities are offset only when there is a current legally enforceable right to set off the recognised amounts and the intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

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

The College is partially exempt in respect of Value Added Tax, so that it can only recover a small element 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 intangible and tangible fixed assets as appropriate, where the inputs themselves are intangible or tangible fixed assets by nature.

The Group'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 Group 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 the amount of the obligation can be reliably measured.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 rat that reflects the risks specific to the liability. 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 Group. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probably that an outflow of resources will be required or the amount of the obligation cannot be reliably measured.

Contingent liabilities are not recognised in the Balance Sheet but are disclosed in the Notes to the Financial Statements.

Agency arrangements
The Group acts as an agent in the collection and payment of certain discretionary support funds from the funding bodies. Payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure of the Group where the College does not have control of the economic benefit related to the transaction.

2. 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 Group either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risk and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the group's tangible assets. 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

Intangible assets
Intangible assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually with reference to the contractual period of usage of the asset and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and economic utilisation of the assets are taken into account. Residual value assessments consider issues such as future market conditions and the remaining life of the asset.

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, maintenance programmes, economic utilisation and physical condition of the assets are taken into account. Residual value assessments consider issues such as future market conditions and the remaining life of the asset.

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 24, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 has been used by the actuary in valuing the pensions liability at 31 July 2022.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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. For the purposes of estimating future liabilities, an adjustment has been made for short term pay restraint in line with the latest actuarial valuation. There are estimates involved in assessing the impact of recent pension rulings on the defined benefit accounting valuations. See Note 24 for further details.

3. Funding body grants

	2022 Group £000	2022 College £000	2021 Group £000	2021 College £000
Recurrent Grants				
Education and Skills Funding Agency – 16-18	23,898	23,898	23,356	23,356
Education and Skills Funding Agency – adult education budget	2,168	5,212	4,753	4,753
Sheffield City Region – adult education budget	3,044	3,044	-	-
Education and Skills Funding Agency – apprenticeships	7,441	7,441	6,940	6,940
Higher Education Funding Council / OFS	945	945	1,038	1,038
Specific Grants				
Education and Skills Funding Agency	1,775	1,775	1,944	1,944
Release of government capital grants	1,172	1,172	1,211	1,211
Total	40,443	40,443	39,242	39,242

4. Tuition fees and education contracts

	2022 Group £000	2022 College £000	2021 Group £000	2021 College £000
Tuition Fees	13,523	13,523	15,405	15,405
Education contracts	616	616	927	927
Total	14,139	14,139	16,332	16,332

Tuition fees funded by bursaries
Included within the above amounts are tuition fees funded by bursaries of £81,699.

5. Higher Education – Grant and Fee Income

	2022 Group £000	2022 College £000	2021 Group £000	2021 College £000
Grant income from office for Students	945	945	1,038	1,038
Fee income for taught awards	11,810	11,810	13,635	13,635
Total	12,755	12,755	14,673	14,673

The Higher Education income reported in the above is included within the Funding Body grants and tuition fees and education contracts notes 3 and 4 respectively.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. Other grants and contracts

	2022 Group £000	2022 College £000	2021 Group £000	2021 College £000
Erasmus	269	269	90	90
Other grant income	268	268	365	365
Non-government capital grants	1,260	1,260	1,254	1,254
Coronavirus Job Retention Scheme grant	-	-	273	149
Total	1,797	1,797	1,982	1,858

During 2020/21 the Corporation furloughed catering, cleaning and some of its support and teaching staff under the government's Coronavirus Job Retention Scheme. There was no funding received by the Group or College in 2021/22 (2020/21: Group £273,026, College £148,700) relating to staff costs which are included within the staff costs note below as appropriate.

7. Other Income

	2022 Group £000	2022 College £000	2021 Group £000	2021 College £000
Catering	545	545	189	189
Other income generating activities	1,032	1,359	1,087	1,391
Total	1,577	1,904	1,276	1,580

8. Investment income

	2022 Group £000	2022 College £000	2021 Group £000	2021 College £000
Other interest receivable	1	1	4	4
Total	1	1	4	4

9. Staff costs and key management personnel remuneration

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

	2022 Group £000	2022 College £000	2021 Group £000	2021 College £000
Teaching staff	456	409	410	395
Non-teaching staff	547	368	565	391
Total	1,003	777	975	786

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Expressed as Average Headcount	**2022 Group £000**	**2022 College £000**	**2021 Group £000**	**2021 College £000**
Teaching staff	522	470	489	472
Non-teaching staff	669	448	723	479
Total	1,191	918	1,212	951

Staff costs for the above persons	**2022 Group £000**	**2022 College £000**	**2021 Group £000**	**2021 College £000**
Wages and Salaries	28,262	23,074	27,390	22,859
Social security costs	2,613	2,203	2,383	2,057
Other pension costs	6,727	6,589	6,844	6,808
Payroll sub-total	37,602	31,866	36,617	31,724
Contracted out staffing services	1,554	7,303	713	5,557
Restructuring costs - contractual	160	152	222	210
Restructuring costs – non-contractual	-	-	169	169
Total	39,316	39,321	37,721	37,660

Restructuring payments were authorised by the Senior Leadership Team on various dates between August 2021 and July 2022.

10. 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 Leadership Team. Staff costs include compensation paid to key management personnel for loss of office.

Membership of the Senior Leadership Team for 2021/22 was as follows

Mick Lochran – Chief Executive Officer and Accounting Officer (until 31 July 2022)
Sharon Smith – Principal and Deputy Chief Executive Officer (from 9 August 2021)
Rachel Maguire – Chief People Officer
Jason Wilkinson – Chief Information and Strategic Planning Officer (from 9 August 2021)
Kathryn Brentnall – Principal (until 31 August 2021)
Maxina Butler-Holmes – Vice Principal HE (until 31 August 2021)
Barrie Shipley – Chief Finance Officer
Daniel Fenwick – Deputy Principal
Alison Gray – Vice Principal, Quality, Teaching, Learning & Assessment
Karen Robson – Assistant Principal Higher Education (from 1 February 2022)
Jill Cooper – Executive Director Employer Engagement and Projects
Peter Doherty – Chief Operating Officer (until 31 August 2021)

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

	2022 No.	**2021 No.**
The number of key management personnel including the Accounting Officer was	12	13

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Based on basic pay:	**Key management personnel**		**Other staff**	
	2022 No.	**2021 No.**	**2022 No.**	**2021 No.**
£50,001 to £55,000 pa	-	2	19	15
£55,001 to £60,000 p.a.	3	1	15	10
£60,001 to £65,000 p.a.	-	2	3	7
£65,001 to £70,000 p.a.	1	1	5	1
£70,001 to £75,000 p.a.	1	2	-	1
£75,001 to £80,000 p.a.	1	1	1	1
£90,001 to £95,000 p.a.	1	-	-	-
£105,001 to £110,00 p.a.	2	1	-	1
£110,001 to £115,000 p.a.	-	1	-	-
£115,001 to £120,000 p.a.	1	-	1	-
£120,001 to £125,000 p.a.	1	-	-	-
£140,001 to £145,000 p.a.	-	1	-	-
£155,001 to £160,000 p.a.	1	1	-	-
Total	12	13	44	36

The above includes staff who joined or left part way through a year but who would have received emoluments in those bands in a full year.

Key management personnel (including the Accounting Officer) total compensation is made up as follows:

	2022 £000	**2021 £000**
Salaries	789	882
Employers National Insurance	99	115
Pension Contributions	157	185
Total key management personnel compensation	1,045	1,182

There were no amounts due to key management personnel that were waived in the year. There were two salary sacrifice arrangements in place for all staff, these being a nursery voucher scheme and cycle to work scheme. The above emoluments include amounts payable to the Accounting Officer (who is also the highest paid of key management personnel) of:

	2022 £000	**2021 £000**
Basic Salary	158	155
Pension Contributions	37	37
Total	195	192

The amounts stated above relate to Mick Lochran who resigned on 31st July 2022. John Rees was appointed Accounting Officer on 1st August 2022.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The governing body has adopted AoC's Senior Staff Remuneration Code in July 2020 and will assess pay in line with its principles in future. The remuneration package of key management staff is subject to annual review by the Remuneration Committee of the governing body who use benchmarking information to provide objective guidance. The Chief Executive Officer reports to the Chair of the Corporation, who undertakes an annual review of his performance against the college's overall objectives using both qualitative and quantitative measures of performance.

The Corporation is required to disclose the relationship between the remuneration of the Accounting officer and the median remuneration of all other employees. Total remuneration includes all elements of pay including market supplements, bonuses, responsibility allowances, employer pension contributions and taxable and non-taxable benefits in kind.

	2022	2021
Basic Salary Pay Multiples		
Chief Executive Officer basic salary as a multiple of the median of all staff	5.91	6.18
Chief Executive Officer total remuneration as a multiple of the median of all staff	6.12	6.42

Governors' remuneration
The Accounting Officer and the staff members only receive remuneration in respect of services they provide undertaking their roles of Principal and Chief Executive Officer and staff members under contracts of employment and not in respect of their roles as governors. The other members of the Corporation received £nil from the Group in respect of their roles as governors in 2021/22.

The total expenses paid to or on behalf of the governors during the year was £nil - 0 governors (2020/21: £nil – 0 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 other governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2020/21: £nil).

11. Other Operating Costs

	2022 Group £000	2022 College £000	2021 Group £000	2021 College £000
Teaching Costs	7,544	7,544	6,172	6,172
Non-teaching costs	5,077	5,423	4,399	4,729
Premises costs	2,155	2,155	2,584	2,584
Total	14,776	15,122	13,155	13,485

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2022 Group £000	2022 College £000	2021 Group £000	2021 College £000
Surplus/(Deficit) before taxation is after charging:				
Auditors' remuneration				
- Financial Statements audit	62	55	57	53
- Other services provided by the financial statements auditor – TPS audit, Corporation tax services, specific grant audit	11	9	8	5
Internal audit fees	38	38	38	38
Hire of assets under operating leases	234	234	213	213

12. Interest and other finance costs – Group and College

	2022 Group £000	2022 College £000	2021 Group £000	2021 College £000
Bank loans, overdrafts and other loans	246	246	271	265
Net interest on defined pension liability (note 24)	548	548	590	590
Total	794	794	861	855

13. Access and Participation Plan

	2022 Group £000	2022 College £000	2021 Group £000	2021 College £000
Access investment	140	140	115	115
Financial Support	113	113	46	46
Total	253	253	161	161

The above note includes staff costs totalling £140k (2020/21: £115k) which are already included in the overall staff costs in the Financial Statements note 9.

During 2021/22 the College invested £471k (2020/21 £475k) including the £253k (2020/21 £161k) categorised above. The remaining £219k (2020/21 £314k) was invested in Success and Progression.

14. Taxation – Group

	2022 £000	2021 £000
UK corporation tax	-	-
Total	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. Intangible assets

	Software	Total
GROUP		
Cost or valuation	**£000**	**£000**
As at 1 August 2021	1,095	1,095
Additions	346	346
As at 31 July 2022	1,441	1,441
Amortisation		
As at 1 August 2021	595	595
Charge for period	181	181
At 31 July 2022	776	776
Net book value		
At 31 July 2022	665	665
At 31 July 2021	500	500

	Software	Total
COLLEGE		
Cost or valuation	**£000**	**£000**
As at 1 August 2021	1,095	1,095
Additions	346	346
	1,441	1,441
Amortisation		
As at 1 August 2021	595	595
Charge for period	181	181
At 31 July 2022	776	776
Net book value		
At 31 July 2022	665	665
At 31 July 2021	500	500

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. Tangible fixed assets

Group	Freehold Land and Buildings	Leasehold Land	Equipment	Assets in the Course of Construction	Total
Cost or valuation	**£000**	**£000**	**£000**	**£000**	**£000**
At 1 August 2021	111,383	1,150	25,774	1,906	140,213
Additions	165	-	876	4,832	5,873
Transfers	4,928	-	1,768	(6,696)	-
Disposals	-	-	(207)	-	(207)
At 31 July 2022	116,476	1,150	28,211	42	144,879
Depreciation and impairment					
At 1 August 2021	44,026	18	19,528	-	63,572
Charge for period	2,895	-	2,200	-	5,095
Disposals	-	-	(207)	-	(207)
As at 31 July 2022	46,921	18	21,521	-	68,460
Net book value					
At 31 July 2022	69,555	1,132	6,690	42	77,419
At 31 July 2021	67,357	1,132	6,246	1,906	76,641

College	Freehold Land and Buildings	Leasehold Land	Equipment	Assets in the Course of Construction	Total
Cost or valuation	**£000**	**£000**	**£000**	**£000**	**£000**
At 1 August 2021	111,383	1,150	25,774	1,906	140,213
Additions	165	-	876	4,832	5,873
Transfers	4,928	-	1,768	(6,696)	-
Disposals	-	-	(207)	-	(207)
At 31 July 2022	116,476	1,150	28,211	42	145,879
Depreciation and impairment					
At 1 August 2021	44,026	18	19,528	-	63,752
Charge for period	2,895	-	2,200	-	5,095
Disposals	-	-	(207)	-	(207)
As at 31 July 2022	46,921	18	21,521	-	68,460
Net book value					
At 31 July 2022	69,555	1,132	6,690	42	77,419
At 31 July 2021	67,357	1,132	6,246	1,906	76,641

Land and buildings were valued as at 1 August 2014 by a RICS Registered Valuer from DVS Property Specialists for the purposes of these financial statements.

The valuation method, used in 2014, was Depreciated Replacement Cost, adopting the Instant Building approach as required by HM Treasury FreM for the UK public sector. If inherited land and buildings had not been valued they would have been included at the following amounts:

	£000
Cost	Nil
Aggregate depreciation based on cost	Nil
Carrying amount based on cost	Nil

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Included in Land and Buildings Freehold is the land at The Hub, Waterfront, Doncaster which is held on a 999 year lease running from 2006. The land was revalued at £1,050,000 on FRS102 transition date, 1 August 2014 and is being depreciated over the 999 year life.

Land and Buildings Freehold is also inclusive of land at North Lindsey College valued at £11.6 million (2021: £11.6 million) that is not depreciated.

17. Investments

The Group owns 100 per cent of the issued ordinary £1 shares of DC Teach Limited (08918502), Kingsway Consulting Ltd (02808435) and Optime Support Limited (08146161), all companies incorporated in England and Wales and have the same address as the Group. The principal activity of Kingsway Consulting Ltd is the rental of property and the provision of conferencing facilities. The principal activities of Optime Support Limited is that of employment services. The principal activity of DC Teach Limited was the provision of tuition services, however it ceased trading during the year ended 31 July 2021 and was dissolved 26 July 2022.

On 29 March 2018 the Group incorporated two companies, Doncaster College (11283876) and North Lindsey College (11283981), as companies limited by guarantee without share capital and making use of 'Limited' exemption in the company names. The registered office of both companies is DN Colleges Group, The Hub, Chappell Drive, Doncaster DN1 2RF. Both are dormant companies; there were no accounting transactions in the periods to 31 July 2022.

18. Trade and other receivables

	2022 Group £000	**2022 College £000**	**2021 Group £000**	**2021 College £000**
Amounts falling due within one year:				
Trade debtors	870	773	1,016	826
Amounts owed by group undertakings	-	981	-	215
Prepayments and accrued income	1,641	1,625	1,802	1,802
Amounts owed by the ESFA	616	616	462	462
Total	3,127	3,995	3,280	3,305

Trade debtors is shown after provision for unrecoverable debts of £777,338 (2021: £815,793).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. Creditors: amounts falling due within one year

	2022 Group £000	2022 College £000	2021 Group £000	2021 College £000
Bank loans	316	316	310	310
Trade creditors	3,320	3,320	3,000	3,000
Amounts owed to subsidiary undertakings	-	395	-	117
Other taxation and social security	15	15	863	737
Other creditors	1,334	1,287	1,423	1,423
Accruals and deferred income	1,773	1,693	2,194	2,008
Government capital grants	2,365	2,365	2,173	2,173
Government revenue grants	488	488	183	183
Amounts due to the Education and Skills Funding Agency	948	948	1,080	1,080
Total	10,559	10,827	11,226	11,031

20. Creditors: amounts falling due after more than one year

	2022 Group £000	2022 College £000	2021 Group £000	2021 College £000
Bank loans	3,602	3,602	3,918	3,918
Government capital grants	32,031	32,031	32,029	32,029
Total	35,633	35,633	35,947	35,947

Bank loans
Bank loans are repayable as follows:

	2022 Group £000	2022 College £000	2021 Group £000	2021 College £000
In one year or less	316	316	310	310
Between one and two years	323	323	316	316
Between two and five years	715	715	791	791
In five years or more	2,564	2,564	2,811	2,811
Total	3,918	3,918	4,228	4,228

The Group has three secured loans.

A £3.0 million loan from Lloyds Bank, of which £1.82 million is repayable as at 31 July 2022 (2021: £1.92 million). This bank loan is repayable by quarterly instalments over the period up to January 2030 at which point £0.85 million will remain outstanding. The current interest rate is fixed at 6.984% having increased by

0.5% from the date of merger. This loan is secured on the freehold loan and buildings of the College in Doncaster.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

A £1.0 million loan from Santander UK, of which £0.2 million is repayable as at 31 July 2022 (2021: £0.3 million). This bank loan is repayable by quarterly instalments over the ten years to June 2024. It has a fixed interest rate of 4.485%. It is secured on two buildings within the North Lindsey College Kingsway site.

A £2.5 million loan from Santander UK, of which £1.89 million is repayable as at 31 July 2022 (2021: £2.3 million). This bank loan is repayable by quarterly instalments over 14 years to February 2030, with a balance of £1.03 million repayable in May 2030. It has a fixed interest rate of 5.355%. It is secured on two buildings within the North Lindsey College Kingsway site.

21. Provisions for liabilities

	Defined benefit obligation £000	Enhanced pension entitlements £000	Total
At 1 August 2021	33,206	2,028	35,234
Expenditure in the period	(1,254)	(153)	(1,407)
Additions in period	(31,952)	(138)	(32,090)
At 31 July 2022	-	1,737	1,737

Defined benefit obligations relate to the liabilities under the college's membership of the Local Government Pension Scheme. Further details are given in note 24.

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

The principal assumptions for this calculation are:

	2022	2021
Price inflation	2.90%	2.60%
Discount rate	3.00%	1.60%

22. Cash and cash equivalents

	As at August 2021 £000	Cash flows £000	Other changes £000	At 31 July 2022 £000
Cash and equivalents	15,746	(1,508)	-	14,238
Total	15,746	(1,508)	-	14,238

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. Financial Instruments

The Group has the following financial instruments:

	2022 £000	2021 £000
Financial assets		
Financial assets measured at fair value through profit or loss	-	-
Debt instruments measured at amortised cost:		
Trade debtors	870	1,016
Accrued income	33	873
Cash and cash equivalents	14,238	15,746
Total	15,141	17,635

	2022 £000	2021 £000
Financial liabilities		
Financial liabilities measured at fair value through profit or loss	-	-
Financial liabilities measured at amortised cost:		
Trade creditors	3,320	3,000
Bank loans	3,918	4,228
Accruals	722	1,862
Other creditors	585	640
Total	8,545	9,730

24. Retirement benefits

The Group's employees belong to two principal post-employment benefit plans: The Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the South Yorkshire Pension Fund (SYPF) for non-teaching staff, which is managed by South Yorkshire Pensions Authority. Both are multi-employer defined benefit plans. Optime Support Limited employees belong to a Stakeholder pension scheme which is a defined contribution scheme.

Total pension cost for the year		2022 £000		2021 £000
Teachers' Pension Scheme contributions paid		3,460		3,331
South Yorkshire Pension Fund:				
Contributions paid	1,254		1,307	
Deficit funding contributions	(193)		(188)	
FRS 102 (28) charge	2,206		2,048	
Charge to the Statement of Comprehensive Income		3,267		3,167
Stakeholder pension scheme		137		121
Enhanced pension charge to Statement of Comprehensive Income		(138)		224
Total pension cost for the year within staff costs		6,726		6,843

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 2019.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Contributions amounting to £123k (2020/21: £144k) were payable to the scheme at 31 July 2022 and are included in creditors.

Teachers' Pension Scheme

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

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

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

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

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

Valuation of the Teachers' Pension Scheme

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 (DfE) in April 2019. The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £198 billion giving a notional past service deficit of £22 billion.

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/19). DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2021/22 academic year.

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

The pension costs paid to TPS in the year amounted to £3,460,000 (2020/21: £3,331,000).

Local Government Pension Scheme

The South Yorkshire Pension Fund is a funded defined benefit plan, with the assets held in separate funds administered by South Yorkshire Pension Authority. The total contributions made for the year ended 31 July 2022 were £1.5m, of which employer's contributions totalled £1.3m reduced by £193k of surplus funding adjustment, and employees' contributions totalled £457k. The agreed contributions up to March 2020 were 15.1%, and a deficit repayment fixed monetary sum of £317k. The agreed contribution rates from April 2020 were 17.1% for employer plus fixed monetary offset amount totalling £62k. The rate for employees will range from 5.5% to 12.5%, depending on salary.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Principal actuarial assumptions
The following information is based up on a full actuarial valuation of the fund at 31 March 2019 updated to 31 July 2022 by a qualified independent actuary:

	At 31 July 2022	At 31 July 2021
Rate of increase in salaries (see note below)	3.75	3.85*
Future pension increases (CPI)	2.75	2.70*
Discount rate	3.50	1.60*

*An adjustment has been made for short term pay restraint in line with the latest actuarial evaluation.

The average life expectancy for a pensioner retiring at 65 on the reporting date is:

	At 31 July 2022	At 31 July 2021
	Years	Years
Retiring today		
Males	22.6	22.5
Females	25.4	25.3
Retiring in 20 years		
Males	24.1	24.0
Females	27.3	27.2

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

	Fair value at 31 July 2022	Fair value at 31 July 2021
Equities	68%	67%
Bonds	22%	22%
Cash	9%	9%
Other	1%	2%
Total fair value of plan assets	100%	100%
Actual return on plan assets	2,342	12,411

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

	2022 £000	2021 £000
Fair value of plan assets	91,924	88,933
Present value of plan liabilities	(89,373)	(122,139)
Provision against net pension asset	(2,551)	-
Net pension asset / (liability)	-	(33,206)

The actuarial report of the defined benefit obligation reported a surplus of £2,551,000 at 31 July 2022, however no surplus has been recognised in these financial statements at the reporting date. DN College Group have not recognised such surplus as the members believe that the corporation cannot recover the surplus either through reduced contributions in the future or through refunds from the plan.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	2022	2021
Amounts included in staff costs	**£000**	**£000**
Current service cost	3,239	3,179
Administrative charges	37	38
Past service cost	-	-
Curtailment	-	70
Total	3,276	3,287

	2022	2021
Amounts included in interest and other finance costs	**£000**	**£000**
Net interest on defined pension liability	548	590
Total	548	590

	2022	2021
	£000	**£000**
Amounts recognised in Other Comprehensive Income	35,960	7,031

Movement in net defined benefit liability during a year

	2022	2021
	£'000	**£'000**
Net defined benefit liability in scheme at 1 August	(33,206)	(37,596)
Movement in year:		
Curtailments	-	(70)
Current service cost	(3,276)	(3,220)
Employer contributions	1,070	1,239
Net interest on defined liability	(548)	(590)
Actuarial gain or loss	38,511	7,031
Provision against net pension asset	(2,551)	-
Net defined benefit asset / (liability) at 31 July	**-**	**(33,206)**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Changes in the present value of defined benefit obligations

	2022 £000	2021 £000
Defined benefit obligations at start of period	122,139	114,601
Transfers in	-	-
Current service costs	3,239	3,179
Admin charge	37	
Interest cost	1,964	1,821
Contributions by scheme participants	457	472
Actuarial (gains)/losses	(36,169)	4,178
Plan introductions, charges, curtailments and settlements	-	70
Benefits paid	(2,294)	(2,182)
Defined benefit obligations at end of period	89,373	122,139

Changes in the fair value of plan assets

	2022 £000	2021 £000
Fair value of plan assets at start of period	88,933	77,005
Transfers in	-	-
Interest income	1,416	1,228
Actuarial gain	2,342	11,209
Employer Contributions	1,070	1,239
Administration charge	-	(38)
Contributions by scheme participants	457	472
Benefits paid	(2,294)	(2,182)
Fair value of plan assets at end of period	91,924	88,933

Sensitivity Analysis as at 31 July 2022

	Approximate % increase to Defined Benefit Obligation	Approximate monetary amount £000
0.1% decrease in Real Discount Rate	2%	1,609
1 year increase in member life expectancy	4%	3,575
0.1% increase in the Salary Increase Rate	0%	162
0.1% increase in the Pension Increase Rate (CPI)	2%	1,454

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The decisions of the Court of Appeal in the Sargeant/McCloud cases (generally referred to for the LGPS as "McCloud") have ruled that the transitional protections afforded to older members when the Public Service Pension Schemes were amended constituted unlawful age discrimination. At this stage it is uncertain whether or not there will be an issue for the LGPS and its employers, nor is it clear what the exact extent would be of any required changes, but this note sets out some approximate effects of the costs if the transitional protections need to be extended to younger members.

Impact of the McCloud Judgement

The actuary has carried out costings of the potential effect of McCloud as at 31 July 2022, based on the individual member date for DN Colleges Group as supplied for the 31 March 2019 actuarial valuation, and the results of those calculations based no the FRS102 assumptions are set out below. The approach to the calculations is as instructed by the administering authority after consideration of the categories of members potentially affected, but in very broad terms calculates the cost of applying a 'final salary underpin' (on a member by member basis) to those active members who joined the Fund before 1 April 2012 and would not otherwise have benefited from the underpin.

The FRS102 liabilities which have been used in the calculations is: £89,373,000.

Applying the above calculations to the employer's estimated active member liabilities and service cost at 31 July 2022 gives the following figures:

Additional past service liabilities as at 31 July 2022 nil (31 July 2021: £NIL)
Additional projected service cost for the year commencing 1 August 2022 nil (1 August 2021: £NIL)
(equivalent to about 0.0% of the current active membership pensionable payroll)

The effect in this case is nil (2021: £NIL)

Impact of GMP

UK and European law requires pension schemes to provide equal benefits to men and women in respect of service after 17 May 1990 (the date of the "Barber" judgement) and this includes providing equal benefits accrued from that date to reflect the differences in GMPs. Previously, there was no consensus or legislative guidance as to how this might be achieved in practice for ongoing schemes, but the 26 October 2018 Lloyds Bank court judgement has now provided further clarity in this area.

However, in response to this judgement HM Treasury stated that "public sector schemes already have a method to equalise guaranteed minimum pension benefits, which is why we will not have to change our method as a result of this judgement", clearly implying that the Government (who have the overall power to determine benefits provision) believe the judgement itself will not affect the benefits. The Group has requested allowance is made for GMP Equalisation, resulting in £153k being included within past service costs.

There is a separate wider potential issue in relation to GMP equality in general. At present, the public service schemes are required to provide full CPI pension increases on GMP benefits for members who reach State Pension Age between 6 April 2016 and 5 April 2021. The UK Government may well extend this at some point in the future to include members reaching State Pension Age from 6 April 2021 onwards. In due course there may therefore be a further cost to the LGPS and its employers in connection with this, and we will consider this issue as and when the Government makes any further announcement (albeit we do not think any additional costs will be substantial). At present we have allowed for the existing provisions of full CPI pension increases on GMP benefits for members who reach State Pension Age between 6 April 2016 and 5 April 2021.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. Amounts disbursed as agent

Learner Support funds	**2022** **£000**	**2021** **£000**
Funding body grants – bursary support	625	653
Funding body grants – discretionary learner support	1,266	1,292
Disbursed to students	(757)	(1,372)
Administration costs	(61)	(62)
Balance unspent as at 31 July, included in creditors	1,073	511

Apprentice Grants for Employers	**2022** **£000**	**2021** **£000**
Funding body grants – employer incentives	386	312
Disbursed to employers	(368)	(283)
Balance to be disbursed to employers as at 31 July, included in creditors	18	29

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

26. Lease obligations

At 31 July minimum lease payments under non-cancellable operating leases were as follows:

	2022 **£000**	**2021** **£000**
Not later than one year	187	146
Later than one year and not later than five years	165	162
After five years	2,820	2,832
	3,172	3,140

27. Consolidated reconciliation of net debt

	2022 **£000**	**2021** **£000**
Net debt 1 August 2021	11,518	9,031
Movement in cash and cash equivalents	(1,198)	2,487
Net debt 31 July 2022	10,320	11,518
Change in net debt	(1,198)	2,487

Analysis of net debt:	**2022** **£000**	**2021** **£000**
Cash and cash equivalents	14,238	15,746
Borrowings: amounts falling due within one year:		
Secured loans	316	310
Borrowings: amounts falling due after one year:		
Secured loans	3,602	3,918

Net debt	10,320	11,518

NOTES TO THE FINANCIAL STATEMENTS (Continued)

28. Capital commitments

	2022 **£000**	**2021** **£000**
Commitments contracted for at 31 July	608	1,323
	608	1,323

29. Related party transactions

Key management compensation disclosure is given in note 10. Due to the nature of the College's operations and the composition of the board of governors being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the board of governors may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures.

30. Contingent liability

A contingent liability exists relating to potential clawback of Government body funding received, in the scenario where the college has not adequately fulfilled the conditions of the funding. The Governors do not anticipate that any additional clawback is required to be provided for based on their understanding at the date of approval of these financial statements.

31. Post balance sheet event

On 29 November 2022 the Office for National Statistics published its decision to reclassify the statutory further education sector, which includes sixth form colleges, into the central government sector. The government have confirmed that colleges will retain their surpluses and be able to carry them over from one year to the next, but the transfer to the public sector will mean that colleges will be subject to the public sector framework for financial management as set out in the Managing Public Money document published by HM Treasury.

Reporting accountant's assurance report on regularity to the corporation of DN Colleges Group and Secretary of State for Education acting through Education and Skills Funding Agency ('ESFA')

In accordance with the terms of our engagement letter and further to the requirements and conditions of funding in ESFA's grant funding agreements and contracts, or those of any other public funder, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that, in all material respects, the expenditure disbursed and income received by DN Colleges Group during the period 1 August 2021 to 31 July 2022 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.
The framework that has been applied is set out in the Post-16 Audit Code of Practice ('the Code') issued by the ESFA and in any relevant conditions of funding concerning adult education notified by a relevant funder. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record returns, for which the ESFA or devolved authority has other assurance arrangements in place.

Respective responsibilities of DN Colleges Group and the reporting accountant

The corporation of DN Colleges Group is responsible, under the requirements of the Further and Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed and income received are applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.
Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work which suggests that, in all material respects, expenditure disbursed and income received during the period 1 August 2021 to 31 July 2022 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Code issued by ESFA. We performed a limited assurance engagement as defined in that framework.
The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity.
A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.
Our engagement includes examination, on a test basis, of evidence relevant to the regularity of the college's income and expenditure.
The work undertaken to draw our conclusion includes:

- an assessment of the risk of material irregularity and impropriety across the college's activities;
- evaluation of the processes and controls established and maintained in respect of regularity and propriety for the use of public funds through observation of the arrangements in place and enquiries of management;
- consideration and corroboration of the evidence supporting the Accounting Officer's statement on regularity, propriety and compliance and that included in the Regularity self-assessment questionnaire (RSAQ); and
- limited testing, on a sample basis, of income and expenditure for the areas identified as high risk and included on the RSAQ.

Conclusion

In the course of our work, nothing has come to our attention which suggests that, in all material respects, the expenditure disbursed and income received during the period 1 August 2021 to 31 July 2022 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Use of our report

This report is made solely to the corporation of DN Colleges Group and the ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the corporation of DN Colleges Group and the ESFA those matters we are required to state in a limited assurance 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 DN Colleges Group, as a body, and the ESFA, as a body, for our work, for this report, or for the conclusion we have formed.

DocuSigned by:

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For and on behalf of CavanaghKelly
Chartered Accountants and Statutory Auditors

36-38 Northland Row, Dungannon, Co. Tyrone, BT71 6AP

Date: 12 December 2022