DN Colleges Group

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 July 2020

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 2019/20:

Anne Tyrrell - Chief Executive Officer and Accounting Officer (until 6 August 2020)
Peter Doherty – Chief Operating Officer
Mick Lochran – Deputy Chief Executive (until 6 August 2020) and Principal (North Lindsey College); Chief Executive Officer and Accounting Officer (from 7 August 2020)
Kathryn Brentnall – Principal (Doncaster College)
Maxina Butler-Holmes – Group Executive Director of Higher Education
Kit Sargent – Deputy Principal (North Lindsey College)
Barrie Shipley – Director of Finance
Steven Patterson – Director of Digital Technologies
Daniel Fenwick – Assistant Principal DN Colleges Education Programmes for Young People (from 2 September 2020)
Scott Wilson – Head of HR & Organisational Development (from 2 September 2020)
Jill Cooper - Executive Director Employer Engagement & Projects (from 2 September 2020)

Board of Governors

A full list of Governors is given on pages 17 and 18 of these financial statements.
Joanne Garrison has held the post of Clerk to the Corporation throughout the period.

Professional advisers

Financial statements auditors and reporting accountants
Grant Thornton UK LLP
Leeds office
No.1 Whitehall Riverside
Leeds
LS1 4BN

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

Bankers

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

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

Close Brothers Limited
10 Crown Place
London
EC2A 4FT

Solicitors

Eversheds Sutherland LLP
Bridgewater Place
Water Lane
Leeds
LS11 5DR

Wilkin Chapman LLP
Cartergate House
26 Chantry Lane
Grimsby
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Rollits LLP
Citadel House
58 High Street
Hull
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 2020.

Legal Status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting 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 17 and 18. 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 course. The college adjusts its courses to meet the needs of local employers and provides training to over 2,600 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 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 a new Strategic Plan for the Group for 2019-2022 at a meeting held on 8 July 2019. 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.

Covid-19

The Group closed both sites from 20th March 2020 in response to the Covid outbreak and a cross college Covid group formed to monitor the outbreak and plan continuing delivery. The colleges initially remained open for vulnerable students however in line with Government directive the sites were subsequently closed to all students. The Group continued to support students with free meals, throughout spring and summer terms and after the academic year end.
To minimise the impact on the students, online delivery was introduced across all curriculum areas where possible with students being reintroduced to the sites for assessments at the earliest opportunity, following the prevailing guidance at the time.
The Group invested in signage, screens and sanitising products to make the sites as safe as possible for those for whom attendance on site was essential, whilst incurring significant IT input to enable as many staff as possible to work at home. The Group has taken advantage of the Job Retention Scheme where staff were unable to work from home due to the nature of their role.
The Group has felt the wider impact particularly on the Apprenticeship delivery as employers closed their operations, though this was mitigated by the number of Apprentices put into the Job Retention Scheme and able to continue with their studies. The number of new Apprentices between March and the year end was significantly down and will have a longer lasting impact of the revenue stream.

REPORT OF THE GOVERNING BODY (Continued)

Financial Objectives
The Group's financial objectives and key performance indicators have been aligned to the 2019 – 2022 Strategic Plan to secure the financial sustainability, resilience and future development of the Group.

The key financial performance indicator targets for 2019/20 were:

Key Performance Indicator	Measure/Target	Actual for 2019/20
Finance Health Grade	Outstanding	Good
Total Combined Income	£57.61m	£54.22m
Sector EBITDA as % of Income	9.87%	5.81%
Capital Expenditure	£11.43m	£8.40m
Solvency (Adjusted Current Ratio)	2.07	1.36
Borrowings as % of Annual Income	8.13%	8.63%
Staff Costs as % of Annual Income	65.13%	68.73%
Financial Statements' audit opinion	Unqualified	Unqualified

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

The impact from Covid-19 was the main reason for income being £3.4m below target, resulting in apprenticeship income, full cost provision and other commercial income being particularly below budget. Whilst the Group was able to reduce non-pay expenditure in the period, the reduced income and some early pay cost pressure in the period has resulted in the Group not achieving its key performance indicators.

Due to the national lockdown, capital expenditure was also delayed in the period, with work on the University Centre North Lincolnshire brought to a halt, and only recommencing early in the summer. The works are expected to be completed by the end of 2021.

However, the Group still achieved a financial health grade rating of 'Good' despite financial pressures in the reporting period.

REPORT OF THE GOVERNING BODY (Continued)

FINANCIAL POSITION

Financial Results

DN Colleges Group generated an operating deficit in the year of £(3,263)k (2018/19: £77k surplus - restated).

The Group has accumulated reserves of £5.6 million (2018/19: £19.6 million - restated) and cash balances of £4.5 million (2018/19: £5.7 million).

Tangible fixed asset additions during the year amounted to £8.40 million. This was split between land and buildings additions of £0.40 million, assets in the course of construction (the University Centre North Lincolnshire site) of £5.87 million and equipment purchased of £2.06 million.

The Group has significant reliance on the funding bodies for its principal funding source, largely from recurrent grants. In 2019/20 the funding bodies provided 65% (2018/19: 67%) of the Group's total income.

The Group has been impacted by Covid following the closure of both sites in March 2020. Whilst it has benefited from the large proportion (44% - £24.15m) of income comprising recurrent grants from funding authorities which have remained largely unchanged from the original allocation, the overall income shortfall against budget out turned at £3.45m.

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- Apprenticeship income has been impacted with minimal new starts in the period from March 2020 and closure of sponsoring employers' businesses. The resultant apprenticeship out-turn is £2.47m less than budgeted.

- Similarly tuition fee income has suffered (£726k below budget) as students have withdrawn or been unable to enrol.
- Other income areas including catering, nurseries and other course related income has suffered a shortfall of £255k.

The Group has been able to maintain its payroll costs with a spend of £38.05 m for the year, supported by Job Retention Scheme payments of £737k, which has been recognised as grant income. The Group did however incur costs of £439k on restructuring prior to the year end in addition to the payroll costs.

Following a review of the unpaid fees at the year end, a bad debt provision of £506k has been included in the accounts, an increase of 144% on the provision of £207k in the 2018/19 accounts.

As at the year end, £108k had been spend on specific Covid safety: signs, screens, cleaning equipment.

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 £47k and has accrued a gift aid payment of £45k. Optime Support Limited made a surplus of £214k and has accrued a gift aid payment of £262k. DC Teach made a loss of £7k.

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

REPORT OF THE GOVERNING BODY (Continued)

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 £2.4 million (2018/19: £3.8 million), the Group's cash maintained a cash inflow from operating activities. The net cash outflow of £1.1 million (2018/19: £0.9 million outflow) resulted from net outflow from investing activities of £3.0 million (2018/19: £4.0 million) and an outflow from bank loan repayments and interest of £0.6 million (2018/19: £0.6 million).

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.

As at the year end the Group cash flow had minimal impact from the Covid outbreak as 44% - £24m of income is derived from funding agency allocations which have continued to be paid in line with the original payment schedule and approximately £12m from SLC from which the 50% funding element was received in May 2020. The Group has also benefitted from £737k of payments from the Job Retention Scheme.

Reserves policy

Total reserves were £5.6 million at 31 July 2020 (2018/19: £19.7 million) and comprised an income and expenditure deficit of £8.8 million (2018/19: £5.2 million reserve) and a revaluation reserve of £14.4 million (2018/19: £14.4 million). The total net assets of £5.6 million (2018/19: £19.7 million) included cash at bank and in hand of £4.5 million (2018/19: £5.7 million) and net current assets of £0.4 million (2018/19: £1.4 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.

The Governors have considered the impact of Covid in arriving at the conclusions above.

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 2019/20 are provided in the table below:

Learner Category	Doncaster College	North Lindsey College	Total
16 – 18	2,747	1,761	4,508
Adult – Adult Education Budget	2,814	1,505	4,319
Adult – Learner Loan	508	99	607
Adult – Other	622	985	1,607
Higher Education	1,221	1,265	2,486
Apprenticeships	1,445	1,224	2,669
Total	**9,357**	**6,839**	**16,196**

Performance Indicators

Performance against 2019/20 targets for the Group are provided in the table below:

Further Education		**Target 2019/20**	**Actual 2019/20**
Young People	Achievement	85%	91%
	GCSE English Higher Grades	25%	34%
	GCSE English Progress	45%	59%
	GCSE Maths Higher Grades	20%	32%
	GCSE Maths Progress	35%	61%
Adult Learning	Achievement	89%	87%
	GCSE English Higher Grades	55%	51%
	GCSE Maths Higher Grades	42%	62%
Apprenticeships			
Intermediate	Achievement	73%	67%
Advanced	Achievement	78%	66%
Higher	Achievement	67%	46%

Higher Education		**Target 2019/20**	**Actual 2019/20**
Performance	Overall Achievement Rate	95%	88%
	Overall Retention	88%	92%
	Continuation Rate (Full Time)	84%	83%
	Honours Degree Classification 1st/2:1	55%	59%
National Student Survey	Overall Satisfaction	88%	86%
	Teaching	90%	89%
	Assessment & Feedback	87%	86%
	Academic Support	87%	85%

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 2019/20 with a "Good" rating being achieved. The Group's financial health grade of 'Good' is defined as 'Sufficiently robust finances to meet current obligations and respond successfully to most opportunities or adverse circumstances'.

Measure*	Group Plan 2019/20	Group Actual 2019/20	Achieved
Adjusted Current ratio	2.07	1.36	x
Borrowing as a % of Income	8.13%	8.63%	x
Sector EBITDA as % of Income	9.87%	5.81%	x
Overall Score	Outstanding	Good	x

*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.

Curriculum Developments

DN Colleges Group is a significant regional provider of education and training across Yorkshire and the Humber operating from two main sites in Scunthorpe and Doncaster. The Group has 6,533 adult students, 4,508 16-18 students, 2,669 apprentices and 2,486 Higher Education students. The Group continues to realign its structure and resources to meet local needs and has established 2 Strategic Local Stakeholder Groups to help shape its Curriculum Blueprint setting out a clear framework for developing a dynamic, responsive and innovative curriculum offer that meets the needs of individuals and employers.

Whilst the demographic fall in school leavers has bottomed out, with numbers now growing again, the Education for Young People market remains highly competitive with 6th form colleges, school 6th forms, UTCs, a National College and adjacent FE colleges all recruiting in across our catchment area and therefore retaining market share remains a key risk for the Group. Whilst the Group maintains a highly inclusive curriculum that serves the needs of its community, it continues to build on its technical and professional provision and has been selected to deliver T Levels in 2021 across 4 subject areas; Construction Health and Social Care, Childcare and Digital Technologies.

The Group continues to prioritise apprenticeships and Higher Education as key areas of growth and in response to the significant increase in apprenticeships and Higher Education students has made a substantial investment in developing a dedicated University Campus in North Lincolnshire (UCNL) which will incorporate an Institute of Technology (IoT) in partnership with the University of Lincoln and other FE Colleges across Lincolnshire. While this expansion is based on identified need there are risks associated with growing this provision linked to national policy and the local economy. For instance, the uncertainty around the future of British Steel combined with Brexit has already had an impact on the confidence in an area where the reliance on manufacturing is high and the College has developed new markets in the rail, chemical and renewable sectors to compensate for this.

Performance across the Group has been broadly in line with expectations with achievements for programmes for young people and adults being at or slightly above national average, apprenticeship achievements remaining above the national average and Higher Education achievements remaining high, with a marked increase in satisfaction rates in the National Student Survey (NSS).

Recruiting, retaining and developing staff to deliver high quality, industry relevant programmes remains a challenge and the Group has recruited a dedicated resourcing manager to assist with this with early indicators showing a fall in hard to fill vacancies resulting in a substantial reduction in agency staff and the associated costs.

REPORT OF THE GOVERNING BODY (Continued)

There are a number of opportunities linked to engineering, health, digital, construction and renewables that the Group will prioritise in 2019/20 particularly in developing new apprenticeship standards, Higher Education provision and technical qualifications and these should provide the basis for continued future growth and financial sustainability.

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 £5.6m (including £37.6 million pension liability) and long term debt of £4.5 million.

The Group employs 1,016 full time equivalents, of whom 408 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 learners and the communities it serves.

Going Concern
The Group post-merger continues to maintain a healthy total net assets position.

The Group has maintained excellent working relations with its bankers and loans held by Doncaster College with Lloyds Bank were restructured at the point of merger to reduce the amount of term loans and replace with a revolving credit facility. This change has provided greater flexibility to manage interest costs in the future and take advantage of the cash resources of the Group. The Groups 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 potentially at risk, in particular higher education, apprenticeship income and other commercial income, and staff pay costs has been undertaken to assess headroom cover before the Group would be at risk of covenant breach. The Group deems the risk of covenant breach to be low risk. Monthly cash flow forecasts have also been reviewed as part of the sensitivity analysis to confirm sufficient cash is available.

The Group's budget for the next 12 months through 2020/21 was prepared taking into consideration the perceived impact of Covid. The income expectation has been reduced for Apprenticeships with no new Apprentices expected before 1 January 2021. The funding body allocations have remained unchanged and enrolment in 2020/21 has demonstrated that the allocation targets will have been reached. HE student recruitment has fallen behind target but with minimal impact on the operating results of the Group as costs are being closely managed to mitigate. The group is taking initiatives to recover any lost income potential at enrolment. Looking beyond the financial year ending 31 July 2021, the demand for further education appears healthy with projected increases in local demographics combined with a post Covid-19 recovery. On that basis, the Group are forecasting increase in EBITDA and operating surpluses for the 2021/22 financial year as well as compliance with all covenant requirements.

The Group has made significant investment in IT to enable both students and staff to access the College systems remotely and developed its online teaching capabilities with the adoption of various software packages. Both sites have been adapted to be as safe as possible for students and staff to attend and will continue to offer a blended learning approach whilst having the capability to deliver wholly online should further lockdown measures be enforced.

REPORT OF THE GOVERNING BODY (Continued)

After making appropriate enquiries, the Corporation considers that the Group has adequate resources; £5.6 million (2018/19: £19.7 million) net assets and £4.5 million (2018/19: £5.7 million) cash at bank and in hand to continue in operational existence for the foreseeable future, defined as the end of the 2021/22 academic year. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

Future Developments
The Strategic Plan 2019-2022 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 blended learning and student support
- **S04 – Progression** – Enhance, augment 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 – Finance/MIS/HR** – Embed robust planning and timely reporting to support informed decision making

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

For 2020/21 there remains a large degree of uncertainty and risks to both income streams and expenditure. Since finalising the budget, the Government has announced a number of initiatives that has resulted in additional funding being secured to compensate current challenges in recruitment for Higher Education.

A £96m one off 16-19 tuition fund was announced, ringfenced for Colleges to support small group tuition for 16-19 students in English, Maths, and other courses where learning has been disrupted. DNCG's share of this funding is £704k. Final Adult Education Budgets have been received, with an additional £402k being allocated, split £90k for additional sector-based work academies and £312k COVID-19 skills funding.

The Group is well placed to take advantage of further funding opportunities as they arise, and as the economy adjusts to the impact from Covid.

REPORT OF THE GOVERNING BODY (Continued)

Performance targets for 2020/21:

Further Education		**Target 2020/21**
Young People ***Covid impact of grading 19/20**	Achievement	89%
	GCSE English Higher Grades	*25%
	GCSE English Progress	*55%
	GCSE Maths Higher Grades	*25%
	GCSE Maths Progress	*50%
Adult Learning	Achievement	90%
	GCSE English Higher Grades	55%
	GCSE Maths Higher Grades	45%
Apprenticeships		
Intermediate	Achievement	70%
Advanced	Achievement	70%
Higher	Achievement	65%

Higher Education		**Target 2019/20**
Performance	Overall Achievement Rate	89%
	Overall Retention	90%
	Continuation Rate (Full Time)	84%
	Honours Degree Classification 1st/2:1	59%
National Student Survey	Overall Satisfaction	88%
	Teaching	90%
	Assessment & Feedback	86%
	Academic Support	87%

REPORT OF THE GOVERNING BODY (Continued)

PRINCIPAL RISKS AND UNCERTAINTIES

Risk Management

The Group has well developed strategies for managing risk 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 at 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	UCNL – Failure to successfully open University Campus North Lincolnshire
11	High Melton - Failure to complete timely disposal of, and realise value-for-money from, High Melton asset
12	Governance – Failure to develop and maintain an effective corporate governance and internal control framework
13	Failure to develop and maintain effective control measures to prevent the transmission of COVID-19 on campus

Principal Risks and Uncertainties

The impact from Covid has created a significant risk to not only the Group, but also to the local communities that we serve.

REPORT OF THE GOVERNING BODY (Continued)

The biggest risk is the failure to recruit students in all subject areas within the next few years, specifically in view of the continuing demographic dip. Two areas of significant risk are apprenticeships and higher education in the short term. Whilst apprenticeship income has been risk adjusted in the 2020/21 budget, the full impact of COVID-19 on recruitment remains to be seen. In addition, there is some early evidence that students are enrolling via traditional Further Education pathways rather than apprenticeships on some courses, which creates a risk to achieving apprenticeship income targets and in year delivery pressures as Further Education is lagged funding. The Group has accessed additional funding to mitigate this risk somewhat, with additional measures taken for targeted cost reductions.

The cost of pensions remains a significant concern. The expectation is that both the pension deficit and cost of providing future pensions will be substantially higher in the future. The Group has set a target for staff costs to be lower than 65% of income to manage this risk and is actively managing the recruitment of new and replacement posts. The Group continues to discuss continuation of the Teachers Pension funding post March 2021 with the ESFA and Association of Colleges.

The risks of reduced income and increased costs combine to present cashflow pressures in the Spring of 2021. The Group is finalising the details for the sale of High Melton and access to short term borrowing is available to address short term liquidity if required.

The UK’s decision to leave the European Union continues to create uncertainty. The impact on student and staff recruitment remains unclear, and it remains to be seen how this will develop in the longer term and the potential impact upon supply chains. The Group has a separate risk register for BREXIT, with mitigating controls and action plan to minimise the impact of the UK leaving the European Union. The Group also follows guidance from the Association of Colleges and as a member of Doncaster Council’s BREXIT Transition Forum.

The Group has implemented blended learning to mitigate the risk of College closures, but student engagement is key to successful academic performance. Post year end the Group has made significant investment in digital equipment to enable students to engage.

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.

REPORT OF THE GOVERNING BODY (Continued)

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
6	6

Percentage of time	Number of employees
0%	-
1-50%	6
51-99%	-
100%	-

Total cost of facility time	£0.023m
Total pay bill	£36.6m
Percentage of total bill spent on facility time	0.06%

Time spent on paid trade union activities as a percentage of total paid facility time	0%

EQUALITY AND DIVERSITY

The Group is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, gender, sexual orientation, disability, religion or belief and age. We strive vigorously to remove conditions which place people at a disadvantage or treat people less favourably because of protected characteristics, or by conditions imposed which cannot be objectively justified. The Group's Equality and Diversity Policy is published on the Group's intranet sites and is resourced, implemented and monitored on a regular basis.

The Group publishes regular Equality and Diversity reports to ensure compliance with all relevant equality legislation including the Equality Act 2010. The Group undertakes equality impact assessments on all new policies and procedures and publishes the results. Equality impact assessments are also undertaken for existing policies and procedures on a prioritised basis. An Equality and Diversity Leader takes responsibility for working across each College on Equality and Diversity themes and events and for the effective embedding of Equality and Diversity in teaching and learning.

An Equality and Diversity group, comprising staff, students and governors meet regularly throughout the year to review the annual quality improvement plan and carry out a range of projects and monitoring activities. Equality and Diversity objectives and actions are included in the Strategic Plan and Risk Register.

The Group is a 'Positive about Disabled' employer and has committed to the principles and objectives of the Positive about Disabled standard. The Group considers all employment applications from disabled persons, bearing in mind the aptitudes of the individuals concerned, and guarantees an interview to any disabled applicant who meets the essential criteria for the post. Where an existing employee becomes disabled, every effort is made to ensure that employment with the Group continues. The Group's policy is to provide training, career development and opportunities for promotion which, as far as possible, provide identical opportunities to those of non-disabled employees. The Group seeks to make reasonable adjustments to its estate and practices to avoid any disadvantage to an individual.

REPORT OF THE GOVERNING BODY (Continued)

The Group has committed to the 'Mindful Employer' initiative to assist the mental health wellbeing of staff. The Group has also implemented an updated Equality and Diversity training programme for staff. Refresher training and training for new starters is carried out on a continuous basis.

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 with the Complaints and Disciplinary procedures which are covered during the induction period and included in a short summary guide available at enrolment.

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 2019 to 31 July 2020, the College paid 70.5% (2018/19 - 62.5%) of its invoices within 30 days. The Group incurred no interest charges in respect of late payment for this period.

Post Balance Sheet Events

Doncaster College was the victim of a significant and well-organised cyber-attack which became apparent on Tuesday 1st September. Immediate actions were taken to contain the attack and to establish its extent. Working with cyber security consultants it was established that a ransomware attack had taken place, taking the form of encryption of our data and consequential shutdown of our services. This attack was unknown to our incumbent anti-malware protection software. It appears that a number of other educational institutions in the UK suffered the same or a similar attack around the same time. A major incident management team was put in place and work since has progressed to contain, diagnose, plan and recover. This has been reported to the relevant regulators and authorities. The Group have invested £150k in new IT Software and Hardware to prevent the recurrence of such an incident.

North Lindsey College has not suffered this attack, but further mitigations have been put in place at North Lindsey College as precaution. The anti-malware protection software in use at North Lindsey is able to detect and prevent the particular attack that was deployed at Doncaster.

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 14 December 2020 and signed on its behalf by:

....
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 2019 to 31 July 2020 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 2020. This opinion is based on an external review of compliance with the Code/Governance Evaluation reported to the board on 23 September 2020. This external review was undertaken by RSM Risk Assurance Services LLP. 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	8 out of 8
Mr P Pascoe (Vice Chair)	March 2012	3		Member	Finance & Resources, Search & Governance, HE Performance & Quality; Audit & Risk	8 out of 8
Mr A Ball	December 2018	1		Member	Audit & Risk, Search & Governance;	7 out of 8
Mr L Benson	August 2020	1		HE Student Governor	HE Performance & Quality	1 out of 2
Mrs R Brook	December 2015	2		Member	Finance & Resources, Curriculum Quality & Performance, HE Performance & Quality, Optime Support Ltd (from February 2020)	8 out of 8
Mr T Burton	August 2020	1		Member	Curriculum, Quality & Performance; HE Performance & Quality	2 out of 2
Mr G Clarke	October 2013	2		Member	Audit & Risk, Curriculum Quality & Performance	7 out of 8
Mr R Eccleston	August 2020	1		Member	Audit & Risk; HE Performance & Quality	1 out of 2
Mr R Gravestock	August 2020	1		Member	Audit & Risk; Finance & Resources	2 out of 2
Mr P Grinell	March 2012	3		Member	Audit & Risk, Curriculum Quality & Performance, Kingsway Consulting, DC Teach; Finance & Resources; HE Performance & Quality	8 out of 8
Mrs M Keyworth	January 2017	1	31 July 2020	Member	Audit & Risk, HE Performance & Quality	6 out of 6
Mr A Khan	July 2011	3	31 July 2020	Member	Finance & Resources	5 out of 6
Mr B Lawrance	August 2019	1		As of 1 August 2020 Co-Opted Member CQP	Curriculum Quality & Performance	3 out of 5
Mr M Lochran	7 August 2020			Chief Executive Officer	Finance & Resources; Search & Governance; Curriculum Quality & Performance; HE Performance & Quality	2 out of 2

Name	Date of First Appointment	Term of Office	Date of Resignation	Status of Appointment	Committees Served	Corporation Meeting Attendance
Mr M Lynds	November 2013	2	31 January 2020	Member	Audit & Risk, Search & Governance	1 out of 3
Mr H Osborne	December 2004	3	31 January 2020	Member	Audit & Risk, Optime Support (from May 2019)	2 out of 3
Mr P Scanlon	March 2019	1		Member	Finance & Resources, Remuneration Committee, SPH Staffing Committee; Curriculum Quality & Performance	6 out of 8
Mr P Senior	April 2017	1		Member	Audit & Risk, Curriculum Quality & Performance, HE Performance & Quality;	8 out of 8
Mr M Swales	March 2017	1		Member	Finance & Resources, Search & Governance, HE Performance & Quality, SPH Staffing Committee, Remuneration Committee	7 out of 8
Mr L Tillman	March 2019	1		Member	Search & Governance	7 out of 8
Mr L Walker	March 2019	1		Member	Audit & Risk; Search & Governance	7 out of 8
Miss L Sharp	November 2008	3		Staff Member	Finance & Resources, Search & Governance; Curriculum, Quality & Performance	7 out of 8
Mr N Jackson	August 2017	1	31 October 2020	Staff Member	Curriculum Quality & Performance, Search & Governance; HE Performance & Quality	8 out of 8
Ms C Byrne	December 2018	1	31 July 2020	Student Member	HE Performance & Quality	2 out of 5
Mrs A Tyrrell	September 2012		6 August 2020	Chief Executive Officer	Finance & Resources, Curriculum Quality & Performance, Search & Governance, HE Performance & Quality	7 out of 7
Mrs A Ward	August 2020	1		Member	Search & Governance, HE Performance & Quality	2 out of 2
Mr J Wilson	December 2019	1		HE Student Governor	HE Performance & Quality	5 out of 7
Miss A Fardineen	October 2020	1		FE Student Governor	Curriculum, Quality & Performance	0 out of 1
Mr L Hopkins	October 2020	1		FE Student Governor	Curriculum Quality & Performance	0 out of 1
Mr L Randell	October 2019	1	31 July 2020	FE Student Governor	Curriculum Quality & Performance	3 out of 5
Ms B Wilson	October 2019	1	January 2020	FE Student Governor	Curriculum Quality & Performance	0 out of 2

The Clerk to the Corporation during 2019/20 was Joanne Garrison

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 twice each term.

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Audit & Risk, Finance & Resources, Curriculum Quality & Performance, HE Performance and Quality, Search and Governance. Following the Board's adoption of the AoC Remuneration Code on 22 May 2019, two new committees – Senior Post Holder Staffing Committee and Remuneration Committee – were formed. 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 2020, the Corporation's Finance & Resources Committee comprised eight members. The Committee considers issues primarily of a financial, property or employment nature and had certain delegated authorities from the Corporation, including the review and approval of the remuneration and benefits of the Accounting Officer and other senior post-holders. Review and approval of senior pay and Accounting Officer has been the responsibility of the Search & Governance and Curriculum, Quality & Performance Committee's from 1 August 2019. Details of remuneration for the year ended 31 July 2020 are set out in note 10 to the financial statements.

Corporation performance
The Corporation is satisfied that it performed effectively for 2019/20, 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.

Audit & Risk Committee
The Audit & Risk Committee comprises six 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 on a termly basis and provides a forum for reporting by the College's internal, regularity and financial statements auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the main 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 of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Corporation has delegated the day-to-day responsibility to the 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 she is personally responsible, in accordance with the responsibilities assigned to her in the Financial Memorandum between the Group and the funding bodies. She is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (Continued)

The purpose of the system of internal control
The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of 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 2020 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 2020 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.

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 annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit & 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 2020, 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.

As a result of Covid the initial internal audit Visit 2 for the period 1 January 2020 to 30 March 2020 was deferred and the work undertaken with the Visit 3 audit (1 April to 31 July 2020) in September 2020. All aspects of the audit were successfully carried out remotely with no impact on the areas covered or corresponding results.

Risks faced by the corporation

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 risks are as outlined on page 11.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (Continued)

Control weaknesses identified

The internal audit annual report identifies two topics where controls could be enhanced further.

- The internal audit 2019/20 Funding Assurance review, focusing on 16-19 and AEB learners with a follow up of key issues identified within our Post 1-May 2017 Apprenticeship review in 2018/19, identified three high and nine medium priority areas of non-compliance with the ESFA Funding Rules. All high priority actions related to Post 1-May 2017 apprenticeships, with the Group implementing updated processes and procedures to address the non-compliance issues identified.
- The internal audit 2019/20 Cyber Risk Management gave a reasonable assurance rating. However, during September 2020 the Group had been subject to a successful phishing attack on its servers hosted from Doncaster College.

The Office for Students undertook an audit of 2018-19 ILR higher education student data and sums charged to higher education students, concluding their work in December 2020. The audit highlighted 17 recommendations to enhance internal controls, with an action plan to be developed to respond to the recommendations.

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 2019/20 at its meeting on 18 September 2019. The Committee reviewed its Quality Improvement Plan at its meetings on 11 March 2020 and 9 June 2020. The Committee reflected on its effectiveness in 2019/20 on 23 September 2020. 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 2019/20. Based on all of its work during the year, the Audit & Risk Committee is of the opinion that the:

- 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 2020 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.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (Continued)

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 60.

Review of effectiveness

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

- The work of the internal auditors;
- The work of the 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 their management letters and other reports.

The Accounting Officer has been advised on the implications of the result of her review of the effectiveness of the system of internal control by the Audit & 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.

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 **14 December 2020** and signed on its behalf by:

Mrs A Briggs
Chair

Mick Lochran

Mr M Lochran
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 irregularity, impropriety or funding non-compliance have been discovered to date. If any instances are identified after the date of this statement, these will be notified to the ESFA.

Mrs A Briggs	Mick Lochran
Chair	**Mr M Lochran**
14 December 2020	**Accounting Officer**
	14 December 2020

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 colleges 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 must 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 **14 December 2020** and signed on its behalf by:

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 college') and its subsidiaries (the 'group) for the year ended 31st July 2020 which comprise Consolidated and College Statements of Comprehensive **Income, Consolidated and College Balance Sheet, Consolidated and College Statement of Changes in Reserves, Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including 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 of the parent corporation's affairs as at 31st July 2020 and of the group's deficit of income over expenditure and of the parent corporation's deficit of income over expenditure for the year then ended; and
- have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice and 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.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the corporation and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's and parent college's future prospects and performance.

Covid-19 and Brexit are one of the most significant economic events for the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the group's and parent corporation's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a group or parent corporation associated with a course of action such as Brexit.

Conclusions relating to going concern

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

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

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

In our evaluation of the Members of the Corporation conclusions, we considered the risks associated with the group's and parent corporation's business model, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the group's and parent corporation's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group and parent corporation will continue in operation.

Other information

The Members of the Corporation are responsible for the other information. The other information comprises the information included in the annual report**,** other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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 and Skills Funding Agency and the Department of 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's accounts direction (issued October 2019) have been met.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Post-16 Audit Code of Practice 2019 to 2020 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.

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

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 Members of the Corporation for the financial statements

As explained more fully in the statement of responsibilities of the Members of the Corporation set out on page 25, the Members of the Corporation are responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Members of the Governing Body's 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 relating to going concern and using the going concern basis of accounting unless the Members of the Corporation either intends to liquidate the group or parent corporation or to cease operations, or has 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.

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

Use of our report

This report is made solely to the Members of the Corporation ,as a body, in accordance with the terms of our engagement letter dated 21/10/2020 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 it 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.

Grant Thornton UK LLP

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
1 Whitehall Riverside

Leeds

LS1 4BN
17/12/2020

CONSOLIDATED AND COLLEGE STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 JULY 2020

	Note	Group 2020 £000	College 2020 £000	Restated Group 2019 £000	College 2019 £000
INCOME					
Funding body grants	3	35,107	35,107	35,198	35,198
Tuition fees and education contracts	4	15,672	15,672	14,343	14,343
Other grants and contracts	6	1,775	1,464	981	981
Other income	7	1,635	1,951	2,166	2,555
Investment income	8	35	38	52	51
Total Income		54,224	54,232	52,740	53,128
EXPENDITURE					
Staff costs	9	38,049	37,707	34,380	34,372
Other operating expenses	11	13,341	13,666	13,807	14,041
Depreciation and amortisation	15/16	4,307	4,307	3,854	3,854
Impairment	16	1,000	1,000	-	-
Interest and other finance costs	12	795	795	675	671
Total Expenditure		57,492	57,475	52,716	52,938
(Deficit)/Surplus before other gains and losses		(3,268)	(3,243)	24	190
Gain/(loss) on disposal of tangible and intangible fixed assets	16	5	5	53	53
(Deficit)/Surplus) before tax		(3,263)	(3,238)	77	243
Taxation	14	-	-	-	-
(Deficit)/Surplus for the year		(3,263)	(3,238)	77	243
Re-measurement of net defined benefit pension scheme	24	(10,802)	(10,772)	(11,120)	(11,054)
Other Comprehensive Income for the year		(10,802)	(10,772)	(11,120)	(11,054)
Total Comprehensive Income for the year		(14,065)	(14,010)	(11,043)	(10,811)
(Deficit)/Surplus for the year attributable to the College Corporation		(3,263)	(3,553)	77	243
Total Comprehensive Income for the year attributable to the College Corporation		(14,065)	(14,010)	(11,043)	(10,811)

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

There has been a restatement of the group figures for 2019 details of which can be found in note 30.

CONSOLIDATED AND COLLEGE BALANCE SHEETS AS AT 31 JULY 2020

	Notes	Group 2020 £000	College 2020 £000	Restated Group 2019 £000	College 2019 £000
Non-current assets					
Intangible assets	15	545	545	616	616
Tangible fixed assets	16	78,756	78,756	75,593	75,593
		79,301	79,301	76,209	76,209
Current assets					
Stocks		187	187	161	161
Trade and other receivables	18	3,181	3,505	3,917	4,285
Cash at bank and in hand		4,499	4,263	5,656	5,503
		7,867	7,955	9,734	9,949
Current Liabilities					
Creditors: amounts falling due within one year	19	(7,441)	(7,549)	(8,303)	(8,550)
Net current assets		426	406	1,431	1,399
Total assets less current liabilities		79,727	79,707	77,640	77,608
Creditors: amounts falling due after more than one year	20	(34,620)	(34,620)	(31,259)	(31,259)
Provisions for liabilities					
Defined benefit pension scheme	21/24	(37,596)	(37,484)	(24,779)	(24,710)
Other provisions	21	(1,958)	(1,958)	(1,984)	(1,984)
Total net assets		5,553	5,645	19,618	19,655
Unrestricted Reserves					
Income and expenditure reserve		(8,810)	(8,718)	5,203	5,240
Revaluation reserve		14,363	14,363	14,415	14,415
Attributable to the College Corporation		5,553	5,645	19,618	19,655
Attributable to minority interests		-	-	-	-
Total unrestricted reserves		5,553	5,645	19,618	19,655

The financial statements on pages 29 to 59 were approved and authorised for issue by the Corporation on 14 December 2020 and were signed on its behalf by:

Mick Lochran

Mrs A Briggs
Chair

Mr M Lochran
Accounting Officer

CONSOLIDATED AND COLLEGE STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 31 JULY 2020

	Income and expenditure reserve £000	Revaluation reserve £000	Non-controlling interest £000	Total £000
Group				
Balance at 1 August 2018	16,194	14,467	-	30,661
Surplus for the year - **Restated**	77	-	-	77
Other comprehensive income - **Restated**	(11,120)	-	-	(11,120)
Transfers between revaluation and income and expenditure reserves	52	(52)	-	-
Total comprehensive income for the year - Restated	(10,991)	(52)	-	(11,043)
Balance at 31 July 2019 - Restated	5,203	14,415	-	19,618
Deficit for the year	(3,263)	-	-	(3,263)
Other comprehensive income	(10,802)	-	-	(10,802)
Transfers between revaluation and income and expenditure reserves	52	(52)	-	-
Total comprehensive income for the year	(14,013)	(52)	-	(14,065)
Balance at 31 July 2020	(8,810)	14,363	-	5,553
College				
Balance at 1 August 2018	15,999	14,467	-	30,466
Surplus for the year	243	-	-	243
Other comprehensive income	(11,054)	-	-	(11,054)
Transfers between revaluation and income and expenditure reserves	52	(52)	-	-
Total comprehensive income for the year	(10,759)	(52)	-	(10,811)
Balance at 31 July 2019	5,240	14,415	-	19,655
Deficit for the year	(3,238)	-	-	(3,238)
Other comprehensive income	(10,772)	-	-	(10,772)
Transfers between revaluation and income and expenditure reserves	52	(52)	-	-
Total comprehensive income for the year	(13,958)	(52)	-	(14,010)
Balance at 31 July 2020	(8,718)	14,363	-	5,645

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 JULY 2020

	2020 £000	Restated 2019 £000
(Deficit)/Surplus after tax for the year	(3,263)	77
Adjustment for:		
Depreciation and impairment losses	5,307	3,854
Investment income	(35)	(52)
Interest payable	795	675
(Gain) on disposal of fixed assets	(5)	(53)
(Decrease)/Increase in provisions	(26)	62
Pensions costs less contributions payable	1,496	565
Grants released	(1,701)	(1,474)
Operating cash flow before movements in working capital	2,568	3,654
(Increase) in stocks	(26)	(17)
Decrease / (Increase) in debtors	736	(1,472)
(Decrease)/Increase in creditors	(838)	1,588
Cash generated from operations	2,440	3,753
Taxation paid	-	-
Net cash from operating activities	2,440	3,753
Investing activities		
Investment income	35	52
Capital grants received	5,352	116
Proceeds of sale of fixed assets	5	219
Purchase of fixed assets	(8,399)	(4,430)
	(3,007)	(4,043)
Financing activities		
Interest paid	(292)	(323)
Repayments of borrowings	(298)	(297)
	(590)	(620)
(Decrease) in cash and cash equivalents in the year	(1,157)	(910)
Cash and cash equivalents at beginning of the year	5,656	6,566
Cash and cash equivalents at end of the year	4,499	5,656

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTES TO THE FINANCIAL STATEMENTS

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 (the 2019 FE HE SORP), the College Accounts Direction for 2019 to 2020 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 2020.

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 2020 in accordance with Section 476 of the Companies Act.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Going concern

The Group post-merger continues to maintain a healthy total net assets position.

The Group has maintained excellent working relations with its bankers and loans held by Doncaster College with Lloyds Bank were restructured at the point of merger to reduce the amount of term loans and replace with a revolving credit facility. This change has provided greater flexibility to manage interest costs in the future and take advantage of the cash resources of the Group. The Groups 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 potentially at risk, in particular higher education, apprenticeship income and other commercial income, and staff pay costs has been undertaken to assess headroom cover before the Group would be at risk of covenant breach. The Group deems the risk of covenant breach to be low risk. Monthly cash flow forecasts have also been reviewed as part of the sensitivity analysis to confirm sufficient cash is available.

The Group's budget for the next 12 months through 2020/21 was prepared taking into consideration the perceived impact of Covid. The income expectation has been reduced for Apprenticeships with no new Apprentices expected before 1 January 2021. The funding body allocations have remained unchanged and enrolment in 2020/21 has demonstrated that the allocation targets will have been reached. HE student recruitment has fallen behind target but with minimal impact on the operating results of the Group as costs are being closely managed to mitigate. The group is taking initiatives to recover any lost income potential at enrolment. Looking beyond the financial year ending 31 July 2021, the demand for further education appears healthy with projected increases in local demographics combined with a post Covid-19 recovery. On that basis, the Group are forecasting increase in EBITDA and operating surpluses for the 2021/22 financial year as well as compliance with all covenant requirements.

The Group has made significant investment in IT to enable both students and staff to access the College systems remotely and developed its online teaching capabilities with the adoption of various software packages. Both sites have been adapted to be as safe as possible for students and staff to attend and will continue to offer a blended learning approach whilst having the capability to deliver wholly online should further lockdown measures be enforced.

After making appropriate enquiries, the Corporation considers that the Group has adequate resources; £5.6 million (2018/19: £19.7 million) net assets and £4.5 million (2018/19: £5.7 million) cash at bank and in hand to continue in operational existence for the foreseeable future, defined as the end of the 2021/22 academic year. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 in the period for which it is received.

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

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

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

Short term employment benefits
Short term employment benefits such as salaries and compensated absences (holiday pay) are recognised as an expense in the year in which the employees render service to the 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 cost 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 to 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 payments 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.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate that reflects the risks specific to the

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 probable 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 risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis
- Determine whether there are indicators of impairment of the group's tangible assets. 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 2020. 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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.

Uncertainty in valuation of property assets held by pension scheme:

Within the South Yorkshire Pension Fund details for which are set out in note 24, the valuers have reported the property fund's valuation as subject to 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation of property funds than would normally be the case. The College has concluded that, on the basis that the value of pension assets held in property at 31 July 2020 is not material in the context of overall pension assets and after considering that pension assets, including property, are invested for long-term gains, the uncertainty reported by property valuers does not have a material impact on these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. Funding body grants

	2020 Group £000	**2020 College £000**	**2019 Group £000**	**2019 College £000**
Recurrent grants				
Education and Skills Funding Agency – 16-18	19,568	19,568	20,335	20,335
Education and Skills Funding Agency– adult	4,654	4,654	4,571	4,571
Education and Skills Funding Agency– apprenticeships	7,031	7,031	7,117	7,117
Higher Education Funding Council / OFS	1,109	1,109	1,023	1,023
Specific grants				
Education and Skills Funding Agency	1,664	1,664	1,099	1,099
Release of government capital grants	1,081	1,081	1,053	1,053
Total	35,107	35,107	35,198	35,198

4. Tuition fees and education contracts

	2020 Group £000	**2020 College £000**	**2019 Group £000**	**2019 College £000**
Tuition Fees	15,112	15,112	13,513	13,513
Education contracts	560	560	830	830
Total	15,672	15,672	14,343	14,343

Tuition fees funded by bursaries
Included within the above amounts are tuition fees funded by bursaries of £100,724 (2018/19: £95,818).

5. Higher Education - Grant and Fee Income

	2020 Group £000	**2020 College £000**	**2019 Group £000**	**2019 College £000**
Grant income from Office for Students	1,109	1,109	1,023	1,023
Fee income for taught awards	13,035	13,035	10,890	10,890
Fee income for non-qualifying course	81	81	136	136
Total	14,225	14,225	12,049	12,049

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

	2020 Group £'000	2020 College £'000	2019 Group £'000	2019 College £'000
Erasmus	136	136	162	162
Other grant income	282	282	398	398
Non-government capital grants	620	620	421	421
Coronavirus Job Retention Scheme grant	737	426	-	-
Total	1,775	1,464	981	981

The corporation furloughed catering, cleaning and some of its support and teaching staff under the government's Coronavirus Job Retention Scheme. The funding received by the Group of £737,685 (£426,265 in College) relates to staff costs which are included within the staff costs note below as appropriate.

7. Other income

	2020 Group £000	2020 College £000	2019 Group £000	2019 College £000
Catering	602	602	789	789
Other income generating activities	1,033	1,349	1,377	1,766
Total	1,635	1,951	2,166	2,555

8. Investment income

	2020 Group £000	2020 College £000	2019 Group £000	2019 College £000
Other interest receivable	35	38	52	51
Total	35	38	52	51

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:

	2020 Group No.	2020 College No.	2019 Group No.	2019 College No.
Teaching staff	408	408	369	369
Non-teaching staff	608	416	565	428
Total	1,016	824	934	797

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Expressed as Average Headcount:	**2020 Group No.**	**2020 College No.**	**2019 Group No.**	**2019 College No.**
Teaching staff	477	477	437	437
Non-teaching staff	820	533	709	517
Total	1,297	1,010	1,146	954

Staff costs for the above persons	**2020 Group £000**	**2020 College £000**	**Restated 2019 Group £000**	**2019 College £000**
Wages and salaries	27,648	23,083	25,294	21,353
Social security costs	2,364	2,044	2,146	1,873
Other pension costs	6,529	6,390	4,536	4,465
Payroll sub-total	36,541	31,517	31,976	27,691
Contracted out staffing services	1,069	5,775	2,165	6,447
Restructuring costs – contractual	175	170	188	183
Restructuring costs – non-contractual	264	245	51	51
Total	38,049	37,707	34,380	34,372

Restructuring payments were authorised by the Senior Leadership Team on various dates between August 2019 and July 2020.

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 2019/20 was as follows

Anne Tyrrell - Chief Executive Officer; Accounting Officer (until 31 July 2020)
Peter Doherty – Chief Operating Officer
Mick Lochran – Deputy Chief Executive and Principal (North Lindsey College)
Kathryn Brentnall – Principal (Doncaster College)
Maxina Butler-Holmes – Group Executive Director of Higher Education
Kit Sargent – Deputy Principal (North Lindsey College)
Barrie Shipley – Director of Finance
Steven Patterson – Director of Digital Technologies

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

	2020 No.	**2019 No.**
The number of key management personnel including the Accounting Officer was:	8	12

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**	
	2020 No.	**2019 No.**	**2020 No.**	**2019 No.**
£60,001 to £65,000 p.a.	1	1	-	-
£65,001 to £70,000 p.a.	3	3	-	-
£70,001 to £75,000 p.a.	-	1	-	-
£85,001 to £90,000 p.a.	-	1	-	1
£105,001 to £110,000 p.a.	2	3	-	-
£110,001 to £115,000 p.a.	-	1	-	-
£115,001 to £120,000 p.a.	1	-	-	-
£135,001 to £140,000 p.a.	-	1	-	-
£140,001 to £145,000 p.a.	1	1	-	-
Total	8	12	**-**	**1**

Based on total emoluments:	**Key management personnel**		**Other Staff**	
	2020 No.	**2019 No.**	**2020 No.**	**2019 No.**
£80,000 to 85,000 p.a.	1	2	-	-
£85,000 to 90,000 p.a.	1	3	-	-
£90,000 to 95,000 p.a.	2	1	-	-
£105,000 to £110,000 p.a.	-	-	-	1
£120,000 to 125,000 p.a.	-	1	-	-
£130,000 to 135,000 p.a.	-	1	-	-
£135,000 to 140,000 p.a.	1	2	-	-
£140,000 to 145,000 p.a	1	1	-	-
£155,000 to 160,000 p.a.	1	-	-	-
£180,000 to 185,000 p.a.	-	1	-	-
£190,000 to 195,000 p.a.	1	-	-	-
Total	8	12	**-**	**1**

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. All eight key management personnel were employed for the full year.

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

	2020 £000	**2019 £000**
Salaries	737	845
Employers National Insurance	92	107
Pension contributions	153	104
Total key management personnel compensation	982	1,056

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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:

	2020 £000	2019 £000
Basic Salary	141	141
Pension contributions	33	23
Total	174	164

A Tyrrell was Accounting Officer for North Lindsey College and Doncaster College to merger on 1 November 2017. A Tyrrell became Accounting Officer for DN Colleges Group on 1 November 2017 until 31 July 2020.

The governing body has adopted AoC's Senior Staff Remuneration Code in July 2019 and will assess pay in line with its principles in future. The remuneration package of key management staff 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 her 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.

	2020	2019
Basic Salary Pay Multiples		
Chief Executive Officer basic salary as a multiple of the median of all staff	5.81	5.84
Chief Executive Officer total remuneration as a multiple of the median of all staff	5.96	5.96

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 did not receive any payments from the Group in respect of their roles as governors.

The total expenses paid to or on behalf of the governors during the year was £2,402 – 7 governors (2018/19 : £3,649 – 7 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 (2018/19: £Nil).

11. Other operating expenses

	2020 Group £000	2020 College £000	2019 Group £000	2019 College £000
Teaching costs	6,792	6,792	6,899	6,993
Non-teaching costs	4,218	4,543	3,936	4,076
Premises costs	2,331	2,331	2,972	2,972
Total	13,341	13,666	13,807	14,041

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Surplus/(deficit) before taxation is after charging:	**2020 Group £000**	**2020 College £000**	**2019 Group £000**	**2019 College £000**
Auditors' remuneration				
- Financial statements audit	49	43	46	39
- Other services provided by the financial statements auditor – TPS audit, Corporation tax services	9	9	9	9
Internal audit fees	25	25	31	31
Hire of assets under operating leases	254	254	343	343

12. Interest and other finance costs – Group and College

	2020 Group £000	**2020 College £000**	**2019 Group £000**	**2019 College £000**
Bank loans, overdrafts and other loans	292	292	323	319
Net interest on defined pension liability (note 24)	503	503	352	352
Total	795	795	675	671

13. Access and Participation Plan

	2020 Group £000	**2020 College £000**
Access investment	90	90
Financial Support	83	83
Disability support (excluding expenditure included in the two categories above)	-	-
Research and evaluation	-	-
Total	173	173

2019/20 is the first year of the disclosure requirement therefore there are no comparatives for 2019 disclosed.

The above note includes staff costs totalling £88k which are already included in the overall staff costs in the Financial Statements note 9.

The total investment forecast in the Access and Participation Plan for 2019/20 was £401k. During 2019/20 the College invested £446k including the £173k categorised above. The remaining £273k was invested in Success and Progression.

The Access and Participation plan can be found on the UCNL website:
https://ucnl.ac.uk/wp-content/uploads/2020/05/DNCG-2019-20-Access-and-Participation-Plan.pdf

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. Taxation – Group

	2020 £000	2019 £000
UK corporation tax	-	-
Tax on surplus	-	-

15. Intangible assets

Group	**Software**	**Total**
Cost or valuation	**£000**	**£000**
At 1 August 2019	896	896
Additions	78	78
At 31 July 2020	974	974
Amortisation		
At 1 August 2019	280	280
Charge for period	149	149
At 31 July 2020	429	429
Net book value		
At 31 July 2020	545	545
At 31 July 2019	616	616

College	**Software**	**Total**
Cost or valuation	**£000**	**£000**
At 1 August 2019	896	896
Additions	78	78
At 31 July 2020	974	974
Amortisation		
At 1 August 2019	280	280
Charge for period	149	149
At 31 July 2020	429	429
Net book value		
At 31 July 2020	545	545
At 31 July 2019	616	616

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 2019	120,203	1,150	23,791	2,157	147,301
Additions	390	-	2,063	5,868	8,321
Reclassification	3,894	-	759	(4,653)	0
Disposals	-	-	(49)	-	(49)
At 31 July 2020	124,487	1,150	26,565	3,371	155,573
Depreciation and impairment					
At 1 August 2019	52,315	16	19,377	-	71,708
Charge for period	2,657	1	1,500	-	4,158
Impairment	1,000	-	-	-	1,000
Disposals	-	-	(49)	-	(49)
At 31 July 2020	55,972	17	20,828	-	76,817
Net book value					
At 31 July 2020	68,515	1,133	5,737	3,371	78,756
At 31 July 2019	67,888	1,134	4,414	2,157	75,593

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 2019	120,203	1,150	23,641	2,157	147,151
Additions	390	-	2,063	5,868	8,321
Reclassification	3,894	-	759	(4,653)	0
Disposals	-	-	(49)	-	(49)
At 31 July 2020	124,487	1,150	26,415	3,371	155,423
Depreciation and impairment					
At 1 August 2019	52,315	16	19,227	-	71,558
Charge for period	2,657	1	1,500	-	4,158
Impairment	1000	-	-	-	1,000
Disposals	-	-	(49)	-	(49)
At 31 July 2020	55,972	17	20,678	-	76,667
Net book value					
At 31 July 2020	68,515	1,133	5,737	3,371	78,756
At 31 July 2019	67,888	1,134	4,414	2,157	75,593

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:

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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 (2019: £11.6 million) that is not depreciated.

Following the decision, in 2017, to move the HE provision from the High Melton site to the HUB in Doncaster and to cease commercial activities at High Melton, the land and buildings at High Melton were impaired to market value of £3m. The Governors now consider the valuation of £2m to be a reasonable estimate of its current value so a further charge of £1m has been made in the current period to 31 July 2020. The valuation of the High Melton site at £2m was prepared by Lambert Smith Hampton on 9 September 2020, in support of an unconditional offer for purchase of the land.

The historical cost of the land and buildings at High Melton was £14,624,850 (2019: £14,624,850) of which £11,562,500 (2019: £11,562,500) relates to inherited assets. Accumulated depreciation, before impairments, of £5,426,371 had been applied to the assets, including £3,830,369 to the inherited assets.

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. 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 and DC Teach Limited are employment services. The principal activity of DC Teach Limited is the provision of tuition services.

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 2020.

18. Trade and other receivables

	2020 Group £000	2020 College £000	2019 Group £000	2019 College £000
Amounts falling due within one year:				
Trade debtors	955	941	1,098	1,039
Amounts owed by group undertakings	-	496	-	427
Prepayments and accrued income	1,383	1,225	1,812	1,812
Amounts owed by the ESFA	843	843	1,007	1,007
Total	3,181	3,505	3,917	4,285

Trade debtors is shown after provision for unrecoverable debts of £506,000 (2019: £207,000).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. Creditors: amounts falling due within one year

	2020 Group £000	2020 College £000	2019 Group £000	2019 College £000
Bank loans	304	304	296	296
Trade creditors	2,153	2,153	1,599	1,599
Amounts owed to subsidiary undertakings	-	324	-	505
Other taxation and social security	601	523	600	518
Other creditors	590	568	509	490
Accruals and deferred income	1,514	1,398	3,184	3,027
Government capital grants	1,441	1,441	1,454	1,454
Government revenue grants	752	752	533	533
Amounts due to the Education and Skills Funding Agency	86	86	128	128
Total	7,441	7,549	8,303	8,550

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

	2020 Group £000	2020 College £000	2019 Group £000	2019 College £000
Bank loans	4,228	4,228	4,531	4,531
Government capital grants	30,392	30,392	26,728	26,728
Total	34,620	34,620	31,259	31,259

Bank loans
Bank loans are repayable as follows:

	2020 Group £000	2020 College £000	2019 Group £000	2019 College £000
In one year or less	304	304	296	296
Between one and two years	310	310	304	304
Between two and five years	869	869	948	948
In five years or more	3,049	3,049	3,279	3,279
Total	4,532	4,532	4,827	4,827

The Group has three secured loans.

A £3.0 million loan from Lloyds Bank, of which £2.02 million is repayable as at 31 July 2020 (2019: £2.10 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 land and buildings of the College in Doncaster.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

A £1.0 million loan from Santander UK, of which £0.4 million is repayable as at 31 July 2020 (2019: £0.5 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 £2.11 million is repayable as at 31 July 2020 (2019: £2.23 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

Group and College	Defined benefit obligation	**Enhanced pension entitlements**	**Total**
	£000	**£000**	**£000**
At 1 August 2019 - Restated	24,779	1,984	1,984
Expenditure in the period	(1,303)	(149)	(149)
Additions in period	14,120	123	123
At 31 July 2020	37,596	1,958	1,958

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:

	2020	**2019**
Price inflation	2.20%	2.20%
Discount rate	1.30%	2.00%

22. Cash and cash equivalents

	As at August 2019	**Cash flows**	**Other changes**	**At 31 July 2020**
	£000	**£000**	**£000**	**£000**
Cash and cash equivalents	5,656	(1,157)	-	4,499
Overdrafts	-	-	-	-
Total	5,656	(1,157)	-	4,499

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. Financial Instruments

The Group has the following financial instruments:

	2020 £000	2019 £000
Financial assets		
Financial assets measured at fair value through profit or loss	-	-
Debt instruments measured at amortised cost:		
Trade debtors	955	1,098
Accrued income	1,383	1,812
Cash and cash equivalents	4,499	5,656
Total	6,837	8,566

	2020 £000	2019 £000
Financial liabilities		
Financial liabilities measured at fair value through profit or loss	-	-
Financial liabilities measured at amortised cost:		
Trade creditors	2,153	1,599
Bank loans	4,532	4,827
Accruals	1,514	2,905
Other creditors	590	509
Total	8,789	9,840

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 and DC Teach Limited employees belong to a Stakeholder pension scheme which is a defined contribution scheme.

Total pension cost for the year		**2020 £000**		**Restated 2019 £000**
Teachers' Pension Scheme: contributions paid		3,205		2,010
South Yorkshire Pension Fund*:				
Contributions paid	1,303		1,133	
Deficit funding contributions	309		549	
FRS 102 (28) charge	1,496		565	
Charge to the Statement of Comprehensive Income		3,108		2,247
Stakeholder pension scheme		116		67
Enhanced pension charge to Statement of Comprehensive Income		123		212
Total pension cost for the year within staff costs		6,552		4,536

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)

*Prior to merger, and for a short period after, the former North Lindsey College made payments to East Riding Pension Fund. The assets (including all contributions paid in the year) and liabilities were transferred from East Riding Pension Fund to South Yorkshire Pension Fund following merger, with the process complete in February 2018.

Contributions amounting to £139k (2018/19: £190k) were payable to the scheme at 31 July and are included in creditors.

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools, 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)t 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 2019-20 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 £3,205,000 (2018/19: £2,010,000)

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 2020 were £3.1m, of which employer's contributions totalled £1.3m plus a further £309k of deficit funding contributions, and employees' contributions totalled £462k. The agreed contributions up to March 2020 were 15.1%, and a deficit repayment fixed monetary sum of £371k. The agreed contribution rates from April 2020 were 17.1% for employers 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 upon a full actuarial valuation of the fund at 31 March 2019 updated to 31 July 2020 by a qualified independent actuary:

	At 31 July 2020	**At 31 July 2019**
Rate of increase in salaries (see note below)	3.55%**	2.2%*
Future pension increases	2.4%	2.3%
Discount rate	1.6%	2.1%
Inflation assumption (CPI)	2.3%	2.2%

* 1.5% until 31 March 2021 and 2.5% p.a for the next five years thereafter
** An adjustment has been made for short term pay restraint in line with the latest actuarial valuation

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

	At 31 July 2020	**At 31 July 2019**
	Years	**Years**
Retiring today		
Males	22.4	23.1
Females	25.2	25.9
Retiring in 20 years		
Males	23.9	25.3
Females	27.1	28.3

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

	Fair value at 31 July 2020 £000	**Restated Fair value at 31 July 2019 £000**
Equity instruments	35,576	42,161
Government bonds	12,013	11,527
Other bonds	6,854	5,884
Property	6,468	7,014
Cash	3,157	2,580
Other	12,937	11,447
Total fair value of plan assets	77,005	80,613
Actual return on plan assets	(902)	5,903

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

	2020 £000	**Restated 2019 £000**
Fair value of plan assets	77,005	80,613
Present value of plan liabilities	(114,601)	(105,392)
Net pension liability	(37,596)	(24,779)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Amounts included in staff costs	**2020 £000**	**Restated 2019 £000**
Current service cost	2,938	2,198
Administrative charges	40	30
Past service cost	155	-
Curtailment	-	20
Total	3,133	2,248

Amounts included in interest and other finance costs	**2020 £000**	**Restated 2019 £000**
Net interest on defined pension liability	503	352
Total	503	352

	2020 £000	**Restated 2019 £000**
Amount recognised in Other Comprehensive Income	10,802	11,120

Movement in net defined benefit liability during year

		2020 £'000	**Restated 2019 £'000**
Net defined benefit liability in scheme at 1 August		(24,779)	(12,742)
Movement in year:			
	Transfers in	-	(62)
	Current service cost	(2,938)	(2,198)
	Employer contributions	1,622	1,683
	Past service cost	(155)	(20)
	Administration cost	(42)	(30)
	Net interest on the defined liability	(507)	(352)
	Actuarial gain or loss	(10,797)	(11,058)
Net defined benefit liability at 31 July		**(37,596)**	**(24,779)**

Included in the above is £112k (2019 - £69k) net defined benefit liability relating to the LGPS in the subsidiary, Optime Support Limited.

Changes in the present value of defined benefit obligations

	2020 £000	Restated 2019 £000
Defined benefit obligations at start of period	105,392	88,019
Transfers in	-	208
Current service cost	2,938	2,198
Interest cost	2,195	2,569
Contributions by scheme participants	492	463
Actuarial (gains)/losses	5,706	14,359
Plan introductions, charges, curtailments and settlements	155	20
Benefits paid	(2,277)	(2,444)
Defined benefit obligations at end of period	114,601	105,392

Changes in the fair value of plan assets

	2020 £000	Restated 2019 £000
Fair value of plan assets at start of period	80,613	75,277
Transfers in	-	146
Interest income	1,691	2,217
Actuarial gain	(5,096)	3,301
Employer contributions	1,622	1,683
Administration charge	(40)	(30)
Contributions by scheme participants	492	463
Benefits paid	(2,277)	(2,444)
Fair value of plan assets at end of period	77,005	80,613

Included in the above relation to the LGPS in the subsidiary Optime Limited

Defined benefit obligations at end of period	278	225
Fair value of plan assets at end of period	166	156

Sensitivity analysis as at 31 July 2020

	Assets £000	Liabilities £000	Deficit £000	Projected Service Cost for 2020/21 £000	Projected Net Interest Cost for 2020/21 £000
Current Assumptions	(77,005)	114,601	37,596	3,299	592
+0.1% p.a. discount rate	(77,005)	112,575	35,570	3,213	595
+0.1% p.a. inflation rate	(77,005)	116,664	39,659	3,390	625
+0.1% p.a. pay growth	(77,005)	114,779	37,774	3,299	595
1 year increase in life expectancy	(77,005)	118,139	41,134	3,409	649

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Impact of the McCloud Judgement

The actuary has carried out costings of the potential effect of McCloud as at 31 July 2020, based on the individual member data for DN Colleges Group as supplied for the 31 March 2019 actuarial valuation, and the results of those calculations based on 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: £114,601,000.

Applying the above calculations to the employer's estimated active member liabilities and service cost at 31 July 2020 gives the following figures:

Additional past service liabilities as at 31 July 2020: £2,000
Additional projected service cost for the year commencing 1 August 2020: £Nil
(equivalent to about 0.0% of the current active membership pensionable payroll)

The effect in this case is £2,000.

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” judgment) 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 judgment has now provided further clarity in this area

However, in response to this judgment 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 judgment", clearly implying that the Government (who have the overall power to determine benefits provision) believe the judgment 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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. Amounts disbursed as agent

Learner support funds	**2020**	**2019**
	£000	**£000**
Funding body grants – bursary support	546	559
Funding body grants – discretionary learner support	1,183	917
Disbursed to students	(1,327)	(1,053)
Administration costs	(88)	(30)
Balance unspent as at 31 July, included in creditors	314	393

Apprentice Grants for Employers	**2020**	**2019**
	£000	**£000**
Funding body grants – employer incentives	449	219
Disbursed to employers	(437)	(215)
Balance to be disbursed to employers as at 31 July, included in creditors	12	4

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:

	2020	**2019**
	£000	**£000**
Not later than one year	125	173
Later than one year and not later than five years	312	461
After five years	2,856	2,880
	3,293	3,514

27. Consolidated reconciliation of net debt

	2020
	£000
Net debt 1 August 2019	10,483
Movement in cash and cash equivalents	(1,452)
Net debt 31 July 2020	9,031
Change in net debt	(1,452)

Analysis of net debt:	**2020**	**2019**
	£000	**£000**
Cash and Cash equivalents	4,499	5,656
Borrowings: amounts falling due within one year:		
Secured loans	304	296
Borrowings: amounts falling due after one year:		
Secured loans	4,228	4,531
Net debt	9,031	10,483

NOTES TO THE FINANCIAL STATEMENTS (Continued)

28. Capital commitments

	2020 £000	2019 £000
Commitments contracted for at 31 July	403	6,343
	403	6,343

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. Prior Year Adjustment

The prior year adjustment relates to the Local Government Pension Scheme for 6 employees within Optime Support Limited as the deficit from the scheme was not disclosed at the 31 July 2019 year end. The employees were tupe into Optime Support Limited during the year ended 31 July 2019.

The 2019 figures have been restated to include the deficit which has had the impact of:

Additional staff costs of £3k increasing staff costs from £34,377k to £34,380k.

Additional remeasurement costs of £66k increasing the remeasurement cost in the 2019 SOCI from £11,054k to £11,120k

The 2019 Defined benefit pension provision in the balance sheet has been increased by £69k from £24,710k to £24,779k, and total net assets reduced by £69k from £19,687k to £19,618k.

31. Contingent Liabilities

A legal claim has been made against DN Colleges Group which the College firmly rejects and which, upon legal advice, is being rigorously defended. The College has considered all possible outcomes and determined that reasonable certainty cannot be attained given the range of legal outcomes possible from a legal process to be held in 2021. Therefore, the legal claim represents a contingent liability and further disclosure has not been made on the grounds that this could be seriously prejudicial in the circumstances.

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

In accordance with the terms of our engagement letter dated 21 October 2020 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 during the period 1st August 2019 to 31 July 2020 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 and the reporting accountant

The corporation of DN Colleges 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 1st August 2019 to 31 July 2020 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:

- **a**n 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 self-assessment questionnaire (SAQ); and
- limited testing, on a sample basis, of income and expenditure for the areas identified as high risk and included on the SAQ**.**

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

Conclusion

In the course of our work, nothing has come to our attention which suggests that, in all material respects, the expenditure disbursed and income received during the period 1st August 2019 to 31 July 2020 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 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 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 as a body, and the ESFA, as a body, for our work, for this report, or for the conclusion we have formed.

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17/12/2020