Contents

KEY MANAGEMENT PERSONNEL, BOARD OF GOVERNORS AND PROFESSIONAL ADVISERS

Key management personnel

Key management personnel are defined as members of the Group's Leadership Team and were represented by the following in 2022/23:

Ellen Thinnesen	Chief Executive Officer and Accounting Officer
Nigel Harrett	Principal of Northumberland College (left 13th August 2022)
Gary Potts	Principal of Northumberland College (commenced 1st August 2022)
Toni Rhodes	Principal of Sunderland College and Hartlepool Sixth Form
David Howells	Chief Financial Officer

Board of Governors

A full list of Governors is given on pages 18 to 20 of these financial statements.

Christine Stretesky acted as Clerk to the Corporation for the period from 1 August 2022 to 31st July 2023.

Principal and Registered Office
Bede Centre
Sunderland
SR3 4AH

Professional advisers

Financial statement and regularity auditor
Azets Audit Services
Chartered Accountants and Statutory Auditor
Bulman House
Regent Centre
Gosforth
Newcastle upon Tyne
NE3 3LS

Bankers
Bank of Scotland
300 Lawnmarket
Edinburgh
EH1 2PH

Solicitors
Womble Bond Dickinson
The Spark
Draymans Way
Newcastle Helix
Newcastle upon Tyne
NE4 5DE

OPERATING AND FINANCIAL REVIEW

Nature, objectives and strategies

The members present their report and the audited financial statements for the year ended 31 July 2023.

Legal status

City of Sunderland College ("the College") was formed in 1996 from the merger of Monkwearmouth and Wearside colleges which were Corporations established under the Further and Higher Education Act 1992. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

The Corporation was incorporated in 1996 as City of Sunderland College.

On 1 August 2017 City of Sunderland College merged with Hartlepool Sixth Form College and with Northumberland College on 22 March 2019. The College has re-branded and is trading as Education Partnership North East (EPNE), as Sunderland College, Hartlepool Sixth Form College and Northumberland College.

Public benefit

City of Sunderland College is an exempt charity under Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education as Principal Regulator for all FE Corporations in England. The members of the Governing Body are disclosed on pages 18 to 20.

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

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

- High-quality teaching
- Widening participation and tackling social exclusion
- Excellent positive destination results for students
- Strong student support systems
- Strong links with employers, industry and commerce.

The delivery of public benefit is covered throughout the Members' Report.

Vision

The 2019-2023 Strategic Plan, launched during the course of the 2018-19 financial year aspires to put "Excellence at the heart of everything we do". In 2022, the Strategic Plan was extended to 2025.

We aspire to be the best in all that we do and to enable our employees and students to reach their full potential. We know that a culture of strong values means strong results for all of our stakeholders. This is why our professional values are fundamental to our pursuit for excellence and why they must underpin all of our activities.
Our Professional Values and Behaviours provide a valuable framework for use by people at every level of our organisation. They help us to evaluate our decisions and be confident in the choices we make.

To realise our vision we will excel in our pursuit of excellence to enable us to grow our student population and the College's performance by uniting our people and culture and strengthening our reputation locally, regionally and nationally.

Purposefully bold and challenging, we aspire to be:

- In the top 10 Colleges nationally for student achievement.
- In the top 25% Colleges nationally for financial health.

We know our passion is our strength, we have demonstrated this continuously and this is why we will pursue our vision with enthusiasm and determination.

Strategic ambitions

Our vision and mission will be achieved through the pursuance of five strategic ambitions which will direct all of our activity over the next two years – the remaining life of the plan:

1. Shape & evolve a careers focused curriculum;
2. Create outstanding learning opportunities for students;
3. Unite our culture & empowering our people;
4. Strengthen our financial resilience & invest in our resources;
5. Engage locally, regionally and nationally and build our reputation.

These ambitions have been developed and shaped with the production of individual plans for each goal, in order to set out further the key elements of the Groups ambitions over the remaining life of the plan.

Goal 1: Shape and evolve a careers focussed curriculum

Our focus is providing curriculum pathways that meet the current and future demands of the region's labour market.

We will:

- Partner with employers to co-design and co- deliver a career-focussed curriculum within academic, technical and professional pathways;
- Strengthen our specialisms in growing areas of our regional economy, investing in digital industries, advanced manufacturing and engineering, construction, health and life sciences, and finance, professional, and business services;
- Innovate and support the development of the creative industries through cross-disciplinary working with colleagues from across the College and externally;
- Specialise in special educational needs and disability ensuring access to a broad and balanced curriculum;
- Grow our apprenticeship and higher education offer producing job ready apprentices and graduates with the skills needed to progress into and through the labour market;
- Positively influence the English, maths and digital skills of our communities;
- Deliver an innovative and accessible offer that supports upskilling and retraining to support labour market needs;
- Develop and articulate a refreshed 'adult' offer and increase accessibility for those on the lowest income and aged 50+ in order to address labour market changes.

Goal 2: Create outstanding learning opportunities for our students

An unwavering and relentless focus on developing our students through outstanding teaching, learning, support and assessment.

We will:

- Ensure the interests, aspirations and needs of our students are at the centre of all that we do;
- Develop inspiring, safe, accessible and supportive learning and physical environments across all of College campuses;
- Develop and embed innovative approaches to teaching, learning and assessment including investing in technologies;
- Promote a culture of high expectation that is underpinned by quality and enable students to achieve and make progress;

- Ensure our students can identify routes into work, supported through experience and exposure to the world of work and inspiration;
- Provide the best student experience possible through outstanding approaches to personal development, the development of employability skills and citizenship.

Goal 3: Unite our culture and empower our people

We will build our culture and develop high performing people, empowered to lead, innovate and take ownership.

We will:

- Full integration and utilisation of our HR systems;
- Ensure we have a diverse and inclusive workforce;
- Enhance our people engagement in order to further develop the fulfilment and performance of our workforce;
- Develop, design and deliver programmes to support and enhance the skills of our staff and to support the next generation of our leaders and managers;
- Enable leaders and managers to proactively assess and manage staff wellbeing and safety within their teams and across the whole college;
- Use workforce planning to attract and retain the best people, and plan for succession.

Goal 4: Strengthen our financial resilience and invest in our resources

We will build our financial resilience and strengthen our resources to ensure all stakeholders benefit from outstanding learning environments.

We will:

- Grow income and learner numbers across school leavers, apprenticeships, higher education and adult provision;
- Further invest in our estate to ensure that it remains a high-quality, safe, accessible learning environment, and providing state of the art facilities;
- Innovate and invest in our digital infrastructure to continue developing excellent learning technologies and information systems;
- Continue to diversify our income sources;
- Innovate and optimize our management information systems to improve and strengthen access to information ensuring services meet the needs of the business;
- Minimise our environmental footprint and promote sustainable working practices.

Goal 5: Engage locally, regionally and nationally and build our reputation

We will be an engaged and influential sector leader with a strong reputation and winning partnerships.

We will:

- Collaborate on innovative employer-led projects and a wide range of social responsibility activities, in order to continually enhance the student experience;
- Nurture strong mutually beneficial partnerships with industry and community organisations;
- We will extend our influence by collaborating with strategic partners to support and sustain mutually beneficial activities;
- Raise the profile of our expertise and our specialist areas;
- Celebrate the positive impact we have had on our communities;
- Contribute positively to social, cultural and economic regeneration.

Our professional values & behaviours

We aspire to be the best in all that we do and to enable our employees and students to reach their full potential. We know that a culture of strong values means strong results for all of our stakeholders. This is why our professional values are fundamental to our pursuit for excellence and why they must underpin all of our activities.
Our Professional Values and Behaviours provide a valuable framework for use by people at every level of our organisation. They help us to evaluate our decisions and be confident in the choices we make.

Professional Values	Professional Behaviours
Authentic	We are who we say we are, we do what we say we will do.
Respectful	We value the opinion of others and the contribution they make.
Innovative	We work hard to create a dynamic, forward-looking culture.
Ambitious	We are determined to achieve our vision and goals.

Financial and performance objectives

Funding performance against targets for Sunderland is shown below. The College achieved 97.7% of its ESFA Adult funded target which was below the ESFA threshold for funding clawback:

Objectives	Target	Achievement
To meet its 16-19 funded target	£26,270,000	£25,680,000
To meet its ESFA Adult Learning funded target	£5,481,000	£5,355,000
Education specific EBITDA in excess of 9% of income	9%	11.4%
Borrowings as % of income	21%	20.7%

Performance indicators

The Group is committed to observing the importance of sector measures and indicators and historically used the FE Choices data available on the GOV.UK website which looks at measures such as success rates for General Further Education organisations (GFE). The FE Choices learner and employer view national surveys did not run in either 2019/20 or 2020/21 as a result of COVID 19 and hence outcomes are shown below as N/A.

FE Choices is no longer in place. Survey data reported in 2021/22 and 2022/23 is based on QDP survey outcomes.

The latest information available with regards to the Group against these indicators is:

Group Achievement rates	2020/21 %	2021/22 %	2022/23 %	National Average
Education and Training (All ages)	87.7	91.0	90.0	83.8
Apprenticeships (All ages)	57.5	62.4	61.8	57.0
Survey Data Sunderland/Hartlepool	**2020/21**	**2021/22**	**2022/23**	**Latest Average of GFE Orgs**
Learner Views	N/A	92%	93%	
Employer Views	N/A	92%	97%	
Survey Data Northumberland	**2020/21**	**2021/22**	**2022/23**	**Latest Average of GFE Orgs**
Learner Views	N/A	92%	97%	
Employer Views	N/A	92%	97%	

The overall Ofsted Inspection grade for Overall Effectiveness at the latest inspection in May 2022 was "Good".

The table above shows that the Group has made significant positive steps towards improving and maintaining positive outcomes for our students and that Sunderland is well above the sector average. The Group will utilise its experience in driving forward quality outcomes for all students.

The Group is required to complete financial returns to the Education and Skills Funding Agency ("ESFA"), which include the calculation of an automated financial health grading. The current rating of "Requires Improvement" is considered an acceptable outcome.

Performance indicator	2022/23	2021/22	Key movement
Profit/(loss) before other gains and losses	179,000	(4,814,000)	Defined benefit obligation movements charged to I&E.
Total comprehensive income	2,872,000	38,487,000	Defined benefit obligation movements.
Total income	53,271,000	47,238,000	Increased funding 16-19 and adult income streams.
Fixed assets	125,890,000	124,428,000	Pension asset recognised in 22/23 vs pension liability in 21/22.
Income and expenditure reserve	52,915,000	49,857,000	Defined benefit obligation movements.
Net assets	64,635,000	61,763,000	Defined benefit obligation movements.

FINANCIAL POSITION

Financial results

The Group made an overall surplus of £179,000 in the year (2021/22 deficit: £4,814,000). The statement of comprehensive income includes a number of non-recurring items. The reconciliation below excludes these non-recurring items and pension adjustments to arrive at an 'adjusted surplus' which reflects the underlying performance of the Group.

Financial result reconciliation	2022/23 £'000	2021/22 £'000
Surplus/(deficit) for the year	179	(4,814)
Restructuring costs	273	521
Pension charges (FRS102(28) charges)	1,466	3,639
Pension interest (income)/expense (FRS102(28) charges)	(10)	674
Underlying surplus	**1,908**	**20**

The under-achievement on the 16-19 funded target, as indicated in the financial objectives table above, is as a result of lower than funded recruitment of 16-19 students. Due to the lagged funding methodology, this did not result in a clawback of funding, however there will be a reduction in the level of funding for these 16-19 students in the 2023/24 financial year. This reduction is factored into the financial plan.

During the year the Group implemented a restructuring programme to address forecast shortfalls in income. This led to a programme of transformation, resulting in restructuring costs of £273,000 (2021/22: £521,000).

Accumulated reserves are £64,635,000 (including a pension asset of £84,000) with cash balances available for immediate withdrawal of £2,759,000.

Tangible fixed asset additions during the year amounted to £6,647,000. The majority of these additions relate to capital investment in the build and fit out of T Level spaces at Bede, Hartlepool, Kirkley Hall and City campuses and the addition of immersive spaces. In addition, upgrades to the Group estate, systems and equipment base has seen further investment.

The largest single sources of income for the Group in the year were the Funding Body Grants, which accounted for 86% (2021/22: 81%).

The Group has four subsidiary companies, as disclosed in note 12. All four subsidiaries have been dormant throughout the year.

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 and a review of the application of that policy is undertaken annually and reported to Governors.

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

Cash flows

The Group had a net cash inflow from operating activities of £3,046,000 in 2022/23 (2021/22: £5,227,000). There was a net increase in cash balances in the year of £999,000 (2021/22: decrease of £298,000), the movements of which are disclosed in the cash flow statement.

Liquidity

The Group has four term loans. All loans are secured on Group Land & Buildings and the total balance of £10,445,000 is net of unamortised issue costs totalling £41,000.

The first loan of £3,686,000 is repayable over ten years, with interim reviews every five years, at which time the term can be extended, on agreement by both parties. No element of this loan is currently secured on a fixed rate.

The second loan transferred to the Group and College on the acquisition of Hartlepool Sixth Form College on 1 August 2017. This loan is fixed, has an outstanding balance of £1,041,000, is repayable by 28 March 2035 and bears interest at 7.05%.

The third and fourth loans transferred to the Group and College on the acquisition of Northumberland College on 22 March 2019 and both are fixed. One of these loans has an outstanding balance of £567,000, is repayable by 31 August 2025 and bears interest at 3.72%. The other loan has an outstanding balance of £5,200,000, is repayable by 31 March 2055 and bears interest at 4.55%.

At the end of the year total loans outstanding are £10,445,000, of which £853,000 is repayable within one year.

Reserves

The Group has no formal Reserves Policy but recognises the importance of reserves in the financial stability of the organisation and ensures that there are adequate reserves to support the Group's core activities. The Group reserves include £124,000 held as restricted reserves. As at the balance sheet date the Income and Expenditure reserve stands at £52.9m (2021/22 - £49.9m). It is the corporation's intention to increase reserves over the life of the strategic plan through the generation of annual operating surpluses, excluding movements on pension reserves.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

In 2022/23 the Group received £45,774,000 in funding body recurrent grants (2021/22 - £38,408,000). The Group has supported 14,471 students in their studies throughout the course of the year.

Curriculum developments and student achievements

The Group continues to develop a careers' focused curriculum to ensure that it is aligned to local, regional and skills priorities and based on relevant Labour Market Intelligence (LMI). The Group offers academic, vocational/technical education and training to adults and 16-19 year olds', from entry level to higher education. EPNE offers a wide range of apprenticeship delivery, across a range of frameworks and standards, levels, ages and occupational areas. The Group also offers an extensive range of Higher Education courses, Foundation Degrees and Higher Nationals. The HNC or HND courses offered through Office for Students funding and HE programmes, with validation agreements in place for the University of Sunderland, and Cumbria during 2022-23. The Group's quality and approach to curriculum planning is the primary driver shaping curriculum design and intent. The Group's strategic plan and vision for striving for excellence underpins the curriculum's future focus and direction.

The Group continues to focus on the reduction of the high number of learners Not in Education, Employment or Training (NEET) and works with subcontracted partners, to ensure appropriate provision is accessible throughout the year, in the community and in the College, for example at our City Campus through our Pathways provision. There are strong sixth form academic based provision within Sunderland Sixth Form based at the Bede Campus and Hartlepool Sixth Form College. The Group's school liaison and curriculum teams work closely with secondary schools across the North-East. The Group has developed

strong partnerships with employers, particularly in the areas of specialism and across the region. The Group achieved Matrix accreditation for Information Advice and Guidance Services in June 2021, accreditation is held for 3 years. The Group has also been recognised for the support that it puts in place for disadvantaged students by achieving 2 national accreditations - Quality Standard for Carer Support and NNECL Quality Mark for Inclusion and Success of Care Experienced Students. The Group has had national recognition as an AoC Beacon Awards finalist for Governance and for Supporting learners with SEND. The Group works closely with key stakeholders of the region including Sunderland City Council and Northumberland County Council, Sunderland BID, key strategic partners and the North East LEP.
Across Education Partnership North East, volumes of students across levels are:

- 9% Higher Education
- 36% Level 3
- 38% Level 2
- 11% Level 1
- 6% Entry level

OFSTED assess our teaching, learning and assessment as good with areas of outstanding practice, supporting students to develop knowledge, skills and attitudes which are aligned to their ambitions and aspirations. Achievement rates for young people are excellent at 90.7%. Achievement rates for education and training provision (all ages) remains above 90%. The adult achievement rate has remained above the National Average. The vast majority of provision across EPNE is well above national rates and in many areas is within the top 10 Colleges for achievement rates. Achievement rates for students with disadvantaged backgrounds is good, they make sustained progress from their starting point. 16–19-year-old students with a learning difficulty or disability have an improving 3-year trend on retention. All three Colleges within the group have demonstrated achievement rates well above the National Average.

The Group continues to focus on achieving outstanding quality of education as part of our pursuit of excellence. Further development in a small number of curriculum areas is required to improve the impact on students and to reduce the achievement gaps of students who are care leavers, young parents and students who are looked after children. Also, achievement rates of apprenticeship programmes have significantly improved to 62%. The achievement rates and progress made by young people on English and maths provision is improving but still remains a key focus.

The broad and balanced 16-19 study programmes are well-developed for all students with the aim to develop the skills and knowledge to allow learners to progress and achieve a positive destination to employment and/or further/higher education. Breadth of offer includes skills for employment, attitudes and behaviours and personal development, including students taking part in work experience and industry placements.

The Group's strong Directions/foundation learning provision at Bede Campus and Kirkley Hall teaches and supports students with a LLDD within a supportive environment. The Group provides a variety of opportunities for these students to enable them to develop their English, maths, communication skills, improve their independence, personal, social skills as appropriate to the individual.

The Group has a broad range of adult learning programmes, which successfully prepare students for career progression and skills development. EPNE Training has been created, as a vehicle to deliver adult skills programmes to meet the need of local employers and communities to develop skills for high quality sustainable careers. EPNE has led on Skills Bootcamps for the North East LEP.

Students continue to have high positive sustained destinations. 94% of students' progress into a positive destination which includes employment, further study, higher education and/or an apprenticeship.

Much emphasis is placed on LMI, Sunderland's Economic Master Plan, Tees Valley and NELEP priorities that inform and influence the curriculum offer, which successfully meets the needs of employers and the local community. The Group specialisms includes Advanced Manufacturing, Construction, Engineering, Digital Technology, Creative Industries, Health and Science, land based and cross cutting business professional services.

Work with stakeholders, including employers, forms a key part of the curriculum planning process and uses LMI (Labour Market Intelligence) to inform decisions and help shape the offer and progression opportunities. Links to industry and workplace experience and placements are organised where appropriate and enterprise and innovation remain key priorities. The Group has a large distance learning and employability provision linked to pre-employment programmes.

Key sectors for apprenticeships are aligned with the national and local priorities, aligned to the needs of the key industry and employment sectors, as identified by the Tees Valley and North East LEP economic plans. In addition, the Group offers a range of sector independent standards and frameworks covering professional services.

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent.

Future developments

The Corporations Strategic Plan to inform the Group strategy for the period 2019-2025, putting "Excellence at the heart of everything we do". The plan was launched in November 2018 and has been developed further to include individual plans for each of the five strategic goals. The plan has been extended to 2025 due to the impact of Covid 19.

The Group is committed to improving the condition of its estate and facilities, with a view to increase student numbers and improve the overall student experience. The Finance and Resources Plan for the period to 2023 sets out details of work completed to date and future plans, with over £60m of investment in the estate between 2014 and 2023.

2022-23 saw the opening of an immersive learning suites to support T Level delivery with further suites planned for installation in 2023-24. A total of almost £6,600,000 has been invested in building refurbishment and state of the art equipment in 2022-23. Additionally, work was in the final phase of completion for a further phase of capital investment at Sunderland College's Bede and Hartlepool Campuses for T Level delivery and at Northumberland's Kirkley Hall Campus, which will see investment of £4,000,000 in building refurbishment and equipment.

The Group is committed to strengthening financial health and liquidity. Considering anticipated future funding allocations and to address inflated staff and non-staff costs at Northumberland College the Group is undergoing a period of transformation. It is envisaged that the efficiencies resulting from this and previous re-organisations will see the Group well placed to improve financial health, although the extent of these will depend on the Group's ability to retain student numbers and adapt its curriculum delivery model to meet the new funding requirements.

Future plans will see the opening of a Housing Innovation and Construction Skills Academy (HICSA), in conjunction with Sunderland City Council and the Ministry of Building Innovation and Education. The new facility will be located in the Sheepfolds area of Sunderland and will support the Sunderland City Council agenda to create a carbon neutral city by 2040.

The Group is also working alongside the Department for Education to build a new Net Zero campus in Ashington town centre, scheduled to open in 2025/26 academic year. Working with DfE, Advance Northumberland, Ashington Town Board and other partners on our plan to relocate our provision to a central site where we can create an inspiring learning focused environment for our students, staff, employers and the wider community.

RESOURCES

The Group's vision and strategic aims, set out on pages 3 to 5 are currently supported by a strong resource base. The Group:

- has specialised centres distributed from the Scottish Borders through to the Tees Valley;
- has invested £60m+ in state of the art facilities over the course of its Property Strategy and following the merger with Northumberland College;

- has £64.5m of net assets (excluding £84k pension asset) and loan debt of £10.4m; net assets as per the balance sheet are £64.6m;

- employs on average 916 people, of which 678 are teaching staff; and

- has a good reputation locally and nationally. Maintaining a quality brand is essential for the Group's success at attracting students and external relationships.

PRINCIPAL RISKS AND UNCERTAINTIES

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

Based on the strategic plan, the Group undertakes a comprehensive review of the risks to which the Group is exposed. It identifies systems and procedures, including specific preventable actions which should mitigate any potential impact on the Group and allow for opportunities to be exploited. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions. In addition, the Group will also consider any risks which may arise because of a new area of work being undertaken.

The Group's risk register sets out the principal risks to which the Group is exposed, identifies controls to mitigate those risks and provides sources of evidence and assurance that those risks are being appropriately managed. Those risks and the effectiveness of controls are reviewed bi-annually by the Group's Executive Leadership Team, Audit Committee and Corporation. This is supported by a risk management training programme to raise awareness of risk amongst managers within the Group.

Each risk is sufficiently likely to occur or of sufficient impact on the Group as a whole, should it occur, to warrant the particular attention of the Corporation. The five principal areas of risk are the following:

- Finance and asset management;
- Government policy;
- Lost learning and post Covid education recovery;
- Workforce recruitment and retention;
- Inflation and the cost of living;

If, despite the efforts to manage and mitigate risks, the Group suffers a significant loss of revenue, its strategy for mitigating the loss is as follows:

- To help it cope with in-year reductions in net income the Group will, each year

  a) Plan to make an underlying operational surplus (excluding pension adjustments required by FRS102);
  b) Plan to make a robust EBITDA of not less than 8% of adjusted income
  c) Provide for a contingency of at least £250,000 (pre pension adjustments) within its budgeted spending.

- The Group will maintain a ratio of permanent to temporary and agency staff sufficient to ensure an annual temporary, agency and casual staffing budget of at least £500,000. In extremis, this budget will be reduced in-year and curriculum and support service delivery will be remodelled.

- If this is not sufficient, capital projects will be delayed and funds set aside for the funding capital projects will be deployed to address the mid-year adjustment.

- In the extreme case the Group will utilise its reserves. Those reserves will be replaced as necessary to maintain or regain strong financial health.

The Group will ensure that appropriate insurances are in place and that they are reviewed regularly.

The Group will ensure that it regularly reviews the risks which it faces and take action to address them.

Government Funding

The Group has considerable reliance on continued government funding through the education sector funding bodies and via delivery of courses funded via student loans. In 2022/23, 86% of the Group's revenue was ultimately public funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

The Group is aware of several issues which may impact on future funding:

- Changes to funding methodologies, in particular in respect of 16-19 provision;
- Changes to the funding and defunding of qualifications;
- Set up of local school sixth forms;
- Changes to co-funding of provision on which fees are charged, including eligibility criteria for fee remission;
- Changes in Apprenticeship funding and the impact on demand;
- Minimum contract values for and increased responsibility for subcontracted delivery on all adult delivery;
- Reductions in higher education funding and the impact of significant increases in fees charged;
- Failure to maintain market share;
- Failure to maintain reputation, and
- Failure to maintain quality.

The risk is mitigated in several ways:

- Seeking to diversify income streams by expanding, for example, full-cost delivery, apprenticeships, revenue grant projects and bootcamps;
- Ensuring the Group is rigorous in delivering high quality education and training;
- Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies;
- Ensuring the Group is focused on those priority sectors which will continue to benefit from public funding;
- Maintaining regular dialogue with the regional funding bodies; and
- Increased investment in Group estate and infrastructure to improve the learner experience.

Tuition fee policy

Ministers have confirmed that the assumed learner contribution towards tuition fees remains at 50%. In line with the majority of other colleges, the Group will seek to increase tuition fees in accordance with the fee assumptions. The risk for the Group is that demand falls off as fees increase. This will impact on the growth strategy of the Group.

This risk is mitigated in a number of ways:

- By ensuring the Group is rigorous in delivering high quality education and training, thus ensuring value for money for students;
- Close monitoring of the demand for courses as prices change.

Maintain adequate funding of pension liabilities

The financial statements report the Group's share of 2 Local Government Pension Schemes surplus/deficits on the Group's balance sheet in line with the requirements of FRS 102.

STAKEHOLDER RELATIONSHIPS

In line with other colleges and universities, the Group has many stakeholders. These include:

- Students;
- Education sector funding bodies;
- FE Commissioner;
- Staff;
- Local employers (with specific links);
- Local authorities;
- Combined authorities;
- The local community;
- Other FE institutions;
- Trade unions;
- Professional bodies; and
- Banks.

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

Streamlined Energy and Carbon Reporting

The college is committed to reducing its carbon emissions and has taken the following measures in year:

- Rolling programme to replace lighting with LED lighting;
- Hybrid vehicles; and
- Warp-It – internal community reuse and recycle scheme to reduce waste send to landfill.

The college's greenhouse gas emissions and energy use for the period are set out below:

UK Greenhouse gas emissions and energy use data for the period	**Year ended 31 July 2023**	**Year ended 31 July 2022**
Energy consumption used to calculate emissions (kWh) -total gas & electricity usage in kWh for every college campus.	9,535,436	8,930,020
<u>Scope 1 emissions in metric tonnes CO2e</u>		
Gas consumption	878	1,023
Owned transport	7	33
Total	**885**	**1,056**
<u>Scope 2 emissions in metric tonnes CO2e</u>		
Purchased electricity	**778**	**662**
<u>Scope 3 emissions in metric tonnes CO2e</u>		
Business travel in employee owned vehicles	**61**	**49**
Total gross emissions in metric tonnes CO2e	**1,724**	**1,767**

We have followed the 2019 HM Government Environmental Reporting Guidelines. We have also used the GHG Reporting Protocol – Corporate Standard and have used the 2023 UK Government's Conversion Factors for Company Reporting.

Equal opportunities and employment of disabled persons

The Group actively promotes equality and diversity in all aspects of its work and aims to provide an environment where all individuals have the opportunity to achieve their full potential with a feeling of self-esteem. It will eliminate unfair discrimination through a zero tolerance approach, regular target setting and monitoring and the development of positive action programmes. In exercising its functions as a public authority, the Group welcomes its duty towards those individuals sharing one or more of the protected characteristics.

The Group is mindful of the need for it to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act 2010;
- Advance equality of opportunity between people who share a protected characteristic and those who do not; and
- Foster good relations between people who share a protected characteristic and those who do not.

As part of its commitment to advancing equality, the Group will endeavour to:

- Remove or minimise disadvantage experienced by people due to their protected characteristics;
- Take measures to fulfil the needs of individuals from protected groups where these are different from the needs of other persons; and
- Support and encourage individuals with protected characteristics to participate in the public life of the organisation, especially where participation is disproportionately lower.

The Group equality and diversity policy and gender pay gap report are published on its website and intranet sites.
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 and is supported.

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.

Special Education Needs and Disabilities (SEND)

The Group is committed to promoting and embedding Equality & Diversity and inclusion in all areas of our work to prevent discrimination and ensure equity for all. The Group seeks to achieve the objectives set down in the Equality Act 2010 and the Special Education Needs Code of Practice 2014 and the EPNE SEND framework 2022.

The SEND curriculum provides students with an accessible and personalised curriculum to meet the needs, provide equal opportunities and supports their journey to independence as part of Preparation for Adulthood Framework (PFA). This is carried out in the annual Curriculum planning cycle at EPNE and is aligned to the changing needs of young people with SEND in multiple Local Authorities that EPNE serve, as well as with engagement from students, their parents and carers and wider stakeholders and agencies. Discrete provision for students as well as integrated vocational curricula is provided for students with SEND and High Needs across all EPNE's main campuses.

The Collaborative work between the wider curriculum teams and the Inclusive Learning Department ensures that support needs are identified, assessed, supported, and met. This collaboration supports students to achieve as well as if not better than their peers and ensures that positive destinations are achieved for students. There are numerous opportunities for students to declare a disability/learning difficulty at Pre entry stage through the SEN Transition officers who works closely with Admissions and Guidance, conducting joint interviews to determine support needs and follow up strategies prior to enrolment. All enrolment sessions are accessible and include a learning support assessment to further encourage declaration and identification of support needs. Transition is a key focus, ensuring that students with identified need are supported to engage early and feel comfortable and prepared for their start at college.

The provision of effective personalised support is dependent on application and approval for funding from the relevant Local Authority. This is the responsibility of the Inclusive Learning team to identify need, apply for specialist support funding and ensure the funding is used to ensure students achieve their targets set within EHC plans and other college based assessments.

The Inclusive Learning Mentor team are deployed across all campuses following enrolment, initial assessment and observation of students, this is based on allocation of funding and student need. Learning Support Co-ordinators effectively liaise with the curriculum teams for all students with declared support needs. Learning Mentors are deployed for a variety of need, including moderate learning difficulties, challenging behaviours, ASD (Autistic Spectrum Conditions), support for Social Emotional Mental Health (SEMH). The Inclusive Learning Department also includes a Specialist Support Team, this team includes a core team of Specialist Support Teacher /Assessor, Specialist Support Officers for Specific learning difficulties (SPLD) and Exam Access Arrangements (EAA) and Specialist Support Mentors for ASC and SEMH are deployed across all campuses.

Stakeholder, parent, and student voice is key for the success of any student with SEND and High Needs. The robust gathering of views and opinions are gathered formally through differentiated student surveys three times per year and informally through qualitative focus groups with students and their parents. The information gathered leads to improvement in the student experience, ensures accessibility and equity of experience, supports the planning of an evolving curriculum and ensures that students have the resources and equipment to be successful at college.

The college was inspected in June 2022. The High Needs element of the inspection evidenced the good practice seen for students with SEND and High Needs in both discrete and vocational provision, with a grade 2 'Good' judgement.

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.

Number of employees who were relevant union officials during the relevant period	Full-time equivalent employee number
8	7.56

Percentage of time	Number of Employees
0%	0
1-50%	8
51-99%	0
100%	0

Total cost of facility time	£22,114
Total pay bill (1/4/20 - 31/3/21)	£29,696,000
Percentage of total pay bill spent on facility time	0.075%
Time spent on paid trade union activities as a percentage of total paid facility time	0

Disclosure of information to auditor

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

Approved by order of the members of the Corporation on 19 December 2023 and signed on its behalf by:

James Stuart
Chair of the Corporation

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the Group to obtain a better understanding of its governance and legal structure. This statement covers the period from 01 August 2022 to 31 July 2023 and up to the date of approval of the annual report and financial statements.

The Group endeavours to conduct its business:

- In accordance with the seven principles identified by the Committee on Standard in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- In full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges ("the Code") and the Office for Students Public Interest Governance Principles ("the Principles"); and
- Having due regard to the UK Corporate Governance Code 2018 insofar as it is applicable to the further education sector.

In the opinion of the Governors, the Group's governance practice exceeds all provisions of the Code and the Principles, and it has complied throughout the year ended 31 July 2023. This opinion is based on an internal review as well as an external effectiveness review undertaken by GatenbySanderson and reported to the Board of Corporation on 04 July 2023. 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 account of the Code which it first adopted in September 2014 and have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code (though not adopted) we consider to be relevant to the further education sector and best practice.

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

The Corporation

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

Governors serving on the Group Board during 2022/23

Membership as at 31 July 2023

Name	Date of most recent appointment	Term of office	Date of resignation	Status of appointment	Committees served	Board Attendance 2022/23
I Brown	01/08/22	1 year with possible extension	Extended	External	-	6 out of 7
L Bradford (Vice Chair – South)	01/08/22	1 year with possible extension	Extended	External	- E&MS	7 out of 7
D Cogle	01/07/20	4 years	30/03/23	External	-	2 out of 3
J Colbert	01/07/19	4 years	31/05/23	External	- CQSE	2 out of 4
Prof P Dawson	27/08/20	4 years	-	External	- CQSE	7 out of 7
L Doyle	01/07/23 (second term)	4 years	-	External	- CQSE - E&MS	5 out of 7
L Farthing	25/11/22	4 years	31/07/23	External	- Audit	

	(extension)					5 out of 7
E Hill (Student)	Elected June 2021	1 year	31/07/23	Student	- CQSE	4 out of 5
J Fox	01/07/23 (second term)	4 years	-	External	- FRP - Governance - Remuneration	7 out of 7
J Hope	01/07/23 (second term)	4 years	-	External	-	3 out of 7
S Houston	27/08/20	4 years	-	External	- E&MS - Governance - Remuneration	7 out of 7
C Jones	01/08/22	1 year with possible extension	Extended	External	- CQSE - E&MS	7 out of 7
C Magog	01/08/22	1 year with possible extension	14/02/23 (continued as co-opted member of Audit)	External	- Audit	0 out of 3
L O'Leary	06/10/20	4 years	-	External	- Audit - Governance - Remuneration	3 out of 7
S Pollard (Staff)	03/10/25 (second term)	4 years	-	Staff		5 out of 6
K Ramanathas	01/08/22	1 year with possible extension	31/07/23	External		2 out of 7
R Redpath (Staff)	01/08/22	1 year with possible extension	31/07/23	Staff		3 out of 5
A Shaw (Vice Chair – North)	01/07/23 (second term)	4 years	-	External	- CQSE - E&MS	6 out of 7
P Smith	01/11/21	4 years	31/07/23	External	- FRP	3 out of 7
J Steed	27/08/20	4 years	22/11/22	External	- FRP	1 out of 1
J Stuart (Chair)	01/08/21 Chair as of 01/01/22	4 years	-	External	- FRP - Governance - Remuneration	7 out of 7
E Thinnesen (CEO)	11/01/16	Ex Officio	-	Principal/ Chief Executive	- FRP - Governance	7 out of 7
D Towns	01/08/22	1 year with possible extension	31/07/23	External	- Audit	1 out of 7
Local Board and Corporate Board Members who left during after 2021/22 academic year in relation to the Transition Programme						
J Barnett	18/10/20	4 years	31.07.22	External	- Sunderland Local Governing Board - Governance	N/A
A Ferguson	01/07/19	4 years	31.07.22 (continued as co-opted member of FRP)	External	- Northumberland Local Governing Board - FRP	N/A

J Holmes	01/07/19	4 years	31.07.22	External	- Northumberland Local Governing Board	N/A
H Matterson	01/07/20	4 years	31.07.22	External	- Sunderland Local Governing Board	N/A
S Patterson	03/12/18	4 years	31.07.22	External	- Sunderland Local Governing Board - FRP	N/A

The Corporation, in presenting attendance statistics acknowledges that from time to time, meetings are scheduled or re-arranged and this can impact upon governor availability/attendance.

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 Group together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel related matters such as health and safety and environmental issues. The Corporation meets at least once 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. The Group's governance structure was modified at its meeting of 05 July 2022 for commencement in the 2022-23 academic year to include the Board of Corporation and the following five sub-committees: Audit; Curriculum, Quality and Student Experience (CQSE); Finance, Resources & Projects (FRP); Governance; and Remuneration. Members of the Local Governing Boards were invited to become members of the Board of Corporation for a transition period ending 31 July 2023; some chose to decline this invitation as reflected in the table of membership. This new structure reflects the harmonisation of the college since merger, and current Group needs. In May 2022, the English & Maths Scrutiny Committee (E&MS) was established and held three meetings in addition to a Learning Walk in the 2022/23 academic year. The focus of this committee is to ensure positive change at pace for Maths and English provision across the Group.
Full minutes of all Board of Corporation meetings are available on the Group's website (educationpartnershipne.ac.uk) with the exception of those deemed confidential by the Corporation. Full minutes of all committee meetings, except those deemed to be confidential, are available from the Head of Corporate Governance & Policy at:

City of Sunderland College
Bede Centre
Durham Road
Sunderland
SR3 4AH

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 Group's expense and have access to the Head of Corporate Governance & Policy, who is the Clerk of the Corporation and responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Head of Corporate Governance & Policy are matters for the Corporation as a whole.

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

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

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

Appointments to the Corporation

Any new member appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The corporation has a search committee, consisting of three 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, including safeguarding during induction.

Members of the corporation are appointed for a term of office not exceeding four years and are limited to serving two terms unless longer is required for business continuity. Governors seeking reappointment are considered for reappointment by the Governance Committee who makes appointment recommendations to the Board.

Corporation performance and Development

The Corporation undertakes self-assessment of governance on an annual basis unless external review has been undertaken. Key areas for focus identified during the self-assessment review for 2021-22 were actioned and monitored by the Governance Committee during 2022-23. GatenbySanderson performed a review of the Board's effectiveness and presented its report to the Board at its 04 July 2023 meeting. An Executive Summary of the report can be found on our website (educationpartnershipne.ac.uk) with the key findings including:

- We find the governance exercised by the Board to be highly effective, with some exemplary characteristics, and some areas where EPNE can stretch and grow.
- In comparison to other FE institutions and governance arrangements in other sectors used as benchmarks throughout this exercise, we found [COSC] to be performing strongly and highly effective, and one of the strongest we've seen.
- The tremendous progress [COSC] have made in developing out their governance arrangements and processes since the mergers took place ... deserves recognition.
- Feedback from across the Board has identified strong leadership, effective chairing, and an appreciation of the breadth of backgrounds and expertise in place on the Board.

Areas for growth and stretch identified in the report have been included in the Board's Quality Improvement Plan for 2023-24.

Governors benefit from a large number of learning opportunities that are offered from induction (consisting of nine modules covering safeguarding and PREVENT, good governance, finance, equality, diversity and inclusion, careers advice and guidance and quality of education) through their time as a governor. In 2022/23 Governors engaged in internal sessions on ESFA Financial Health, Risk Appetite, Risk Management, and Collective Accountability, attended the Association of Colleges' (AoC) Regional Governor Conference, attended a webinar explaining the ONS reclassification, and were provided materials to raise awareness and understanding of the impact and effect of the cost of living crisis on students and steps to improve young people's career journeys. Our Chair or Vice Chairs attended the AoC's Chair and Principal Network meetings and our committee chairs benefited from AoC networks linked to their committees.

The Head of Corporate Governance and Policy regularly attends AoC Governance Professional Network meetings and completed the AoC's Governance Professional's Development Programme: Strategic Leader.

Remuneration Committee

The Corporation has adopted the AoCs Senior Staff Remuneration Code and has a Remuneration Committee consisting of five members of the Corporation, which is responsible for making recommendations to the Board on the remuneration and benefits of the Accounting Officer and other senior post holders. In keeping with the Code, the Chief Executive is excluded as a member of the Committee and the Chair of the Corporation is ineligible to be the Chair of the Committee. The Remuneration Committee meets at least once annually.

Details of remuneration for the year 31 July 2023 are set out in note 7 to the financial statements.

Audit Committee

The Audit Committee comprises four members, three of which are members of the Corporation (excluding the Accounting Officer and the Chair) and one co-optee. The Committee operates in accordance with written terms of reference approved by the Corporation.

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

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

The specific areas of work undertaken by the Audit Committee in 2022/23 and up to the date of the approval of the financial statements include:

- Grant Funding
- IT Systems Security
- Management of Commercial Income
- Student Loans Income
- Subcontracting Review
- Estates Strategy

The Group's internal auditor monitors the systems of internal control, risk management controls and governance processes, in accordance with an agreed plan of input and reports their findings to management and the Audit Committee.

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

The Audit Committee also advises the Corporation on the appointment of internal, regularity and financial statements auditors and their remuneration for both audit and non-audit work. The Board appointed Wiley Bisset to provide Internal Audit Services with effect of 1 October 2019 and Azets Audit Services (then MHA Tait Walker) to provide External Audit Services with effect from 1st September 2020.

Azets Audit Services Limited, trading as Azets Audit Services were appointed to the Corporation following their acquisition of the trade of Tait Walker LLP, trading as MHA Tait Walker, on 1 May 2022.

The Audit Committee met five times in the year to 31 July 2023. The members of the committee and their attendance records are shown below:

Name	Number of meetings attended
Lyndsey O'Leary (Chair)	5 out of 5
Catherine Magog	4 out of 5
David Towns	4 out of 5
Louise Farthing	2 out of 4
Jeff Hope	0 out of 1
Sue Houston	1 out of 1

Internal control

Scope of responsibility

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

The Corporation has delegated the day-to-day responsibility to the Chief Executive, 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 they are personally responsible, in accordance with the responsibilities assigned to them in the Funding Agreement between City of Sunderland College and the Funding Bodies. The Accounting Officer is also responsible for reporting to the Corporation any material weaknesses or breakdown in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of Group 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 at City of Sunderland College during the year ended 31 July 2023 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Corporation has reviewed the key risks to which the Group 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 2023 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

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

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

Risk faced by the Corporation

The Group has a robust framework for the identification, management and monitoring of risk which is set forth in our Risk Management Policy and Procedure. Responsibility for identifying risk lies with all in the organisation with risks characterised as operational or strategic.

The Board sets the risk appetite for the Group. The Executive Leadership Team has overall responsibility for the administration and implementation of the risk management process which includes identification and scoring of risk, determination of the likelihood and impact should the threat/opportunity occur, the controls in place and necessary controls to reduce the risk to an acceptable level.

When assessing the Likelihood of a specific risk occurring, the following definitions are considered:

Very Unlikely = 1	Occurrence improbable
Unlikely = 2	Occurrence unlikely
Fairly Likely = 3	Occurrence possible
Likely = 4	Occurrence likely or probable
Very Likely = 5	Occurrence almost certain

When assessing the Impact of a specific risk crystallising the following definitions are considered:

Insignificant = 1	Harm or impact on viability: minimal
Minor = 2	Harm or impact on viability: low
Moderate = 3	Harm or impact on viability: substantial but not threatening to overall sustainability
Major = 4	Harm or impact on viability: serious harm could occur; serious threat to sustainability and viability of the College and in some cases a threat to the future of the College
Catastrophic = 5	Impact on viability: Severe harm; severe threat to sustainability and viability of the College and in some cases a threat to the future of the College

The College adopts the following risk matrix where likelihood x impact = overall risk score. The matrix is used to help define level of risk.

		Impact				
		Insignificant 1	Minor 2	Moderate 3	Major 4	Catastrophic 5
Likelihood	Very Likely 5	5	10	15	20	25
	Likely 4	4	8	12	16	20
	Fairly Likely 3	3	6	9	12	15
	Unlikely 2	2	4	6	8	10
	Very Unlikely 1	1	2	3	4	5

The College then adopts a methodology of considering risk scores on several bases, the most pertinent being the score after applying longstanding controls already in place and following the implementation of additional mitigating Risk Action Plans applied during the year. Using this criterion, the overall scores for the Key Risk areas were as follows:

	Score
Finance and asset management	9
Government Policy	9
Lost learning and post Covid education recovery	6
Workforce recruitment and retention	8
Inflation and cost of living	8

Control weaknesses identified

There were no significant weaknesses identified in the college's systems by the internal auditors.

Responsibilities under funding agreements

The DfE and ESFA introduced new controls for the college on 29 November 2022 on the day that the Office for National Statistics reclassified colleges as public sector organisations in the national accounts. The ESFA chief executive communicated these changes to all college accounting officers and explained plans to introduce a college financial handbook in 2024. The Group has reviewed and amended its policies, procedures and approval processes in line with these new requirements to ensure there are systems in place to identify and handle any transactions for which DfE approval is required.

The corporation has had due regard to the framework of authorities governing regularity, priority and compliance, and the requirements of grant funding agreements and contracts with ESFA and regularly considers its responsibility to notify ESFA of material irregularity, impropriety and non-compliance with those authorities and terms and conditions of funding. Senior staff within appropriate departments are experienced and keep up to date with requirements under these agreements. Systems are in place to identify any material irregular or improper use of funds by the corporation, or material non-compliance with the framework of authorities and the terms and conditions of funding under the corporation's grant funding agreements and contracts with ESFA, or any other public funder.

Statement from the Audit Committee

The Audit Committee has advised the Board 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.

Review of effectiveness

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

- the work of the internal auditors;
- the work of the executive managers within the Group who have responsibility for the development and maintenance of the internal control framework; and
- comments made by the Group's financial statements auditor and the regularity auditor in their management letters and other reports.

The Accounting Officer has been advised on the implications of the result of their review of the effectiveness of the system of internal control by the Audit 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 executive leadership team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The executive leadership team and the Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the executive leadership team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

Based on the advice of the Audit 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".

Going concern

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

Approved by order of the members of the Corporation on 19 December 2023 and signed on its behalf by:

James Stuart
Chair of the Corporation

Ellen Thinnesen
Accounting Officer

Statement on the Group's regularity, propriety and compliance with Funding Body terms and conditions of funding

As accounting officer, I confirm that the corporation has had due regard to the framework of authorities governing regularity, priority and compliance, and the requirements of grant funding agreements and contracts with ESFA, and has considered its responsibility to notify ESFA of material irregularity, impropriety and non-compliance with those authorities and terms and conditions of funding.

I confirm on behalf of the corporation that after due enquiry, and to the best of my knowledge, I am able to identify any material irregular or improper use of funds by the corporation, or material non-compliance with the framework of authorities and the terms and conditions of funding under the corporation's grant funding agreements and contracts with ESFA, or any other public funder. This includes the elements outlined in the "Dear accounting officer" letter of 29 November 2022 and ESFA's bite size guides.

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

Ellen Thinnesen
Accounting Officer
19 December 2023

Statement of the chair of governors

On behalf of the corporation, I confirm that the accounting officer has discussed her statement of regularity, propriety and compliance with the board and that I am content that it is materially accurate.

James Stuart
Chair of the Corporation
19 December 2023

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 Group's funding agreements and contracts with the 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 Corporation and its surplus/deficit of income over expenditure for that period.

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

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

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

The Corporation is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the Group, and which enable it to ensure that the financial statements are prepared in accordance with relevant legislation including the Further and Higher Education Act 1992 and Charities Act 2011, and relevant accounting standards. It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for taking steps that are reasonably open to it to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The maintenance and integrity of the Group website is the responsibility of the Corporation of the Group; 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 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 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, including that any transactions entered into by the corporation are within the delegated authorities set out in the "Dear accounting officer" letter of 29 November 2022 and ESFA's bite size guides. Members of the corporation must ensure that there are appropriate financial and management controls in place to safeguard public and other funds and ensure they are used properly. In addition, members of the corporation are responsible for securing economic, efficient and effective management of the corporation'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 19 December 2023 and signed on its behalf by:

James Stuart
Chair of the Corporation

Independent auditor's report to the Corporation of City of Sunderland College

Opinion

We have audited the financial statements of the Corporation of City of Sunderland College (the 'College') for the year ended 31 July 2023 which comprise the Consolidated and College statements of comprehensive income and expenditure, the Consolidated and College statements of changes in reserves, the Consolidated and College balance sheets, the Consolidated statement of cash flows and the notes to the financial statements, incorporating the principal 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 College's affairs as at 31 July 2023 and of its surplus of income over expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice: Accounting for Further and Higher Education.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Emphasis of matter

We draw your attention to the key judgements made in relation to the accounting treatment and assumptions regarding the Local Government Pension Scheme (LGPS). The key judgements are disclosed on page 43 and note 22 includes the relevant pension scheme disclosures. It should be noted that for sector-wide comparability users of these financial statements should take into consideration differing sector judgements relating to asset ceiling calculations, where appropriate. Our Auditor's Report is unmodified in this respect.

Other information

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit; or
- conclusions relating to appropriateness of the use of the going concern basis of accounting and disclosures of material uncertainties, subject to the requirements of ISA 570 Going Concern, and whether the auditor has concluded that there is a material misstatement in other information, subject to the requirements of ISA720 The Auditor's Responsibilities Relating to Other Information.

Opinions on other matters prescribed in the Office for Students' Accounts Direction (OfS 2019.41)

In our opinion, in all material respects

- funds from whatever source administered by the corporation for specific purposes have been properly applied to those purposes and, if relevant, managed in accordance with relevant legislation;
- funds provided by the Office for Students and the Education and Skills Funding Agency have been applied in accordance with the relevant terms and conditions.

Under the Office for Students' Accounts Direction, we are required to report to you, if we have anything to report in respect of the following matters:

- The corporation's grant and fee income, as disclosed in note number 2 to the financial statements, has been materially misstated.

We have no matters to report arising from this responsibility.

Responsibilities of Corporation of City of Sunderland College

As explained more fully in the Statement of Corporation Responsibilities on page 28, the Corporation is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- Enquiry of management and those charged with governance around actual and potential litigation and claims;
- Review of OFSTED report;

- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for bias;
- Reviewing minutes of meetings of those charged with governance;
- Reviewing internal audit reports; and
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

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

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

Azets Audit Services

Claire Hinshaw ACCA (Senior Statutory Auditor)
for and on behalf of Azets Audit Services
Chartered Accountants
Statutory Auditor
Bulman House
Regent Centre
Gosforth
Newcastle upon Tyne
NE3 3LS

Date: 20 December 2023

Azets Audit Services is a trading name of Azets Audit Services Limited.

City of Sunderland College Reporting Accountant's Assurance Report on Regularity

To: The Corporation of City of Sunderland College and Secretary of State for Education acting through the Education and Skills Funding Agency ("the ESFA")

In accordance with the terms of our engagement letter dated 28 November 2023 and further to the requirements and conditions of funding in the ESFA's grant funding agreements and contracts, or those of any other public funder, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by the Corporation of City of Sunderland College during the period 1 August 2022 to 31 July 2023 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 (ILR) data returns, for which the ESFA or devolved authority has other assurance arrangements in place.

This report is made solely to the Corporation of City of Sunderland College and the ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the Corporation of City of Sunderland College and the ESFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation of City of Sunderland College and the ESFA for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of the Corporation of City of Sunderland College and the reporting accountant

The Corporation of City of Sunderland College is responsible, under the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed, and income received, are applied for the purposes intended by Parliament, and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2022 to 31 July 2023 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Code issued by the ESFA. We performed a limited assurance engagement as defined in that framework.

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

A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

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

Reporting accountant's assurance report on regularity (continued)

The work undertaken to draw to our conclusion includes:

- An assessment of material irregularity and impropriety across all of the College's activities;

- Further testing and review of self-assessment questionnaire including inquiry, identification of control processes and examination of supporting evidence across all areas identified as well as additional verification work where considered necessary; and

- Consideration of evidence obtained through the work detailed above and the work completed as part of our financial statements audit in order to support the regularity conclusion.

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2022 to 31 July 2023 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Azets Audit Services

Azets Audit Services
Chartered Accountants
Statutory Auditor
Bulman House
Regent Centre
Gosforth
Newcastle upon Tyne
NE33LS

Date 20 December 2023

Azets Audit Services is a trading name of Azets Audit Services Limited.

Consolidated and College Statements of Comprehensive Income and Expenditure

		Year ended 31 July 2023		Year ended 31 July 2022	
INCOME	**Notes**	**Group £'000**	**College £'000**	**Group £'000**	**College £'000**
Funding body grants	2	45,774	45,774	38,408	38,408
Tuition fees and education contracts	3	5,391	5,391	6,056	6,056
Other grants and contracts	4	-	-	199	199
Other income	5	2,096	2,096	2,575	2,575
Endowment and investment income	6	10	10	-	-
Total Income		**53,271**	**53,271**	**47,238**	**47,238**
EXPENDITURE					
Staff costs	7	32,221	32,221	32,703	32,703
Restructuring costs	7	273	273	521	521
Other operating expenses	8	14,589	14,589	12,829	12,829
Depreciation and impairment	11	5,269	5,269	4,783	4,783
Interest payable and other finance costs	9	740	740	1,216	1,216
Total Expenditure		**53,092**	**53,092**	**52,052**	**52,052**
Surplus/(deficit) before other gains and losses		**179**	**179**	**(4,814)**	**(4,814)**
Loss on disposal of assets		-	-	-	-
Surplus/(deficit) before tax		**179**	**179**	**(4,814)**	**(4,814)**
Tax	10				
Surplus/(deficit) for the year		**179**	**179**	**(4,814)**	**(4,814)**
Actuarial gain/(loss) in respect of enhanced pension schemes		393	393	(838)	(838)
Actuarial gain in respect of defined benefit pension schemes	22	2,300	2,300	44,139	44,139
Total Comprehensive Income for the year		**2,872**	**2,872**	**38,487**	**38,487**

All items of income and expenditure relate to continuing activities.

Consolidated and College Statements of Changes in Reserves

	Income & Expenditure Account	Revaluation Reserve	Restricted Reserve	Total
	£'000	£'000	£'000	£'000
Group				
Balance at 1 August 2021	**11,184**	**11,968**	**124**	**23,276**
Deficit from the income and expenditure account	(4,814)	-	-	(4,814)
Other comprehensive income – enhanced pension	(838)	-	-	(838)
Other comprehensive income – defined benefit pension	44,139	-	-	44,139
Total comprehensive income for the year	**38,487**	-	-	**38,487**
Transfers between revaluation and income and expenditure reserves	186	(186)	-	-
Balance at 31 July 2022	**49,857**	**11,782**	**124**	**61,763**
Surplus from the income and expenditure account	179	-	-	179
Other comprehensive income (enhanced pension)	393			393
Other comprehensive income (defined benefit pension)	2,300	-	-	2,300
Total comprehensive income for the year	**2,872**	-	-	**2,872**
Transfers between revaluation and income and expenditure reserves	186	(186)	-	-
Balance at 31 July 2023	**52,915**	**11,596**	**124**	**64,635**
College				
Balance at 1 August 2021	**11,184**	**11,968**	**124**	**23,276**
Deficit from the income and expenditure account	(4,814)	-	-	(4,814)
Other comprehensive income – enhanced pension	(838)	-	-	(838)
Other comprehensive income – defined benefit pension	44,139	-	-	44,139
Total comprehensive income for the year	**38,487**	-	-	**38,487**
Transfers between revaluation and income and expenditure reserves	186	(186)	-	-
Balance at 31 July 2022	**49,857**	**11,782**	**124**	**61,763**
Surplus from the income and expenditure account	179	-	-	179
Other comprehensive income (enhanced pension)	393			393
Other comprehensive income (defined benefit pension)	2,300	-	-	2,300
Total comprehensive income for the year	**2,872**	-	-	**2,872**
Transfers between revaluation and income and expenditure reserves	186	(186)	-	-
Balance at 31 July 2023	**52,915**	**11,596**	**124**	**64,635**

Balance Sheets as at 31 July

	Notes	Group 2023 £000	College 2023 £000	Group 2022 £000	College 2022 £000
Fixed assets					
Tangible assets	11	125,806	125,806	124,428	124,428
Pension assets	22	84	84	-	-
Total fixed assets		**125,890**	**125,890**	**124,428**	**124,428**
Current Assets					
Stocks		68	68	79	79
Debtors	13	3,565	3,565	1,882	1,882
Cash at bank and in hand	18	2,759	2,759	1,760	1,760
Total current assets		**6,392**	**6,392**	**3,721**	**3,721**
Less creditors – amounts falling due within one year	14	(14,444)	(14,444)	(14,054)	(14,054)
Net current liabilities		**(8,052)**	**(8,052)**	**(10,333)**	**(10,333)**
Total assets less current liabilities		**117,838**	**117,838**	**114,095**	**114,095**
Less creditors: amounts falling due after more than one year	15	(49,670)	(49,670)	(47,499)	(47,499)
Provisions					
Defined benefit obligations	17	-	-	(760)	(760)
Other provisions	17	(3,533)	(3,533)	(4,073)	(4,073)
Total net assets		**64,635**	**64,635**	**61,763**	**61,763**
Unrestricted reserves					
Income & expenditure account		52,915	52,915	49,857	49,857
Revaluation reserve		11,596	11,596	11,782	11,782
Total unrestricted reserves		**64,511**	**64,511**	**61,639**	**61,639**
Restricted reserves		**124**	**124**	**124**	**124**
Total reserves		**64,635**	**64,635**	**61,763**	**61,763**

The financial statements on pages 34 to 62 were approved by the Corporation on 19 December 2023 and were signed on its behalf on that date by:

James Stuart (Chair)

Ellen Thinnesen (Accounting Officer)

Consolidated Statement of Cash Flows

	Notes	Year ended 31 July 2023 £'000	Year ended 31 July 2022 £'000
Cash flows from operating activities			
Surplus for the year		179	(4,814)
Adjustment for non-cash items			
Depreciation and impairment		5,269	4,783
(Increase)/decrease in stocks		(4)	4
(Increase)/decrease in debtors		(1,683)	13
(Decrease)/increase in creditors		(2,494)	1,320
Decrease in provisions		(287)	(934)
Pensions costs less contributions paid		1,466	3,639
Adjustment for investing or financing activities		**2,446**	**4,011**
Investment income		-	-
Interest payable		600	1,216
Loss on sale of fixed assets		-	-
Taxation paid		-	-
Net cash flow from operating activities		**3,046**	**5,227**
Cash flows from investing activities			
Proceeds from sale of fixed assets		-	-
Capital Grant Receipts		4,999	3,581
Investment income		0	-
Payments made to acquire fixed assets		(5,141)	(7,490)
		(142)	**(3,909)**
Cash flows from financing activities			
Interest paid		(600)	(536)
Repayments of amounts borrowed		(1,305)	(1,080)
		(1,905)	**(1,616)**
Increase/(decrease) in cash and cash equivalents in the year		**999**	**(298)**
Cash and cash equivalents at beginning of the year	18	1,760	2,058
Cash and cash equivalents at end of the year	18	**2,759**	**1,760**

Notes to the Financial Statements for the Year 31 July 2023

1 Accounting policies

Statement of accounting policies

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

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2019 (the 2019 FE HE SORP), the College Accounts Direction for 2022 to 2023 and in accordance with Financial Reporting Standard 102 – "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102). 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.

Basis of accounting

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

Basis of consolidation

The consolidated financial statements include the Group and its subsidiaries, COSC Supplies Limited, Blue Square Trading Limited and Sunderland College Enterprises Limited and Kirkley Hall Limited, controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity, in order to obtain benefits from its activities. All financial statements are made up to 31 July 2023.

Going concern

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

Future forecasts are based on the level of notified funding for 16-19 learners and AEB, recruitment numbers along with anticipated levels of income on other lines that reflect the anticipated financial impact of curriculum planning. Anticipated associated restructuring savings and non-staff savings have also been made.

The Group has sufficient cash reserves to fund day-to-day activities, including cash at bank of £2.8m (*2022: £1.8m)*. The Group currently has four loans outstanding, totalling £10.4m, negotiated on different terms and all loans are secured. Three of these loans have terms agreed until the end of the loan period. The remaining loan, with an outstanding balance of £3.7m has been re-negotiated for a five-year period and will expire in September 2027. The Group's financial forecasts and financial projections indicate that it will be able to operate within these existing facilities and covenants for the foreseeable future.

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

1 Accounting policies (continued)

Recognition of income

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the Adult Skills Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

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

Income from franchised HE delivery is recognised based on the actual reconciliation figures received from the partner University and is based on student income earned for the current financial year.

Other discrete Education and Skills Funding Agency (ESFA) funds received during the year are taken to income and expenditure as incurred in line with the specific terms and conditions attached to each fund by the Funding Bodies.

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

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual method as permitted by FRS 102. Other capital grants are recognised in income when the Group is entitled to the funds subject to any performance related conditions being met.

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

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

Agency arrangements

The Group acts as an agent in the collection and payment of certain discretionary support funds and any other arrangements. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure of the college where the college is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

Accounting for post-employment benefits

Post-employment benefits to employees of the Group are principally provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit plans, which are externally funded and contracted out of the State Second Pension.

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the Group in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method. The TPS is a multi-employer scheme and the Group is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

1 Accounting policies (continued)

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

Actuarial gains and losses are recognised immediately in other recognised 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. Any unused benefits are accrued and measured as the additional amount the Group expects to pay as a result of the unused entitlement.

Enhanced Pensions

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

Non-current Assets - Tangible fixed assets

Tangible fixed assets are stated at 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 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Land and buildings

Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the Group, on a straight line basis, generally of 50 years. The Group has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 10 and 50 years.

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

Finance costs, which are directly attributable to the construction of land and buildings, are capitalised as part of the cost of those assets.

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

On adoption of FRS 102, the Group followed the transitional provision to retain the book value of land and buildings, which were revalued in 2014, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

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

1 Accounting policies (continued)

Subsequent expenditure on existing fixed assets

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

Equipment

Equipment costing less than £1,000 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost.

All assets are depreciated on a straight- line basis over their useful economic life. Generally all assets are depreciated as follows:

• Motor vehicles and general equipment	3 years on a straight-line basis
• Computer equipment	5 years on a straight-line basis
• Furniture and fittings	10 years on a straight-line basis

Where an item of equipment is deemed to have an economic life outside of those detailed above, the estimated life will be adjusted e.g. high specification IT equipment.

Where equipment is acquired with the aid of specific grants, it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to the income and expenditure account over the useful economic life of the related equipment.

Borrowing costs

Borrowing costs are recognised as expenditure in the period in which they are incurred, other than those directly attributable to the acquisition, construction or production of a qualifying asset, which are capitalised and written off over the life of the associated asset.

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term.

Investments

Investments in subsidiaries

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

Inventories

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

Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 3 months without penalty.

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

1 Accounting policies (continued)

Financial liabilities and equity

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

All loans, investments and short term deposits held by the Group are classified as basic financial instruments in accordance with FRS 102 and are held at amortised cost. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). Loans and investments that are payable or receivable within one year are not discounted.

Foreign currency translation

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

Taxation

The 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 Group 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 Group is partially exempt in respect of Value Added Tax, so that it can only recover around 1% of the VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

The 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 a reliable estimate can be made of the amount of the obligation.

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

A contingent liability arises from a past event that gives the Group 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 measured reliably.

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

Judgements in applying accounting policies and key sources of estimation uncertainty

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

- Determine whether leases entered into by the 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, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

1 Accounting policies (continued)

Other key sources of estimation uncertainty

- *Tangible fixed assets*

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

Where impairment indicators have been identified, there can be an element of estimation uncertainty in respect of the assessment of the recoverable value of the asset. The significant impairment in the year arises on property which is surplus to requirements. This value is assessed by qualified valuers based on the condition of the assets and recent similar transactions in the relevant market.

- *Local Government Pension Scheme*

The present value of the 2 Local Government Pension Schemes (Teesside Pension Fund and Tyne & Wear Pension Fund) defined benefit liabilities depend 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 22, will impact the carrying amount of the pension liabilities. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2022 has been used by the actuary in valuing the pensions liabilities at 31 July 2023. 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 liabilities.

The UK corporate bond yields at 31 July 2023 are at their highest levels for many years resulting in higher accounting discount rates at the year end. This places a significantly lower value on the pension obligations compared to last year and will be one of the main reasons a net asset has been reported. We have ensured that our assumptions are appropriate for the College and the valuation has been based on the following estimates:

- There is a minimum funding requirement in relation to LGPS
- There is the ability to recover a surplus through the ability to reduce future contributions (not refund)
- In calculating the surplus, the present value of current and past service costs is offset against the future contributions over the future period
- The present values in the above calculations are calculated using an annuity representing participation into perpetuity.

There is no known intention to exit either LPGS and therefore the economic benefit of a refund would be highly unlikely and on that basis recognition of an asset is considered inappropriate. We have however considered the economic benefit available to the College as a future contribution reduction and whether it is appropriate to recognise the net asset in full. Under FRS 102, a net asset restriction may apply as the prevailing view is that a minimum funding requirement for future service exists in the LGPS. We requested our actuaries consider the impact of the minimum funding requirement on the asset ceiling and as a result we have restricted the assets based upon asset restriction calculations. We consider this to be appropriate and a more accurate reflection of the pension positions as at the 31 July 2023.

2 Funding body grants

	Group Year ended 31 July 2023 £'000	College Year ended 31 July 2023 £'000	Group Year ended 31 July 2022 £'000	College Year ended 31 July 2022 £'000
Education and Skills Funding Agency – 16-18	28,415	28,415	24,930	24,930
Education and Skills Funding Agency – Adult	6,453	6,453	3,300	3,300
North of Tyne CA - Adult	1,574	1,574	1,295	1,295
Tees Valley CA – Adult	719	719	404	404
Education and Skills Funding Agency – Apprenticeships	3,962	3,962	3,989	3,989
Office for Students	618	618	414	414
Specific grants				
Education and Skills Funding Agency Other	634	634	691	691
Teachers Pension Scheme Contribution Grant	1,090	1,090	1,003	1,003
Release of government capital grants	1,783	1,783	1,503	1,503
Higher Education grant	6	6	6	6
Specific grants – Coronavirus additional funding				
Education and Skills Funding Agency 16-19 Tuition Funding	520	520	873	873
Total	**45,774**	**45,774**	**38,408**	**38,408**

3 Tuition fees and education contracts

	Group Year ended 31 July 2023 £'000	College Year ended 31 July 2023 £'000	College Year ended 31 July 2022 £'000	College Year ended 31 July 2022 £'000
Adult education fees	168	168	155	155
Apprenticeship fees and contract	36	36	29	29
Fees for FE loan supported courses	1,050	1,050	1,411	1,411
Fees for HE loan supported courses	3,303	3,303	3,574	3,574
Total tuition fees	4,557	4,557	5,169	5,169
Education contracts	834	834	887	887
Total	**5,391**	**5,391**	**6,056**	**6,056**

4 Other grants and contracts

	Group Year ended 31 July 2023 £'000	College Year ended 31 July 2023 £'000	Group Year ended 31 July 2022 £'000	College Year ended 31 July 2022 £'000
Other grants and contracts	-	-	199	199
Total	-	-	**199**	**199**

5 Other income

	Group Year ended 31 July 2023 £'000	College Year ended 31 July 2023 £'000	Group Year ended 31 July 2022 £'000	College Year ended 31 July 2022 £'000
Catering and residences	746	746	710	710
Non-government capital grants	10	10	45	45
Miscellaneous income	1,340	1,340	1,820	1,820
Total	**2,096**	**2,096**	**2,575**	**2,575**

6 Investment income

	Group Year ended 31 July 2023 £'000	College Year ended 31 July 2023 £'000	Group Year ended 31 July 2022 £'000	College Year ended 31 July 2022 £'000
Pension interest receivable	10	10	-	-
Total	**10**	**10**	**-**	**-**

7 Staff costs

	Group 2023 No.	College 2023 No.	Group 2022 No.	College 2022 No.
Teaching staff	678	678	634	634
Non-teaching staff	238	238	234	234
	916	**916**	**868**	**868**

	Group 2023 No.	College 2023 No.	Group 2022 No.	College 2022 No.
Teaching staff expressed as FTE	550	550	526	526
Non-teaching staff expressed as FTE	191	191	188	188
	741	741	714	714

7 Staff costs (continued)

Staff costs for the above persons

	Group Year ended 31 July 2023 £'000	College Year ended 31 July 2023 £'000	Group Year ended 31 July 2022 £'000	College Year ended 31 July 2022 £'000
Wages and salaries	22,708	22,708	21,208	21,208
Social security costs	2,209	2,209	2,112	2,112
Other pension costs	6,056	6,056	7,918	7,918
Payroll sub total	**30,973**	**30,973**	**31,238**	**31,238**
Contracted out staffing services	1,248	1,248	1,465	1,465
	32,221	**32,221**	**32,703**	**32,703**
Fundamental restructuring costs – Contractual	273	273	521	521
Total staff costs	**32,494**	**32,494**	**33,224**	**33,224**

Key management personnel – Group and College

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group and are represented by the Executive Leadership Team, which comprises the Accounting Officer, Principal of Northumberland College, Principal of Sunderland College and Chief Financial Officer.

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

	2023 No.	2022 No.
The number of senior post-holders including the Accounting Officer was:	4	4

Key management personnel – Group and College

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

	Key management		Other staff	
	2023	**2022**	**2023**	**2022**
£60,001 to £65,000	-	-	5	5
£70,001 to £75,000	-	-	2	4
£75,001 to £80,000	-	-	3	-
£80,001 to £85,000	-	-	1	-
£85,001 to £90,000	1	1	-	-
£95,001 to £100,000	2	-	-	-
£100,001 to £105,000	-	2	-	-
£145,001 to £150,000	1	-	-	-
£150,001 to £155,000	-	1	-	-
	4	**4**	**11**	**9**

The 2023 key management personnel excludes the Principal (Northumberland) who ceased employment for the Group in August 2022. The position would have been included within the figures above had the position been occupied for the full financial year.

7 Staff costs (continued)

Key management personnel emoluments are made up as follows:	2023	2022
	£'000	£'000
Salaries	438	442
Employer's National Insurance	57	58
	495	500
Pension contributions	99	91
Total emoluments	**594**	**591**

There were no amounts due to key management personnel that were waived in the year, nor any salary sacrifice arrangements in place.

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

The Accounting Officer	Year ended 31 July 2023 £'000	Year ended 31 July 2022 £000
Salaries	150	151
Pension contributions	36	36

The pension contributions in respect of the Accounting Officer and senior post-holders are in respect of employer's contributions to the Teachers' Pension Scheme and Local Government Pension Scheme and are paid at the same rate as for other employees.

Each year, the Chair of Corporation agrees with the Accounting Officer objectives for the year ahead. These objectives are items considered over and above the day to day remit of the role and are specifically linked to the delivery of the Group's Strategy. The Chair of Corporation undertakes a professional development conversation with the Accounting Officer annually where performance of the previous year's objectives is fully considered and then presented to the Remuneration Committee. In the 2022-23 academic year the Chair of Corporation and Remuneration Committee found the Chief Executive to have met all objectives.

Relationship of Principal/Chief Executive pay and remuneration expressed as a multiple	2023	2022
Principal's basic salary as a multiple of the median of all staff	5.84	6.04
Principal and CEO's total remuneration as a multiple of the median of all staff	5.86	6.09

The Group paid 31 severance payments in the year, disclosed in the following bands:

	2023
£0 to £25,000	31
£25,001 to £50,000	-
£50,001 to £100,000	-
£100,001 to £150,000	-
£150,000+	-

8 Other operating expenses

	Group Year ended 31 July 2023 £'000	College Year ended 31 July 2023 £'000	Group Year ended 31 July 2022 £'000	College Year ended 31 July 2022 £'000
Teaching costs	6,209	6,209	4,970	4,970
Non-teaching costs	3,205	3,205	2,304	2,304
Premises costs	3,699	3,699	3,845	3,845
Payments to non-College partners	1,476	1,476	1,710	1,710
Total	**14,589**	**14,589**	**12,829**	**12,829**

Other operating expenses include:	Group Year ended 31 July 2023 £'000	Group Year ended 31 July 2022 £'000
Auditors' remuneration:		
financial statements audit	64	54
other services provided by financial statements auditor	10	8
internal audit	31	24
Hire of other assets – operating leases	848	817

During the course of the year the group wrote off debts of £44,996 in relation to 28 debtors. Of these, the following debts were over £5,000 and require additional disclosure:

£6,000 written off in relation to a debt from 2019/20. The debt was referred to debt collection and a CCJ was obtained although enforcement activity was not undertaken. The judgement sits with the debt collection agency.

£5,999 written off in relation to a debt from 2021/22 financial year. The debt did go to debt collection but due to extenuating personal circumstances this was not pursued further.

9 Interest and other finance costs - Group and College

	Year ended 31 July 2023 £'000	Year ended 31 July 2022 £'000
On bank loans, overdrafts and other loans	600	536
Enhanced pension finance costs	140	6
Pension finance costs (note 22)	-	674
Total	**740**	**1,216**

10 Taxation (Group)

	Year ended 31 July 2023 £'000	Year ended 31 July 2022 £'000
United Kingdom corporation tax at 19 per cent	-	-
Total	-	-

11 Tangible Fixed Assets (Group)

	Freehold land and buildings	Equipment	Livestock	Total
	£'000	£'000	£'000	£'000
Cost or deemed cost				
At 1 August 2022	138,343	19,199	244	157,786
Additions	4,019	2,628	-	6,647
Disposals	(24)	(230)		(254)
At 31 July 2023	**142,338**	**21,597**	**244**	**164,179**
Depreciation				
At 1 August 2022	22,993	10,234	131	33,358
Charge for the year	3,150	2,092	27	5,269
Elimination in respect of disposals	(24)	(230)		(254)
At 31 July 2023	**26,119**	**12,096**	**158**	**38,373**
Net book value at 31 July 2023	**116,219**	**9,501**	**86**	**125,806**
Net book value at 31 July 2022	**115,350**	**8,965**	**113**	**124,428**

11 Tangible Fixed Assets (College)

	Freehold land and buildings	Equipment	Livestock	Total
	£'000	£'000	£'000	£'000
Cost or deemed cost				
At 1 August 2022	138,343	19,199	244	157,786
Additions	4,019	2,628	-	6,647
Disposals	(24)	(230)		(254)
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Net book value at 31 July 2023	**116,219**	**9,501**	**86**	**125,806**
Net book value at 31 July 2022	**115,350**	**8,965**	**113**	**124,428**

Land and buildings with a net book value of £3,908,000 (2022*: £4,094,000*) have been financed by exchequer funds. Should these assets be sold, the Group may be liable, under the terms of the Financial Memorandum with the Education and Skills Funding Agency to surrender the proceeds.

The net book value of equipment includes an amount of £930,000 (2022:£1,137,000) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £207,000 (2022:£137,000).

12 Investments

	College 31 July 2023 £	College 31 July 2022 £
Cost		
Investments in subsidiary companies	4	4

The Group owns 100% of the issued ordinary £1 shares of Kirkley Hall Limited, Blue Square Trading Limited, COSC Supplies Limited and Sunderland College Enterprises Limited, companies incorporated in England and Wales.

The principal business activities of these companies are:

Kirkley Hall Limited – was various commercial operations from the Kirkley Hall site, Northumberland – dormant;
Blue Square Trading Limited, Bede Centre, Durham Road, Sunderland. SR3 4AH – dormant;
COSC Supplies Limited, Bede Centre, Durham Road, Sunderland. SR3 4AH – dormant;
Sunderland College Enterprises Limited, Bede Centre, Durham Road, Sunderland. SR3 4AH – dormant.

13 Debtors

	Group 31 July 2023 £'000	College 31 July 2023 £'000	Group 31 July 2022 £'000	College 31 July 2022 £'000
Amounts falling due within one year				
Trade receivables	157	157	460	460
Prepayments and accrued income	3,408	3,408	1,422	1,422
Total	**3,565**	**3,565**	**1,882**	**1,882**

14 Creditors: amounts falling due within one year

	Group 31 July 2023 £'000	College 31 July 2023 £'000	Group 31 July 2022 £'000	College 31 July 2022 £'000
Loans and overdrafts	853	853	697	697
Obligations under finance leases	218	218	468	468
Trade payables	4,458	4,458	3,462	3,462
Taxation and social security	1,607	1,607	1,567	1,567
Accruals and deferred income	5,425	5,425	6,360	6,360
Deferred income – government capital grants	1,883	1,883	1,500	1,500
	14,444	**14,444**	**14,054**	**14,054**

15 Creditors: amounts falling due after one year

	Group 31 July 2023 £'000	College 31 July 2023 £'000	Group 31 July 2022 £'000	College 31 July 2022 £'000
Loans	9,592	9,592	10,598	10,598
Obligations under finance leases	-	-	205	205
Deferred income – government capital grants	39,513	39,513	36,696	36,696
Other deferred income	565	565		
	49,670	**49,670**	**47,499**	**47,499**

16 Maturity of debt – Group and College

	31 July 2023 £'000	31 July 2022 £'000
Loans		
Loans are repayable as follows:		
In one year or less on demand	853	697
Between one and two years	866	715
Between two and five years	1,950	1,763
In five years or more	6,776	8,120
Total	**10,445**	**11,295**

Loans repayable are analysed above based on committed repayment dates as set out within each loan agreement.

The Group has four term loans, these are included above, net of unamortised issue costs of £49,000 (2022: £25,000). All loans are secured on Group Land & Buildings.

The first loan has an overall balance of £3,686,000, is repayable over ten years, with interim reviews every five years, at which time the term can be extended, on agreement by both parties. No element of this loan is currently secured on a fixed rate.

The second transferred to the Group and College on the acquisition of Hartlepool Sixth Form Group on 1 August 2017. This loan is fixed, has an outstanding balance of £1,041,000, is repayable by 28 March 2036 and bears interest at 7.05%.

The third and fourth loans transferred to the Group and College on the acquisition of Northumberland College on 22 March 2019 and both of these are fixed. One of these loans has an outstanding balance of £567,000, is repayable by 31 August 2025 and bears interest at 3.72%. The other loan has an outstanding balance of £5,200,000, is repayable by 31 March 2055 and bears interest at 4.55%.

16 Maturity of debt – Group and College (continued)

	31 July 2023 £'000	31 July 2022 £'000
Finance leases		
Finance leases are repayable as follows:		
In one year or less	218	468
Between one and two years	-	205
Between two and five years	-	-
In five years or more	-	-
Total	**218**	**673**

The finance leases obligations shown are secured on the assets to which they relate.

17 Provisions - Group and College

	Defined benefit obligations £'000	Enhanced Pensions £'000	Onerous Leases £'000	Deferred Grants £'000	Total £'000
At 1 August 2022	760	4,020	53	-	4,833
Expenditure in the period	(1,950)	(287)			(2,237)
Transferred from income and expenditure	1,106	(253)			853
Transferred to Fixed Assets	84	-	-	-	84
At 31 July 2023	**0**	**3,480**	**53**	**-**	**(3,533)**

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

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

Other provisions arising on acquisition relate to the costs of onerous leases which transferred to the Group upon merger with Northumberland College.

Deferred grants are amounts due to funding bodies.

The principal assumptions for the calculation of Enhanced Pensions are:

	2023	2022
Inflation rate	2.6%	2.6%
Discount rate	5.0%	3.5%

18 Cash and cash equivalents

	At 1 August 2022 £'000	Cash flows £'000	Other changes £'000	At 31 July 2023 £'000
Group				
Cash and cash equivalents	1,760	999	-	2,759
Total	**1,760**	**999**	**-**	**2,759**

19 Analysis of net debt

Group	At 1 August 2022 £'000	Cash flows £'000	Other Changes £'000	At 31 July 2023 £'000
Cash and cash equivalents	1,760	999	-	2,759
Bank loans	(11,295)	826	24	(10,445)
Finance Leases	(673)	455	-	(218)
	(10,208)	**2,280**	**24**	**(7,904)**

20 Capital and other commitment

	Group 31 July 2023 £'000	Group 31 July 2022 £'000
Commitments contracted for at 31 July	**811**	**433**

21 Lease obligations

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

Future minimum lease payments due	Year ended 31 July 2023 £'000	Year ended 31 July 2022 £'000
Land and buildings		
Not later than one year	99	88
Later than one year and not later than five years	142	190
Later than five years	7	10
	248	**288**
Other		
Not later than one year	72	103
Later than one year and not later than five years	76	89
Later than five years	-	-
	148	**192**

22 Defined benefit obligations

The Group's employees belong to three principal post-employment pension schemes: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and two Local Government Pension Schemes (LGPS) for non-teaching staff. The LGPS schemes are managed by Tyne and Wear Pension Fund and Teesside Pension Fund. All schemes are defined-benefit plans.

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was as at 31 March 2020 and of the LGPS 31 March 2022.

Total pension cost for the year		**Year ended 31 July 2023 £'000**		**Year ended 31 July 2022 £'000**
Teacher's Pension Scheme: contributions paid		2,640		2,310
Tyne and Wear Local Government Pension Scheme:				
Contributions paid	1,890		1,920	
FRS 102 (28) charge	1,410		3,520	
Charge to the Statement of Comprehensive Income		3,300		5,440
Teesside Local Government Pension Scheme:				
Contributions paid	60		49	
FRS 102 (28) charge	56		119	
Charge to the Statement of Comprehensive Income		116		168
Enhanced pension charge to Statement of Comprehensive Income		-		-
Total Pension cost for year		**6,056**		**7,918**

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 Group is unable to identify its share of the underlying assets and liabilities of the plan.

Accordingly, the Group 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 Group has set out above the information available on the plan and the implications for the Group 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.

22 Defined benefit obligations (continued)

The latest actuarial review of the TPS was carried out as at 31 March 2020. The valuation report was published by the Department for Education (the Department) in October 2023. The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £262 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £222 billion giving a notional past service deficit of £40 billion (compared to £22 billion in the 2016 valuation).

As a result of the valuation, new employer contribution rates were set at 28.6% of pensionable pay from April 2024 onwards (compared to 23.68% during 2022/23). DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2023-24 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 £2,640,000 (2021/22: £2,310,000)

FRS 102 (28)

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

Accordingly, the Group 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 Group has set out above the information available on the plan and the implications for the Group in terms of the anticipated contribution rates.

Tyne and Wear Local Government Pension Scheme - Group and College

The Tyne and Wear LGPS is a funded defined-benefit scheme, with the assets held in separate funds administered by South Tyneside Council. The total contribution made for the year ended 31 July 2023 was £2,510,000 of which employer's contributions totalled £1,890,000 and employees' contributions totalled £620,000. The agreed contribution rates for future years are 19.1% of pensionable pay for employers, and range from 5.5% to 12.5% for employees, depending on salary according to a national scale.

Principal Actuarial Assumptions

The following information is based on a full actuarial valuation of the fund as at 31 March 2022, updated to 31 July 2023 by a qualified independent actuary (AON).

	At 31 July 2023	At 31 July 2022
Rate of increase in salaries	4.1%	4.1%
Rate of increase for pensions in payment/inflation	2.6%	2.6%
Discount rate for scheme liabilities	5.0%	3.5%
Inflation assumption (CPI)	2.6%	2.6%

22 Defined benefit obligations (continued)

Tyne and Wear Local Government Pension Scheme – Group and College (continued)

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

	At 31 July 2023	At 31 July 2022
Retiring today		
Males	21.0	21.8
Females	24.1	25.0
Retiring in 20 Years		
Males	22.2	23.5
Females	25.5	26.7

The fair value of the estimated asset allocation of the Tyne and Wear Pension Fund were as follows:

	Value at 31 July 2023 £'000	Value at 31 July 2022 £'000
Equities	57,554	59,971
Government Bonds	1,464	1,784
Corporate Bonds	21,174	20,733
Property	11,601	12,373
Cash	1,915	2,006
Multi Asset Credit	5,181	4,905
Other	13,741	9,698
Total fair value of plan assets	**112,630**	**111,470**
Actual return on plan assets	**1,270**	**1,630**

22 Defined benefit obligations (continued)

Tyne and Wear Local Government Pension Scheme – Group and College (continued)

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

	Year ended 31 July 2023 £'000	Year ended 31 July 2022 £'000
Fair value of plan assets	112,630	111,470
Present value of plan liabilities	(89,660)	(111,950)
Pension asset value not recognised	(22,970)	
Net pensions asset/(liability) (Note 17)	**-**	**(480)**

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

	Year ended 31 July 2023 £'000	Year ended 31 July 2022 £'000
Amounts included in staff costs		
Current service cost	3,330	5,260
Curtailments and settlements	-	180
Past service cost		
Total	**3,330**	**5,440**

	Year ended 31 July 2023 £'000	Year ended 31 July 2022 £'000
Amounts included in interest and other finance costs		
Net pension finance (income)/cost	(20)	640
Pension finance cost	**(20)**	**640**

Amount recognised in Other Comprehensive Income	Year ended 31 July 2023 £'000	Year ended 31 July 2022 £'000
Return on pension plan assets	(2,630)	(240)
Experience gains/(losses) arising on defined benefit obligations	27,470	42,560
Movement in asset value not recognised	(22,970)	
Amount recognised in Other Comprehensive Income	**1,870**	**42,320**

22 Defined benefit obligations (continued)

Tyne and Wear Local Government Pension Scheme – Group and College (continued)

Movement in net defined benefit liability during year	**Year ended 31 July 2023 £'000**	**Year ended 31 July 2022 £'000**
Deficit in scheme at 1 August	(480)	(38,640)
Movement in year:		
Current service cost	(3,300)	(5,260)
Employer contributions	1,890	1,920
Past service cost	-	(180)
Net interest on the defined liability	20	(640)
Actuarial (loss)/ gain	1,870	42,320
Net defined asset/(liability) at 31 July	-	**(480)**

Changes in the present value of defined benefit obligations	**Year ended 31 July 2023 £'000**	**Year ended 31 July 2022 £'000**
Defined benefit obligations at start of period	111,950	148,690
Current service cost	3,330	5,260
Interest cost	3,880	2,510
Contributions by Scheme participants	620	580
Experience gains and losses on defined benefit obligations	(27,470)	(42,560)
Estimated benefits paid	(2,620)	(2,710)
Past service cost	-	180
Defined benefit obligations at end of period	**89,660**	**111,950**

Changes in fair value of plan assets	**Year ended 31 July 2023 £'000**	**Year ended 31 July 2022 £'000**
Fair value of plan assets at start of period	111,470	110,050
Interest on plan assets	3,900	1,870
Return on plan assets	(2,630)	(240)
Employer contributions	1,890	1,920
Contributions by Scheme participants	620	580
Estimated benefits paid	(2,620)	(2,710)
Fair value of plan assets at end of period	**112,630**	**111,470**

22 Defined benefit obligations (continued)

Teesside Local Government Pension Scheme – Group and College

The Teesside LGPS is a funded defined-benefit scheme, with the assets held in separate funds administered by Teesside Pension Fund. The total contribution made for the year ended 31 July 2023 was £83,000 of which employer's contributions totalled £60,000 and employees' contributions totalled £23,000. The agreed contribution rates for future years are 15.7% of pensionable pay for employers and range from 5.5% to 12.5% for employees, depending on salary according to a national scale.

Principal Actuarial Assumptions

The following information is based on a full actuarial valuation of the fund as at 31 March 2022, updated to 31 July 2023 by a qualified independent actuary (Hymans Robertson).

	At 31 July 2023	At 31 July 2022
Rate of increase in salaries	4.05%	3.8%
Rate of increase for pensions in payment/inflation	3.05%	2.8%
Discount rate for scheme liabilities	5.10%	3.5%
Inflation assumption (CPI)	3.05%	2.8%

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

	At 31 July 2023	At 31 July 2022
Retiring today		
Males	20.5	21.7
Females	23.5	23.5
Retiring in 20 Years		
Males	21.3	22.9
Females	25.0	25.3

The fair value of the estimated asset allocation of the Teesside Pension Fund were as follows:

	Value at 31 July 2023 £'000	Value at 31 July 2022 £'000
Equities	3,625	3,616
Property	1,142	957
Cash	199	745
Other		
Total fair value of plan assets	**4,966**	**5,318**
Actual return on plan assets	**(270)**	**416**

22 Defined benefit obligations (continued)

Teesside Local Government Pension Scheme – Group and College (continued)

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

	31 July 2023 £'000	31 July 2022 £'000
Fair value of plan assets	4,966	5,318
Present value of plan liabilities	(4,241)	(5,598)
Pension asset value not recognised	(641)	-
Net pensions asset/(liability) (Note 17)	**84**	**(280)**

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

	Year ended 31 July 2023 £'000	Year ended 31 July 2022 £'000
Amounts included in staff costs		
Current service cost	116	168
Total	**116**	**168**

	Year ended 31 July 2023 £'000	Year ended 31 July 2022 £'000
Amounts included in interest and other finance costs		
Net pension finance costs	10	34
Pension finance cost	**10**	**34**

Amount recognised in Other Comprehensive Income	Year ended 31 July 2023 £'000	Year ended 31 July 2022 £'000
Return on pension plan assets	(455)	332
Experience gains/(losses) arising on defined benefit obligations	1,526	1,487
Movement is asset value not recognised	(641)	-
Amount recognised in Other Comprehensive Income	**430**	**1,819**

22 Defined benefit obligations (continued)

Teesside Local Government Pension Scheme – Group and College (continued)

Movement in net defined benefit liability during year	Year ended 31 July 2023 £'000	Year ended 31 July 2022 £'000
At the beginning of the year	(280)	(1,946)
Movement in year:		
Current service cost	(116)	(168)
Employer contributions	60	49
Net interest on the defined liability	(10)	(34)
Actuarial gain/(loss)	430	1,819
Net defined asset/(liability) at 31 July	**84**	**(280)**

Changes in the present value of defined benefit obligations	Year ended 31 July 2023 £'000	Year ended 31 July 2022 £'000
Defined benefit obligations at start of period	5,598	6,924
Current service cost	116	168
Interest cost	195	118
Contributions by Scheme participants	23	19
Experience gains and losses on defined benefit obligations	(1,526)	(1,487)
Estimated benefits paid	(165)	(144)
Past service cost		
Defined benefit obligations at end of period	**4,241**	**5,598**

Changes in fair value of plan assets	Year ended 31 July 2023 £'000	Year ended 31 July 2022 £'000
Fair value of plan assets at start of period	5,318	4,978
Interest on plan assets	185	84
Return on plan assets	(455)	332
Employer contributions	60	49
Contributions by Scheme participants	23	19
Estimated benefits paid	(165)	(144)
Fair value of plan assets at end of period	**4,966**	**5,318**

23 Related party transactions

Owing to the nature of the Group'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 are conducted at arm's length and in accordance with the Group's financial regulations and normal procurement procedures.

The total expenses paid to or on behalf of the Governors during the year was £1,136; 3 governors (2021/22: £320; 2 governor). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governors' meetings and charity events, in their official capacity.

No governor has received any remuneration or waived payments from the Group or its subsidiaries during the year (2021/22: £0).

24 Amounts disbursed as agent

	Year ended 31 July 2023 £'000	Year ended 31 July 2022 £'000
Funding body grants - bursary support	877	817
Funding body grants – free meals	242	282
Other funding body grants	155	96
	1,274	1,195
Disbursed to students	1,164	1,194
Administration costs	-	-
Balance unspent at 31 July, include in creditors	**110**	**1**

Funding body grants are available solely for students. 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.

25 Post Balance Sheet Event

There are no events after the reporting period.