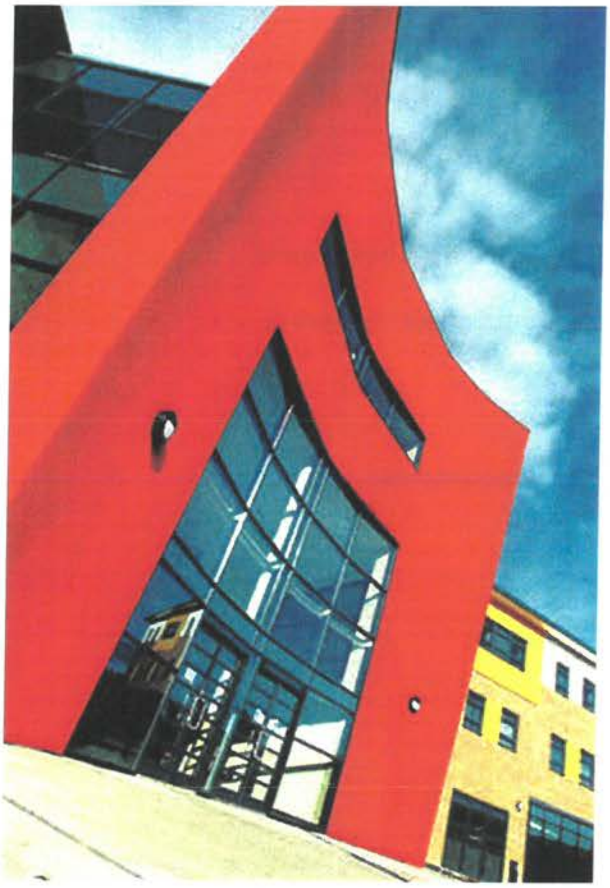

Bishop Auckland College

Report and Consolidated Financial Statements
for the year ended 31 July 2017

Bishop Auckland College

Key Management Personnel, Board of Governors and Professional advisers

Key management personnel
Key management personnel are defined as members of the College Leadership Team and were represented by the following in 2016/17:

Natalie Davison-Terranova Principal and CEO; Accounting Officer
Jason Howe Chief Executive SWDT
Richard Hinch Director of Curriculum
Elizabeth Lamb Director of Quality
Judith Layfield Director of Finance and Planning
Clare Wray Director of Service Standards

Board of Governors
A full list of governors is given on page 14 of these financial statements.

Mr John Banks acted as clerk to the corporation throughout the period.

Professional advisers

Financial statements auditors and reporting accountants:
RSM UK Audit LLP
1 St James Gate
Newcastle upon Tyne
NE1 4AD

INTERNAL AUDITORS:
KPMG
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX

BANKERS:
Barclays Bank plc
PO Box 378
71 Grey Street
Newcastle
NE99 1JP

SOLICITORS:
MUCKLE LLP
Time Central
32 Gallowgate
Newcastle upon Tyne
NE1 4BF

Consolidated Financial Statements for the year ended 31 July 2017

Bishop Auckland College

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Bishop Auckland College

Report of the Governing Body

NATURE, OBJECTIVES AND STRATEGIES:

The members present their report and the audited financial statements for the year ended 31 July 2017.

Legal status

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

Mission

The College mission statement is:
"To enhance the economic prosperity of young people, adults and employers through high quality, work related education and training."

Public Benefit

Bishop Auckland College is an exempt charity under the Part 3 of the Charities Act 2011 and following the Machinery of Government changes in July 2016 is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on page 14.

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 employment record for students
- Strong student support systems
- Links with employers, industry and commerce.
- Links with Local Enterprise Partnerships (LEPs)

Implementation of strategic plan

In July 2013 the College adopted a Strategic Plan for the period 1 August 2013 to 31 July 2016. This strategic plan includes property and financial plans. The Corporation monitors the performance of the College against these plans. The plans are reviewed and updated each year.

As the College was involved in the Area Review process during 2016/17 a full refresh of the Strategic Plan was delayed until the process was complete. The 2017-2020 Strategic Plan will be developed during summer 2017. For the 2016/17 year the existing 2013-2016 plan was used as the foundation of the annual refresh

The College's continuing strategic objectives are to:

- Design College courses and services that respond to market needs and help to build prosperity in South Durham.
- Provide outstanding vocational learning that engages and inspires.
- Ensure Student performance outcomes will be amongst the best for FE colleges in the region and nationally.
- Prepare young people and adults for social and economic success.
- Develop a reputation for exceptional standards.
- Operate as an efficient and sustainable business, constantly innovating to enhance skills, improve value for money and achieve excellence in learning and business operations.

The College is on target for achieving these objectives.

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

Performance indicators

The 6 Pillars of Performance
The 2013-2016 Strategic Plan, includes the key headline targets or '6 Pillars of Performance'. These are reviewed annually to provide a series of key performance indicators for the College.

Key Performance Indicators 2016/17

1. Meet recruitment targets for all sectors of College provision, as agreed through a market-led business planning and budget building process.

2. Achieve outstanding/good judgments for each set of Learning Area observations in the Learning Area Review QA process.

3. Achievement rate in top decile nationally for each qualification type and all types of provision, including 16-18, adults and apprenticeships.

4. Achieve positive destinations target of 90% for students on full-time and substantial part-time programmes across College and within Learning Areas, and 30% job outcomes for students on substantial programmes for unemployed adults, including mandated programmes.

5. Achieve overall satisfaction rating of 95% for all stakeholder groups (students, employers, parents) and all Learning Areas.

6. Meet contribution targets for all sectors of College provision-mean 55%.

Good progress was made against these challenging targets with all KPIs partially met but with good progress being made throughout the year.

The College is committed to observing the importance of sector measures and indicators and uses the FE Choices data available on the GOV.UK website which looks at measures such as achievement rates. The College is required to complete the annual Finance Record for the Education and Skills Funding Agency ("ESFA"). The College is assessed by the Education and Skills Funding Agency as having a "Good" financial health grading. The current rating of Good is considered an acceptable outcome.

The College is committed to achieving an overall contribution rate of 55%. The College outturn positon resulted in a contribution rate of 52%; however for the first time this included allocation of maths and English teaching costs and is accepted as a positive outcome.

Financial objectives

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

Key performance Indicator	Measure/Target	Actual for 2016/17
Achieve annual income and recruitment targets	100%	95%
Return a minimum of 2% surplus on income year on year (excluding pension adjustment)	2%	0.6%
Ensure covenants are not breached	Meet	Met
Ensure staffing expenditure excluding partnership income is no more than 61% of annual turnover	61%	60.7%
Borrowing <40% turnover	<40%	49.1%
Remain solvent with a minimum net current ratio of 1.5	1.5	0.92
Financial Health Score	Good	Good

Bishop Auckland College

FINANCIAL POSITION

Financial results

The Group generated a deficit before other gains and losses in the year of £503,000 (2015/16 – deficit of £130,000), with total comprehensive income of £1.727m, (2015/16 - (£3.095m). The Group has accumulated reserves of (£2.283m) and cash and short term investment balances of £2.202m. The Group wishes to continue to accumulate reserves and cash balances in order to create a contingency fund.

Tangible fixed asset additions during the year amounted to £181,000. This was split between land and buildings acquired of £62,000 and equipment purchased of £119,000.

The Group has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2016/17 the FE funding bodies provided 73% of the Group's total income.

The College has a subsidiary company, S.W. Durham Training Limited ('SWDT Limited'). The principal activity of SWDT Limited is training in the engineering sector. Any surplus or deficit generated by the subsidiary is reflected in the Group performance. In the current year, the deficit generated was £355,000.

Treasury policies and objectives

Treasury management is the management of the College's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.
The College has a separate treasury management policy in place. The College invests its cash balances into the overnight markets which offer a fixed interest return. The investment account balance as at 31 July 2017 was £151,000.

Any short term borrowing for temporary revenue purposes would be authorised by the Accounting Officer. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Funding Agreement.

Cash flows and liquidity

At £828,000 (2015/16 £871,000), net cash flow from operating activities saw a slight decrease from the previous year.

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

Reserves Policy

The College has a Reserves Policy which is reviewed annually by the Board. The Board also review the level of reserves available and how these align with strategic plans; a target will be set for the value of reserves to be held at any one time. Reserves are that part of the College's Balance Sheet reserves which have unrestricted use. At 31 July 2017 this amounted to £2.202m. Cash reserves amounted to £2.051m together with current investments of £151,000.

A balance of reserves is required to ensure that the College has funds in place to cover day to day expenditure that in the short term may not be covered due to different phasing of receipts. A balance is also required should there be a shortfall in receipts in any one year for example due to lower than expected enrolment, an unexpected reduction in funding per student, unexpected urgent capital expenditure, or a significant delay in the receipt of funding. The College has a strategic priority of achieving 3% surplus year on year in order to increase the level of reserves to fund improvements and investment in facilities. Use of the reserves is approved by the Board.

Reserves are targeted to be sufficient to maintain operations for 60 days which would allow for a delay in receipt of funding.

Bishop Auckland College

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Financial health

Student numbers
In 2016/17 the College has delivered activity that has produced £7.726m in funding body main allocation funding (2015/16 – £7.548m). The College had approximately 4,718 funded and non-funded students.

Student achievements
Students continue to prosper at the College. Headline classroom learning achievement rates rose again in 2016/17 to 88.8% from 86.9% in 2015/16 for the College and to 91.9% at SWDT from 84.6% in 2015/16. Apprenticeship achievement rates remain strong at both organisations. The College was graded Good at its April 2016 inspection and SWDT achieved Outstanding in July 2014. Both organisations are committed to being outstanding learning providers and operational plans reflect this focus.

Curriculum developments
The College understands well the environment in which it operates and is committed to improving the lives and prosperity of its students. The curriculum is well aligned with the local labour market and business sector. The curriculum offer is reviewed annually to reflect current developments; in 2016 HNC Engineering was introduced to provide higher level skills training for the engineering sector. The College pays particular attention to providing articulated progression routes within all sectors from level 1 to levels 3, 4 and 5. A particular strength is in making students ready for the next stage in their lives through effective work experience and careers guidance; 97.5% of full time students took part in a meaningful work experience placement.

Many of our students have low levels of prior educational achievement; 23% of students who joined the College in September 2016 held a GCSE Grade C or above in maths and 30% English. The respective national rates for the year were 70.5% and 69.7%. Consequently a significant proportion of the College's work is at levels 1 and 2.

The College has a strong and growing range of courses aimed at adult students who are returning to education including Access to HE and Teaching Assistant programmes.

Courses have been designed to ensure students are able to move securely into the labour market. The major curriculum initiative this year is a partnership with Auckland Castle Trust, under the collaborative brand of Auckland Academy, in which a group of catering students have been trained throughout the year to bring them to a point at which they become Apprentice Commis Chefs, working in Auckland Castle and its other catering establishments.

Apprenticeship Reform has led to significant changes in the year in the apprenticeship offer, with a combination of frameworks and standards being delivered. Although the reforms caused a hiatus in recruitment at the 1st May, recruitment to engineering apprenticeships has seen an upturn with employers demonstrating their confidence in the brand. Systems and processes are in place to respond to the new regime.

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During the accounting period 1 August 2016 to 31 July 2017, the College paid 97% per cent of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

Events after the end of the reporting period

There were no significant post balance sheet events.

Future prospects

With regard to the College premises and the aim of delivering good value from public funds, delivery of classroom learning was further consolidated in 2016/17 to the Woodhouse Lane, Newgate Learning Centre and South West Durham Training. The College withdrew from the learning centre in Newton Aycliffe and relocated delivery to SWDT.

The application to open an alternative provision free school has been approved and discussions are currently underway to agree the location; this will be either within SWDT or at the currently vacant Spennymoor campus. The College aims to increase contribution by refining efficiency schemes to encompass all college sites. The College would like to reduce dependency on the funding bodies and is seeking opportunities particularly in the areas where the College currently performs well such as higher education, apprenticeships and commercial income.

Going concern

It is considered appropriate to adopt the going concern basis of accounting in preparing these financial statements, on the basis that the College Group has the ability to continue to operate for a significantly longer period than the statutory twelve months from the date of approval. The College Group regularly reviews its Risk Register and takes steps to mitigate against any strategic threats; the Risk Register is monitored by the Audit Committee.

The College was included in wave 5 of the Area Review process. The final report concluded that the College should 'continue to operate as a standalone institution working with neighbouring colleges on a collaborative curriculum'. The financial and curriculum plans have been developed with this in mind.

RESOURCES:

The College has various resources that it can deploy in pursuit of its strategic objectives. Tangible resources include the main college site, a £30.5m redevelopment with phase 1 (£17.5m) opened in June 2007 with the remaining new facilities completed during Autumn 2009. A further £8.5m investment was made in purpose built facilities at Spennymoor for technology provision, apprenticeships and adult programmes. The SWDT premises include the CORE facility equipped with industry standard resources. The site of the free school is expected to benefit from a £2m capital investment from DfE.

Financial
The College group has £43.059m of liabilities including £6.72m pension liability and long term debt of £6.2m.

People
The College group employs 289 people, of whom 148 are teaching staff (expressed as full-time equivalents; 220 and 117 respectively).

Reputation
The College has a good reputation locally and nationally. Maintaining a quality brand is essential for the College's success at attracting students and external relationships. The College was graded Good by Ofsted in April 2016 for the fourth consecutive time and SWDT was graded Outstanding in 2014.

PRINCIPAL RISKS AND UNCERTAINTIES:

The College 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 College's assets and reputation.

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

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

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

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

- 1.1 Reduced intake of entry / level 1 / level 2 students due to increased GCSE attainment in local schools and reduced demographics
- 1.2 Low recruitment of level 3 direct entry students due to lack of understanding of the College's level 3 vocational offer and standard of provision
- 2.1 Reduced recruitment in apprenticeships due to changes in funding methodology (introduction of apprenticeship levy and removal of direct funding from the college)
- 2.2 Low achievement in English and Mathematics for full and part time learners
- 7.1 Declining income in the short, medium and long terms due to Government Funding Policy and demographic factors
- 7.2 Failure to achieve in-year financial plans and accurately monitor and control income and expenditure
- 7.3 College breaches financial covenant of the commercial mortgage
- 7.4 Major failure of, or by, a partner or subsidiaries with which the college has a significant financial relationship
- 9.1 Lack of investment with the technology aspects of desktops, servers, security and media resulting in inadequate IT systems
- 10.1 Failure to take action to respond to external factors affecting FE sector ie. reduced funding, reduced demographics, increased competition
- 10.2 Weak Ofsted judgement and poor college performance

The significant risks are 2.1, 2.2, 7.1 and 9.1.

Government funding

The College has considerable reliance on continued government funding through the further education sector funding bodies and through HEFCE. In 2016/17, 77% of the College's revenue was ultimately publicly 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 College is aware of several issues which may impact on future funding, including apprenticeship reforms and the devolution of the adult education budget. The College, in conjunction with its key stakeholders, is developing a strategy for growth in response to the devolution agenda and to the apprenticeships reform. It is recognised that the introduction of the apprenticeship levy will significantly affect that marketplace though the full implications are not yet known as government policy continues to develop.

This risk is mitigated in a number of ways:

- Funding is derived through a number of direct and indirect contractual arrangements
- By ensuring the College 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 College is focused on those priority sectors which will continue to benefit from public funding
- Regular dialogue with funding bodies
- Remaining open to emerging opportunities to broaden the portfolio of activity
- Maintaining and improving relationships with key employers

Tuition fee policy

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

This risk is mitigated in a number of ways:

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

Maintain adequate funding of pension liabilities

The financial statements report the share of the Local Government Pension Scheme deficit on the College's balance sheet in line with the requirements of FRS 102.

Failure to maintain the financial viability of the College

The College's current financial health grade is classified as "good" as described above. This is largely the consequence of maintaining tight control on staffing and non pay costs and maximising income wherever possible. The covenants associated with the bank loan require careful management. Notwithstanding that, the continuing challenge to the College's financial position remains the constraint on further education funding, arising from the ongoing cuts in public sector spending whilst maintaining the student experience. This risk is mitigated in a number of ways:

- By rigorous budget setting procedures and sensitivity analysis
- Regular in year budget monitoring
- Robust financial controls
- Exploring ongoing procurement efficiencies

STAKEHOLDER RELATIONSHIPS

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

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

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

Equality
The College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in all characteristics including: age, disability, gender reassignment, gender identity, marriage or civil partnership, pregnancy or maternity related, race, religion or belief, gender and sexual orientation. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat any discrimination. This policy is resourced, implemented and monitored on a planned basis. The College's Equality and Diversity Policy is published on the College's Intranet site and external website.

The College publishes an Annual Equality Report and Equality Objectives to ensure compliance with all relevant equality legislation including the Equality Act 2010. The College undertakes equality impact assessments on all new policies and procedures. Equality impact assessments are also undertaken for existing policies and procedures on a prioritised basis.

The College is a 'Two ticks' employer and has committed to the principles and objectives of the Two ticks Scheme. The College considers all employment applications from people with a disability and guarantees an interview to any applicant with a disability who meets the essential criteria for the post. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion which, as far as possible, provide identical opportunities to those of non-disabled employees.

The College has achieved accreditation through Equality North East for the Equality Standard, Gold award. The College also runs an Equality & Diversity qualification which all staff have attended. Refresher training and training for new starters is carried out on an ongoing basis.

Disability statement

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

a) As part of its accommodation strategy the College updated its access audit. Experts in this field conducted a full access audit during 2008/09, and the results of this formed the basis of funding capital projects aimed at improving access.
b) The College has specialist student support staff who provide information, advice and arranges support where necessary for students with disabilities.
c) There is a list of specialist equipment, such as radio aids, which the College can make available for use by students and a range of assistive technology is available in the learning centre.
d) The admissions policy for all students is described in the College charter. Appeals against a decision not to offer a place are dealt with under the complaints policy.
e) The College has made a significant investment in the appointment of specialist staff to support students with learning difficulties and/or disabilities. There are a number of learning support assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.
f) Specialist programmes are described in College prospectuses, and achievements and destinations are recorded and published in the standard College format.
g) Counselling and welfare services are described in the College Student Guide, which is issued to students together with details of the Complaints and Disciplinary Procedure leaflets at induction.

Disclosure of information to auditors

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

Approved by order of the members of the Corporation on 11th December 2017 and signed on its behalf by:

P. Petty

Pamela Petty
Chair

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1st August 2016 to 31st July 2017 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

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

The College is committed to exhibiting best practice in all aspects of corporate governance and in particular the College has adopted and complied with the Code except where it specifically provides reasons for non-compliance. We have not adopted and therefore do not apply the UK Corporate Governance Code. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the further education sector and best practice.

In the opinion of the Governors, the College complies with the Code barring explained exceptions as the provided by the Code, and it has complied throughout the year ended 31 July 2017. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted on 13 July 2015.

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

The Corporation

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

	Date of Appointment	Term of office (years)	Date of resignation / end of service	Status of appointment	Committees served	Attendance in 2016/17 % (rounded)
Neville Baldry	19.01.09 (Reappointed) 19.01.13	4 4	19.01.17	Independent member	Chair of Audit. Search & Governance, Remuneration	86
Natalie Davison-Terranova	01.01.13	N/A		Principal	Search & Governance	100
Andrew Dunn	06.11.14	4		South West Durham Training		100
Adam Gibbon	19.09.16	4		Independent member		71
Anthony Hood	18.07.16	4		Independent member		89
James Jarvie	22.02.16	4 years (if remains a student)	22.02.17	Student member Member		50
Simon Owens	10.05.10 (Reappointed) 12.05.14	4 4	17.07.17	Independent member	Audit	100
Andrew Palmer	16.07.10 (Reappointed) 16.07.14	4 4	07.12.16	Independent member	Audit Remuneration	33
Pamela Petty	15.07.13 (Reappointed) 15.07.17	4 4		Independent member	Chair of Corporation Chair Search & Governance	92
Margaret Pletts	20.05.13	4	20.05.17	Staff member	Search & Governance	83
John Yarrow	19.12.16	4		Independent member	Chair of Audit Committee	100
Jane Ruffer	10.09.12 (Reappointed) 19.09.16	4 4		Community member	Search & Governance Remuneration	75
Joanne Walton	10.12.12	4	10.12.16	Staff member		100
John David Banks acts as Clerk to the Corporation.						

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

The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety and environmental issues. The Corporation meets at least once each term; in 2016-17 there were 7 Board meetings.

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Audit and Search & Governance; meetings of Remuneration, Appeals, Appointments and Special Committees are called as required. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available from the Clerk to the Corporation at:

Clerk to the Corporation of Bishop Auckland College
BISHOP AUCKLAND COLLEGE
Woodhouse Lane
Bishop Auckland
County Durham
DL14 6JZ

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

Formal agendas, papers and reports are supplied to governors in a timely manner, prior to Board meetings. Briefings are 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 appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search & Governance Committee, consisting of 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.

Members of the Corporation are appointed for a term of office not exceeding four years. In accordance with the recommendation in the AoC Code of Good Governance for English Colleges no more than two terms of office (or eight years) are normally served by members.

Corporation performance
The Corporation carried out a self assessment of its own performance for the year ended 31st July 2017 and graded itself as "Good" on the Ofsted scale.

Remuneration Committee
Throughout the year ending 31 July 2017 the College's Remuneration Committee normally comprises three members of the Corporation. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Accounting Officer and other key management personnel.

Details of remuneration for the year ended 31 July 2017 are set out in note 7 to the financial statements.

Audit Committee
The Audit Committee normally comprises three members of the Corporation (excluding the Accounting Officer and Chair) one of whom is a finance/audit specialist. The Committee operates in accordance with written terms of reference approved by the Corporation.

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

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

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

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

Search & Governance Committee
In addition to its role in considering applications for membership, the Search & Governance Committee is responsible for considering and reporting to the Board as appropriate other governance matters including the Skills Audit of the Board and it's Committees, monitoring Governor attendance, reviewing the Instrument & Articles of Association and monitoring the Actions and Resolutions Register.

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

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

The purpose of the system of internal control
The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Bishop Auckland College for the year ended 31 July 2017 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 College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2017 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:

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

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

Review of effectiveness

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

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

The Accounting Officer has been advised on the implications of the result of 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 senior management 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 senior management team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its November 2017 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2017 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2017.

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

Going concern

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

The College submitted its three year plan to ESFA in July 2017 which detailed an improving picture of surplus and financial health. The plan has been accepted and a 'good' financial health rating moderated. The Financial Plan was tested to 5% sensitivity in income with no reduction in associated expenditure and continues to meet financial health guidelines. Income was planned being cognisant of demographic trends, apprenticeship reforms and proposed devolution of the Adult Skills Budget. The plan was tested with and without income from the Alternative provision Free School and was found to be robust. Any underperformance in income terms would be reflected in expenditure; the plan is therefore prudent in its approach.

Approved by order of the members of the Corporation on 11th December 2017 and signed on its behalf by:

Signed P. Petty.

Pamela Petty
Chair

Signed N. Davison-Terranova

Natalie Davison-Terranova
Accounting Officer

Statement of Regularity, Propriety and Compliance

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

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

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

Signed N. Davison-Terranova	Signed P. Petty
Natalie Davison-Terranova	Pamela Petty
Accounting Officer	Chair of Governors
11 December 2017	11 December 2017

Bishop Auckland College

Statement of Responsibilities of the Members of the Corporation

The members of the Corporation (who act as trustees for the charitable activities of the College) are required to present audited financial statements for each financial year.

The law applicable to charities in England and the terms and conditions of the Financial Memorandum between the Education and Skills Funding Agency and the Corporation of the College, requires the corporation of the college to prepare financial statements and the Report of the Governing Body for each financial year in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education Institutions the annual Accounts Direction issued by the Education and Skills Funding Agency, and in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and which give a true and fair view of the state of affairs of the College and of the College's 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
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the College will continue in operation.

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

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

Members of the Corporation are responsible for ensuring that funds from the Education and Skills Funding Agency are used only in accordance with the authorities that govern them as defined by and in accordance with Further & Higher Education Act 1992, subsequent legislation and related regulations and the Financial Memorandum with the Education and Skills Funding Agency and any other conditions that may be prescribed from time to time.

Approved by order of the members of the Corporation on 11th December 2017 and signed on its behalf by:

Pamela Petty
Chair

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF BISHOP AUCKLAND COLLEGE

Opinion

We have audited the financial statements of Bishop Auckland College (the "College") and its subsidiaries (the "Group") for the year ended 31 July 2017 which comprise the consolidated and college statements of comprehensive income, the consolidated and college balance sheets, the consolidated and college statements of changes in reserves, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" as set out in our engagement letter dated 10 November 2017.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the College's affairs as at 31 July 2017 and of the Group's and the College's deficit of income over expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group 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

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

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

Other information

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

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Post-16 Audit Code of Practice 2016 to 2017 issued by the Department for Education requires us to report to you if, in our opinion:

- adequate accounting records have not been kept;
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations required for our audit.

Responsibilities of the Corporation of Bishop Auckland College

As explained more fully in the Statement of the Corporation's Responsibilities set out on page 21, the Corporation is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the 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 intend 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.

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

This report is made solely to the Corporation, as a body, in accordance with the Financial Memorandum published by the Education and Skills Funding Agency and our engagement letter dated 10 November 2017. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are required under our engagement letter dated 10 November 2017 to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK AUDIT LLP
Chartered Accountants
1 St James' Gate
Newcastle upon Tyne
NE1 4AD

11 December 2017

Consolidated Financial Statements for the year ended 31 July 2017

Bishop Auckland College

CONSOLIDATED AND COLLEGE STATEMENTS OF COMPREHENSIVE INCOME

	Notes	2017		2016	
		Group £'000	College £'000	Group £'000	College £'000
INCOME					
Funding body grants	2	9,111	8,296	9,210	8,127
Tuition fees and education contracts	3	2,137	1,462	1,986	1,286
Other income	4	1,201	1,169	1,114	1,078
Investment income	5	11	4	16	10
Total income		**12,460**	**10,931**	**12,326**	**10,5[illegible]**
EXPENDITURE					
Staff costs	6	7,564	6,750	7,406	6,555
Restructuring costs	6	57	57	38	38
Other operating expenses	8	3,392	2,860	3,004	2,449
Depreciation	12	1,413	1,094	1,476	1,166
Interest and other finance costs	9	537	537	532	532
Total expenditure		**12,963**	**11,301**	**12,456**	**10,740**
Deficit before other gains and losses		**(503)**	**(370)**	**(130)**	**(239)**
Gain/(loss) on disposal of assets		2	-	(11)	(13)
Gain on investments		20	-	1	-
Deficit before tax		**(481)**	**(370)**	**(140)**	**(252)**
Taxation	10	-	-	-	-
Deficit for the year		**(481)**	**(370)**	**(140)**	**(252)**
Unrealised surplus on revaluation of assets		-	-	-	-
Actuarial loss in respect of pensions schemes	20	2,208	2,208	(2,955)	(2,955)
Total Comprehensive Income for the year		**1,727**	**1,838**	**(3,095)**	**(3,2[illegible]**

Consolidated and College Statement of Changes in Reserves

	Income and expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Group			
Balance at 1 August 2015	(3,308)	2,393	**(915)**
Deficit from the income and expenditure account	(140)	-	**(140)**
Other comprehensive income	-	-	**-**
Actuarial loss	(2,955)	-	**(2,955)**
Total comprehensive income in year	(3,095)	-	**(3,095)**
Balance at 31 July 2016	(6,403)	2,393	**(4,010)**
Deficit from the income and expenditure account	(481)	-	**(481)**
Other comprehensive income	-	-	**-**
Actuarial loss	2,208	-	**2,208**
Total comprehensive income in year	1,727	-	**1,727**
Balance at 31 July 2017	(4,676)	2,393	**(2,283)**

Consolidated and College Statement of Changes in Reserves (continued)

	Income and expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
College			
Balance at 1 August 2015	(3,607)	2,242	**(1,365)**
Deficit from the income and expenditure account	(252)	-	**(252)**
Other comprehensive income	-	-	**-**
Actuarial loss	(2,955)	-	**(2,955)**
Total comprehensive income in year	(3,207)	-	**(3,207)**
Balance at 31 July 2016	(6,814)	2,242	**(4,572)**
Surplus/(deficit) from the income and expenditure account	(370)	-	**(370)**
Other comprehensive income	-	-	**-**
Actuarial gain	2,208	-	**2,208**
Total comprehensive income for year	1,838	-	**1,838**
Balance at 31 July 2017	(4,976)	2,242	**(2,734)**

Consolidated Financial Statements for the year ended 31 July 2017

Bishop Auckland College

Balance sheets as at 31 July

	Note	Group 2017	College 2017	Group 2016	College 2016
Fixed assets		**£'000**	**£'000**	**£'000**	**£'000**
Tangible assets	12	37,897	34,815	39,160	35,820
Negative goodwill	11	(358)	-	(537)	-
Investments	13	197	-	178	-
Total fixed assets		**37,736**	**34,815**	**38,801**	**35,820**
Current assets					
Debtors	14	838	1,118	647	428
Investments	15	151	151	1,050	1,050
Cash at bank and in hand		2,051	1,200	1,064	579
Total current assets		3,040	2,469	2,761	2,057
Less: Creditors – amounts falling due within one year	16	(3,450)	(3,205)	(2,458)	(2,195)
Net current assets		**(410)**	**(736)**	**303**	**(138)**
Total assets less current liabilities		**37,326**	**34,079**	**39,104**	**35,682**
Less: Creditors – amounts falling due after more than one year	17	(32,636)	(29,840)	(34,496)	(31,636)
Provision for liabilities	20	(6,973)	(6,973)	(8,618)	(8,618)
NET LIABILITIES		**(2,283)**	**(2,734)**	**(4,010)**	**(4,572)**
Unrestricted reserves					
Income and expenditure account		(4,676)	(4,976)	(6,403)	(6,814)
Revaluation reserve		2,393	2,242	2,393	2,242
TOTAL UNRESTRICTED RESERVES		**(2,283)**	**(2,734)**	**(4,010)**	**(4,572)**

The financial statements on pages 25 to 58 were approved and authorised for issue by the Corporation on 11 December 2017 and were signed on its behalf on that date by:

P Petty
Chair

P. Petty.

N Davison-Terranova
Principal / Chief Executive

N Davison-Terranova.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2017	2016
Cash flow from operating activities		**£'000**	**£'000**
Deficit for the year		(481)	(140)
Adjustment for non-cash items			
Depreciation		1,413	1,476
Release of negative goodwill		(179)	(179)
(Increase)/decrease in debtors		(191)	305
Increase/(decrease) in creditors due within one year		825	(534)
Decrease in creditors due after one year		(1,421)	(696)
Pensions costs less contributions payable		563	352
Capital grants		-	(53)
Adjustment for investing or financing			
Investment income		(11)	(16)
Interest payable		332	345
Gain/loss on investments		(20)	(1)
(Gain)/loss on sale of fixed assets		(2)	12
Net cash flow from operating activities		828	871
Cash flows from investing activities			
Proceeds from sale of fixed assets		33	9
Disposal of investments		31	22
Purchase of investments		(30)	(20)
Investment income		11	16
Capital grants received		-	53
Payments made to acquire fixed assets		(181)	(279)
		(136)	(199)
Cash flows from financing activities			
Interest paid		(332)	(345)
Repayments of amounts borrowed		(272)	(495)
New loans		-	105
		(604)	(735)
Increase/(decrease) in cash and cash equivalents	21	**88**	**(63)**
Cash and cash equivalents at beginning of the year		2,114	2,177
Cash and cash equivalents at end of the year	21	2,202	2,114

Notes to the Consolidated Financial statements

1. Statement of accounting policies and estimation techniques

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

Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2015* (the 2015 FE HE SORP), the *College Accounts Direction for 2016 to 2017* and in accordance with Financial Reporting Standard 102 – *"The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland"* (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

The financial statements are prepared in accordance with the historical cost convention.

The College has taken advantage of the exemptions provided in FRS 102 1.12 and the 2015 FE HE SORP 3.3, and has not included a separate statement of its own cash flows. These cash flows are included within the Consolidated Statement of Cash Flows, and the College balance sheet discloses cash at both the current and preceding reporting dates.
Lease incentives – the College has continued to recognise the residual benefits associated with lease incentives on the same basis as that applied at the date of transition.

Basis of consolidation

The consolidated financial statements include the College and its subsidiary SW Durham Training Limited, controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS 102, the activities of the student union have not been consolidated because the College does not control those activities. All financial statements are made up to 31 July 2017.

Notes to the Consolidated Financial statements (continued)

1. Accounting policies (continued)

Going concern

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

The College currently has £6.124m of loans outstanding with Barclays Bank plc. Both loans are secured by a fixed and floating charge on College assets. The terms of the existing agreement are for up to another 20 years. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility during the 2017/18 financial year.

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

Recognition of income

Funding body income represents the funding allocations attributable to the current financial year and is credited direct to the income and expenditure account. Funding body recurrent grants are recognised in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under achievement of 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 at the end of November following the year ends.

16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments; the income recognised is the allocation for the year.

Non-recurrent grants from the funding bodies or other bodies received in respect of the acquisition of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

Income from tuition fees is recognised in the period for which it is received and includes all fees payable by students or their sponsors, for example the National Health Service.

Income from grants, contracts and other services rendered is included to the extent the conditions of the funding have been met or the extent of the completion of the contract or service concerned.

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

Notes to the Consolidated Financial statements (continued)

1. Accounting policies (continued)

Post employment benefits

Retirement benefits to employees of the College are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit schemes, which are externally funded and contracted out of the State Earnings-Related Pension Scheme (SERPS) and the assets are held separately from those of the college.

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 22, the TPS is a multi-employer scheme and the College 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 scheme and the contributions recognised as they are paid each year.

The LGPS is a funded scheme and the assets are held separately from those of the college in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to 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 gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the income and expenditure account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The expected return on assets and the interest cost are shown as a net finance amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total 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 College. Any unused benefits are accrued and measured as the additional amount the College expects to pay as a result of the unused entitlement.

Enhanced Pensions

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

Notes to the Consolidated Financial statements (continued)

1. Accounting policies (continued)

Intangible fixed assets

Negative Goodwill
Negative goodwill represents the excess of fair value over the cost of the identifiable net assets of the acquired subsidiary at the date of acquisition. Negative goodwill is to be amortised over the period of benefit and is to be reviewed annually for impairment.

Tangible fixed assets

Land and buildings
Land and buildings inherited from the Local Education Authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable. The associated credit is included in the revaluation reserve. The difference between depreciation charged on the historic cost of assets and the actual charge for the year calculated on the revalued amount is released to the income and expenditure account reserve on an annual basis. Building improvements made since incorporation are included in the balance sheet at cost. Freehold land is not depreciated. Freehold and Leasehold buildings are depreciated over their expected useful economic life to the College of 50 years. If the duration of the lease is shorted then this determines the period of depreciation. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of 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 not capitalised as part of the cost of those assets.

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

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

Bishop Auckland College

Notes to the Consolidated Financial statements (continued)

1. Accounting policies (continued)

Subsequent expenditure on existing fixed assets
Where significant expenditure is incurred on tangible fixed assets it is charged to the income and expenditure account in the period it is incurred, unless it meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis:

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

Buildings owned by third parties
Where the College enjoys the use of an asset which it does not own and for which no rental or a nominal rental is paid, if practicable, a value is attributed to this benefit and capitalised, with a corresponding credit to deferred capital grants which are subsequently released to the income and expenditure account over the useful economic life of the asset at the same rate as the depreciation charge on the related asset(s).

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. Equipment inherited from the local education authority is included in the balance sheet at valuation.

Inherited equipment has been depreciated on a straight-line basis over its remaining useful economic life to the College of between one and three years from incorporation and is now fully depreciated. All other equipment is depreciated over its useful economic life as follows:

- Accommodation improvements – 10 years on a straight-line basis
- Motor vehicles – 5 years on a straight-line basis
- Computer equipment – 5 years on a straight-line basis
- Furniture, fixtures and fittings – 5 years on a straight-line basis.

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 expected useful economic life of the related equipment.

Notes to the Consolidated Financial statements (continued)

1. Accounting policies (continued)

Leased assets

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

Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright and are capitalised at their fair value at the inception of the lease and depreciated over the shorter of the lease term or the useful economic lives of equivalently owned assets. The capital element outstanding is shown as obligations under finance leases.

The finance charges are allocated over the period of the lease in proportion to the capital element outstanding. Where finance lease payments are funded in full from funding council capital equipment grants, the associated assets are designated as grant-funded assets.

Investments

Listed investments held as fixed assets are stated at market value. Current asset investments, which may include listed investments, are stated at the lower of their cost and net realisable value.

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

Cash and cash equivalents

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

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

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.
All loans, investments and short term deposits held by the Group are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost; however the Group has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instruments are stated on the balance sheet at historical cost. Loans and investments that are payable or receivable within one year are not discounted.

Notes to the Consolidated Financial statements (continued)

1. Accounting policies (continued

Taxation

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

The College is partially exempt in respect of Value Added Tax, so that it can only recover a minor element of 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.

Liquid resources

Liquid resources include sums on short-term deposits with recognised banks, building societies and government securities.

Provisions and contingent liabilities

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

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

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

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

Notes to the Consolidated Financial statements (continued)

1. Accounting policies (continued)

Agency arrangements

The College acts as an agent in the collection and payment of discretionary support Funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the Income and Expenditure account and are shown separately in Notes 26 and 27, except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant. The College employs one member of staff dedicated to the administration of Discretionary Support Fund applications and payments.

Judgements in applying accounting policies and key sources of estimation uncertainty

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

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

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

Other key sources of estimation uncertainty

- *Tangible fixed assets*

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

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 22, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2017. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Notes to the Consolidated Financial statements (continued)

2 FUNDING BODY GRANTS

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
Recurrent grants				
Skills Funding Agency recurrent grant	2,076	2,076	1,971	1,971
Education Funding Agency recurrent grant	4,035	3,656	4,834	4,257
Specific grants				
Skills Funding Agency non recurrent grants	2,430	1,994	1,826	1,320
Releases of deferred capital grants	570	570	579	579
Total	**9,111**	**8,296**	**9,210**	**8,127**

3 TUITION FEES AND EDUCATION CONTRACTS

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
Tuition fees	652	652	545	545
Education contracts	810	810	741	741
Course fees	675	-	700	-
Total	**2,137**	**1,462**	**1,986**	**1,286**

Tuition fees funded by bursaries

Included within the above amounts are tuition fees funded by bursaries of £29k (2015/16 £28k).

4 OTHER INCOME

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
Other Grants	464	464	394	394
Catering Operations	12	12	12	12
Releases from Deferred Capital Grants	149	85	176	111
Nursery Operations	208	208	178	178
Other Income	189	400	175	383
Released from Negative Goodwill	179	-	179	-
Total	**1,201**	**1,169**	**1,114**	**1,078**

Notes to the Consolidated Financial statements (continued)

5 INVESTMENT INCOME

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
Interest receivable	4	4	10	10
Dividends	7	-	6	-
Total	**11**	**4**	**16**	**10**

6 STAFF COSTS AND KEY MANAGEMENT PERSONNEL

The average number of persons (including senior post-holders) employed by the College during the year, expressed as full-time equivalents was:

	2017 No.	2016 No.
Teaching staff	117	135
Non teaching staff	103	115
	220	**250**

Staff costs for the above persons

	2017 £'000	2016 £'000
Wages and salaries	5,954	6,053
Social security costs	467	406
Pension costs (including LGPS adjustments of £356,000 (2016 £165,000)	1,143	947
Payroll sub total	**7,564**	**7,406**
Contracted out staffing services	9	62
Restructuring costs – contractual	44	33
non contactual	13	5
Total Staff costs	**7,630**	**7,506**

7 SENIOR POST-HOLDERS' EMOLUMENTS

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 College Leadership Team which comprises the Principal, the Directors of the College and the senior management of SW Durham Training Limited.

Notes to the Consolidated Financial statements (continued)

7 SENIOR POST-HOLDERS' EMOLUMENTS (CONTINUED)

	2017 No.	2016 No.
The number of key management personnel including the Accounting Officer was:	7	8

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

	Key management personnel		Other staff	
	2017 No.	2016 No.	2017 No.	2016 No.
£60,001 to £70,000 p.a.	-	-	-	-
£70,001 to £80,000 p.a.	-	-	-	-
£80,001 to £90,000 p.a.	-	-	-	-
£90,001 to £100,000 p.a.	1	1	-	-
	1	**1**	**-**	**-**

Key management personnel compensation is made up as follows:

	2017 £'000	2016 £'000
Salaries	356	348
Employers National Insurance	42	37
Benefits in kind	-	-
	398	**385**
Pension contributions	52	51
Total key management personnel compensation	**450**	**436**

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

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

	2017 £'000	2016 £'000
Salaries	101	98
Benefits in kind	-	-
	101	**98**
Pension contributions	**17**	**16**
Total	118	114

Notes to the Consolidated Financial statements (continued)

8 OTHER OPERATING EXPENSES

	2017 Group £'000	2017 College £'000	2016 Group £'000	2016 College £'000
Teaching costs	1,270	970	708	455
Non teaching costs	1,129	1,040	1,341	1,156
Premises costs	993	850	955	838
Total	**3,392**	**2,860**	**3,004**	**2,449**

Other operating expenses include:

	2017 £'000	2016 £'000
Auditors' remuneration:		
Financial Statements Auditors	24	16
Internal Auditor	14	12
Hire of plant and machinery – operating leases	57	49
Gain/(loss) on disposal of fixed assets	(2)	11
Payments to partners for sub-contracted provision	209	283

9 INTEREST AND OTHER FINANCE COSTS

	2017 £'000	2016 £'000
On bank loans, overdrafts and other loans:		
Repayable wholly or partly in more than five years	332	345
	332	345
Net pension finance costs (note 22)	200	1[illegible]
Interest on enhanced pension provisions	5	7
Total	**537**	**532**

10 TAXATION

The members do not believe the college was liable for corporation tax arising out of its activities.

Notes to the Consolidated Financial statements (continued)

11 INTANGIBLE FIXED ASSETS – GROUP

	Negative Goodwill £'000
Cost	
At 1 August 2016	(1,022)
Additions	-
At 31 July 2017	(1,022)
Amortisation	
At 1 August 2016	485
Amortisation for the period	179
At 31 July 2017	664
Net book value	
At 31 July 2017	(358)
At 31 July 2016	(537)

Negative goodwill represents the fair value of the assets of SW Durham Training Limited as at the acquisition in October 2014 adjusted to be consistent with the Statement of Recommended Practice Accounting for Further and Higher Education.

Notes to the Consolidated Financial statements (continued)

12 TANGIBLE FIXED ASSETS – GROUP

	Land and buildings		Plant, Machinery, Fixtures & Equipment	Total
	Freehold	Long leasehold		
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2016	47,143	185	8,185	55,513
Additions	62	-	119	181
Reclassification	-	-	(31)	(31)
Disposals	-	-	(12)	(12)
At 31 July 2017	**47,205**	**185**	**8,261**	**55,651**
Depreciation				
At 1 August 2016	9,424	185	6,744	16,353
Charge for the year	1,083	-	330	1,413
Elimination in respect of disposals	-	-	(12)	(12)
At 31 July 2017	**10,507**	**185**	**7,062**	**17,754**
Net book value at 31 July 2017	**36,698**	**-**	**1,199**	**37,897**
Net book value at 31 July 2016	**37,719**	**-**	**1,441**	**39,160**

No depreciation has been charged on revalued freehold land.

Notes to the Consolidated Financial statements (continued)

12 TANGIBLE FIXED ASSETS - COLLEGE

	Land and buildings		Plant, Machinery, Fixtures & Equipment	Total
	Freehold	Long leasehold		
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2016	**42,339**	**185**	**4,082**	**46,606**
Additions	62	-	58	120
Reclassification	-	-	(31)	(31)
At 31 July 2017	**42,401**	**185**	**4,109**	**46,695**
Depreciation				
At 1 August 2016	6,907	185	3,694	10,786
Charge for the year	938	-	156	1,094
Elimination in respect of disposals	-	-	-	-
At 31 July 2017	**7,845**	**185**	**3,850**	**11,880**
Net book value at 31 July 2017	**34,556**	**-**	**259**	**34,815**
Net book value at 31 July 2016	35,432	-	388	35,820

As stated in the policy note, the College carries inherited assets which had an inherited valuation of £1.110m and which were revalued at 31 July 2014. Inherited land and buildings were valued in 1994 for the purpose of the financial statements at depreciated replacement cost by the 'District Valuer and Valuation Officer' in accordance with the RICS statement of Asset Valuation Practice and Guidance notes. The historic cost of these assets is nil. This land was revalued as at 31 July 2014 at £2.182m

Group land with a net book value of £2.393m has been funded from local education authority sources. Land and buildings have been partly financed by exchequer funds, through for example the receipt of capital grants. Should these assets be sold, the College would either have to surrender the sale proceeds or use them in accordance with the financial memorandum with the Skills Funding Agency.

Included within group freehold land and buildings is land valued at £2.393m which is not depreciated.

Notes to the Consolidated Financial statements (continued)

13 FIXED ASSET INVESTMENTS - GROUP

	Listed investments	Cash & settlements pending	Totals
	£'000	£'000	£'000
MARKET VALUE			
At 1 August 2016	178	-	178
Additions	26	4	30
Disposals	(31)	-	(31)
Revaluation	20	-	20
At 31 July 2017	193	4	197
NET BOOK VALUE			
At 31 July 2017	193	4	197
At 31 July 2016	178	-	178

There were no investment assets outside the UK.

The listed investments were represented by:	2017	2016
	£	£
Fixed interest securities	30	30
Equity shares	6	9
Investment trusts and unit trusts	157	139
	193	178

All of the above investments are held by the subsidiary, S.W. Durham Training Ltd. The historical cost of listed investments at 31 July 2017 was £160k (2016: £154k).

FIXED ASSET INVESTMENTS – COLLEGE

The college became the sole member of S.W. Durham Training Limited, a company limited by guarantee, on 9 October 2014.

Notes to the Consolidated Financial statements (continued)

14 DEBTORS

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
Amounts falling due within one year:				
Trade debtors	241	190	163	79
Prepayments and accrued income	597	304	484	128
Amounts owed by subsidiaries	-	624	-	221
Total	**838**	**1,118**	**647**	**428**

15 CURRENT INVESTMENTS

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
Short term deposits	151	151	1,050	1,050
Total	**151**	**151**	**1,050**	**1,050**

Deposits are held with banks and building societies operating in the London market and licensed by the Financial Conduct Authority with more than three months maturity at the balance sheet date. The interest rates for these deposits are fixed for the duration of the deposit at time of placement.

16 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
Bank loans and overdrafts	272	272	257	257
Other loan	30	30	30	30
Lennartz VAT	189	189	36	36
Payments received in advance	330	177	326	217
Trade creditors	467	457	96	85
Other creditors	103	98	7	7
Other taxation and social security	122	110	43	37
Accruals	451	451	414	342
Amounts owed to Funding Bodies	763	763	530	530
Deferred grants	723	658	719	654
Total	**3,450**	**3,205**	**2,458**	**2,195**

The college is a member of a VAT group with its subsidiary S W Durham Training Limited.

Notes to the Consolidated Financial statements (continued)

17 CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
Bank loans	5,852	5,852	6,125	6,125
Lennartz VAT	405	405	541	541
Lease Rent received in advance	180	180	209	209
Amounts owed to SFA	-	-	668	668
Other loan	45	45	75	75
Deferred grants	26,154	23,358	26,878	24,018
Total	**32,636**	**29,840**	**34,496**	**31,636**

18 MATURITY OF DEBT

Bank loans and overdrafts are repayable as follows:

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
In one year or less	272	272	257	257
Between one and two years	286	286	271	271
Between two and five years	1,209	1,209	869	869
In five years or more	4,357	4,357	4,985	4,985
Total	**6,124**	**6,124**	**6,382**	**6,382**

A loan for £350,000 secured on the buildings in South Durham Way Newton Aycliffe and repayable in monthly instalments between 1 April 2002 and 31 March 2022 was taken out March 2002 at Base Rate plus 1.5%.

A 25 year fixed term commercial mortgage secured on freehold land and buildings at Woodhouse Lane Bishop Auckland and South Durham Way Newton Aycliffe commenced on 31 July 2008 with repayments of interest and capital on a quarterly basis. The interest rate is fixed at 5.3% for the full term of the loan.

Notes to the Consolidated Financial statements (continued)

19 CONTINGENT LIABILITY

European Social Fund

The College has been in receipt of significant income from the European Social Fund (ESF) in previous years. The College took all reasonable steps to ensure it complied with the terms attaching to the receipt of all ESF income. However the College recognises that this is a complex area and there is risk that some funding could become repayable as a result of a possible inspection by the funding provider or the ESF Verification and Audit Section. It is not possible to estimate the value or timing of any such repayments.

20 PROVISIONS

	Group and College		
	Defined benefit obligations	Enhanced pensions	Total
	£'000	£'000	£'000
At 1 August 2016	8,350	268	8,618
Expenditure in the period	570	(7)	563
Gain in period	(2,200)	(8)	(2,208)
At 31 July 2017	**6,720**	**253**	**6,973**

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

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

This provision has been calculated in accordance with guidance issued by the funding bodies. The principal assumptions for this calculation are:

	2017	2016
Price inflation	3.74%	3.74%
Discount rate	2.50%	2.50%

21 ANALYSIS OF CASH AND CASH EQUIVALENTS

	At 1 August 2016 £'000	Cash flows £'000	Other changes £'000	At 31 July 2017 £'000
Cash in hand and at bank	1,064	987	-	2,051
Investments	1,050	(899)	-	151
Total	2,114	88	-	2,202

Notes to the Consolidated Financial statements (continued)

22 DEFINED BENEFIT OBLIGATIONS

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

Total pension cost for the year		**2017 £000**		**2016 £000**
Teachers' Pensions Scheme: contributions		351		375
Local Government Pension Scheme:				
Contributions paid	422		392	
FRS102 (28) charge	370		180	
Charge to the Income and Expenditure Account (staff costs)		792		572
Total Pension Cost for Year		**1,143**		**947**

Included above are pension contributions paid by SW Durham Training Limited of £84,000 (2016: £80,000).

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS was 31 March 2012 and of the LGPS 31 March 2017.

Contributions amounting to £97,000 (2016 £nil) were payable to the scheme at 31 July 2017 and are included within creditors.

Notes to the Consolidated Financial statements (continued)
22 DEFINED BENEFIT OBLIGATIONS (CONTINUED)

Teachers' Pension Scheme

The Teachers' Pensions Scheme ("TPS") is a statutory, contributory, defined benefit scheme. The regulations under which the TPS operates are the Teachers' Pensions Regulations 2010. Retirement and other pension benefits, including annual increases payable under the Pensions (Increase) Acts are, as provided for in the Superannuation Act 1972, paid out of monies provided by Parliament. Under the unfunded TPS, teachers' contributions on a 'pay as-you-go' basis, and employers' contributions, are credited to the Exchequer under arrangements governed by the above Act.

The Teachers' Pensions Regulations require an annual account, the Teachers' Pensions Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pensions' increases). From 1 April 2001 to 31 March 2011, the Account has been credited with a real rate of return (in excess of price increases and currently set at 3.5%), which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

Valuation of the Teachers' Pensions Scheme

Not less than every four years the Government Actuary ("GA"), using normal actuarial principles, conducts a formal actuarial review of the TPS. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. Many of these were being discussed in the context of the design for a reformed TPS, and as set out in the Proposed Final Agreement, and scheme valuations had been suspended since the last valuation in 2004.

The contribution rate paid into the TPS is assessed in two parts. First, a standard contribution rate ("SCR") is determined. This is the contribution, expressed as a percentage of the salaries of teachers and lecturers in service or entering service during the period over which the contribution rate applies, which if it were paid over the entire active service of these teachers and lecturers would broadly defray the cost of benefits payable in respect of that service. Secondly, a supplementary contribution is payable if, as a result of the actuarial investigation, it is found that accumulated liabilities of the Account for benefits to past and present teachers, are not fully covered by standard contributions to be paid in future and by the notional fund built up from past contributions. The total contribution rate payable is the sum of the SCR and the supplementary contribution rate.

Valuations of the TPS are now required under the Public Service Pensions Act 2013 every 4 years and are required to be carried out in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 published by HM Treasury.

Notes to the Consolidated Financial statements (continued)

22 DEFINED BENEFIT OBLIGATIONS (CONTINUED)

An actuarial valuation of the TPS in accordance with these Directions was published in June 2014 assessing the TPS as at 31 March 2012. The GA's report revealed that the total liabilities of the Scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £191,500 million. The notional value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £176,600 million. The assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

Employer and employee contribution rates

As from 1 January 2007, and as part of the cost-sharing agreement between employers' and teachers' representatives, the SCR was assessed at 19.75%, and the supplementary contribution rate was assessed to be 0.75% (to balance assets and liabilities as required by the regulations within 15 years). This resulted in a total contribution rate of 20.5%, which translated into an employee contribution rate of 6.4% and employer contribution rate of 14.1% payable. The cost-sharing agreement also introduced – effective for the first time for the 2008 valuation – a 14% cap on employer contributions payable.

From 1 April 2014 to 31 March 2015, the employee contribution rate was between 6.4% and 12.4%. Thereafter members will be expected to pay an average contribution rate of 9.6%.

The TPS valuation for 2012 determined an employer rate of 16.4% from 1 September 2015 and an employer cost of cap of 10.9%. The employer contribution rate will be payable until the next valuation as at 31 March 2019 whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

The pension costs paid to TPS in the year amounted to £351k (2016: £375k).

The LGPS is a funded defined-benefit scheme, with the assets held in separate funds administered by Durham County Council, Local Authority. The total contribution made for the year ended 31 July 2017 was £450k of which employer's contributions totalled £310k and employees' contributions totalled £140k . The agreed contribution rates for future years are 17.3% for employers and range from 5.5% to 7.5% for employees, depending on salary.

FRS102

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

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

Notes to the Consolidated Financial statements (continued)

22 DEFINED BENEFIT OBLIGATIONS (CONTINUED)

Enhanced Pensions – Teachers

The College has the liability for the enhanced element of teachers' pensions who have been granted voluntary early retirement. The College administers the payment of the enhanced element of the pensions direct to the retired teacher. The College financial statements include the initial and continuing costs of the enhancement under FRS 102, and prior to this year under FRS17, and up until 2005-06 under SSAP 24.

Analysis of the amount charged to income and expenditure account (Teachers)

	Year Ended July 2017 £'000	Year Ended July 2016 £'000
Service cost	-	-
Negative past service cost	-	-
Total operating gain	-	-
Analysis of pension finance (costs)		
Expected return on pension scheme assets	-	-
Interest on pension liabilities	(7)	(7)
Pension finance costs	**(7)**	**(7)**
Amounts recognised in the statement of comprehensive income		
Actual return less expected return on pension scheme assets	-	-
Experience gains and losses arising on the scheme liabilities	-	-
Change in financial and demographic assumptions underlying the scheme liabilities	7	(15)
Actuarial gain (loss) recognised in SOCI	**7**	**(15)**
Movement in surplus during year		
Deficit in scheme at 1 August	(208)	(201)
Current service credit	15	15
Net (interest) on assets	(7)	(7)
Actuarial (loss) or gain	7	(15)
Deficit in scheme at 31 July	**(193)**	**(208)**

Notes to the Consolidated Financial statements (continued)

22 DEFINED BENEFIT OBLIGATIONS (CONTINUED)

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updates to 31 July 2017 by a qualified independent actuary:

	At 31 July 2017	At 31 July 2016
Discount rate	2.6%	2.4%
RPI inflation	3.1%	2.9%
CPI inflation	2.0%	1.8%
Pension increases	2.0%	1.8%
Pension accounts revaluation rate	2.0%	1.8%
Salary increases	3.5%	3.3%

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 2017	At 31 July 2016
Males		
Member aged 65 at accounting date	23.2	22.7
Member aged 45 at accounting date	25.4	24.9
Females		
Member aged 65 at accounting date	24.9	25.2
Member aged 45 at accounting date	27.2	27.5

The College's share of the assets and liabilities in the scheme and the expected rates of return were:

	Fair Value at 31 July 2017 £'000	Fair Value at 31 July 2016 £'000
Equities	48.5%	43.2%
Property	7.1%	7.8%
Government bond	30.8%	32.5%
Corporate bonds	8.5%	8.9%
Cash	5.1%	7.6%
Other	0.0%	0.0%
	100.0%	100.0%

Bishop Auckland College

Notes to the Consolidated Financial statements (continued)

22 DEFINED BENEFIT OBLIGATIONS (CONTINUED)

Reconcilation of funded status to balance sheet:

	2017 £'000	2016 £'000
Fair value of assets	14,690	14,250
Present value of funded defined benefit obligation	(21,410)	(22,600)
Funded status	(6,720)	(8,350)
Unrecognised asset	-	-
Liability recognised on the balance sheet	**(6,720)**	**(8,350)**

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

	2017 £'000	2016 £'000
Operating cost		
Current service cost	680	490
Financing cost		
Net interest cost	200	180
Total	**880**	**670**

Amounts recognised in other comprehensive Income

	2017 £'000	2016 £'000
Asset gains arising during the year	40	1,180
Liability gains/(losses) during the period	2,160	(4,120)
Amount recognised in other comprehensive income	**2,200**	**(2,940)**

Notes to the Consolidated Financial statements (continued)

22 DEFINED BENEFIT OBLIGATIONS (CONTINUED)

Movements in the present value of defined benefit obligations were as follows:

	2017 £'000	2016 £'000
Liabilities at start of period	22,600	17,590
Current service cost	680	490
Interest expense on defined benefit obligation	540	630
Contributions by participants	140	130
Actuarial (gain) / loss on liabilities	(2,160)	4,120
Net benefits paid out	(390)	(360)
Liabilities at end of period	**21,410**	**22,600**

Movements in the fair value of college's share of scheme assets:

	2017 £'000	2016 £,000
Assets at start of period	14,250	12,540
Interest income on assets	340	450
Remeasurement gains/losses on assets	40	1,180
Contributions by the employer	310	310
Contributions by participants	140	130
Benefits paid	(390)	(360)
Assets at end of period	**14,690**	**14,250**

Actual Return on Assets

	2017 £'000	2016 £'000
Interest income on assets	340	450
Gain/loss on assets	40	1,180
	380	1,630

The estimated value of employer contributions for the year ended 31 July 2018 is £327k.

Notes to the Consolidated Financial statements (continued

23 CAPITAL COMMITMENTS

	2017 £'000	2016 £'000
Commitments contracted for at 31 July	-	-

24 LEASE OBLIGATIONS

At 31 July the Group had annual commitments under non-cancellable operating leases as follows:

	2017 £'000	2016 £'000
Plant and Equipment:		
Expiring within one year	55	155
Expiring within two and five years inclusive	90	46
Expiring in over five years	-	-
	145	201

25 RELATED PARTY TRANSACTIONS

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

The total expenses paid to or on behalf of the Governors during the year was £1,512; 13 governors (2016: £1,984; 13 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2016: None).

Transactions with the funding bodies and HEFCE are detailed in notes 2, 15, and 16.

During the year the college paid fees of £6,020 (2016: £7,100) to Clive Owen LLP, a company in which Governor (until January 2017) Neville Baldry is a partner.

Notes to the Consolidated Financial statements (continued

26 AMOUNTS DISPERSED AS GRANT

SFA – Adult Discretionary Support	2017 £'000	2016 £'000
19+ hardship support	279	2
20+ childcare	-	-
DLS	-	279
24+ loans	117	109
Residential Access Fund	-	-
Other Funding body grants	-	-
Interest earned	-	-
	396	390
Disbursed to students	(378)	(371)
Staffing	-	-
Administration costs	(20)	(19)
Audit fees	-	-
Amount consolidated in financial statements	-	-
Balance overspent as at 31 July, included in creditors	(2)	-

27 AMOUNTS DISPERSED AS GRANT

EFA – 16-19 Bursary Funds

	2017 £'000	2016 £'000
Discretionary bursaries	104	168
Bursaries	26	30
Interest earned	-	-
	130	198
Disbursed to students	(146)	(190)
Staffing	-	-
Administration costs	(5)	(8)
Audit fees	-	-
Amount consolidated in financial statements	-	-
Balance overspent as at 31 July	(21)	-

Funding body grants are available solely for students. In the majority of instances, the College only acts as a paying agent. In these circumstances, the grants and related disbursements are therefore excluded from the income and expenditure account. The income and expenditure consolidated in the College's financial statements relates to the purchase of some equipment from the access fund and the payment of accommodation by the College on the student's behalf.

Bishop Auckland College

Notes to the Consolidated Financial statements (continued)

28 FINANCIAL INSTRUMENTS

Financial instruments measured at fair value though the statement of comprehensive income include fixed asset investments in listed equity shares, investment trusts and other securities of £197k (2016: £178k).

Financial assets measured at amortised cost comprise trade debtors of £241 k (2016: £163k).

Financial liabilities measured at amortised costs comprise bank loans, other loans and trade creditors totalling £6.655m (2016: £6.508m).

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO THE CORPORATION OF BISHOP AUCKLAND COLLEGE AND THE SECRETARY OF STATE FOR EDUCATION ACTING THROUGH THE DEPARTMENT FOR EDUCATION

Conclusion

We have carried out an engagement, in accordance with the terms of our engagement letter dated 10 November 2017 and further to the requirements of the financial memorandum with the Skills Funding Agency, to obtain limited assurance about whether the expenditure disbursed and income received by Bishop Auckland College during the period 1 August 2016 to 31 July 2017 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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 1 August 2016 to 31 July 2017 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Basis for conclusion

The framework that has been applied is set out in the Post-16 Audit Code of Practice 2016 to 2017 issued by the Department for Education. 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) returns, for which Education and Skills Funding Agency has other assurance arrangements in place.

We are independent of the Bishop Auckland College in accordance with the ethical requirements that are applicable to this engagement and we have fulfilled our ethical requirements in accordance with these requirements. We believe the assurance evidence we have obtained is sufficient to provide a basis for our conclusion

Responsibilities of the Corporation of Bishop Auckland College for regularity

The corporation of Bishop Auckland College is responsible, under the Financial Memorandum and the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. The corporation of Bishop Auckland College is also responsible for preparing the Governing body's Statement of Regularity, Propriety and Compliance.

Reporting accountant's responsibilities for reporting on regularity

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Post-16 Audit Code of Practice 2016 to 2017.

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 the procedures performed vary in nature and timing from, and are less in extent than for a reasonable assurance engagement; consequently, a limited assurance engagement 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.

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 2016 to 31 July 2017 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Our work included identification and assessment of the design and operational effectiveness of the controls, policies and procedures that have been implemented to ensure compliance with the framework of authorities including the specific requirements of the financial memorandum with Skills Funding Agency and high level financial control areas where we identified a material irregularity is likely to arise. We undertook detailed testing, on a sample basis, on the identified areas where a material irregularity is likely to arise where such areas are in respect of controls, policies and procedures that apply to classes of transactions.

This work was integrated with our audit of the financial statements and evidence was also derived from the conduct of that audit to the extent it supports the regularity conclusion.

This report is made solely to the corporation of Bishop Auckland College and the Secretary of State for Education acting through the Department for Education in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the corporation of Bishop Auckland College and the Secretary of State for Education acting through the Department for Education 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 Bishop Auckland College and the Secretary of State for Education acting through the Department for Education for our work, for this report, or for the conclusion we have formed.

RSM UK AUDIT LLP
Chartered Accountants
1 St James' Gate
Newcastle upon Tyne
NE1 4AD

11 December 2017