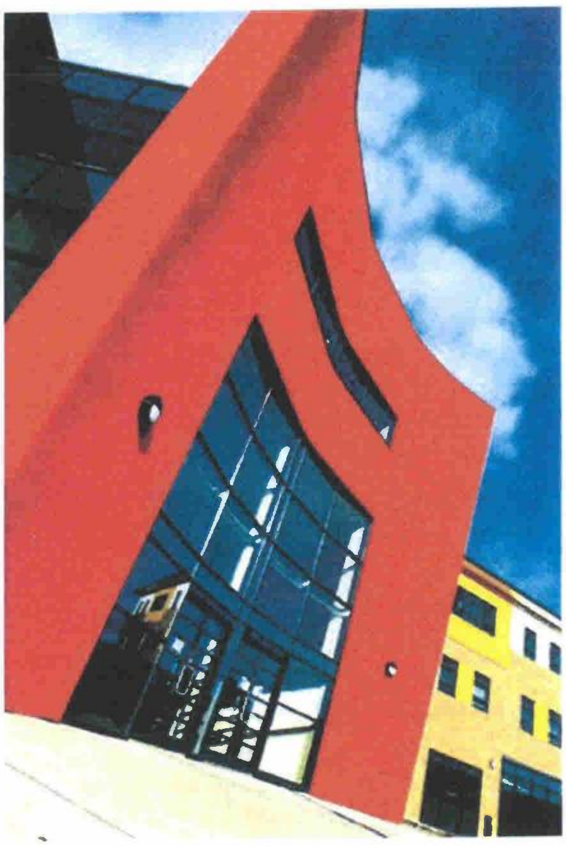

Bishop Auckland College

Report and Consolidated Financial Statements
for the year ended 31 July 2018

Consolidated Financial Statements for the year ended 31 July 2018

Bishop Auckland College

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Consolidated Financial Statements for the year ended 31 July 2018

Bishop Auckland College

Reference and Administrative Details

Board of Governors
P Petty
N Davison-Terranova
A Dunn
A Gibbon
A Hood
B Elliott
D Gowland
J Yarrow
J Ruffer
L Phillips

Clerk
J Banks

Senior management team

N Davison-Terranova	-	Principal and Chief Executive
J Layfield	-	Director of Finance and Planning
E Lamb	-	Director of Quality
R Hinch	-	Director of Curriculum
C Wray	-	Director of Service Standards
J Howe	-	General Manager SWDT

Principal and Registered Office Woodhouse Lane, Bishop Auckland, County Durham, DL14 6JZ

Professional advisors

Financial statements auditors and reporting accountants:

RSM UK Audit LLP
1 St James Gate
Newcastle upon Tyne
NE1 4AD

Internal auditors (to 1 August 2018):

KPMG
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX

Internal auditors (from 1 August 2018)

Audit One
Kirkstone Villa
Lanchester Road Hospital
Durham
DH1 5RD

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 2018

Strategic report

OBJECTIVES AND STRATEGY

The governing body present their annual report together with the financial statements and auditor's report for Bishop Auckland College for the year ended 31 July 2018.

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. The annual report and financial statements represent the consolidated accounts of the Bishop Auckland College Group made up of the College and South West Durham Training, which is a wholly owned subsidiary of the College.

Mission, Vision, Strategy and Objectives

The Bishop Auckland College published its 2017-2021 Strategic Plan, 'Building prosperity at the heart of the community' during the year. The key strategic actions over the next four year planning period are to:

- Move achievement, progress and progression rates towards the best in class for all areas of activity.
- Generate surpluses for continued investment in exceptional resources for both increasing income and also leveraging efficiencies generated through the growth of the Bishop Auckland Group.
- Ensure a successful launch of the Durham Gateway Academy alternative provision free school.
- Explore the potential for expansion of the Gateway North Academy Trust, the Multi-Academy Trust sponsored by Bishop Auckland College, within which Durham Gateway Academy sits.
- Further development of the South West Durham training business in response to employer needs, with a particular scope for growth in apprenticeships, high education and commercial activity.
- Expansion of the range of higher education programmes offered by Bishop Auckland College, to include degree level programmes as well as higher level and degree apprenticeships. Securing validation through Open University will underpin this work, sitting alongside existing University of Sunderland foundation degrees and Pearson HNC/D programmes.
- Continue to develop our role as a key partner in the regeneration of Bishop Auckland and South Durham, through our work with the Brighter Bishop Auckland Partnership, the Auckland Project and other relationships.

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.

Strategic report (continued)

OBJECTIVES AND STRATEGY (continued)

Performance indicators

The 2017-2021 Strategic Plan, includes the key headline targets. These are reviewed annually to provide a series of key performance indicators for the Group.

Key Performance Indicators 2017/18

1. Meet recruitment targets for all sectors of Group 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 overall satisfaction rating of 95% for all stakeholder groups (students, employers, parents) and all Learning Areas.

5. Meet contribution targets for all sectors of Group 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.

Resources

The Group has various resources that it can deploy in pursuit of its strategic objectives. The Group employs 247 people (expressed as full-time equivalents), of whom 108 are teaching staff.

The Group enrolled approximately 3,534 students. The Group's student population includes 711 16-to-18-year-old students, 380 apprentices, 234 higher education students and 2,209 adult learners

The Group has £1.524 million of net liabilities (including £6.23 million pension liability) and long-term debt of £5.852 million. Tangible resources include the main college site, the Skills and Employment Centre at Spennymoor, Business Training Services and South West Durham Training in Newton Aycliffe and £3.255 million held in current assets.

The Group has a good reputation locally and nationally. It delivered high profile projects during the year to develop the links between industry and education, specifically in the engineering sector funded by HEFCE and AoC. Maintaining a quality brand is essential for the Group's success at attracting students and external relationships.

Strategic report (continued)

OBJECTIVES AND STRATEGY (continued)

Stakeholders

The College has many stakeholders including:

- its current, future and past students;
- its staff and their trade unions;
- the employers it works with;
- the professional organisation in the sectors where it works;
- its partner schools and universities; the wider college community;
- its local authorities and Local Enterprise Partnership.

DEVELOPMENT AND PERFORMANCE

Financial Results

The Group generated a deficit before other gains and losses of £271k (2016/17 : £503k). This was an improvement on the results in 2016/17 despite income having declined by 3.5%. The LGPS accounting adjustment for the year was broadly similar to 2016/17 at £550k (2016/17 £563k) however there was a further positive actuarial adjustment of £1.040m to the pension liability.

Developments

The principle development in the year was the application to open the Durham Gateway Academy entering the pre-opening phase. Significant work was carried out to prepare for the opening of the school including negotiations around the site and potential capital investment. At this stage an opening date has not been confirmed by DfE, however, learners will be enrolled directly to the College roll in 2018/19 within the ESFA 14-16 contract.

Reserves

The Group has accumulated reserves of (£1.524m) and cash and short term investment balances of £2.470m. The Group wishes to continue to accumulate reserves and cash balances in order to create a contingency fund.

Sources of income

The Group has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2017/18 the FE funding bodies provided 72% of the Group's total income.

Group companies

S W Durham Training Limited (SWDT) is a wholly owned subsidiary of Bishop Auckland College. Gateway North Academy Trust (GNAT) is a Multi-academy trust sponsored by the College. The main business of all elements of the Bishop Auckland Group is the provision of education. The accounts for SWDT are consolidated into the Group accounts and in the 2017/18 year contributed a deficit of £240k (2016/17 : £355k).

Strategic report (continued)

Group companies (continued)
SWDT is planned to return a surplus in the 2018/19 year. All expenditure incurred during the year was through activity carried out by College employees or procured through the College's normal business.

FUTURE PROSPECTS

Developments
The college has invested recently in developing a discrete area with separate leadership for pre 16 alternative provision. Students will be recruited from September 2018, building on work carried out previously for schools under a commercial model, providing a vocational education mix for pupils not thriving in mainstream education.
The College is seeking validation from the Open University to expand its HE offer to include honours degrees in a range of programme areas with enrolment commencing in September 2019. Collaborative bids have been submitted jointly with other colleges for ESF funding with delivery expected in 2018/19 onwards.

Financial plan
The College governors approved a three year financial plan in July 2018 which sets objectives for the period to 2020.

Treasury policies and objectives
The College has treasury management arrangements in place to manage cash flows, banking arrangements and the risks associated with those activities. Any short term borrowing for temporary revenue purposes would be authorised by the Principal/Chief Executive Officer. All other borrowing requires the authorisation of the Corporation.

Cash flows and liquidity
At £853k (2016/17 £828k), net cash flow from operating activities was sufficient to comfortably meet the requirements of the banking covenant.
The College's borrowing relates to a 25 year fixed term loan taken out to finance the rebuilding of the College premises in three phases. This year sees the end of the tenth year of that loan agreement. At the point the loan was taken out the interest rate was favourable. The College seeks to ensure a reasonable cushion between the total cost of servicing debt and operating cash flow annually. During the year this margin was comfortably exceeded.

Reserves
The College has no formal Reserves Policy but recognises the importance of reserves in the financial stability of any organisation, and ensures that there are adequate reserves to support the College's core activities. As at the balance sheet date the Income and Expenditure reserve stands at (£3.917m) (2017: (£4.676m). It is the Corporation's intention to increase reserves over the life of the strategic plan through the generation of annual operating surpluses.

Strategic report (continued)

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.

PRINCIPAL RISKS AND UNCERTAINTIES

Risk management

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

A risk register is maintained at the College level which is reviewed at termly by the Audit Committee. 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.

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

- Reduced recruitment in apprenticeships due to funding methodology
- Low achievement in maths and English for full and part time learners
- Declining income in the short, medium and long term due to Government Funding policy and demographic factors
- Lack of investment with the technology aspects of desktops, servers, security and media resulting in inadequate IT systems
- Failure to manage performance of subsidiary company SWDT

Strategic report (continued)

KEY PERFORMANCE INDICATORS

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 2017/18
ACHIEVE ANNUAL INCOME AND RECRUITMENT TARGETS	100%	94%
Return a minimum of 2% surplus on income year on year (excluding pension adjustment)	2%	1.01%
ENSURE COVENANTS ARE NOT BREACHED	MET	MET
Ensure staffing expenditure excluding partnership income is no more than 61% of annual turnover	61%	62.91%
BORROWING <40% TURNOVER	47.45%	50.6%
REMAIN SOLVENT WITH A MINIMUM NET CURRENT RATIO OF 1.5	1.2	1.3
FINANCIAL HEALTH SCORE	GOOD	GOOD

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 success 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 ESFA as having a "satisfactory" financial health grading. The current rating of satisfactory is considered an acceptable outcome.

Student achievements
Students continue to prosper at the College. Headline classroom learning achievement rates rose again in 2017/18 to 91.2% from 88.8% in 2016/17 for the College with a slight decline to 88.6% at SWDT from 91.9% in 2016/17. Apprenticeship achievement rates remain steady 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.

Strategic report (continued)

OTHER INFORMATION

Public Benefit
Bishop Auckland College is an exempt charity under the Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on page 1. In setting and reviewing the Group's strategic objectives, the Governing Body has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education.

In delivering its mission, the Group provides identifiable public benefits through the advancement of education to 3,534 students, including 44 students with high needs. The college provides courses without charge to young people, to those who are unemployed and adults taking English and maths course. The college adjusts its courses to meet the needs of local employers and provides training to 380 apprentices. The Group is committed to providing information, advice and guidance to the students it enrols and to finding suitable courses for as many students as possible regardless of their educational background.

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

The Group publishes an Annual Equality Report and Equality Objectives to ensure compliance with all relevant equality legislation including the Equality Act 2010. The Group undertakes equality impact assessments on all new policies and procedures. Equality impact assessments are also undertaken for existing policies and procedures on a prioritised basis. The Group is a 'Two ticks' employer and has committed to the principles and objectives of the 'Two Ticks' standard. The Group guarantees an interview to any applicant who meets the essential criteria for the post and has declared that they should be considered under the 'Two ticks' scheme. Where an existing employee develops a condition, which requires additional support or reasonable adjustments, every effort, is made to ensure that the adjustments are made, wherever possible.
The Group has an Equality and Diversity training programme within which all staff are required to carry out Equality and Diversity Training and attend refresher training at least annually.

Strategic report (continued)

Disability statement

The Group 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. This has since been reviewed and further work carried out on this.
b) The Group has a Learning Support Co-ordinator, who provides information, advice and arranges support where necessary for students with disabilities.
c) The Group has specialist equipment to help students with disabilities.
d) The Group has an admissions policy for all students. Appeals against a decision not to offer a place are dealt with under the complaints policy.
e) The Group has study support tutors 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.
f) 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.
g) Group courses are described in Group prospectuses and are available in various formats. Achievements and destinations are recorded and analysed in relation to all students.
h) Welfare services are described in the Group Student Handbook, which is held on Moodle and discussed with students at induction.

Trade union facility time

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

Numbers of employees who were relevant period	FTE employee number
2	2

Percentage of time	Number of employees
0%	
1-50%	2
51-99%	
100%	

Total cost of facility time	£3,956
Total pay bill	£7.018m
Percentage of total bill spent on facility time	0.06%

Time spent on paid trade union activities as a percentage of total paid facility time	6%

Bishop Auckland College

Strategic report (continued)

OTHER INFORMATION (continued)

Payment performance
The Late Payment of Commercial Debts (Interest) Act 1998, in the absence of agreement to the contrary, requires organisations. During the accounting period 1 August 2017 to 31 July 2018, 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 REPORTING PERIOD
There were no significant post balance sheet events.

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 10th December 2018 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 2017 to 31st July 2018 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 2018. 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.

Statement of Corporate Governance and Internal Control (continued)

The Corporation

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

	Date of Appointment	Term of office (years)	Date of resignation / end of service	Status of appointment	Committees served	Attendance in 2017/18 % (rounded)
Natalie Davison-Terranova	01.01.13	n/a		Principal	Search & Governance	100
Andrew Dunn	06.11.14	n/a SWDT nominee		Chair, South West Durham Training		22
Adam Gibbon	19.09.16	4	13.06.18 resigned	Independent member	Search & Governance	55
Anthony Hood	18.07.16	4		Independent member	Audit	100
Diane Gowland	05.02.18	4		Independent Member	Audit	83
Pamela Petty	15.07.13 (Reappointed) 15.07.17	4 4		Independent member	Chair of Corporation Chair Search & Governance	92
John Yarrow	19.12.16	4		Independent member	Chair of Audit	86
Jane Ruffer	10.09.12 (Reappointed) 19.09.16	4 4		Community member	Search & Governance	75
Lee Phillips	24.07.17	1	24.07.18 end of service	Staff member		89
John David Banks acts as Clerk to the Corporation.						

Ben Elliott attended 1 meeting.

Statement of Corporate Governance and Internal Control (continued)

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

The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety and environmental issues. The Corporation meets at least once each term; in 2017-18 there were 9 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.

Statement of Corporate Governance and Internal Control (continued)

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 2018 and graded itself as "Good" on the Ofsted scale.

Remuneration Committee
Throughout the year ending 31 July 2018 the College's Remuneration Committee comprised three members of the Corporation; no meetings were required. 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 2018 are set out in note 7 to the financial statements.

Audit Committee
The Audit Committee comprises three members of the Corporation (the Accounting Officer and Chair are excluded from being members of the Committee) 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 Group's business and reports.

The Group'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.

Statement of Corporate Governance and Internal Control (continued)

Audit Committee (continued)
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 2018 and up to the date of approval of the annual report and accounts.

Statement of Corporate Governance and Internal Control (continued)

Internal control (continued)

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2018 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 Group 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 Group. The report includes the HIA's independent opinion on the adequacy and effectiveness of the Group'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 Group who have responsibility for the development and maintenance of the internal control framework

Statement of Corporate Governance and Internal Control (continued)

Internal control (continued)

- comments made by the Group'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 26 November 2018 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2018 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2018.

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".

Statement of Corporate Governance and Internal Control (continued)

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 2018 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 10 December 2018 and signed on its behalf by:

P. Petty.	N. Davison-Terranova.
Signed	Signed
Pamela Petty Chair	Natalie Davison-Terranova Accounting Officer

Bishop Auckland College

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 grant funding agreements and contracts with the ESFA. 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
10 December 2018	10 December 2018

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, and are also the directors of the college for the purposes of company law) 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 Funding Agreement 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 Operating and Financial Review 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 applicable law) 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.

Under company law the directors must not approve the financial statements unless they are satisfied that they 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 them to ensure that the financial statements are prepared in accordance with the Charities Act 2011, the Charity (Accounts and Reports) Regulations 2008, Companies Act 2006 and other relevant accounting standards. They are 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.

Statement of Responsisbilities of the Members of the Corporation (continued)

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 Funding Agreement 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 10th December 2018 and signed on its behalf by:

P. Petty

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 2018 which comprise the consolidated and college statements of comprehensive income, the consolidated and college statements of changes in reserves, the consolidated and college balance sheets, 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, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the College's affairs as at 31 July 2018 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 and college in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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 other information comprises the information included in the Report and Financial Statements other than the financial statements and our auditor's report thereon. The governors are responsible for the other information. Our opinion on the financial statements does not cover the other information and 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 2017 to 2018 issued by the Education and Skills Funding Agency requires us to report to you if, in our opinion:

- adequate accounting records have not been kept;
- 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 pages 21 and 22, 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 Group's and 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 Group or 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.

Use of our report

This report is made solely to the Corporation, as a body, in accordance with the Funding Agreement 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 engaged 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

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

DATE 14/12/18

Bishop Auckland College

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

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 grant funding agreements and contracts with the Education and Skills Funding Agency (the "ESFA"), to obtain limited assurance about whether the expenditure disbursed and income received by Bishop Auckland College during the period 1 August 2017 to 31 July 2018 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 period 1 August 2017 to 31 July 2018 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 (the "ACoP") issued by the ESFA. 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 the ESFA 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 Corporation of Bishop Auckland College for regularity

The Corporation of Bishop Auckland College is responsible, under the grant funding agreements and contracts with the ESFA 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 ACoP.

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 2017 to 31 July 2018 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 grant funding agreements and contracts with the ESFA 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.

Use of our report

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

RSM UK Audit LLP

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

[DATE] 14 December 2018

Consolidated Financial Statements for the year ended 31 July 2018

Bishop Auckland College

CONSOLIDATED AND COLLEGE STATEMENTS OF COMPREHENSIVE INCOME

	Notes	2018		2017	
		Group £'000	College £'000	Group £'000	College £'000
INCOME					
Funding body grants	2	8,525	7,647	9,111	8,296
Tuition fees and education contracts	3	2,230	1,725	2,137	1,462
Other income	4	1,265	1,270	1,201	1,169
Investment income	5	7	2	11	4
Total income		**12,027**	**10,644**	**12,460**	**10,931**
EXPENDITURE					
Staff costs	6	7,516	6,896	7,564	6,750
Restructuring costs	6	21	6	57	57
Other operating expenses	8	2,956	2,500	3,392	2,860
Depreciation	12	1,312	1,026	1,413	1,097
Interest and other finance costs	9	493	493	537	537
Total expenditure		**12,298**	**10,921**	**12,963**	**11,301**
Deficit before other gains and losses		**(271)**	**(277)**	**(503)**	**(370)**
Gain on disposal of assets		-	-	2	-
(Loss)/gain on investments		(1)	-	20	-
Deficit before tax		**(272)**	**(277)**	**(481)**	**(370)**
Taxation	10	-	-	-	-
Deficit for the year		**(272)**	**(277)**	**(481)**	**(370)**
Unrealised surplus on revaluation of fixed assets		-	-	-	-
Remeasurement of net defined benefit pension liability		1,031	1,031	2,208	2,208
Total Comprehensive Income for the year		**759**	**754**	**1,727**	**1,838**
Represented by:					
Restricted comprehensive income		-	-	-	-
Unrestricted comprehensive income		**759**	**754**	**1,727**	**1,838**
		759	**754**	**1,727**	**1,838**

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

Consolidated and College Statement of Changes in Reserves

	Income and expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Group			
Balance at 1 August 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)**
Deficit from the income and expenditure account	(272)	-	**(272)**
Other comprehensive income			
Actuarial loss	1,031	-	**1,031**
Total comprehensive income in year	759	-	**759**
Balance at 31 July 2018	(3,917)	2,393	**(1,524)**

Consolidated and College Statement of Changes in Reserves (continued)

	Income and expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
College			
Balance at 1 August 2016	(6,814)	2,242	**(4,572)**
Deficit from the income and expenditure account	(370)	-	**(370)**
Other comprehensive income	-	-	-
Actuarial loss	2,208	-	**2,208**
Total comprehensive income in year	1,838	-	**1,838**
Balance at 31 July 2017	(4,976)	2,242	**(2,734)**
Surplus/(deficit) from the income and expenditure account	(277)	-	**(277)**
Other comprehensive income			
Actuarial gain	1,031	-	**1,031**
Total comprehensive income for year	754	-	**754**
Balance at 31 July 2018	(4,222)	2,242	**(1,980)**

Bishop Auckland College

Balance sheets as at 31 July 2018

	Note	Group 2018	College 2018	Group 2017	College 2017
Non current assets		**£'000**	**£'000**	**£'000**	**£'000**
Tangible assets	12	36,598	33,802	37,897	34,815
Negative goodwill	11	(179)	-	(358)	-
Investments	13	-	-	197	-
Total fixed assets		**36,419**	**33,802**	**37,736**	**34,815**
Current assets					
Debtors	14	785	620	838	1,118
Investments	15	-	-	151	151
Cash at bank and in hand		2,470	1,874	2,051	1,200
Total current assets		3,255	2,494	3,040	2,469
Less: Creditors – amounts falling due within one year	16	(3,270)	(3,080)	(3,450)	(3,205)
Net current assets		**(15)**	**(586)**	**(410)**	**(736)**
Total assets less current liabilities		**36,404**	**33,216**	**37,326**	**34,079**
Less: Creditors – amounts falling due after more than one year	17	(31,444)	(28,712)	(32,636)	(29,840)
Provision for liabilities	20	(6,484)	(6,484)	(6,973)	(6,973)
NET LIABILITIES		**(1,524)**	**(1,980)**	**(2,283)**	**(2,734)**
Unrestricted reserves					
Income and expenditure account		(3,917)	(4,222)	(4,676)	(4,976)
Revaluation reserve		2,393	2,242	2,393	2,242
TOTAL UNRESTRICTED RESERVES		**(1,524)**	**(1,980)**	**(2,283)**	**(2,734)**

The financial statements on pages 29 to 61 were approved and authorised for issue by the Corporation on 10 December 2018 and were signed on its behalf on that date by:

P Petty
Chair

P. Petty

N Davison-Terranova
Principal / Chief Executive

N. Davison-Terranova

Bishop Auckland College

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2018	2017
Cash flow from operating activities		**£'000**	**£'000**
Deficit for the year		(272)	(481)
Adjustment for non-cash items			
Depreciation		1,312	1,413
Release of negative goodwill		(179)	(179)
Decrease/(Increase) in debtors		53	(191)
(Decrease)/increase in creditors due within one year		(160)	825
Decrease in creditors due after one year		(751)	(1,421)
Pensions costs less contributions payable		541	563
Capital grants		-	-
Adjustment for investing or financing			
Investment income		(9)	(11)
Interest payable		317	332
Loss/(gain) on investments		1	(20)
(Gain) on sale of fixed assets		-	(2)
Net cash flow from operating activities		853	828
Cash flows from investing activities			
Proceeds from sale of fixed assets		-	33
Disposal of investments		197	31
Purchase of investments		-	(30)
Investment income		9	11
Capital grants received		-	-
Payments made to acquire fixed assets		(13)	(181)
		193	(136)
Cash flows from financing activities			
Interest paid		(317)	(332)
Repayments of amounts borrowed		(273)	(255)
Repayment of Lennartz VAT		(188)	(17)
		(778)	(604)
Increase in cash and cash equivalents	21	268	88
Cash and cash equivalents at beginning of the year		2,202	2,114
Cash and cash equivalents at end of the year	21	2,470	2,202

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.

General Information

Bishop Aukland College is a corporation established under the Further and Higher Education Act 1992 as an English general college of further education. The address of the Group's principal place of business is given on page 14. The nature of the Group's operations is set out in the Strategic Report.

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 2017 to 2018* 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 has applied the amendments to FRS102 issued by the FRC in December 2017 prior to their mandatory effective date of accounting periods beginning on or after 1 January 2019, there were no changes to accounting policies as a result. 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.

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

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.

Notes to the Consolidated Financial statements (continued)

1. Statement of accounting policies and estimation techniques (continued)

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 2018.

Going concern

The activities of the Group, 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 Group, its cash flow, liquidity and borrowings are presented in the Financial Statements and accompanying Notes.

The Group currently has £5.852m of loans outstanding with Barclays Bank plc. Both loans are secured by a fixed and floating charge on Group assets. The terms of the existing agreement are for up to another 20 years. The Group's forecasts and financial projections indicate that it will be able to operate within this existing facility during the 2018/19 financial year.

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

Recognition of income

Revenue grant funding
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.

Notes to the Consolidated Financial statements (continued)

1. Statement of accounting policies and estimation techniques (continued)

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.

Other income
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.

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.

Notes to the Consolidated Financial statements (continued)

1. Statement of accounting policies and estimation techniques (continued)

Short term employment benefits

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

Enhanced Pensions

The actual cost of any enhanced 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.

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.

Notes to the Consolidated Financial statements (continued)

1. Statement of accounting policies and estimation techniques (continued)

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.

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. Statement of accounting policies and estimation techniques (continued)

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term to the Statement of Comprehensive Income and Expenditure.

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. Statement of accounting policies and estimation techniques (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.

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. Statement of accounting policies and estimation techniques (continued)

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.

- *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. The actuary has used a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 to value the pensions liability at 31 July 2018. 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.

Agency arrangements

The College acts as an agent in the collection and payment of discretionary support funds from the funding bodies. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the Income and Expenditure account, on the basis that the group does not have control of the economic benefit related to the transaction and are shown separately in Note 26, except for the 5 per cent of the grant received which is available to the Group 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.

Notes to the Consolidated Financial statements (continued)

2 FUNDING BODY GRANTS

	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
Recurrent grants				
Education and Skills Funding Agency - adult	2,282	2,282	2,076	2,076
Education and Skills Funding Agency - 16-18	3,992	3,712	4,035	3,656
Education and Skills Funding Agency – apprenticeships	1,679	1,081	2,430	1,994
Specific grants				
Releases of government capital grants	572	572	570	570
Total	**8,525**	**7,647**	**9,111**	**8,296**

3 TUITION FEES AND EDUCATION CONTRACTS

	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
Adult education fees	76	21	203	45
Apprenticeship fees and contracts	77	-	252	91
Fees for FE loan supported courses	554	554	516	516
Fees for HE loan supported courses	348	-	156	-
Total tuition fees	1,055	575	1,127	652
Education contracts	1,175	1,150	1,010	810
Total	**2,230**	**1,725**	**2,137**	**1,462**

4 OTHER INCOME

	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
Other Grants	461	461	464	464
Catering Operations	10	10	12	12
Releases from Deferred Capital Grants	151	86	149	85
Nursery Operations	237	237	208	208
Other Income	227	476	189	400
Released from Negative Goodwill	179	-	179	-
Total	**1,265**	**1,270**	**1,201**	**1,169**

Notes to the Consolidated Financial statements (continued)

5 INVESTMENT INCOME

	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
Interest receivable	5	2	4	4
Dividends	2	-	7	-
Total	**7**	**2**	**11**	**4**

6 STAFF COSTS – GROUP AND COLLEGE

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

	2018 No.	2017 No.
Teaching staff	108	114
Non teaching staff	139	132
	247	**246**

Staff costs for the above persons

	2018 £'000	2017 £'000
Wages and salaries	5,889	5,954
Social security costs	476	467
Pension costs (including LGPS adjustments of £365,000 (2017 £356,000))	1,151	1,143
Payroll sub total	**7,516**	**7,564**
Contracted out staffing services	16	9
Restructuring costs – contractual	15	44
non contactual	6	13
Total Staff costs	**7,553**	**7,630**

7 KEY MANAGEMENT PERSONNEL

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. Governor expenses are disclosed at note 25.

Notes to the Consolidated Financial statements (continued)

7 KEY MANAGEMENT PERSONNEL (CONTINUED)

	2018 No.	2017 No.
The number of key management personnel including the Accounting Officer was:	8	7

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	
	2018 No.	2017 No.	2018 No.	2017 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	-	-	-
£100,001 to £110,000 p.a.	-	1	-	-
	1	**1**	**-**	**-**

Key management personnel compensation is made up as follows:

	2018 £'000	2017 £'000
Salaries	354	356
Employers National Insurance	41	42
Benefits in kind	-	-
	395	**398**
Pension contributions	54	52
Total key management personnel compensation	**449**	**450**

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:

	2018 £'000	2017 £'000
Salaries	99	101
Benefits in kind	-	-
	99	**101**
Pension contributions	**16**	**17**
Total	115	118

Notes to the Consolidated Financial statements (continued)

8 OTHER OPERATING EXPENSES

	2018 Group £'000	2018 College £'000	2017 Group £'000	2017 College £'000
Teaching costs	937	827	1,270	970
Non teaching costs	1,005	824	1,129	1,040
Premises costs	1,014	849	993	850
Total	**2,956**	**2,500**	**3,392**	**2,860**

Other operating expenses include:

	2018 £'000	2017 £'000
Auditors' remuneration:		
Financial Statements Auditors *	29	24
Internal Auditor **	13	14
Hire of plant and machinery – operating leases	48	57
Gain/(loss) on disposal of fixed assets	-	(2)
Payments to partners for sub-contracted provision	159	209
	249	**302**

* Includes £29,000 in respect of the college (2016/17 £24,000)
** Includes £13,000 in respect of the college (2016/17 £14,000)

9 INTEREST AND OTHER FINANCE COSTS

	2018 £'000	2017 £'000
On bank loans, overdrafts and other loans:		
Repayable wholly or partly in more than five years	317	332
	317	332
Net pension finance costs (note 22)	170	200
Interest on enhanced pension provisions	6	5
Total	**493**	**537**

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 2017	(1,022)
Additions	-
At 31 July 2018	(1,022)
Amortisation	
At 1 August 2017	664
Amortisation for the period	179
At 31 July 2018	843
Net book value	
At 31 July 2018	(179)
At 31 July 2017	(358)

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 2017	47,205	185	8,261	55,651
Additions	-	10	3	13
Reclassification	-	-	-	-
Disposals	-	-	-	-
At 31 July 2018	**47,205**	**195**	**8,264**	**55,664**
Depreciation				
At 1 August 2017	10,507	185	7,062	17,754
Charge for the year	1,082	1	229	1,312
Elimination in respect of disposals	-	-	-	-
At 31 July 2018	**11,589**	**186**	**7,291**	**19,066**
Net book value at 31 July 2018	**35,616**	**9**	**973**	**36,598**
Net book value at 31 July 2017	**36,698**	-	**1,199**	**37,897**

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 2017	**42,401**	**185**	**4,109**	**46,695**
Additions	-	10	3	13
Reclassification	-	-	-	-
At 31 July 2018	**42,401**	**195**	**4,112**	**46,708**
Depreciation				
At 1 August 2017	7,845	185	3,850	11,880
Charge for the year	937	1	88	1,026
Elimination in respect of disposals	-	-	-	-
At 31 July 2018	**8,782**	**186**	**3,938**	**12,906**
Net book value at 31 July 2018	**33,619**	**9**	**174**	**33,802**
Net book value at 31 July 2017	**34,556**	-	259	34,815

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 2017	193	4	197
Additions			
Disposals	(192)	(4)	(196)
Revaluation	(1)		(1)
At 31 July 2018	-	-	-
NET BOOK VALUE			
At 31 July 2018	-	-	-
At 31 July 2017	193	4	197

There were no investment assets outside the UK.

The listed investments were represented by:	2018	2017
	£	£
Fixed interest securities	-	30
Equity shares	-	6
Investment trusts and unit trusts	-	157
	-	193

All of the above investments were held by the subsidiary, S.W. Durham Training Ltd.
The historical cost of listed investments at 31 July 2018 was £NIL (2017: £160k).

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 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
Amounts falling due within one year:				
Trade debtors	102	90	241	190
Prepayments and accrued income	683	530	597	304
Amounts owed by subsidiaries	-	-	-	624
Total	**785**	**620**	**838**	**1,118**

15 CURRENT INVESTMENTS

	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
Short term deposits	-	-	151	151
Total	**-**	**-**	**151**	**151**

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 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
Bank loans and overdrafts	284	284	272	272
Other loan	59	59	30	30
Lennartz VAT	128	128	189	189
Payments received in advance	523	480	330	177
Trade creditors	361	320	467	457
Other creditors	377	377	103	98
Other taxation and social security	15	24	122	110
Accruals	798	721	451	451
Amounts owed to Funding Bodies	3	3	763	763
Deferred grants	722	658	723	658
Amounts owed to subsidiaries	-	26	-	-
Total	**3,270**	**3,080**	**3,450**	**3,205**

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 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
Bank loans	5,568	5,568	5,852	5,852
Lennartz VAT	278	278	405	405
Lease Rent received in advance	151	151	180	180
Other loan	15	15	45	45
Deferred grants	25,432	22,700	26,154	23,358
Total	**31,444**	**28,712**	**32,636**	**29,840**

18 MATURITY OF DEBT

Bank loans and overdrafts are repayable as follows:

	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
In one year or less	284	284	272	272
Between one and two years	294	294	286	286
Between two and five years	919	919	1,209	1,209
In five years or more	4,355	4,355	4,357	4,357
Total	**5,852**	**5,852**	**6,124**	**6,124**

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.

The above table also includes the Lennartz VAT creditor which is in effect an advance of funds recovered through HMRC VAT mechanism over a period of 10 years commencing May 2007.

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 2017	6,720	253	6,973
Utilised in the year	550	(8)	542
Additional provision in the year	(1,040)	9	(1,031)
At 31 July 2018	**6,230**	**254**	**6,484**

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:

	2018	**2017**
Price inflation	3.20%	3.74%
Discount rate	2.80%	2.50%

21 ANALYSIS OF CASH AND CASH EQUIVALENTS

	At 1 August 2017 £'000	**Cash flows £'000**	**Other changes £'000**	**At 31 July 2018 £'000**
Cash in hand and at bank	2,051	419	-	2,470
Investments	151	(151)	-	-
Total	2,202	268	-	2,470

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.

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 2016.

Total pension cost for the year		**2018 £000**		**2017 £000**
Teachers' Pensions Scheme: contributions		342		351
Local Government Pension Scheme:				
Contributions paid	350		338	
FRS102 (28) charge	380		370	
Charge to the Income and Expenditure Account (staff costs)		730		708
Other pension costs		34		-
SWDT contributions		45		84
Total Pension Cost for Year		**1,151**		**1,143**

Included above are pension contributions paid by SW Durham Training Limited of £42,000 (2017: £84,000).

Contributions amounting to £100,246 (2017 £97,000) were payable to the scheme at 31 July 2018 and are included within creditors.

Notes to the Consolidated Financial statements (continued)

22 DEFINED BENEFIT OBLIGATIONS (CONTINUED)

Teachers' Pension Scheme

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

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

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

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

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

The latest actuarial review of the TPS was carried out as at 31 March 2012. The valuation report was published by the Department for Education (the Department) on 9 June 2014. The key results of the valuation are:

- New employer contribution rates were set at 16.48% of pensionable pay (including administration fees of 0.08%);
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £191,500 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176,600 million giving a notional past service deficit of £14,900 million;
- an employer cost cap of 10.9% of pensionable pay.
- 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%.

The new employer contribution rate for the TPS was implemented in September 2015. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable at some point in 2019.

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

The pension costs paid to TPS in the year amounted to £343,000 (2017: £422,000).

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 2018 £'000	Year Ended July 2017 £'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	(6)	(7)
Pension finance costs	**(6)**	**(7)**

Amounts recognised in the statement of comprehensive income

	Year Ended July 2018 £'000	Year Ended July 2017 £'000
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	(10)	7
Actuarial gain (loss) recognised in SOCI	**(10)**	**7**
Movement in surplus during year		
Deficit in scheme at 1 August	(193)	(208)
Current service credit	15	15
Net (interest) on assets	(6)	(7)
Actuarial (loss) or gain	(10)	7
Deficit in scheme at 31 July	**(194)**	**(193)**

Notes to the Consolidated Financial statements (continued)

22 DEFINED BENEFIT OBLIGATIONS (CONTINUED)

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Durham County Council. The total contributions made for the year ended 31 July 2018 were £500,000, of which employer's contributions totalled £350,000 and employees' contributions totalled £150,000. The agreed contribution rates for future years are 17.3% for employers and range from 5.5% to 12.5% for employees, depending on salary.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2018 by a qualified independent actuary:

	At 31 July 2018	At 31 July 2017
Discount rate	2.8%	2.6%
RPI inflation	3.2%	3.1%
CPI inflation	2.1%	2.0%
Pension increases	2.1%	2.0%
Pension accounts revaluation rate	2.1%	2.0%
Salary increases	3.6%	3.5%

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 2018	At 31 July 2017
Males		
Member aged 65 at accounting date	23.3	23.2
Member aged 45 at accounting date	25.5	25.4
Females		
Member aged 65 at accounting date	25.0	24.9
Member aged 45 at accounting date	27.3	27.2

Notes to the Consolidated Financial statements (continued)

22 DEFINED BENEFIT OBLIGATIONS (CONTINUED)

The College's share of the assets in the scheme were:

	Fair Value at 31 July 2018 £'000	Fair Value at 31 July 2018 %	Fair Value at 31 July 2017 £'000	Fair Value at 31 July 2017 %
Equities	7,760	48.9%	7,125	48.5%
Property	1,174	7.4%	1,043	7.1%
Government bond	3,825	24.1%	4,525	30.8%
Corporate bonds	2,254	14.2%	1,249	8.5%
Cash	857	5.4%	748	5.1%
Other	0	0.0%	0	0.0%
	15,870	100%	14,690	100.0%

Reconcilation of funded status to balance sheet:

	2018 £'000	2017 £'000
Fair value of assets	15,870	14,690
Present value of funded defined benefit obligation	(22,100)	(21,410)
Funded status	(6,230)	(6,720)
Unrecognised asset	-	-
Liability recognised on the balance sheet	**(6,230)**	**(6,720)**

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

	2018 £'000	2017 £'000
Operating cost		
Current service cost	730	680
Financing cost		
Net interest cost	170	200
Total	**900**	**880**

Notes to the Consolidated Financial statements (continued)

22 DEFINED BENEFIT OBLIGATIONS (CONTINUED)

Amounts recognised in other comprehensive Income

	2018 £'000	2017 £'000
Asset gains arising during the year	680	40
Liability gains/(losses) during the period	360	2,160
Amount recognised in other comprehensive income	**1,040**	**2,200**

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

	2018 £'000	2017 £'000
Liabilities at start of period	21,410	22,600
Current service cost	730	680
Interest expense on defined benefit obligation	550	540
Contributions by participants	150	140
Actuarial (gain) / loss on liabilities	(360)	(2,160)
Net benefits paid out	(380)	(390)
Liabilities at end of period	**22,100**	**21,410**

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

	2018 £'000	2017 £,000
Assets at start of period	14,690	14,250
Interest income on assets	380	340
Remeasurement gains/losses on assets	680	40
Contributions by the employer	350	310
Contributions by participants	150	140
Benefits paid	(380)	(390)
Assets at end of period	**15,870**	**14,690**

Notes to the Consolidated Financial statements (continued)

22 DEFINED BENEFIT OBLIGATIONS (CONTINUED)

Actual Return on Assets

	2018 £'000	2017 £'000
Interest income on assets	380	340
Gain/loss on assets	680	40
	1,060	380

23 CAPITAL COMMITMENTS

	2018 £'000	2017 £'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:

	2018 £'000	2017 £'000
Plant and Equipment:		
Expiring within one year	44	55
Expiring within two and five years inclusive	65	90
Expiring in over five years	-	-
	109	145

Notes to the Consolidated Financial statements (continued)

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 £nil; 13 governors (2017: £1,512; 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.

A contribution was made by board member J Ruffer for the value of £1,074 in relation to the College graduation ball.

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

26 AMOUNTS DISPERSED AS GRANT

	2018 £'000	2017 £'000
Funding body grants	532	526
Other Funding body grants	-	-
Interest earned	-	-
	532	526
Disbursed to students	(594)	(524)
Administration costs	(25)	(25)
Balance overspent as at 31 July	(87)	(23)

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 Statement of Comprehensive Income.

Notes to the Consolidated Financial statements (continued)

27 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 £NIL (2017: £197k).

Financial assets measured at amortised cost comprise trade debtors of £372k (2017: £241k).

Financial liabilities measured at amortised costs comprise bank loans, other loans and trade creditors totalling £7.616m (2017: £6.655m).

28 EVENTS AFTER THE REPORTING PERIOD

There are no events after the reporting period.