

Members' Report and Financial Statements for the year ended 31 July 2017

Contents

	Page Number
Key Management Personnel, Board of Governors and Professional Advisers	2
Operating and Financial Review	3
Statement of Corporate Governance and Internal Control	14
Statement of the Responsibilities of the Corporation	21
Independent Auditor's Report to the Corporation of City of Sunderland College	22
Reporting Accountant's Report on Regularity to the Corporation of City of Sunderland College and the Secretary of State for Business, Innovation and Skills acting through Skills Funding Agency	24
Consolidated and College Statement of Comprehensive Income	26
Consolidated and College Statement of Changes in Reserves	27
Consolidated and College Balance Sheets	28
Consolidated Statement of Cash Flows	29
Notes to the Financial Statements	30

Members' Report and Financial Statements for the year ended 31 July 2017

KEY MANAGEMENT PERSONNEL, BOARD OF GOVERNORS AND PROFESSIONAL ADVISERS

Key management personnel

Key management personnel are defined as members of the College Leadership Team and were represented by the following in 2015/16:

Ellen Thinnesen	Principal and Accounting Officer
Nigel Harrett	Deputy Principal
David Howells	Vice Principal Finance and Resources

Board of Governors

A full list of Governors is given on pages 14 and 15 of these financial statements.

Mrs P Veitch acted as Clerk to the Corporation for the period from 1st August 2016 to 31st May 2017. Womble Bond Dickinson provided Clerk Support from 1st June 2017 to the end of the financial year.

Professional advisers

Financial statement and regularity auditor

KPMG LLP
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX

Internal auditor

RSM Risk Assurance LLP
1 St James' Blvd
Newcastle upon Tyne
NE1 4AD

Bankers

Bank of Scotland
300 Lawnmarket
Edinburgh
EH1 2PH

Solicitors

Womble Bond Dickinson
St Ann's Wharf
112 Quayside
Newcastle upon Tyne
NE1 3DX

Members' Report and Financial Statements for the year ended 31 July 2017

OPERATING AND FINANCIAL REVIEW

Nature, objectives and strategies

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

Legal status

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

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

Vision

In January 2014 the College implemented the 2014 – 17 Strategic Plan. This Plan summarises the vision and strategic ambitions for Sunderland College for the next three years. It captures how the College will continue to improve the experiences we provide for stakeholders and partners, and how it plan to be more responsive and engage more effectively with our target audiences.

We aspire to being an outstanding and first choice provider with learners and employers, for all aspects of education and training within Sunderland, the North East and beyond.

Mission statement

We aim to develop and positively shape lives, communities and the economy through teaching, learning and development of skills

Public benefit

Sunderland College is an exempt charity under Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Business, Innovation and Skills as Principal Regulator for all FE Corporations in England. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 14 and 15.

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

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

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

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

Members' Report and Financial Statements for the year ended 31 July 2017

Strategic ambitions

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

- Transform the organisational culture through the promotion of high standards in customer service and encourage innovative and entrepreneurial approaches across all of our activities
- Be responsive to local and national priorities and opportunities and make a notable contribution to social regeneration and economic growth and development
- Strengthen the college's position within a range of market sectors and reposition it so that it becomes a dominant player within the North East region and has a critical mass within overseas markets
- Provide an outstanding experience for our learners enabling them to progress to employment or a higher level of study
- Manage the college's estate and resources, maintaining strong financial health, independent longevity and promote environmental sustainability

Principles

There are core principles that we will embed within the organisation – principles that will be clearly communicated and embraced by all members of the college team:

- 'Place shaper' - Sunderland College is an organisation with the community at its heart, making a positive difference to the city and the region
- Positive and proactive – Sunderland College as a contributor to change – active, agile and able to affect change on a national and regional scale
- Innovator – embracing new technologies and techniques – being at the cutting edge
- Outcome focused – an organisation that positively changes people's lives
- Inclusive – a college that treats everyone with respect, and feels able to challenge judgements and behaviours where appropriate
- Ethical – A transparent organisation that operates fairly and sensitively

Values

The Core Values that will underpin the Strategic Plan are:

- Inspiring – To motivate, encourage and support everyone to realise their potential and achieve their goals
- Integrity - To be trustworthy showing respect and acting with fairness, in the best interests of all
- Adaptability - To be flexible, responsive and embrace opportunities to meet the ever changing needs and demands of all
- Innovative - To be at the forefront of innovation in everything we do, to challenge and continuously find ways to improve
- Professional - To act with professionalism at all times and consistently deliver high quality education

Financial objectives

The College's financial objectives for 2016/17 and achievement of these objectives were as follows:

Objectives	Target	Achievement
To meet its SFA and EFA funded targets	£25,059,000	£24,113,000

Members' Report and Financial Statements for the year ended 31 July 2017

To maintain financial stability by:		
making an operating surplus above:-	£604,000 (pre fixed asset disposal, staff restructuring and movements on pension provisions)	£871,000 (pre fixed asset disposal, staff restructuring and movements on pension provisions)
maintaining an EBITDA above:-	10%	10.37%

Performance indicators

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

The latest information available with regards to City of Sunderland College's performance against these indicators is:

Success Rates	2014/15	2015/16	2016/17	Latest Average of GFE Orgs
Classroom Learning (All ages)	86.8	83.4	84.7	82.1
Workplace Learning (All ages)	97.7	80.0	N/A	N/A
Apprenticeships (All ages)	63.6	76.3	65.7	68.9
Survey Data	2014/15	2015/16	2016/17	Latest Average of GFE Orgs
Learner Views	8.2	8.1	8.5	8.09
Employer Views / TQS	N/A	6.1	8.75	8.46

The overall Ofsted Inspection grade for Overall Effectiveness at the last inspection in June 2016 was "Good".

The table above shows that in 2016-17 the College continued to make significant positive steps towards improving and maintaining positive outcomes for our students.

The College is required to complete the annual Finance Record for the Skills Funding Agency/Education Funding Agency ("EFA"). The Finance Record produces a financial health grading. The current rating of "Satisfactory" is considered an acceptable outcome, given the significant adverse impact of the current Property Strategy, on the financial position.

Labour Market Intelligence information (LMI) indicates that the College makes an economic contribution to the North East business community of £445m each year and works with over 600 businesses.

Members' Report and Financial Statements for the year ended 31 July 2017

FINANCIAL POSITION

Financial results

The College made an overall deficit of £666,000 in the year (2015/16 deficit: £2,823,000). The underlying position, net of staff restructuring for the current year is a deficit of £336,000. The position when excluding movements in provisions for obligations under defined benefit pension plans is a surplus of £871,000.

The under-achievement of EFA/SFA funded target is as a result of lower than funded recruitment of 16-18 students. Due to the lagged funding methodology, this did not result in a clawback of funding, however there will be a reduction in the level of funding for these students in the 2017-18 financial year.

During the year the College implemented a restructuring programme to address forthcoming cuts in funding body income. This led to a programme of redundancies, resulting in restructuring costs of £330,000 (2015/16: £1,065,000).

Accumulated reserves are £22,982,000 (after accounting for a pension liability of £14,780,000) with cash balances available for immediate withdrawal of £1,623,000.

Tangible fixed asset additions during the year amounted to £4,730,000. The majority of the additions related to the upgrading of the College estate in line with its Property Strategy, which has seen an investment totalling £48m in the College estate over the course of the last few years. £29m of the investment relates to the build of a new City Centre Campus for the delivery of vocational skills, this building opened in September 2016.

The largest single sources of income for the College in the year were the Education Funding Agency and the Skills Funding Agency. In 2015/16 these organisations provided 80% of the College's total income, mainly via recurrent grants.

The College has three subsidiary companies, Blue Square Trading Limited, COSC Supplies Limited and Sunderland College Enterprises Limited. Following a review of Blue Square's operations in 2011, the decision was taken to discontinue the use of Blue Square as a recruitment agency and it has not traded during the current or prior 3 financial years. COSC Supplies Limited licences the conference and training restaurant facilities to the College and Sunderland College Enterprises Limited employs apprentices.

Treasury policies and objectives

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

The College has a separate treasury management policy and a review of the application of that policy is undertaken annually.

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

Cash flows

The College had a net cash inflow from operating activities of £2,934,000 in 2015/16 (2015/16: £2,642,000). There was a net increase in cash balances in the year of £294,000 (2015/16: decrease of £2,299,000), the movements of which are disclosed in the cash flow statement.

During the year the College received £2,300,000 proceeds, in respect of the final payment for the sale of the Shiney Row site.

Liquidity

During 2012/13 the College went out to tender in order to secure loan capital to provide funding towards its property strategy; as part of this process the College secured two loan facilities. The first facility was a £7m term loan, repayable over twelve

Members' Report and Financial Statements for the year ended 31 July 2017

years, of which £4.5m was outstanding at 31st July 2017. The second facility was an £11m revolving facility which was converted to a £7m term loan on 18th February 2015, and is repayable over ten years, £5.4m was outstanding at 31st July 2017.

In addition, the College secured an additional revolving facility of £10.7m during 2014/15 in order to fund the new City Centre development. The facility consisted of a term loan of £5.1m and a revolving £5.6m, in lieu of the sales proceeds from the sale of the Shiney Row and Hylton centres; £7.4m of this facility was outstanding at 31st July 2017. The facility is due to convert to a term loan on 30 September 2017, with £2.3m being repayable no later than 30th September 2019.

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

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

In 2015/16 the College has delivered activity that has produced £25,449,000 in funding body main allocation funding (2015/16 - £26,216,000). Total student numbers were 12,814 of which 9,839 were supported by mainstream funding from the Education Funding Agency and the Skills Funding Agency.

Curriculum developments and student achievements

The College continues to develop its portfolio to ensure that it is all aligned to local and regional and skills priorities and based on relevant Labour Market Intelligence (LMI). Sunderland College offers 100 technical and professional courses, over 30 A Level subjects and 42 apprenticeship frameworks. The college also offers an extensive range of courses for adults including Higher Education courses, Foundation Degrees and Higher Nationals. HNC or HND courses offered directly through HEFCE funding and Foundation Degrees and Joint Schemes are franchised from the University of Sunderland. The College recognises their responsibility of contributing to reduce the high number of learners Not in Education, Employment or Training and works with partners, including working with The Prince's Trust, to ensure appropriate provision is accessible throughout the year. There are strong sixth form academic based provision within Sunderland Sixth Form based at the Bede Campus and work closely in partnerships with partner secondary schools.

The overall effectiveness and the outcomes for learners of Sunderland College are both good and confirmed by Ofsted, June 2016. GCSE high grades for 16-18 study programmes has seen a significant improvement in the number of students achieving a high grade. It will remain a key focus of improvement with GCSE high grades as Maths 16-18 slightly below national average. Apprenticeship achievement rates have now improved during 2016-17 and are above national average. The achievement and progress of adult learners is very good, with high achievement rates at 88% (above national average). A high proportion of study programme learners achieve their qualification. Achievement rates for 16-18 learners remain high at 81%, above national average. Academic value added requires improvement, with vocational value continuing to be positive.

The quality of teaching, learning and assessment is good and confirmed by Ofsted, June 2016. There a relentless focus on improving teaching, learning and assessment across Sunderland College, which has raised performance and maintains good outcomes for learners. Teaching qualifications are a requirement for all teaching Sunderland College use a variety of observation and work scrutiny methods to check the quality of teaching, learning and assessment. A range of approaches including graded observations, developmental observations, peer observations and themed learning walks are used throughout the year. There is an expectation that staff will provide evidence of learner progress, differentiated planning, implementation of intended learning outcomes and learner profiles. Every curriculum faculty has identified Advanced Practitioners that support teams and individuals with teaching, learning and assessment development.

16-19 study programmes are well developed with learner progress and achievement of a positive destination to employment and/or further/higher education. Destinations of 16-18 year olds who left the college at the end of 2014/15, 94.5% had a positive destination of those with a known destination. The curriculum model, for 16-19 study programmes, is based on the concept of a 'T' shaped learner. The T shape develops breadth and depth of learning. Breadth including skills for employment, higher education and personal development. Depth including the main core qualification, English, and Mathematics.

Members' Report and Financial Statements for the year ended 31 July 2017

Sunderland College has a broad range of adult learning programmes, which successfully prepare learners for career progression. Destinations of 19+ learners who left the college at the end of 2014/15, 87% had a positive destination of those with a known destination. Much emphasis is placed on LMI, the City's Economic Master Plan and NELEP priorities that inform and influence the curriculum offer, which successfully meets the needs of employers and the local community. Priority provision includes Advanced Manufacturing, Digital Technology, Creative Industries, Health and Science.

The College has worked in-house and with key partners such as Millennium Centre Trust to ensure there is a strong community offer available for learners who are returning to study. Work with employers forms a key part of the curriculum planning process and uses LMI (Labour Market Intelligence) to inform decisions and help shape the course offer. Links to industry and workplace experience and placements are organised where appropriate and enterprise and innovation remain key priorities. The College has a large community; distance learning and class based adult provision linked to employment through its Get Ready programmes.

The College had seen a significant increase in the number of apprenticeships and frameworks offered. The Apprenticeship frameworks offered by the college align to the needs of the key industry and employment sectors, as identified by Sunderland City Council and the North East LEP. In addition, the college offers a range of sector independent standards and frameworks such as business administration, customer service, management, sales and telesales.

The HE portfolio at the College has grown in recent years to encourage learners whose families have not traditionally seen higher education as being accessible to them. The college underwent its QAA Higher Education Review during 2016 with all quality expectations and key judgements being met, allowing the QAA Quality Code to be used by the College. The College has a good, well-managed track record in ensuring the quality and standards of its higher education provision, re-enforced by positive engagement with QAA. The Higher Education Strategy specifically focusses on developing a curriculum offer responsive to the needs of the region, employers and clients. During 2016-17, the College has had a successful Higher Education review and a TEF Silver award. Recognising the quality of the College's HE teaching excellence.

The College's strong foundation learning provision supports LLDD learners with a wide range of learning difficulties and disabilities taught in a supportive environment. The College provides a variety of opportunities for these students to enable them to develop their English, maths, communication skills, improve their independence, personal, social skills as appropriate to the individual. It also provides opportunities for students with little or no previous academic achievement to develop the necessary personal, study and basic skills to enable them to enter, progress through college and to gain appropriate employment.

Payment performance

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

Post-balance sheet events

On 1 August 2017, the College acquired the trade and net assets of Hartlepool Sixth Form College through a Type B acquisition. From that date, the College Governing Body assumed responsibility for the assets and liabilities of Hartlepool Sixth Form College, which was dissolved at that date.

Future developments

The Corporation agreed a new Strategic Plan in December 2013 to be delivered from 2014 to 2017. Similarly the College has completed the final stage of its property strategy aimed at improving the condition of the College's estate and facilities, with a view to increase student numbers and improve the overall student experience. The opening of the City Centre Campus in September 2016 has seen the College well placed to meet the educational needs of the local community and employers. The College ear-marked a total of £48m to be spent on improvements to its Estate, over the course of the plan, with £15.4m of its own reserves earmarked for investment in this development. These funds are in addition to funding obtained via the sale of existing assets, loan funding and grants.

Members' Report and Financial Statements for the year ended 31 July 2017

The College's state of the art City Centre facility opened to students in September 2016, included within the facility are:

- luxury spa and treatment rooms
- fine dining restaurant
- bakery
- hair and beauty salon and barber shop
- travel agency (Hays Travel Independence Group)
- roof terrace growing vegetables and herbs for the restaurant facility.

The College's Income Diversification Strategy sets out the College's plans to diversify income streams and reduce its reliance on mainstream Government funding. The supporting Commercialisation & Income Diversification Development Plan sets out a three year strategic objective and a high level development plan.

The College is looking to ensure it continues to produce operating surpluses over the period of the Comprehensive Spending Review. In light of anticipated future funding allocation reductions the College announced its "Fit for the Future" staffing review and College restructure on 22 March 2016. It is envisaged that the efficiencies resulting from this and previous re-organisations will see the College well placed to endure the significant funding reductions anticipated over the years up to and including 2016/17, although the extent of these will depend on the College's ability to retain student numbers and adapt its curriculum delivery model to meet the new funding requirements.

The College

RESOURCES

The College's strategic aims, set out on page 2 are currently supported by a strong resource base. The College

- has 4 specialised centres distributed across the City;
- has invested £48m in the Property Strategy as at 31 July 2017;
- has £37.8m of net assets (excluding £14.8m pension liability) and long term debt of £15.7m; net assets as per the balance sheet are £23.0m;
- employs 542 people (expressed as full time equivalents), of which 419 are teaching staff; and
- has a good reputation locally and nationally. Maintaining a quality brand is essential for the College's success at attracting students and external relationships.

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

The College's risk register sets out the principal risks to which the College is exposed, identifies controls to mitigate those risks and provides sources of evidence and assurance that those risks are being appropriately managed. Those risks and the effectiveness of controls are reviewed annually by the College's Senior Management Team, Audit Committee and Corporation.

Members' Report and Financial Statements for the year ended 31 July 2017

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

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

- Governance;
- Management;
- Curriculum;
- Finance;
- Human Resource Management (HRM);
- Estates and Physical Resources;
- Business Systems and IT;
- Change Management; and
- Brand and Reputation.

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

- To help it cope with in-year reductions in net income the College will, each year
 - a) Plan to make an underlying operational surplus;
 - b) Provide for a contingency of at least £100,000 (pre pension adjustments) within its budgeted spending.
- The College will maintain a ratio of permanent to temporary and agency staff sufficient to ensure an annual temporary and agency academic staffing budget of at least £700,000. In extremis this budget will be reduced in-year and the curriculum will be remodelled.
- If this is not sufficient, capital projects will be delayed and funds set aside for the funding capital projects will be deployed to address the mid-year adjustment.
- In the extreme case the College will utilise its reserves. Those reserves will be replaced as necessary to maintain or regain strong financial health.

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

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

Government Funding

The College has considerable reliance on continued government funding through the education sector funding bodies and via delivery of courses funded via student loans. In 2015/16, 88% of the College's revenue was ultimately public funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms. Indeed there is every expectation that funding levels will reduce significantly over the period of the next Comprehensive Review.

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

- Impact of post-16 further education area reviews;
- Changes to funding methodologies, in particular in respect of 16-18 provision;
- Set up of local school sixth forms;
- Changes to co-funding of provision on which fees are charged, including eligibility criteria for fee remission and the potential expansion of the current FE student loans for students aged 24 and over to cover 19+ students;
- Proposed changes in Apprenticeship funding;

Members' Report and Financial Statements for the year ended 31 July 2017

- Minimum contract values for and increased responsibility for subcontracted delivery on all adult delivery;
- Reductions in higher education funding and the impact of significant increases in fees charged;
- Demographic decline in the number of 16-18 year olds in the medium term;
- Failure to maintain market share;
- Failure to maintain reputation; and
- Failure to maintain quality.

The risk is mitigated in a number of ways:

- Seeking to diversify income streams by expanding, for example, full-cost, apprenticeship and international activity
- Ensuring the College is rigorous in delivering high quality education and training
- Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding
- Regular dialogue with the regional funding bodies
- Increased investment in College estate and infrastructure.

Tuition fee policy

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

This risk is mitigated in a number of ways:

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

Maintain adequate funding of pension liabilities

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

STAKEHOLDER RELATIONSHIPS

In line with other colleges and universities, City of Sunderland College has many stakeholders. These include:

- Students;
- Education sector funding bodies;
- FE Commissioner;
- Staff;
- Local employers (with specific links);
- Local authorities;
- Local Enterprise Partnerships (LEPS);
- Government Offices/Regional Development Agencies/ Local Enterprise Partnerships (LEPS);
- The local community;
- Other FE institutions;
- Trade unions;
- Professional bodies; and
- Banks.

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

Members' Report and Financial Statements for the year ended 31 July 2017

Equal opportunities and employment of disabled persons

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

The College is mindful of the need for it to:

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

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

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

The College equality and diversity policy and annual report are published on its website and intranet sites.

The College is a 'Positive about Disabled' employer and has committed to the principles and objectives of the Positive about Disabled standard. The College considers all employment applications from disabled persons, bearing in mind the aptitudes of the individuals concerned, and guarantees an interview to any disabled applicant who meets the essential criteria for the post. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues.

The College's policy is to provide training, career development and opportunities for promotion which, as far as possible, provide identical opportunities to those of non-disabled employees.

Disability statement

City of Sunderland College is committed to promoting and embedding disability equality and preventing discrimination in all areas of our work. The College seeks to achieve the objectives set down in the Equality Act 2010 and the Special Education Needs Code of Practice 2014.

The Learning Support Department organises and oversees in year surveys and live forums of students Special Education Needs (SEN). Such consultation with, and involvement of, SEN students are now regular features of the College Learning Support strategy. These procedures are designed to gain insight and information on issues and barriers faced by students with SEN in the College context. Topics covered include accessibility and mobility around College centres and suggested improvements, the quality and effectiveness of support, and the promotion of disability equality.

In its efforts to continue to develop high quality support and promote disability equality across the College, the Learning Support Department maintains a Learning Support Team. Whilst all of the department personnel are members of the support team there is a core team of Specialist Support Lecturers (SSL's) deployed across all College centres. All SSL's are qualified teachers who deliver specialist support to learners with identified needs for a range of areas of disability/learning difficulty. SSL's also contribute significantly to CPD (Continuing Professional Development) for all College staff in matters related to disability and maintain a portfolio of staff development/awareness raising modules. Disability Awareness training delivered by the Learning Support Department remains a compulsory element for all College staff in their continuing professional development.

Members' Report and Financial Statements for the year ended 31 July 2017

The Learning Mentor team are also deployed across all College sites following enrolment, initial assessment and observation and liaise with all centre management teams. Learning Mentors are deployed for a variety of needs including moderate learning difficulties, challenging behaviours, ASD (Autistic Spectrum Disorders) and support for mental health.

There are numerous opportunities to declare a disability/learning difficulty and the Learning Support Department staff work closely with Admissions and Guidance, conducting joint interviews to determine support needs and follow up strategies prior to enrolment. All public enrolment sessions also include a learning support help desk to further encourage declaration.

There is a dedicated SEN Transition Officer who works closely with feeder school SENCO's to identify students with SEN. This role ensures an established point of contact at pre-entry and provides a high quality and confidential support service to students with SEN, especially those with Education Health Care Plans and who may also require a supported transition into college.

Disclosure of information to auditor

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

Approved by order of the members of the Corporation on 05 December 2017 and signed on its behalf by:



Mr R Lawson
Chair

Members' Report and Financial Statements for the year ended 31 July 2017

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.

The College endeavours to conduct its business:

- In accordance with the seven principles identified by the Committee on Standard in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- In full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges ("the Code"); and
- Having due regard to the UK Corporate Governance Code 2014 insofar as it is applicable to the further education sector.

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. 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 all the provisions of the Code and it has complied throughout the year ended 31 July 2017. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes account of The Code of Good Governance for English Colleges issued by the Association of Colleges. The College adopted the Association of Colleges' Code of Good Governance for English Colleges in September 2014. The governing body has assessed its performance against the mandatory criteria of the Code.

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

The Corporation

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

Governors serving on the College Board during 2016/17

Name	Date of most recent appointment	Term of office	Date of resignation	Status of appointment	Committees served
Ms S Atkinson	29/03/15	4 years	-	External	- Resources & Capital Projects Committee
Ms E Bass	20/10/15	4 years		Staff	- Curriculum & Quality Committee - Resources & Capital Projects Committee
Mr G Blyth	08/02/15	4 years	-	External	- Audit Committee - Governance Committee
Mr T Crompton	14/10/17	4 years	-	External (Vice Chair)	- Curriculum & Quality Committee - Governance Committee - Task/Finish Committee
Ms A Fellows	07/07/15	4 years	-	External	- Audit Committee

Members' Report and Financial Statements for the year ended 31 July 2017

Ms S Forster	09/02/16	4 years		External	- Audit Committee
Cllr C Gofton	19/03/13	4 years	-	External	- Audit Committee - Strategic Task/Finish Committee
Mrs A Hodgson	21/10/14	4 years	-	External	- Curriculum and Quality Committee - Audit Committee - Strategic Task/Finish Committee
Mr A Holmes	01/05/13	4 years	Term expired 30/04/17	External (Vice Chair)	- Governance Committee - Resources & Capital Projects Committee - Strategic Task/Finish Committee
Mr H Kemp	21/10/14	4 years	Resigned 23/08/17	External	- Curriculum and Quality Committee
Mr R Lawson	10/12/16	4 years	-	External (Chair)	- Resources & Capital Projects Committee - Governance Committee - Strategic Task/Finish Committee
Mr P McEldon	03/06/17	4 years	-	External (Vice Chair) (replacing A Holmes)	- Resources & Capital Projects Committee - Governance Committee - Workforce Development & People Management Task/Finish Committee
Mr J Phillips	24/03/15	2 years	Left at end of Summer Term 2017	Student	- Curriculum and Quality Committee
Mr R Saelzer	23/10/16	4 years	-	External	- Curriculum and Quality Committee - Resources & Capital Projects Committee - Governance Committee
Ms E Thinnesen	11/01/16	Ex Officio		Principal/Chief Executive	- Curriculum and Quality Committee - Resources & Capital Projects Committee - Governance Committee - Audit Committee (if required)
Ms L Robinson	7/7/15	4 years	Suspended 01.12.15	External	- Workforce Development & People Management Task/Finish Committee
Mr J Barnett	18/10/16	4 years		External	- TBC
Mr K Ramanathas	07/02/17	4 years		External	- TBC

Governor attendance at meetings for 2016-17 was as follows:

Name	Meeting Attendance		
	Corporation	Committee	Combined
S Atkinson	83%	33%	58%
E Bass	50%	90%	75%
G Blyth	83%	100%	92%

Members' Report and Financial Statements for the year ended 31 July 2017

T Crompton	100%	100%	100%
A Fellows	83%	50%	70%
S Forster	83%	75%	80%
C Gofton	100%	50%	80%
A Hodgson	83%	100%	92%
A Holmes	75%	67%	70%
H Kemp	67%	100%	80%
R Lawson	100%	89%	93%
P McEldon	100%	100%	100%
J Phillips	100%	100%	100%
R Saelzer	83%	77%	79%
E Thinnesen	83%	92%	89%
J Barnett	80%	N/A	80%
K Ramanathas	67%	N/A	67%

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 each term.

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Audit, Curriculum & Quality, Governance and Resource & Capital Projects. In addition the Board has appointed a Workforce Development and People Management Task and Finish Committee and a Strategic Task and Finish Committee. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available from the Clerk to the Corporation at:

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

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

All Governors are able to take independent professional advice in furtherance of their duties at the 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 also provided on an ad hoc basis.

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

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

Members' Report and Financial Statements for the year ended 31 July 2017

Governance Committee

The Corporation has a Governance Committee, consisting of seven members of the Corporation, which is responsible for all governance matters including:

- the selection and recommendation of any new member, other than the staff and student member, for the Corporation's consideration;
- advising the Corporation on the remuneration, grade and contracts of employment of senior post holders including the Clerk as and when required; and
- ensuring that appropriate training is provided as required.

Members of the Corporation are appointed for a term of office not exceeding four years, unless there is an exceptional justification for doing so.

Details of remuneration for the year 31 July 2017 are set out in note 22 to the financial statements.

Audit Committee

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

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

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

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

The Audit Committee also advises the Corporation on the appointment of internal, regularity and financial statements auditors and their remuneration for both audit and non-audit work. The Board appointed RSM to provide Internal Audit Services and KPMG to provide External Audit Services with effect from 1st August 2015.

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 she is personally responsible, in accordance with the responsibilities assigned to her in the Financial Memorandum/Financial Agreement between City of Sunderland College and the Funding Bodies. The Accounting Officer is also responsible for reporting to the Corporation any material weaknesses or breakdown in internal control.

Members' Report and Financial Statements for the year ended 31 July 2017

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of 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 at City of Sunderland College during the year ended 31 July 2017 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal on-going process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2016 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

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

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

City of Sunderland College has an internal audit service, which operates in accordance with the requirements of the EFA and SFA's Joint 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 the internal audit activity in the College. The report includes the HIA's independent assurance on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Review of effectiveness

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

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

The Accounting Officer has been advised on the implications of the result of her 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.

Members' Report and Financial Statements for the year ended 31 July 2017

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, 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.

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

Going concern

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

Approved by order of the members of the Corporation on 05 December 2017 and signed on its behalf by:



Mr R Lawson
Chair



Ms E Thinnesen
Accounting Officer

Members' Report and Financial Statements for the year ended 31 July 2017

Governing Body's statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding

The Corporation has considered its responsibility to notify the Skills Funding Agency of material irregularity, impropriety and non-compliance with Skills Funding Agency terms and conditions of funding, under the financial memorandum in place between the College and the Skills Funding Agency. As part of our consideration the Corporation has 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 Skills Funding Agency's 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 Skills Funding Agency.

Approved by order of the members of the Corporation on 05 December 2017 and signed on its behalf by:



Mr R Lawson
Chair



Ms E Thinnereser
Accounting Officer

Members' Report and Financial Statements for the year ended 31 July 2017

Statement of Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the College's Financial Memorandum with the ESFA, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education and with the College Accounts Direction 2016 to 2017 issued by the ESFA, and which give a true and fair view of the state of affairs of the group and the parent College and the result for that year.

In preparing the group and parent College financial statements, the Corporation is required to:

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- assess the group and parent College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent College or to cease operations, or have no realistic alternative but to do so.

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

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

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

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from the ESFA are used only in accordance with the Financial Memorandum with the ESFA and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the group and parent College's resources and expenditure, so that the benefits that should be derived from the application of public funds from the ESFA are not put at risk.

Approved by order of the members of the Corporation on 05 December 2017 and signed on its behalf by:



Mr R Lawson
Chair

Members' Report and Financial Statements for the year ended 31 July 2017

Independent auditor's report to the Corporation of Sunderland College

We have audited the financial statements of Sunderland College ("the College") for the year ended 31 July 2017 which comprise the Consolidated and College Statement of Comprehensive Income, Consolidated and College Statements of Changes in Reserves, Consolidated and College Balance Sheet and Consolidated Statement of Cash flows and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the College's affairs as at 31 July 2017, and of the Group's and the College's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended; and
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, and with the 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education*.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information

The Corporation is responsible for the other information, which comprises the Members' Report including the Corporation's statement of corporate governance and internal control. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

Matters on which we are required to report by exception

Under the Post-16 Audit Code of Practice 2016 to 2017 (March 2017) issued jointly by the Skills Funding Agency and the Education Funding Agency we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent College; or
- the parent College's financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Corporation's responsibilities

As explained more fully in their statement set out on page 21, the Corporation is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent 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 it either intends to liquidate the group or the parent College or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material

Members' Report and Financial Statements for the year ended 31 July 2017

misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Corporation, in accordance with Article 22 of the College's Articles of Government. Our audit work has been undertaken so that we might state to the Corporation those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the College and the Corporation for our audit work, for this report, or for the opinions we have formed.



Paul Moran
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX

13 December 2017

Members' Report and Financial Statements for the year ended 31 July 2017

Reporting Accountant's Report on Regularity to the Corporation of Sunderland College and the Secretary of State for Education acting through the Education and Skills Funding Agency.

In accordance with the terms of our engagement letter dated 11 October 2017 and further to the requirements of the financial memorandum with Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Sunderland College during the period 1 August 2016 to 31 July 2017 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Post-16 Audit Code of Practice issued jointly by the Skills Funding Agency and the Education Funding Agency. 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 Education and Skills Funding Agency has other assurance arrangements in place.

This report is made solely to the corporation of Sunderland College and the Education and Skills Funding Agency in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the corporation of Sunderland College and Education and Skills Funding Agency 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 Sunderland College and the Education and Skills Funding Agency for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Sunderland College and the reporting accountant

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

Our responsibilities for this engagement are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Post-16 Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2016 to 31 July 2017 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Post-16 Audit Code of Practice issued jointly by the Skills Funding Agency and the Education Funding Agency. We performed a limited assurance engagement as defined in that framework.

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

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

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

The work undertaken to draw our conclusion included:

- Documenting the framework of authorities which govern the activities of the College;
- Undertaking a risk assessment based on our understanding of the general control environment and any weaknesses in internal controls identified by our audit of the financial statements;

Members' Report and Financial Statements for the year ended 31 July 2017

- Reviewing the self-assessment questionnaire which supports the representations included in the Chair of Governors and Accounting Officer's statement on regularity, propriety and compliance with the framework of authorities;
- Testing transactions with related parties;
- Confirming through enquiry and sample testing that the College has complied with its procurement policies and that these policies comply with delegated authorities; and
- Reviewing any evidence of impropriety resulting from our work and determining whether it was significant enough to be referred to in our regularity report.

This list is not exhaustive and we performed additional procedures designed to provide us with sufficient appropriate evidence to express a limited assurance conclusion on regularity consistent with the requirements of the Post-16 Audit Code of Practice.

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2016 to 31 July 2017 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



Paul Moran
For and on behalf of KPMG LLP, Reporting Accountant
Chartered Accountants
Quayside House, 110 Quayside,
Newcastle upon Tyne,
NE1 3DX

13 December 2017

Members' Report and Financial Statements for the year ended 31 July 2017

Consolidated and College Statement of Comprehensive Income

		Year ended 31 July 2017		Year ended 31 July 2016	
		Group £'000	College £'000	Group £'000	College £'000
INCOME	Notes				
Funding body grants	2	26,575	26,575	28,592	28,472
Tuition fees and education contracts	3	4,571	4,571	4,417	4,417
Other income	4	1,288	1,210	1,222	1,197
Endowment and investment income	5	3	3	11	11
Total Income		32,437	32,359	34,242	34,097
EXPENDITURE					
Staff costs	6	19,786	19,708	20,758	20,733
Restructuring costs	6	330	330	1,065	1,065
Other operating expenses	7	9,091	9,141	8,174	8,211
Depreciation and impairment	10	2,857	2,857	6,072	5,424
Interest payable and other finance costs	8	1,028	1,028	645	645
Total Expenditure		33,092	33,064	36,714	36,078
Deficit before other gains and losses		(655)	(705)	(2,472)	(1,981)
Loss on disposal of assets	10	-	-	(343)	(343)
Deficit before tax		(655)	(705)	(2,815)	(2,324)
Taxation	9	(11)	-	(8)	-
Deficit for the year		(666)	(705)	(2,823)	(2,324)
Actuarial gain/(loss) in respect of pension schemes		7,680	7,680	(8,390)	(8,390)
Total Comprehensive Income/(Expense) for the year		7,014	6,975	(11,213)	(10,714)

Members' Report and Financial Statements for the year ended 31 July 2017

Consolidated and College Statement of Changes in Reserves

	Income & Expenditure Account	Revaluation Reserve	Restricted Reserve	Total
	£'000	£'000	£'000	£'000
Group				
Balance at 1 August 2015	11,463	15,594	124	27,181
Deficit from the income and expenditure account	(2,823)	-	-	(2,823)
Other comprehensive expense	(8,390)	-	-	(8,390)
Total comprehensive expense for the year	(11,213)	-	-	(11,213)
Transfers between revaluation and income and expenditure reserves	2,354	(2,354)	-	-
Balance at 31 July 2016	2,604	13,240	124	15,968
Deficit from the income and expenditure account	(666)	-	-	(666)
Other comprehensive income	7,680	-	-	7,680
Total comprehensive income for the year	7,014	-	-	7,014
Transfers between revaluation and income and expenditure reserves	273	(273)	-	-
Balance at 31 July 2017	9,891	12,967	124	22,982
College				
Balance at 1 August 2015	11,238	15,594	124	26,956
Deficit from the income and expenditure account	(2,324)	-	-	(2,324)
Other comprehensive expense	(8,390)	-	-	(8,390)
Total comprehensive expense for the year	(10,714)	-	-	(10,714)
Transfers between revaluation and income and expenditure reserves	2,354	(2,354)	-	-
Balance at 31 July 2016	2,878	13,240	124	16,242
Deficit from the income and expenditure account	(705)	-	-	(705)
Other comprehensive income	7,680	-	-	7,680
Total comprehensive income for the year	6,975	-	-	6,975
Transfers between revaluation and income and expenditure reserves	273	(273)	-	-
Balance at 31 July 2017	10,126	12,967	124	23,217

Members' Report and Financial Statements for the year ended 31 July 2017

Balance Sheets as at 31 July

Notes

		Group 2017 £000	College 2017 £000	Group 2016 £000	College 2016 £000
Fixed assets					
Tangible assets	10	77,446	77,446	80,041	80,041
Total fixed assets		77,446	77,446	80,041	80,041
Current Assets					
Stocks		31	31	33	33
Debtors	12	3,382	3,590	2,933	3,186
Cash at bank and in hand	17	1,623	1,623	1,329	1,329
Total current assets		5,036	5,244	4,295	4,548
Less creditors – amounts falling due within one year	13	(8,207)	(8,180)	(7,129)	(7,108)
Net current liabilities		(3,171)	(2,936)	(2,834)	(2,560)
Total assets less current liabilities		74,275	74,510	77,207	77,481
Less creditors: amounts falling due after more than one year	14	(32,715)	(32,715)	(35,818)	(35,818)
Provisions					
Defined benefit obligations	21	(14,780)	(14,780)	(21,360)	(21,360)
Other provisions	16	(3,798)	(3,798)	(4,061)	(4,061)
Total net assets		22,982	23,217	15,968	16,242
Unrestricted reserves					
Income & expenditure account		9,891	10,126	2,604	2,878
Revaluation reserve		12,967	12,967	13,240	13,240
Total unrestricted reserves		22,858	23,093	15,844	16,118
Restricted reserves		124	124	124	124
Total reserves		22,982	23,217	15,968	16,242

The financial statements on pages 26 to 50 were approved by the Corporation on 05 December 2017 and were signed on its behalf on that date by:



Mr R Lawson (Chair)



Ms E Thinnesen (Accounting Officer)

Members' Report and Financial Statements for the year ended 31 July 2017

Consolidated Statement of Cash Flows

	Notes	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
Cash flows from operating activities			
Deficit for the year		(666)	(2,823)
Adjustment for non-cash items			
Depreciation and impairment		2,857	6,072
Decrease/(increase) in stocks		2	(14)
(Increase)/decrease in debtors		(364)	1,363
Increase/(decrease) in creditors due within one year		201	(1,388)
Decrease in creditors due after one year		(608)	(1,551)
Decrease in provisions		(263)	(101)
Pensions costs less contributions paid		610	110
Taxation		11	8
Adjustment for investing or financing activities		1,780	1,676
Investment income		(3)	(11)
Interest payable		1,028	645
Taxation paid		(8)	(11)
Loss on sale of fixed assets		-	343
		2,797	2,642
Cash flows from investing activities			
Proceeds from sale of fixed assets		5,786	2,345
Investment income		3	11
Payments made to acquire fixed assets		(5,497)	(16,977)
Deferred capital grants received		-	2,787
		292	(11,834)
Cash flows from financing activities			
Interest paid		(538)	(215)
New loans		-	8,375
Repayments of amounts borrowed		(2,257)	(1,267)
		(2,795)	6,893
Increase/(decrease) in cash and cash equivalents in the year		294	(2,299)
Cash and cash equivalents at beginning of the year		1,329	3,628
Cash and cash equivalents at end of the year		1,623	1,329

Notes to the Financial Statements for the Year 31 July 2017**1 Accounting policies****Statement of accounting policies**

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

Basis of preparation

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

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

Basis of accounting

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

Basis of consolidation

The consolidated financial statements include the College and its subsidiaries, COSC Supplies Limited, Blue Square Trading Limited and Sunderland College Enterprises Limited, controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In accordance with FRS 102, the activities of the student union have not been consolidated because the College does not exercise control over those activities. All financial statements are made up to 31 July 2017.

Going concern

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

The College has sufficient cash reserves to fund day-to-day activities. The College currently has three loans outstanding, totalling £17.1m (2015/16: £19.4m) with banks, negotiated on different terms, both on a negative pledge basis. The balance of outstanding loan facilities will be reduced on receipt of sales proceeds for redundant sites over the course of the next few years. The College's financial forecasts and financial projections indicate that it will be able to operate within these existing facilities and covenants for the foreseeable future.

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

Members' Report and Financial Statements for the year ended 31 July 2017

1 Accounting policies (continued)

Recognition of income

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the Adult Skills Budget

is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

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

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

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

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

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

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

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

Accounting for post-employment benefits

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

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

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance

Members' Report and Financial Statements for the year ended 31 July 2017

1 Accounting policies (continued)

sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

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

Short term Employment benefits.

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

Enhanced Pensions

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

Non-current Assets - Tangible fixed assets

Tangible fixed assets are stated at deemed cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Land and buildings

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

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

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

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

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

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

Members' Report and Financial Statements for the year ended 31 July 2017

1 Accounting policies (continued)

Subsequent expenditure on existing fixed assets

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

Equipment

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

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

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

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

Borrowing costs

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

Leased assets

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

Investments

Investments in subsidiaries

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

Inventories

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

Cash and cash equivalents

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

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

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.

Members' Report and Financial Statements for the year ended 31 July 2017

1 Accounting policies (continued)

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.

Foreign currency translation

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

Taxation

The 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 478-488 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 around 1% of the VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

The College's subsidiary companies are subject to corporation tax and VAT in the same way as any commercial organisation.

Provisions and contingent liabilities

Provisions are recognised when the 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.

Agency arrangements

The College acts as an agent in the collection and payment of discretionary support funds, free school meals and bursaries. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the Income and Expenditure account of the College where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

Members' Report and Financial Statements for the year ended 31 July 2017

1 Accounting policies (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.

Other key sources of estimation uncertainty

- *Tangible fixed assets*

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

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

- *Local Government Pension Scheme*

The present value of the 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 21, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2017. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Members' Report and Financial Statements for the year ended 31 July 2017

2 Funding body grants

	Group Year ended 31 July 2017 £'000	College Year ended 31 July 2017 £'000	Group Year ended 31 July 2016 £'000	College Year ended 31 July 2016 £'000
Education Funding Agency	17,608	17,608	18,799	18,799
Skills Funding Agency	7,841	7,841	7,417	7,417
Higher Education Funding Council	335	335	277	277
Specific grants				
Skills Funding Agency	332	332	-	-
Release of government capital grants	443	443	2,074	1,954
Higher Education grant	16	16	25	25
Total	26,575	26,575	28,592	28,472

3 Tuition fees and education contracts

	Group Year ended 31 July 2017 £'000	College Year ended 31 July 2017 £'000	Group Year ended 31 July 2016 £'000	College Year ended 31 July 2016 £'000
Adult education fees	275	275	314	314
Apprenticeship fees and contract	157	157	106	106
Fees for FE loan supported courses	1,199	1,199	805	805
Fees for HE loan supported courses	1,362	1,362	1,043	1,043
International student fees	28	28	83	83
Total tuition fees	3,021	3,021	2,351	2,351
Education contracts	1,550	1,550	2,066	2,066
Total	4,571	4,571	4,417	4,417

4 Other income

	Group Year ended 31 July 2017 £'000	College Year ended 31 July 2017 £'000	Group Year ended 31 July 2016 £'000	College Year ended 31 July 2016 £'000
Catering and residences	674	674	794	794
Other income generating activities	78	-	25	-
Other grant income	-	-	42	42
Non-government capital grants	59	59	50	50
Miscellaneous income	477	477	311	311
Total	1,288	1,210	1,222	1,197

Members' Report and Financial Statements for the year ended 31 July 2017

5 Investment income

	Group Year ended 31 July 2017 £'000	College Year ended 31 July 2017 £'000	Group Year ended 31 July 2016 £'000	College Year ended 31 July 2016 £'000
Other interest receivable	3	3	11	11
Total	3	3	11	11

6 Staff costs

	Group 2017 No.	College 2017 No.	Group 2016 No.	College 2016 No.
Teaching staff	389	389	419	419
Non-teaching staff	133	121	123	119
	522	510	542	538

Staff costs for the above persons

	Group Year ended 31 July 2017 £'000	College Year ended 31 July 2017 £'000	Group Year ended 31 July 2016 £'000	College Year ended 31 July 2016 £'000
Wages and salaries	14,202	14,124	15,421	15,396
Social security costs	1,342	1,342	1,225	1,225
Other pension costs	3,294	3,294	2,893	2,893
Payroll sub total	18,838	18,760	19,539	19,514
Contracted out staffing services	948	948	1,219	1,219
	19,786	19,708	20,758	20,733
Fundamental restructuring costs – Contractual	330	330	1,000	1,000
Non-contractual	-	-	65	65
Total staff costs	20,116	20,038	21,823	21,798

Key management personnel – Group and College

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the Senior Leadership Team, which comprises the Accounting Officer, Deputy Principal and Vice Principal Finance and Resources.

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

	2017 No.	2016 No.
The number of senior post-holders including the Accounting Officer was:	3	3

Members' Report and Financial Statements for the year ended 31 July 2017

6 Staff costs (continued)

Key management personnel – Group and College

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

	Key management personnel		Other staff	
	2017	2016	2017	2016
£50,001 to £60,000	-	1	-	1
£60,001 to £70,000	-	-	3	2
£70,001 to £80,000	-	1	-	-
£80,001 to £90,000	1	1	-	-
£90,001 to £100,000	1	1	-	-
£130,001 to £140,000	1	-	-	-
	3	4	3	3

Included in the key management personnel table above, for 2016, are the Accounting Officer who left the College during the course of the 2015-16 financial year and of the new Accounting Officer.

Key management personnel emoluments are made up as follows:

	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
Salaries	311	309
Pension contributions	37	37
Total emoluments	348	346

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

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

The Accounting Officer	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
Salaries	132	72
Pension contributions	22	12

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

The members of the Corporation other than the Accounting Officer and the staff members did not receive any payment from the institution other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

Members' Report and Financial Statements for the year ended 31 July 2017

7 Other operating expenses

	Group Year ended 31 July 2017 £'000	College Year ended 31 July 2017 £'000	Group Year ended 31 July 2016 £'000	College Year ended 31 July 2016 £'000
Teaching costs	2,443	2,443	1,544	1,544
Non-teaching costs	2,675	2,725	2,787	2,824
Premises costs	1,644	1,644	1,707	1,707
Payments to non-College partners	2,329	2,329	2,136	2,136
Total	9,091	9,141	8,174	8,211

Other operating expenses include:

	Group Year ended 31 July 2017 £'000	Group Year ended 31 July 2016 £'000
Auditors' remuneration:		
financial statements audit*	26	31
internal audit**	24	33
other services provided by financial statements auditor	25	23
other services provided by internal auditor	-	-
Hire of other assets – operating leases	1,131	838

*includes £24,000 in respect of the College (2015/16
£22,000)

**includes £24,000 in respect of the College (2015/16
£33,000)

8 Interest and other finance costs - Group and College

	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
On bank loans, overdrafts and other loans	538	192
On pension provision	-	23
Pension finance costs (note 21)	490	430
Total	1,028	645

Members' Report and Financial Statements for the year ended 31 July 2017

9 Taxation (Group)

	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
United Kingdom corporation tax at 19 per cent (2016: 20 per cent)	11	8
Total	11	8

10 Tangible Fixed Assets (Group and College)

	Freehold land and buildings £'000	Equipment £'000	Assets in the course of construction £'000	Total £'000
Cost or deemed cost				
At 1 August 2016	67,733	28,863	26,387	122,983
Additions	3,281	1,449	-	4,730
Transfers	26,387	-	(26,387)	-
Disposals	(2,377)	(1,108)	-	(3,485)
Transferred to debtors in respect of VAT refund	(983)	-	-	(983)
At 31 July 2017	94,041	29,204	-	123,245
Depreciation				
At 1 August 2016	20,552	22,390	-	42,942
Charge for the year	1,471	1,386	-	2,857
At 31 July 2017	22,023	23,776	-	45,799
Net book value at 31 July 2017	72,018	5,428	-	77,446
 Net book value at 31 July 2016	 47,181	 6,473	 26,387	 80,041

Land and buildings with a net book value of £4,941,000 (2015/16: £5,127,000) have been financed by exchequer funds. Should these assets be sold, the College may be liable, under the terms of the Financial Memorandum with the Learning and Skills Council to surrender the proceeds.

Members' Report and Financial Statements for the year ended 31 July 2017

11 Investments

	College 31 July 2017 £	College 31 July 2016 £
Cost		
Investments in subsidiary companies	<u>3</u>	<u>3</u>

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

The principal business activities of these companies are:

Blue Square Trading Limited, Bede Centre, Durham Road, Sunderland. SR3 4AH – dormant;

COSC Supplies Limited, Bede Centre, Durham Road, Sunderland. SR3 4AH – purchasing on behalf of the College;

Sunderland College Enterprises Limited, Bede Centre, Durham Road, Sunderland. SR3 4AH – employment of apprentices

12 Debtors

	Group 31 July 2017 £'000	College 31 July 2017 £'000	Group 31 July 2016 £'000	College 31 July 2016 £'000
Amounts falling due within one year				
Trade receivables	135	129	136	124
Amounts owed by group undertakings:				
Subsidiary undertakings	-	214	-	265
Other debtors	2,385	2,385	2,300	2,300
Prepayments and accrued income	862	862	497	497
Total	<u>3,382</u>	<u>3,590</u>	<u>2,933</u>	<u>3,186</u>

Other debtors in 2017 comprise £2.4m in respect of an outstanding VAT refund as a result of a zero-rating on a building completed in 2014. In 2016 these included £2.3m relating to outstanding payments due from a property developer for the sale of a College site.

13 Creditors: amounts falling due within one year

	Group 31 July 2017 £'000	College 31 July 2017 £'000	Group 31 July 2016 £'000	College 31 July 2016 £'000
Bank loans and overdrafts	1,505	1,505	1,267	1,267
Trade payables	1,581	1,581	551	550
Taxation and social security	753	753	479	479
Accruals and deferred income	3,805	3,779	4,365	4,345
Deferred income – government capital grants	562	562	467	467
	<u>8,207</u>	<u>8,180</u>	<u>7,129</u>	<u>7,108</u>

Members' Report and Financial Statements for the year ended 31 July 2017

14 Creditors: amounts falling due after one year

	Group 31 July 2017 £'000	College 31 July 2017 £'000	Group 31 July 2016 £'000	College 31 July 2016 £'000
Bank loans	15,669	15,669	18,164	18,164
Deferred income – government capital grants	17,046	17,046	17,654	17,654
	<u>32,715</u>	<u>32,715</u>	<u>35,818</u>	<u>35,818</u>

15 Maturity of debt – Group and College

	31 July 2017 £'000	31 July 2016 £'000
Bank loans		
Bank loans are repayable as follows:		
In one year or less on demand	1,505	1,267
Between one and two years	3,805	4,744
Between two and five years	4,531	4,515
In five years or more	7,333	8,905
Total	<u>17,174</u>	<u>19,431</u>

The College has a total of three term loans which are shown net of issue costs of £172,000 (2016: £172,000). The first loan has an overall balance of £4,521,000 repayable over twelve years, bearing a fixed interest rate at 3.65% from drawdown to the fifth anniversary of the drawdown date and 4.65% thereafter and unsecured.

The second College loan has an overall balance of £5,425,000, repayable over ten years and split into two fixed rate facilities of £3,500,000 each, bearing interest rates, from drawdown to the third anniversary of the drawdown date, of 4.04% and 4.17% respectively and 5.04% and 5.17% respectively, thereafter.

The third loan, for a total of £7,400,000 matured on the 30 September 2017, is repayable over twenty years, with interim reviews every five years, at which time the term can be extended, on agreement by both parties. No element of this loan is currently secured on a fixed rate.

16 Provisions - Group and College

	Defined benefit obligations £'000	Restructuring £'000	Enhanced Pensions £'000	Other Provisions £'000	Total £'000
At 1 August 2016	21,360	103	3,958	4,061	29,482
Expenditure in the period	(1,180)	(433)	(267)	(700)	(2,580)
Created in the year	(5,400)	330	107	437	(4,963)
At 31 July 2017	<u>14,780</u>	<u>-</u>	<u>3,798</u>	<u>3,798</u>	<u>18,578</u>

Members' Report and Financial Statements for the year ended 31 July 2017

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government Pension Scheme. Further details are given in Note 21.

The 2015/16 restructuring provision relates to the exceptional restructuring of staff which was undertaken during the 2015/16 financial year and for which redundancy notices were issued in March 2016.

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

The principal assumptions for this calculation are:

	2017	2016
Inflation rate	1.3%	1.3%
Discount rate	2.3%	2.3%

17 Cash and cash equivalents

	At 1 August 2016 £'000	Cash flows £'000	Other changes £'000	At 31 July 2017 £'000
Cash and cash equivalents	1,329	294	-	1,623
Total	1,329	294	-	1,623

18 Capital and other commitments

	2017 £'000	2016 £'000
Commitments contracted for at 31 July	119	2,369

19 Financial instruments

	2017 £'000	2016 £'000
Financial assets held at amortised cost		
Trade receivables	135	136
Other debtors	-	2,300
Financial liabilities held at amortised cost		
Trade payables	1,581	551
Bank loans	17,174	19,431
Accruals	2,229	4,043

20 Lease obligations

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

	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	65	101
Later than one year and not later than five years	23	57
Later than five years	212	218
	300	376
 Other		
Not later than one year	1,416	313
Later than one year and not later than five years	3,258	149
Later than five years	-	-
	4,673	462

Members' Report and Financial Statements for the year ended 31 July 2017

21 Defined benefit obligations

The College's employees belong to two principal post-employment pension schemes: the Teachers' Pension 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 Tyne and Wear Pension Fund. Both are defined-benefit plans.

	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
Total pension cost for the year		
Teacher's Pension Scheme: contributions paid	1,397	1,482
Local Government Pension Scheme:		
Contributions paid	1,180	1,100
FRS 102 (28) charge	610	110
Charge to the Statement of Comprehensive Income	1,790	1,210
Enhanced pension charge to Statement of Comprehensive Income	107	201
Total Pension cost for year	3,294	2,893

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2012 and of the LGPS 31 March 2016.

Contributions amounting to £410,000 (2015/16: £259,000) were payable to the schemes at the balance sheet date and are included in creditors.

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations 2010, and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities. In addition, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and, from 1 January 2007, automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

The Teachers' Pension Budgeting and Valuation Account

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act 1972 and are paid by public funds provided by Parliament. 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.

The Teachers' Pensions Regulations 2010 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension increases). From 1 April 2001, the Account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

Members' Report and Financial Statements for the year ended 31 July 2017

21 Defined benefit obligations (continued)**Valuation of the Teachers' Pension Scheme**

The latest actuarial review of the TPS was carried out as at 31 March 2012 and in accordance with The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education (the Department) on 9 June 2014. The key results of the valuation are:

- employer contribution rates were set at 16.48% of pensionable pay (including administration fees of 0.08%);
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- an employer cost cap of 10.9% of pensionable pay.

The new employer contribution rate for the TPS was implemented in September 2015.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location:

<https://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx>

Scheme Changes

Following the Hutton report in March 2011 and the subsequent consultations with trade unions and other representative bodies on reform of the TPS, the Department published a Proposed Final Agreement, setting out the design for a reformed TPS to be implemented from 1 April 2015.

The key provisions of the reformed scheme include: a pension based on career average earnings; an accrual rate of 1/57th; and a Normal Pension Age equal to State Pension Age, but with options to enable members to retire earlier or later than their Normal Pension Age. Importantly, pension benefits built up before 1 April 2015 will be fully protected.

In addition, the Proposed Final Agreement includes a Government commitment that those within 10 years of Normal Pension Age on 1 April 2012 will see no change to the age at which they can retire, and no decrease in the amount of pension they receive when they retire. There will also be further transitional protection, tapered over a three and a half year period, for people who would fall up to three and a half years outside of the 10 year protection.

Regulations giving effect to a reformed Teachers' Pension Scheme came into force on 1 April 2014 and the reformed scheme commenced on 1 April 2015.

The pension costs paid to TPS in the year amounted to £1,397,000 (2015/16: £1,482,000).

FRS 102 (28)

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.

Local Government Pension Scheme - Group and College

The LGPS is a funded defined-benefit scheme, with the assets held in separate funds administered by Tyne and Wear Pension Fund. The total contribution made for the year ended 31 July 2017 was £1,500,000 of which employer's contributions totalled £1,180,000 and employees' contributions totalled £320,000. The agreed contribution rates for future years are 18.4% of pensionable pay for employers and a variable rate related to pensionable pay for employees.

Members' Report and Financial Statements for the year ended 31 July 2017

21 Defined benefit obligations (continued)

Local Government Pension Scheme – Group and College (continued)

Principal Actuarial Assumptions

The following information is based on a full actuarial valuation of the fund as at 31 March 2016, updated to 31 July 2017 by a qualified independent actuary.

	At 31 July 2017	At 31 July 2016
Rate of increase in salaries	3.5%	3.3%
Rate of increase for pensions in payment/inflation	2.0%	1.8%
Discount rate for scheme liabilities	2.6%	2.4%
Inflation assumption (CPI)	2.0%	1.8%
Commutation of pensions to lump sums	50.0%	50.0%

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

	At 31 July 2017	At 31 July 2016
Retiring today		
Males	22.8	23.2
Females	26.3	24.8
Retiring in 20 Years		
Males	25.0	25.3
Females	28.6	27.1

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

	Value at 31 July 2017 £'000	Value at 31 July 2016 £'000
Equities	38,609	35,192
Government Bonds	2,278	2,018
Corporate Bonds	6,717	6,104
Property	5,257	5,308
Cash	2,278	1,592
Other	3,271	2,866
Total fair value of plan assets	58,410	53,080
 Actual return on plan assets	 4,830	 3,750

Members' Report and Financial Statements for the year ended 31 July 2017

21 Defined benefit obligations (continued)

Local Government Pension Scheme – Group and College (continued)

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

	31 July 2017 £'000	31 July 2016 £'000
Fair value of plan assets	58,410	53,080
Present value of plan liabilities	(73,190)	(74,440)
Net pensions liability (Note 16)	(14,780)	(21,360)

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

	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
Amounts included in staff costs		
Current service cost	1,690	1,150
Past service cost	100	60
Total	1,790	1,210

	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
Amounts included in interest and other finance costs		
Net pension finance costs	490	430
Pension finance cost	490	430

	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
Amount recognised in Other Comprehensive Income		
Return on pension plan assets	4,830	3,750
Experience gains/(losses) arising on defined benefit obligations	2,850	(12,140)
Amount recognised in Other Comprehensive Income	7,680	(8,390)

Members' Report and Financial Statements for the year ended 31 July 2017

21 Defined benefit obligations (continued)

Local Government Pension Scheme – Group and College (continued)

Movement in net defined benefit liability during year	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
Deficit in scheme at 1 August	(21,360)	(12,430)
Movement in year:		
Current service cost	(1,690)	(1,150)
Employer contributions	1,180	1,100
Past service cost	(100)	(60)
Net interest on the defined liability	4,340	3,320
Actuarial gain/(loss)	2,850	(12,140)
Net defined liability at 31 July	(14,780)	(21,360)

Changes in the present value of defined benefit obligations	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
Defined benefit obligations at start of period	74,440	59,960
Current service cost	1,690	1,150
Interest cost	1,760	2,140
Contributions by Scheme participants	320	310
Experience gains and losses on defined benefit obligations	(2,850)	12,140
Estimated benefits paid	(2,270)	(1,320)
Past service cost	100	60
Defined benefit obligations at end of period	73,190	74,440

Changes in fair value of plan assets	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
Fair value of plan assets at start of period	53,080	47,530
Interest on plan assets	1,270	1,710
Return on plan assets	4,830	3,750
Employer contributions	1,180	1,100
Contributions by Scheme participants	320	310
Estimated benefits paid	(2,270)	(1,320)
Fair value of plan assets at end of period	58,410	53,080

Members' Report and Financial Statements for the year ended 31 July 2017

22 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 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 £14; 1 governor (2015/16: £748; 1 governor). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governors meetings and charity events, in their official capacity.

No governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2015/16: None).

23 Amounts disbursed as agent

	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
Funding body grants - bursary support	620	769
Funding body grants – discretionary learner support	-	391
Funding body grants – free meals	225	226
Other funding body grants	215	200
	<u>1,060</u>	<u>1,586</u>
Disbursed to students	(1,026)	(1,507)
Administration costs	(34)	(79)
	<u>-</u>	<u>-</u>
Balance unspent at 31 July, include in creditors	<u>-</u>	<u>-</u>

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.