



Barking & Dagenham College



# Report & Financial Statements

2016-17

Rush Green Campus, Dagenham Rd,  
Romford RM7 0XU

## **Key Management Personnel, Board of Governors and Professional Advisers**

### **Key management personnel**

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

Yvonne Kelly, Principal and CEO, Accounting Officer

Wijay Pitumpe, Chief Finance & Enterprise Officer

Caryn Swart, Interim Chief Operating Officer

Janet Curtis-Broni, Executive Director

### **Board of Governors**

A full list of Governors is given on page 12 of these financial statements.

Ms Victoria Eastwood acted as Clerk to the Corporation from 3 October 2016.

### **Professional Advisers**

#### **Financial statements auditors and reporting accountants:**

MHA Macintyre Hudson

New Bridge Street House

30-34 New Bridge Street

London

EC4V 6BJ

#### **Internal Auditors:**

RSM Risk Assurance Services LLP

25 Farringdon Street

London

EC4A 4AB

#### **Bankers:**

Barclays Bank

Canary Wharf

London

E14 5HP

#### **Solicitors:**

Mills & Reeve

Norwich

Norfolk

NR3 1RU

#### **VAT Advisors:**

Davies-Mayers

Pillar House

Bath Road

Gloucestershire

GL53 7LS

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# Members Report

## NATURE, OBJECTIVES AND STRATEGIES:

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

Legal status

1. The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting Barking & Dagenham College. The College is an exempt charity for the purposes of the Charities Act 2011.
2. The Corporation was incorporated as Barking College on the 1<sup>st</sup> January 1993. On the 1<sup>st</sup> February 2010, the Secretary of State granted consent to the Corporation to change the College's name to Barking & Dagenham College. The Corporation believes that the new name represents a more cross borough working relationship with our community and our stakeholders.

## Mission

3. Governors reviewed the College's mission during 2016/17 and adopted a revised mission statement as follows:

*"A truly great College, passionate about success".*

The College's values are:

- Passion
- Innovation, Creativity and Entrepreneurialism
- Respect, Social Justice and Fairness
- High standards and quality
- Professionalism
- Friendliness and Commitment
- Flexibility, Responsiveness and Ability to Change

- Accountability
- Risk-taking

The College values are underpinned by the following behaviours:

- Foster excellence in all that we do
- Work together to achieve our goals
- Role model the Barking & Dagenham College values
- Deliver results for our Learners, our Employers and for our People

## Public Benefit

4. Barking & Dagenham College is an exempt charity under part 3 of the Charities Act 2011 and following the Machinery of Government changes in July 2016 is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 12 and 13.

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

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

- High quality teaching
- Widening participation and tackling social exclusion
- Excellent employment records for students
- Strong student support systems
- Links with employers, industry and commerce

## College Strategic Directions

5. The College updated its strategic directions plan in October 2016 which has been approved for 2016-2017 by the governing body. The delivery of the following strategic objectives are underpinned by operational deliverables for each of the objectives. The performance of the deliverables are monitored by strategic Key Performance Indicators (KPIs) in a balanced score card. The strategic objectives are:

- Achieve excellence through transformational, inclusive and entrepreneurial teaching, learning and assessment for students
- Transform our services, operations and delivery models for our students, customers and key stakeholders harnessing the benefits of advanced technologies
- Create modern sites and facilities with the latest education and training solutions that reflect industry standards
- Strengthen strategic alliances and secure commercial partnerships to create a sustainable future
- Enhance our reputation and brand as the provider of first choice for both students and employers by delivering the skills priorities of East London region and London
- Enable empowered, motivated and entrepreneurial staff operating in an open and competitive market to lead innovation and growth

## Financial objectives

6. The College's financial objectives are to:
- Maintain a sound financial base to enable the College to meet the financial performance criteria needed to maintain a financial health category of **'Good'** to **'Outstanding'** under the Framework for excellence
  - Continue to improve financial management
  - Maintain the confidence of funding bodies, suppliers, banks and professional advisors

- Protect itself from unforeseen adverse changes in its income stream by maintaining adequate cash reserves
- Generate sufficient income to enable maintenance and improvement of its accommodation and equipment
- Raise awareness of financial issues

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

## Performance indicators

8. The FE Choices (formerly the "Framework for Excellence") has four key performance indicators:

- Success rate
- Learner destinations
- Satisfaction surveys (formerly "learner views")
- Satisfaction surveys (formerly "employer views")

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

## FINANCIAL POSITION

### Financial results

9. The Group generated an operating surplus before other gains and losses in the year of £0.825m (2015-16 – surplus of £0.807m) with total comprehensive income of £3.811m (2015-16 – (£1.570m)).
10. During 2016-17 the Group underwent further changes to ensure it was well placed to meet current and future funding challenges. Curriculum areas were subject to realignment and thus the accounts include staff restructuring costs of £0.005m (2015-16 – £0.205m).
11. The Group has accumulated reserves of £15.483m (2015-16 £11.672m). The Group wishes to continue to accumulate reserves and cash balances in order to create a contingency fund.
12. Tangible fixed asset additions during the year amounted to £0.642m. This was split between land and buildings acquired of £0.057m and equipment purchased of £0.585m.
13. The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2016/17 the funding bodies provided 78% of the College's total income.
14. The college has four subsidiary companies; Apprenticeships Work Limited, Aspire Limited, BDC@Broadway Limited, and Hairazors Limited. Any surpluses generated are transferred to the College under deed of covenant. In the year, the surpluses generated were £0.013m for Apprenticeships Work Limited and £0.017m for Hairazors Limited respectively.

### Treasury policies and objectives

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

16. The Group has a separate treasury management policy in place. Short term borrowing for temporary revenue purposes is authorised by the Principal. Such arrangements are restricted by limits in the College's Financial Memorandum agreed with Skills Funding Agency/Education Funding Agency transferred to the Education and Skills Funding Agency. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum.

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

17. There was a cash inflow from operating activities of £2.990m (2015-16 inflow £3.433m). The overall net cash outflow resulted from capital expenditure.

### Liquidity

18. During the year the college took out no loans.

### Reserves Policy

19. The College has no formal Reserves Policy but recognises the importance of reserves in the financial stability of any organisation, and ensures that there are adequate reserves to support the College's core activities. The Group reserves include £5.086m held as revaluation reserves. As at the balance sheet date the Income and Expenditure reserve stands at £10.397m (2015/2016: £6.586m). It is the Corporation's intention to increase reserves over the life of the strategic plan through the generation of annual operating surpluses.

## CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

### Student numbers

20. In 2016/17 the College has delivered activity that has produced £25.632m in funding body main allocation funding (2015-16– £25.015m). The College had approximately 21,753 enrolments (9,333 learners) to its programmes. Of these 2,939 learners aged 16 to 18 and 1,171 adult learners attended on a full time basis and 4,833 adults attended part time or evening courses.

### Student achievements

21. Students continue to prosper at the College. Overall Success rates have risen above the national average. It is anticipated to be 82% (including English & Maths) in 2016-17.

### Curriculum developments

22. Barking & Dagenham College offers a broad curriculum offer, which prepares learners for employment and the next stage of their lives. The College has continued to review its offer to ensure it meets local and London priorities with the introduction of new programmes in Construction, Access, Health and Applied Science, Leadership and Management. Recruitment of young people within the STEAM curriculum areas at BDC is buoyant and have continued to rise over the last 3 years: Engineering (+70%); Information Technology (+20%); Creative Digital (+50%). Apprenticeships have risen by 50% in the same period.
23. There is continued to increase in Apprenticeships in addition to growth in employer sponsored traineeships in Drylining, Construction Multiskills. Subcontracting has continued to reduce, as part of the College's strategy to refocus subcontracting to priority areas, reduce risk and increase core delivery. The College is one of the leading training providers for higher level apprenticeships, predominantly within Business, Administration and HR management at levels 4 and 5. The highest proportion of Level 4 higher apprenticeships are the Project Management and HR framework, delivered through an

innovative blended learning approach to meet employer's needs. The higher level apprenticeship portfolio continues to expand through the introduction of Leadership and Management.

24. The college is having an impact on skills attainment within the local borough which is now seeing an improvement in the number of people with no qualification decrease over time. High needs funded learners continues to grow and has seen a further increase. The number of learners completing English and maths qualifications has continued to rise. This is due to the Study Programme requirements and funding for 16-19 driven by the conditions of funding. The College has expanded the number of specialist staff to deliver English and maths. The embedding of systems such as eTracker, Celcat and SmartAssessor is continuing aimed at further improving the planning, tracking and monitoring of learner progress and performance.
25. The College has developed exceptional and new partnerships with key stakeholders including Huawei, Saint Gobain, Barnardos, Balfour Beatty, L&Q, Barclays and Amazon (supported by Career College), Higher Education Institutions (HEIs) and funding agencies to enable learners to progress into work and further or higher education following their programme of study.
26. The College has strong links with the Local Authority and local schools, working together to provide appropriate programmes to attract young people into education and training. Examples include the newly established The Princes Trust programme aimed at engaging NEET learners within the borough; engaging with local primary and secondary schools to make use of the Gazelle STEM centre to develop their knowledge and skills through integrated simulated projects reflecting STEM careers.
27. The College has extended collaborative projects and partnerships with employers and organisations in the local borough and pan London. These include the establishment of a 'real work' programme at London East, the Saint Gobain & Barnardo's Construction Academy at Lewisham, Career Ready in

Business and Finance, further expansion of smart buildings developments with CNet.

28. The College prides itself in its efforts in providing learners with 'more than just a qualification' and in embedding and encouraging entrepreneurialism amongst its learners to develop a wider skill set. A key strategic priority is to enhance learners' employability skills by providing 'real work for learners'. Various innovative initiatives support this, including the POD, Aspire Construction and the public facing retail shops at the front of the college. The College has actively pursued partnerships with employers through the Digital and Creative Career College and Career Ready (Business and Accounts) to provide extensive opportunities for work experience, mentoring, master classes, internships and networking opportunities to secure progression to work.
29. Learner's T-shaped skills are further enhanced through an extensive range of external and internal competitions, commissioned work, live briefs and community and industry, local, regional and national skills competitions, as well as "Inspiration 2017 – which promotes and celebrates BDC and industry working together.
30. Our existing STEM Centre, Digital Hub (iCreate@BDC) and Business Start-up POD developments support the for the delivery of a contemporary curriculum and have proven to inspire students, promote project based learning, increase student numbers in STEM training and develop advanced skills.

#### Payment performance

31. 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 75 per cent of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

#### Future developments

32. The £0.825m surplus achieved in 2016/17 will enable the College to reinvest in new buildings on its main site. This will allow the College's plan to grow its learner numbers over the next 3 years.
33. The College aims to significantly increase its contribution by introducing a number of efficiency schemes across the College site. The College would like to reduce dependency on the Education and Skills Funding Agency (ESFA) and is seeking opportunities particularly in the areas where the College currently performs well such as HEFCE and European Commission grants.

#### RESOURCES

34. The Group has various resources that it can deploy in pursuit of its strategic objectives. Tangible resources include the main College site and partnerships including Barking Learning Centre, Broadway Theatre and the Technical Skills Academy.

##### *Financial*

35. The Group has £15.483m (2015-16 £11.672m) of net assets including long term debt in respect of a loan of £4.140m (2015-16 £4.355m).

##### *People*

36. The College employs 643 people (expressed as full time equivalents), of whom 280 are teaching staff.

##### *Reputation*

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

## PRINCIPAL RISKS AND UNCERTAINTIES

38. 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.
39. Based on the strategic plan, the Risk Management Group undertakes a comprehensive review of the risks to which the College is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the College. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions. In addition to the annual review, the Risk Management Group will also consider any risks which may arise as a result of a new area of work being undertaken by the College.
40. A risk register is maintained at the College level which is reviewed at least annually by the Audit Committee and more frequently where necessary. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system. This is supported by a risk management training programme to raise awareness of risk throughout the College.
41. Outlined below is a description of the principal risk factors that may affect the College. Not all the factors are within the College's control. Other factors besides those listed below may also adversely affect the College.

### Government funding

42. The College has considerable reliance on continued government funding through the further education sector funding bodies and HEFCE. In 2016/17, 78% 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.

The College is aware of several issues which may impact on future funding including apprenticeship reforms and the devolution of the adult education budget. The College, in conjunction with its key stakeholders, is developing a strategy for growth in response to the devolution agenda and to the apprenticeships reform. It is recognised that the introduction of the apprenticeship levy will significantly affect that marketplace though the full implications are not yet known as government policy continues to develop.

This risk is mitigated in a number of ways:

- Funding is derived through a number of direct and indirect contractual arrangements
- By ensuring the College is rigorous in delivering high quality education and training
- Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding
- Regular dialogue with funding bodies
- Focussing on employer engagement and expanding apprenticeship delivery
- Ensuring learners receive an enhanced learner experience

### Tuition fee policy

43. Ministers confirmed that the fee assumption will remain at 50%. In line with the majority of other Colleges, Barking & Dagenham College will seek to increase tuition fees in accordance with the fee assumptions. The price elasticity of adult learning for the College is not yet fully understood. 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

44. The financial statements report the share of the pension scheme deficit on the College's balance sheet in line with the requirements of FRS 102.

Failure to maintain the financial viability of the College

45. The College's current financial health grade is classified as "Outstanding" as described above.

Notwithstanding that, the continuing challenge to the College's financial position remains the constraint on further education funding arising from the ongoing cuts in public sector spending whilst maintaining the student experience. This risk is mitigated in a number of ways:

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



## STAKEHOLDER RELATIONSHIPS

46. In line with other Colleges and with universities, Barking & Dagenham 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)
- The local community
- Other FE institutions
- Trade unions
- Professional bodies

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

### Equality Statement

47. Barking & Dagenham College is committed to advancing equality of opportunity for all. The College celebrates and values the diversity brought to its workforce and student body by individuals, and is committed to meeting the needs of a diverse learner population within a multi-cultural society. The College seeks to ensure that individuals and communities have equal access to learning programmes and facilities, to be responsive to the changing demographic of the local area, and to play an active role in community cohesion.

The College will treat all employees, workers and students with respect and dignity, and seeks to provide a working environment free from discrimination, harassment or victimisation. Barking & Dagenham College will seek to eliminate discrimination on grounds of age, class, disability, employment status, ethnic origin, gender, marital status, pregnancy and maternity, nationality, religion, sexual

orientation, gender reassignment or special needs.

Barking & Dagenham College aims to create a working and learning environment where there are positive relations between different groups of people. To this end, the college undertakes to provide training and support for staff, to consult with staff about their experience of the working environment, and to provide diverse images in any material that it produces. The aim is to create an inclusive ethos where issues of racism, bullying, stereotyping and discrimination can be discussed openly, where there is a shared commitment to challenging and preventing all kinds of discrimination, and where there is respect for diversity and difference.

The College's Equal Opportunities Policy (Single Equality Scheme), is published on the College's public-facing website, as well as the staff Intranet site. Each year, a number of Equality, Diversity and Inclusion objectives are identified by our Equality and Diversity Committee. These inform a detailed EDI quality improvement plan, which is monitored by managers and governors.

The College considers all applications from disabled persons, bearing in mind the aptitudes of the individuals concerned. 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 are, as far as possible, identical to those for other employees.

### Disability statement

48. The College seeks to achieve the objectives set down in the Disability Discrimination Act 1995 as amended by the Special Education Needs and Disability Acts 2001 and 2005.

- a) As part of its accommodation strategy the College updated its access audit and has installed lifts and ramps to ensure most of the facilities allow access to people with a disability.

- b) The College periodically works with a company that specialises in access advice for disabled students to carry out surveys of the College and provide advice on the needs of disabled people.
- c) There is a list of specialist equipment, such as lighting for audio facilities, which the College can make available for use by students.
- d) The admissions policy for all students is published by the College. Appeals against a decision not to offer a place are dealt with under the complaints policy.
- e) The College has made a significant investment in the appointment of specialist lecturers to support students with learning difficulties and/or disabilities. There are a number of student support assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.
- f) Specialist programmes are described in College prospectuses, and achievements and destinations are recorded and published in the standard College format.
- g) Counselling and welfare services are described in the Student Handbook which is issued to students at induction, and also includes sections covering the Complaints and Disciplinary Procedures. Students are also introduced to the range of support services that are available to them as part of the college's induction activities.

**Disclosure of information to auditors**

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

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



**Mark Farrar**

**Chair of Corporation**



## Statement of Corporate Governance and Internal Control

The College is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the College has applied the principles set out in the UK Corporate Governance Code 2016 (“the Code”). Its purpose is to help the reader of the accounts understand how the principles have been applied.

In the opinion of the governors, the College complies with all the provisions of the Code in so far and it has

complied throughout the year ended 31 July 2017. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of

The 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 below:

#### Governors serving on the College Board during 2016/17

	<b>Date of appointment</b>	<b>Term of Office</b>	<b>Date of resignation</b>	<b>Committees Served</b>
Mark Bass	08.07.2012	4 years		Corporation, Chair of Audit
Peter Harris	05.12.2011	4 years	13.08.2015	Corporation, Policy & Resources
Elaine James	29.06.1999 (Re-appointed 29.06.2003, 29.06.2007, 11.07.2011)	4 years		Vice Chair Corporation, Vice Chair of Search & Governance, Audit, Remuneration
Cathy Walsh	01.09.2008	Ex-officio	31.08.2015	Corporation, Policy and Resources, Performance and Standards, Search & Governance
Jenni Williams	12.10.2009 Re-elected (21.10.2014)	4 years		Corporation, Remuneration, Chair of Policy & Resources
Doug Trengove (Staff Governor)	April 2014	4 years		Corporation, Performance and Standards
John Ubsdell	Dec 2013	4 years		Corporation, Performance and Standards

Sue Terpilowski	Oct 2013	4 years		Corporation
Yolande Burgess	April 2014	4 Years		Corporation, Chair of Performance & Standards
Rob Whiteman	July 2014	4 Years		Chair of Corporation (July 2015), Chair of Remuneration (from July 2015), Chair of Search & Governance (from July 2015)
Sue Southwood	April 2015	4 Years		Corporation, Performance & Standards
Jennifer Fraser	July 2015	4 Years		Corporation
Yvonne Kelly (Principal)	March 2016	Ex-officio		Corporation, Policy & Resources, Performance & Standards, Search & Governance
Evelyn Carpenter	01.12.15	4 Years		Corporation, Performance & Standards
Michael Walby	19.04.16	4 Years		Corporation, Audit
Josh Bachu (Student Governor)	November 2015	2 Years		Corporation, Policy & Resources
Victoria Eastwood was appointed Clerk to the Corporation on the 3 October 2016				

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 Policy & Resources, Performance & Standards, Remuneration, Search & Governance and Audit. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website [www.bdc.ac.uk](http://www.bdc.ac.uk) or from the clerk to the Corporation at:

Barking & Dagenham College

Dagenham Road

Romford

Essex

RM7 0XU

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 Chairman and Principal are separate.

### **Appointments to the Corporation**

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a search committee, consisting of three members of the Corporation, which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

Members of the Corporation are appointed for a term of office not exceeding four years.

### **Remuneration committee**

Throughout the year ending 31 July 2017, the College's remuneration committee comprised three members of the Corporation. The committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Principal and other senior post-holders. Details of remuneration for the year ended 31 July 2017 are set out in note 8.

### **Audit committee**

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

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

of internal control, risk management controls and governance processes in accordance with an agreed plan of input and report their findings to management and the Audit Committee.

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

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

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

### **Internal control**

#### *Scope of responsibility*

The Corporation is ultimately responsible for the 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 between Barking & Dagenham College and the funding bodies. The Principal is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

### *The purpose of the system of internal control*

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Barking & Dagenham College for the year ended 31 July 2017 and up to the date of approval of the annual report and accounts.

### *Capacity to handle risk*

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2017 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

### *The risk and control framework*

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

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

- the adoption of formal project management disciplines, where appropriate.

RSM Risk Assurance Services LLP affirms that our internal audit services to the institution are designed to conform to the International Standard for the Professional Practice of Internal Auditing published by the Institute of Internal Auditors. Our services also conform to the Public Sector Audit Standards which came into effect from the 1 April 2013.

### *Review of effectiveness*

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

- the work of the internal auditors
- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework
- comments made by the College's financial statements auditors, the regularity auditors, the appointed funding auditors (for Colleges outside plan-led funding) in their management letters and other reports.

The Principal has been advised on the implications of the result of the review of the effectiveness of the system of internal control by the Audit Committee, which oversees the work of the internal auditor and other sources of assurance and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The strategic management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior management team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from

the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2017 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2017 by considering documentation from senior management team and internal audit and taking account of events since 31 July 2017.

**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



**Mark Farrar**

going concern basis in preparing the financial statements.

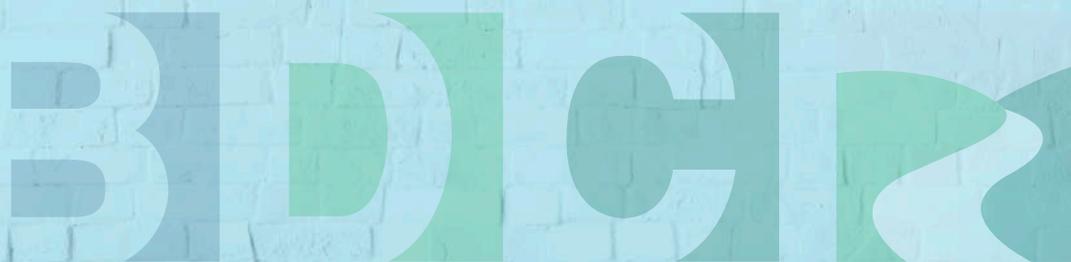
Approved by order of the members of the Corporation on 11 December 2017 and signed on its behalf by:

**Signed:**



**Yvonne Kelly**

**Principal & CEO**





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

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

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

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



**Mark Farrar**

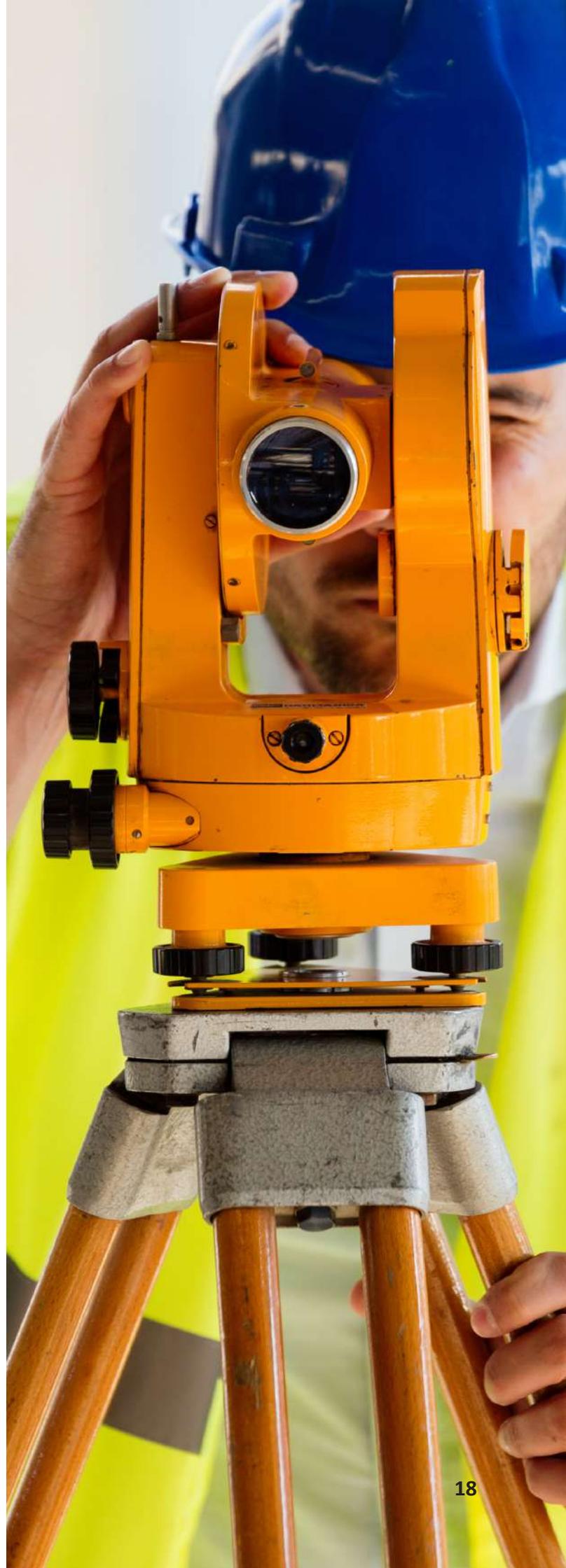
**Chair of Corporation**



**Yvonne Kelly**

**Principal & CEO**

**Date: 11 December 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 Financial Memorandum between the Education and Skills Funding Agency and the Corporation of the College, the Corporation, through its Principal, 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 the College Accounts Direction 2016 to 2017 issued by the Education and Skills Funding Agency, and which give a true and fair view of the state of affairs of the College and the result for that year.

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

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the College will continue in operation.

The Corporation is also required to prepare a Members Report which describes what it is trying to do and how it is going about it, including 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 Group, 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 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 Education and Skills Funding Agency are used only in accordance with the Financial Memorandum with the Education and Skills Funding Agency 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 College's resources and expenditure, so that the benefits that should be derived from the application of public funds from the Education and Skills Funding Agency are not put at risk.

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



**Mark Farrar**

**Chair**

# Independent Auditor's Report to the Corporation of Barking & Dagenham College Year ended 31 July 2017

## Opinion

We have audited the financial statements of Barking and Dagenham College for the year ended 31 July 2017 which comprise the Statement of Comprehensive Income, the Statement of Changes in Reserves, the Balance Sheet, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Governors, as a body, in accordance with the College's Articles of Government. Our audit work has been undertaken so that we might state to the Governors, as a body, 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 Governors, as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion, the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2017 and of the surplus/deficit for the year then ended;
- have been properly prepared in accordance 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the College in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit

evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Conclusions relating to going concern

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

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

## Other information

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

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

## **Opinions on other matters prescribed by the revised Post 16 Audit Code of Practice issued jointly by the Department of Education**

In our opinion, based on the work undertaken in the course of the audit:

- proper accounting records have been kept; and
- the financial statements are in accordance with the accounting records; and
- we have received all the information and explanations required for our audit.

### **Responsibilities of Governors**

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

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

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain

professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Governors.
- Conclude on the appropriateness of the Governors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the College's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the College to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*MHA MacIntyre Hudson*

13 December 2017

MHA MacIntyre Hudson

Chartered Accountants and Statutory Auditors

New Bridge Street House

30-34 New Bridge Street

London

EC4V 6BJ



## **REPORTING ACCOUNTANTS' ASSURANCE REPORT ON REGULARITY TO BARKING & DAGENHAM COLLEGE AND THE SECRETARY OF STATE FOR EDUCATION ACTING THROUGH THE DEPARTMENT FOR EDUCATION ("the Department")**

In accordance with the terms of our engagement letter and further to the requirements of the financial memorandum with the Education and 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 Barking & Dagenham 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 ("the Code") issued by the Department. 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 Department has other assurance arrangements in place.

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

### **Respective responsibilities of Barking & Dagenham College and the reporting accountant**

The corporation of Barking & Dagenham 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 established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 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 Code issued by the Department. 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 to our conclusion includes:

- Reviewing the Minutes of the meetings of the Governing Body and other evidence made available to us
- Review of the objectives and activities of the College, with reference to the income streams and other information available to us as auditors of the College
- Testing of a sample of payroll payments to staff
- Testing of a sample of payments to suppliers and other third parties

- Testing of a sample of grants received and other income streams

**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.

*MHA MacIntyre Hudson*

13 December 2017

MHA MacIntyre Hudson

Chartered Accountants and Statutory Auditors

New Bridge Street House

30-34 New Bridge Street

London

EC4V 6BJ





## Barking & Dagenham College

### Consolidated Statements of Comprehensive Income and Expenditure

	Notes	Year ended 31 July		Year ended 31 July	
		2017	2017	2016	2016
		Group £'000	College £'000	Group £'000	College £'000
<b>INCOME</b>					
Funding body grants	2	26,625	26,625	27,415	27,415
Tuition fees and education contracts	3	3,651	3,615	4,279	4,243
Other grants and contracts	4	1,400	1,400	2,341	2,341
Other income	5	2,107	665	2,392	954
Endowment and investment income	6	8	8	6	6
Donations	7	-	31	-	49
<b>Total income</b>		<b>33,791</b>	<b>32,345</b>	<b>36,433</b>	<b>35,008</b>
<b>EXPENDITURE</b>					
Staff costs	8	20,826	19,848	21,153	20,278
Fundamental restructuring costs	8	5	5	205	205
Other operating expenses	9	9,583	9,097	11,596	11,011
Interest and other finance costs	10	492	492	578	578
Depreciation	13	1,940	1,934	1,974	1,968
Amortisation	13	120	120	120	120
<b>Total expenditure</b>		<b>32,966</b>	<b>31,496</b>	<b>35,626</b>	<b>34,160</b>
<b>Surplus before tax</b>		<b>825</b>	<b>848</b>	<b>807</b>	<b>848</b>
<b>Taxation</b>	10	-	-	-	-
<b>Surplus for the year</b>	11	<b>825</b>	<b>848</b>	<b>807</b>	<b>848</b>
Unrealised surplus on revaluation of assets		-	-	-	-
Actuarial gain/(loss) in respect of pensions schemes		2,986	2,986	(2,377)	(2,377)
<b>Total Comprehensive Income for the year</b>		<b>3,811</b>	<b>3,834</b>	<b>(1,570)</b>	<b>(1,529)</b>

**Barking & Dagenham College**

**Consolidated and College Statement of Changes in Reserves**

	Income and Expenditure account	Revaluation reserve	Restricted Reserves	Total excluding Non-controlling interest	Non-Controlling interest	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Group</b>						
Balance at 1st August 2015	8,156	5,086	-	13,242	-	13,242
Surplus/(deficit) from the income and expenditure account	807	-	-	807	-	807
Other comprehensive income	(2,377)	-	-	(2,377)	-	(2,377)
Transfers between revaluation and income and expenditure reserves	-	-	-	-	-	-
	(1,570)	-	-	(1,570)	-	(1,570)
Balance at 31st July 2016	6,586	5,086	-	11,672	-	11,672
Surplus from the income and expenditure account	825	-	-	825	-	825
Other comprehensive income	2,986	-	-	2,986	-	2,986
Transfers between revaluation and income and expenditure reserves			-	-	-	-
Total comprehensive income for the year	3,811	-	-	3,811	-	3,811
<b>Balance at 31st July 2017</b>	<b>10,397</b>	<b>5,086</b>	<b>-</b>	<b>15,484</b>	<b>-</b>	<b>15,484</b>

College						
Balance at 1st August 2015	8,201	5,086	-	13,287	-	13,287
Surplus from the income and expenditure account	848	-	-	848	-	848
Other comprehensive income	(2,377)	-	-	(2,377)	-	(2,377)
Transfers between revaluation and income and expenditure reserves	-	-	-	-	-	-
	(1,529)	-	-	(1,529)	-	(1,529)
Balance at 31st July 2016	6,672	5,086	-	11,758	-	11,758
Surplus/(deficit) from the income and expenditure account	848	-	-	848	-	848
Other comprehensive income	2,986	-	-	2,986	-	2,986
Transfers between revaluation and income and expenditure reserves	-	-	-	-	-	-
Total comprehensive income for the year	3,834	-	-	3,834	-	3,834
<b>Balance at 31st July 2017</b>	<b>10,507</b>	<b>5,086</b>	<b>-</b>	<b>15,593</b>	<b>-</b>	<b>15,593</b>



**Barking & Dagenham College**

**Balance sheets as at 31 July**

	Notes	Group	College	Group	College
		<b>2017</b>	<b>2017</b>	<b>2016</b>	<b>2016</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Fixed assets</b>					
Tangible fixed assets	13	36,887	36,884	38,184	38,176
Goodwill	13	324	-	346	-
Investments	13	886	1,263	985	1,383
		<b>38,097</b>	<b>38,147</b>	<b>39,515</b>	<b>39,559</b>
<b>Current assets</b>					
Stocks		37	25	31	20
Trade and other receivables	14	2,198	2,086	1,993	1,963
Cash and cash equivalents	20	6,195	6,110	4,181	4,099
		<b>8,430</b>	<b>8,221</b>	<b>6,205</b>	<b>6,082</b>
Less: Creditors – amounts falling due within one year	15	(4,490)	(4,221)	(4,674)	(4,509)
<b>Net current assets</b>		<b>3,940</b>	<b>4,000</b>	<b>1,531</b>	<b>1,573</b>
<b>Total assets less current liabilities</b>		<b>42,037</b>	<b>42,147</b>	<b>41,046</b>	<b>41,132</b>
Less: Creditors – amounts falling due after more than one year	16	(11,966)	(11,966)	(12,441)	(12,441)
<b>Provisions</b>					
Defined benefit obligations	23	(12,791)	(12,791)	(15,137)	(15,137)
Other provisions	18	(1,798)	(1,798)	(1,798)	(1,798)

Total net assets		<b>15,483</b>	<b>15,593</b>	<b>11,670</b>	<b>11,756</b>
Unrestricted reserves					
Income and expenditure account	22	10,397	10,507	6,586	6,672
Revaluation reserve	19	5,086	5,086	5,086	5,086
Total unrestricted reserves		<b>15,483</b>	<b>15,593</b>	<b>11,672</b>	<b>11,758</b>
Total reserves		<b>15,483</b>	<b>15,593</b>	<b>11,672</b>	<b>11,758</b>

The financial statements on pages 26 to 29 were approved and authorised for issue by the Corporation on 11 December 2017 and were signed on its behalf on that date by:

Mark Farrar  
Chair

Yvonne Kelly  
Accounting Officer



**Barking & Dagenham College**

**Consolidated Statement of Cash Flows**

	Notes	2017	2016
		£'000	£'000
<b>Cash inflow from operating activities</b>			
Surplus/(deficit) for the year		825	807
<b>Adjustment for non-cash items</b>			
Depreciation & amortisation		2,060	2,094
(Increase) in stocks		(6)	(7)
(Increase)/decrease in debtors		(205)	590
Increase/(decrease) in creditors due within one year		(184)	(423)
(Decrease) in creditors due after one year		(261)	(265)
(Decrease) in provisions		-	(14)
Pensions costs less contributions payable		274	79
<b>Adjustment for investing or financing activities</b>			
Interest payable		492	578
Investment income		(8)	(6)
<b>Net cash flow from operating activities</b>		<b>2,987</b>	<b>3,433</b>
<b>Cash flows from investing activities</b>			
Investment income		8	6
Payments made to acquire fixed assets		(644)	(774)
		(633)	(768)
<b>Cash flows from financing activities</b>			
Interest paid		(126)	(136)
Repayments of amounts borrowed		(215)	(217)
		(341)	(353)

<b>Increase cash and cash equivalents in the year</b>		<b>2,011</b>	<b>2,312</b>
Cash and cash equivalents at beginning of the year	20	4,181	1,869
Cash and cash equivalents at end of the year	20	6,191	4,181



## Notes to the Accounts

### 1. Statement of accounting policies and estimation techniques

Going concern

#### 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 2016 to 2017* and in accordance with 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 requirements of FRS 102. All references to the College will also include the subsidiaries as part of these group financial statements.

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 companies; Apprenticeships Work Limited, Aspire Training & Enterprise Limited, BDC@Broadway Limited and Hairazors 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. All financial statements are made up to the 31 July 2017.

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 cashflow, liquidity and borrowings are presented in the Financial Statements and accompanying Notes.

The College currently has £4.1m of loans outstanding with bankers on terms negotiated in 2013. The terms of the existing agreement are for 23 years. The College’s forecasts and financial projections indicate that it will be able to operate within this existing facility 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.

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

#### Recognition of income

#### Revenue grant funding

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 achievement for the Adult Education 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.

Where part of a government grant is deferred, the deferred element is recognised in creditors.

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.

#### Capital grant funding

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

#### Fee income

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

#### Investment income

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

#### Accounting for Post retirement 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.

#### Teachers' Pension Scheme

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 and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

#### London Borough of Barking & Dagenham Local Government Pension Scheme (LGPS)

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

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

#### Short term Employment benefits

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



Barking & Dagenham College



## Enhanced Pensions

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

Non-current Assets - Tangible fixed assets

### *Land and buildings*

Land and buildings inherited from the local education authority and buildings acquired since incorporation are stated in the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable. The associated credit is included in the revaluation reserve. The difference between depreciation charged on the historic cost of assets and the actual charge for the year calculated on the revalued amount is released to the income and expenditure account reserve on an annual basis. Land and buildings acquired since incorporation are included in the balance sheet at cost. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College of between 10 and 60 years.

Leasehold buildings are depreciated over the life of the lease. It should be noted that during 2010-11 the College acquired a leasehold property, London Road, where the premises were refurbished to an industry standard facility for motor vehicle provision. The lease agreement is for five years and thus the costs are depreciated over this period. The college also acquired a leasehold property from the London Borough of Barking & Dagenham. A 25 year lease at this site, has given the college an opportunity to deliver education and training to 16-18 years olds from centre of Barking.

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

asset on a basis consistent with the depreciation policy.

Finance costs, which are directly attributable to the construction of land and buildings, are not capitalised as part of the cost of those assets.

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

On adoption of FRS 15, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1996, but not to adopt a policy of revaluations of these properties in the future. These values are retained subject to the requirement to test assets for impairment in accordance with FRS 11.

### *Assets under construction*

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs, incurred to 31 July. They are not depreciated until they are brought into use.

Subsequent expenditure on existing fixed assets

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

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

Buildings owned by third parties

Where land and buildings are used, but the legal rights are held by a third party, for example a charitable trust, they are only capitalised if the College has rights or access to ongoing future economic benefit.

These assets are then depreciated over their expected useful economic life.

### *Equipment*

Equipment costing more than £2,000 or more per individual item and all computer hardware and software is capitalised at cost. All other equipment is written off to the income and expenditure account in the period of acquisition.

All other equipment is depreciated over its useful economic life as follows:

- Motor vehicles  
- three years
- General equipment  
- five years and ten years
- Computer equipment  
- three to eight years
- Equipment acquired for specific projects  
- project life

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

Leased assets

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

Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as finance leases.

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as an obligation under finance leases. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charges are

allocated over the period of the lease in proportion to the capital element outstanding

### **Investments in subsidiaries**

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

### **Stocks**

Stocks are stated at the lower of their cost and net realisable value. Where necessary, provision is made for obsolete, slow-moving and defective stocks.

### **Cash and cash equivalents**

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value. An investment qualifies as a cash equivalent when it has maturity of 3 months or less from the date of acquisition

### **Financial liabilities and equity**

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

All loans, investments and short term deposits held by the Group are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however the College 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 Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

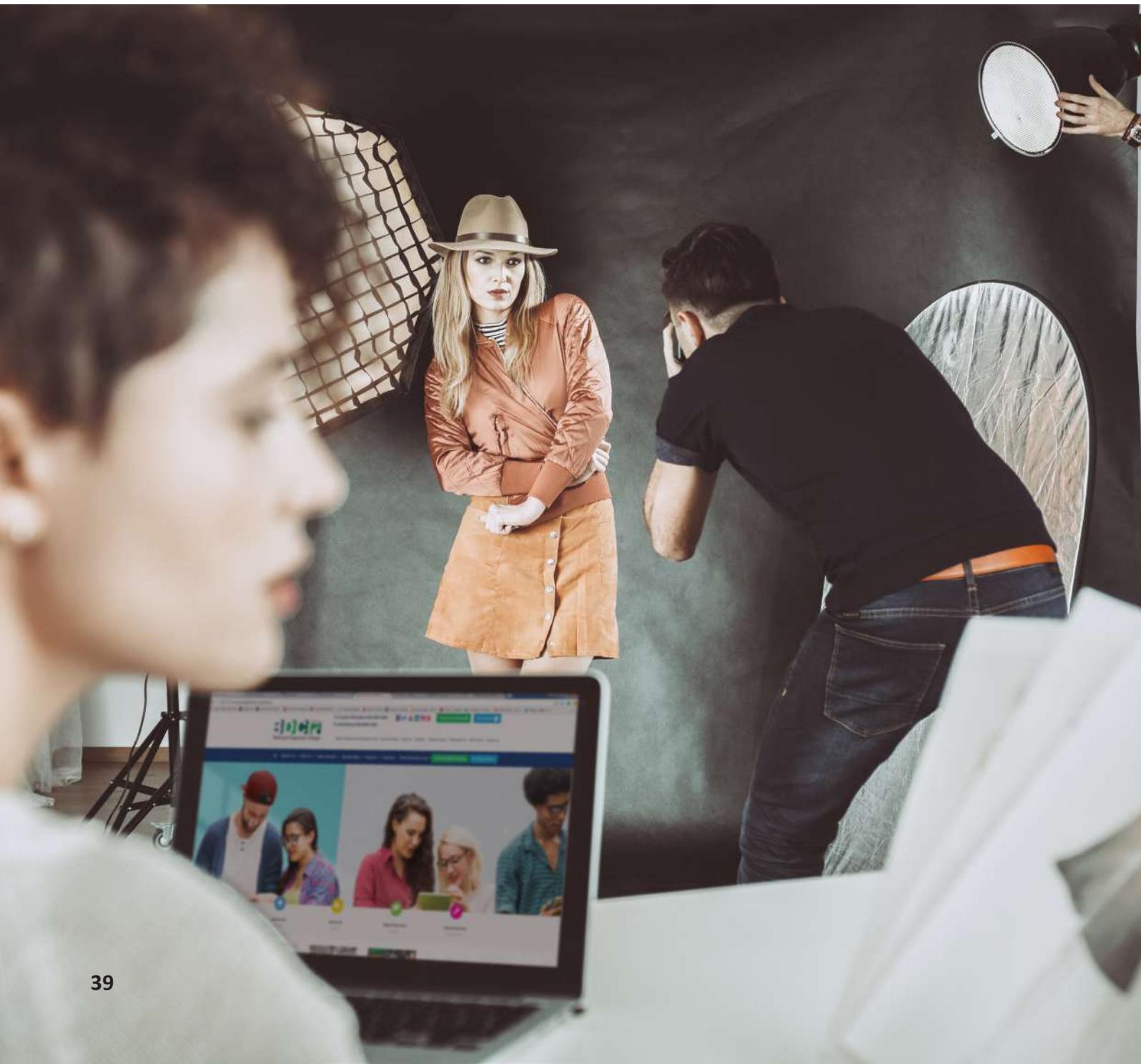
The College is partially exempt in respect of Value Added Tax, so that it can only recover a minor element of VAT charged on its inputs. Irrecoverable VAT on

inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

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

## Provisions

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.



## Barking & Dagenham College

### Notes to the Accounts (continued)

#### 2 Funding council grants

	Year ended 31 July		Year ended 31 July	
	2017	2017	2016	2016
	Group	College	Group	College
	£'000	£'000	£'000	£'000
<b>Recurrent grants</b>				
Education and Skills Funding Agency - adult	6,196	6,196	5,927	5,927
Education and Skills Funding Agency – 16 -18	17,064	17,064	16,877	16,877
Education and Skills Funding Agency - apprenticeships	2,372	2,372	2,211	2,211
Higher Education Funding Council	352	352	421	421
<b>Specific Grants</b>				
Release of government capital grants	279	279	279	279
Non recurrent grants	349	349	1,685	1,685
HE grant	13	13	15	15
<b>Total</b>	<b>26,625</b>	<b>26,625</b>	<b>27,415</b>	<b>27,415</b>

#### 3 Tuition fees and education contracts

	Year ended 31 July		Year ended 31 July	
	2017	2017	2016	2016
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Adult education fees	1,305	1,269	1,314	1,278
Apprenticeship fees and contracts	40	40	95	95
Fees for FE loan supported courses	848	848	905	905
Fees for HE loan supported courses	805	805	982	982
Total tuition fees	2,998	2,962	3,296	3,260
Education contracts	653	653	983	983
<b>Total</b>	<b>3,651</b>	<b>3,615</b>	<b>4,279</b>	<b>4,243</b>

Barking & Dagenham College

Notes to the Accounts (continued)

4 Other grants and contracts

	Year ended 31 July		Year ended 31 July	
	2017	2017	2016	2016
	Group	College	Group	College
	£'000	£'000	£'000	£'000
UK-based charities	68	68	95	95
European Commission	21	21	28	28
Other grants and contracts	1,311	1,311	2,218	2,218
<b>Total</b>	<b>1,400</b>	<b>1,400</b>	<b>2,341</b>	<b>2,341</b>

5 Other income

	Year ended 31 July		Year ended 31 July	
	2017	2017	2016	2016
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Refectory - Catering and residences	405	405	486	486
Other income generating activities	879	165	1,037	225
Other grant income	301	0	261	0
Miscellaneous income	522	95	608	243
<b>Total</b>	<b>2,107</b>	<b>665</b>	<b>2,392</b>	<b>954</b>

**6 Investment income**

		Year ended 31 July		Year ended 31 July	
		2017	2017	2016	2016
		Group	College	Group	College
		£'000	£'000	£'000	£'000
Bank interest receivable		8	8	6	6
<b>Total</b>		<b>8</b>	<b>8</b>	<b>6</b>	<b>6</b>

**7 Donations - College only**

		Year ended 31 July	
		2017	2016
		£'000	£'000
Unrestricted donations		31	49
<b>Total</b>		<b>31</b>	<b>49</b>

## Barking & Dagenham College

### Notes to the Accounts (continued)

#### 8 Staff costs - Group

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

	2017		2016	
	No.		No.	
Teaching staff	280		296	
Non-teaching staff	363		312	
	<b>643</b>		<b>608</b>	

#### Staff costs for the above persons

	2017		2016	
	£'000		£'000	
Wages and salaries	14,948		14,936	
Social security costs	1,308		1,120	
Other pension costs	2,308		2,359	
<b>Payroll sub total</b>	<b>18,563</b>		<b>18,414</b>	
Contracted out staffing services	2,263		2,738	
	<b>20,826</b>		<b>21,153</b>	
Fundamental restructuring costs - contractual	5		205	
	<b>20,831</b>		<b>21,358</b>	

#### Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the Executive which comprises of the Principal, Chief Operating Officer, Chief Financial Officer, Executive Director- People and Organisation and Executive Director- Business Operations.

## Barking & Dagenham College

### Notes to the Accounts (continued)

#### 8 Staff costs - Group

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

	2017	2016
	No.	No.
The number of key management personnel including the Accounting Officer was:	4	6

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

	Senior post-holders		Other staff	
	2017	2016	2017	2016
	No.	No.	No.	No.
£40,001 to £50,000	-	1	-	-
£60,001 to £70,000	-	1	-	1
£70,001 to £80,000	-	1	-	1
£80,001 to £90,000	2	1	2	-
	<b>2</b>	<b>4</b>	<b>2</b>	<b>2</b>

Key management personnel compensation is made up as follows:

	2017	2016
	£'000	£'000
Salaries - gross of salary sacrifice and waived emoluments	400	444
Employers National Insurance	51	52
Benefits in kind	-	-
	<b>451</b>	<b>496</b>
Pension contributions	93	101
<b>Total emoluments</b>	<b>544</b>	<b>597</b>

## Barking & Dagenham College

### Notes to the Accounts (continued)

#### 8 Staff costs - Group

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

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

	2017		2016	
	£'000		£'000	
Salaries	132		135	
Benefits in kind	-		-	
	132		135	
Pension contributions	22		22	

#### Compensation for loss of office paid to former key management personnel

	2017		2016	
	£		£	
Compensation paid to the former post-holder - contractual	-		70	
Estimated value of other benefits, including provisions for pension benefits	-		-	

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

**Barking & Dagenham College**

**Notes to the Accounts (continued)**

**9 Other operating expenses**

	Year ended 31 July		Year ended 31 July	
	2017	2017	2016	2016
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Teaching costs	1,525	1,525	2,843	2,841
Non-teaching costs	5,357	5,037	6,018	5,618
Premises costs	2,701	2,535	2,735	2,552
<b>Total</b>	<b>9,583</b>	<b>9,097</b>	<b>11,596</b>	<b>11,011</b>

**Other operating expenses include:**

	2017	2016
	£'000	£'000
Auditor's remuneration:		
Financial statements audit	42	42
Internal audit	29	32

**10 Interest payable - Group and College**

	2017		2016	
	£'000		£'000	
On bank loans, overdrafts and other loans:	126		136	
	126		136	
Net interest on defined pension liability (note 23)	366		442	
<b>Total</b>	<b>492</b>		<b>578</b>	

11 Taxation - Group only

	2017		2016	
	£'000		£'000	
United Kingdom corporation tax at 20 per cent	-		-	
Provision for deferred corporation tax in the accounts of the subsidiary company	-		-	
<b>Total</b>	-		-	

The members do not believe that the College was liable for any corporation tax arising out of its activities during either year. The tax charge above relates to its trading subsidiary companies.

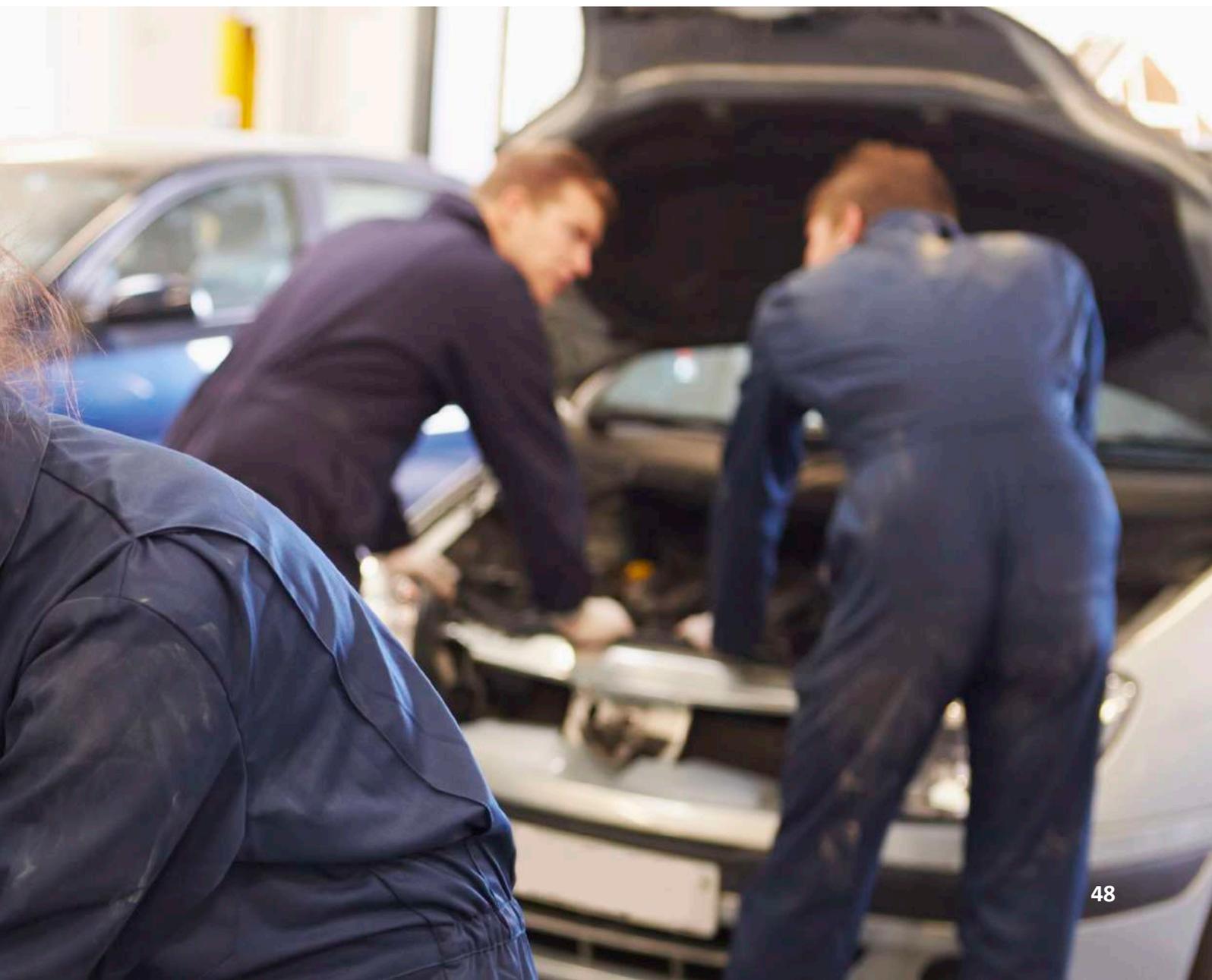


**Barking & Dagenham College**

**Notes to the Accounts (continued)**

**12 Surplus on continuing operations for the period**

	2016	2016
	£'000	£'000
Surplus on continuing operations for the year made up as:		
College's surplus for the period	818	798
Subsidiary company's performance	6	9
<b>Total</b>	<b>825</b>	<b>807</b>



**Barking & Dagenham College**

**Notes to the Accounts (continued)**

**13 Tangible fixed assets (Group)**

	Land and buildings		Equipment	Total
	Freehold	Short leasehold		
	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>				
At 1 August 2016	46,826	3,341	12,259	62,426
Additions	57	-	586	643
Disposals	-	-	-	-
<b>At 31 July 2017</b>	<b>46,883</b>	<b>3,341</b>	<b>12,845</b>	<b>63,069</b>
<b>Depreciation</b>				
At 1 August 2016	13,680	1,897	8,665	24,242
Charge for the year	839	29	1,072	1,940
Elimination in respect of disposals	-	-	-	-
<b>At 31 July 2017</b>	<b>14,519</b>	<b>1,926</b>	<b>9,737</b>	<b>26,182</b>
<b>Net book value at 31 July 2017</b>	<b>32,363</b>	<b>1,415</b>	<b>3,109</b>	<b>36,887</b>
Net book value at 31 July 2016	33,145	1,444	3,594	38,184

Barking & Dagenham College

Notes to the Accounts (continued)

13 Tangible fixed assets (College only)

		Land and buildings		Equipment	Total
		Freehold	Short leasehold		
		£'000	£'000	£'000	£'000
<b>Cost or valuation</b>					
<b>At 1 August 2016</b>		46,762	3,341	12,075	62,178
<b>Additions</b>		57		585	642
<b>Disposals</b>		-	-	-	-
<b>At 31 July 2017</b>		<b>46,819</b>	<b>3341</b>	<b>12,660</b>	<b>62,820</b>
<b>Depreciation</b>					
<b>At 1 August 2016</b>		13,621	1,897	8,483	24,002
<b>Charge for the year</b>		839	29	1,067	1,934
<b>Elimination in respect of disposals</b>		-	-	-	-
<b>At 31 July 2017</b>		<b>14,460</b>	<b>1,926</b>	<b>9,550</b>	<b>25,936</b>
<b>Net book value at 31 July 2017</b>		<b>32,359</b>	<b>1,415</b>	<b>3,110</b>	<b>36,884</b>
<b>Net book value at 31 July 2016</b>		33,140	1,444	3,592	38,176

If fixed assets had not been revalued they would have been included at the following historical cost amounts:

	£'000
Cost	Nil
Aggregate depreciation based on cost	Nil
<b>Net book value based on cost</b>	<b>Nil</b>

**Barking & Dagenham College**

**Notes to the Accounts (continued)**

**13 Goodwill**

**Hairazors Limited**

£000s	
Purchase consideration	484
<b>Fair value of assets at purchase</b>	
Fixed assets	29
Bank	94
Debtor	32
Stock	15
Creditors	(119)
Net Assets	51
<b>Goodwill at Cost</b>	<b>433</b>
Accumulated amortisation charge:	(109)
<b>Balance</b>	<b>324</b>

	Year Ended 31st July 2017	Year Ended 31st July 2016
Net Book Value at 1 August	346	368
Less amortisation	(22)	(22)
	324	346
<b>Net Book Value at 31 July</b>	<b>324</b>	<b>346</b>

The goodwill above relates to Hairazors Limited. The hairdressing and training salon was purchased to provide training to students undertaking hairdressing courses. The college owns 100 per cent of Hairazors Limited.

**Barking & Dagenham College**

**Notes to the Accounts (continued)**

**13 Investments**

	Year Ended 2017	31st July	Year Ended 2016	31st July
	£000's	£000's	£000's	£000's
Barking Learning Centre	1,772		1,772	
Less amortisation	(886)		(787)	
		886		985
		886		985
Hairazors Limited	485		485	
Less amortisation	(108)		(87)	
		377		398
<b>Total</b>		<b>1,263</b>		<b>1,383</b>

	Group	College	Group	College
	2017	2017	2016	2016
	£	£	£	£
Investments in subsidiary company - Aspire Training & Enterprise	1	1	1	1
Investments in subsidiary company - Apprenticeships Work Limited	1	1	1	1
Investments in subsidiary company - BDC@Broadway Limited	1	1	1	1
Hairazors Limited	484,523	484,523	484,523	484,523
<b>Total</b>	<b>484,526</b>	<b>484,526</b>	<b>484,526</b>	<b>484,526</b>

The college owns 100 per cent of the issued £1 share of Aspire Training & Enterprise Limited, Apprenticeships Work Limited and BDC@Broadway Limited; all companies incorporated in England & Wales. The principal business of Aspire Training & Enterprise Limited is to act as the holding company for all BDC investments. Aspire Training & Enterprise Limited started trading in November 2013. The Apprenticeships Work Limited principal activity is an employment business for providing employment for apprentices. The BDC@Broadway Limited principal activity is a training and commercial theatre to provide performing arts activities and started trading in June 2014. The college owns 100 per cent of Hairazors Limited. The hairdressing and training salon was purchased during 2011-12 to provide training to students undertaking hairdressing courses.

#### **Broadway Theatre**

The college has entered into a Development Agreement by which it has agreed to make capital contributions of £1,800,000 to refurbish with Barking & Dagenham Council the Broadway Theatre building. The college has exclusive use of one part of

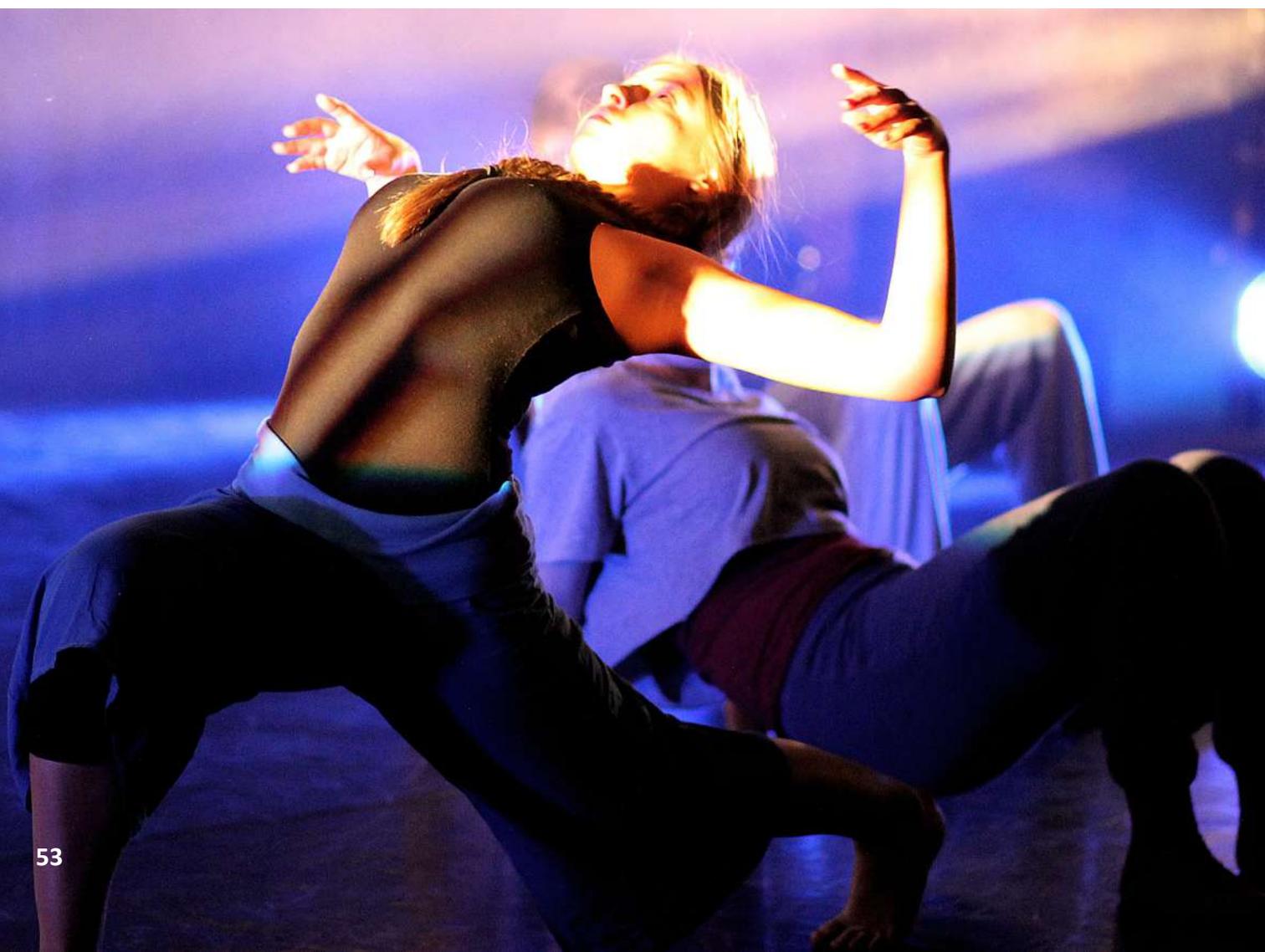
the building, for the purposes of delivering vocational courses, and shares common services with other users for a period of no less than twenty years.

The investment will be amortised on a straight line basis over a period of twenty years from the 1st August 2004.

#### **Barking Learning Centre**

The College has entered into a lease and memorandum of understanding by which it has agreed to make capital contributions of £1,772,000 towards the cost of the Barking Learning Centre. The college has exclusive use of parts of the building for the purposes of delivering a range of courses and shares common services with other users, London Borough of Barking & Dagenham and University of East London for a period of not less than twenty years.

The investment will be amortised on a straight line basis over a twenty year period. The college has received LSC grant approval for a sum of £167,000 towards the cost of the investment which is being released over a similar period.



## Barking & Dagenham College

### Notes to the Accounts (continued)

#### 14 Trade and other receivables

	Group		College	
	2017	2017	2016	2016
	£'000	£'000	£'000	£'000
<b>Amounts falling due within one year:</b>				
Trade receivables	1,993	1,749	1,717	1,554
Amounts owed by group undertakings:				
Subsidiary undertakings	-	137	-	143
Prepayments and accrued income	85	80	70	60
Amounts owed by the ESFA	120	120	206	206
<b>Total</b>	<b>2,198</b>	<b>2,086</b>	<b>1,993</b>	<b>1,963</b>

#### 15 Creditors: amounts falling due within one year

	Group		College	
	2017	2017	2016	2016
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	215	215	215	215
Obligations under finance leases	-			
Trade payables	1,048	798	1,716	1,532
Amounts owed to group undertakings:				
Subsidiary undertakings	-	-	-	28
Other taxation and social security	498	494	349	342
Accruals and deferred income	1,599	1,585	1,379	1,377
Deferred income - government capital grants	292	292	294	294
Deferred income - government revenue grants	439	439	556	556
Receipts in advance	313	312	162	162
Amounts owed to ESFA	85	85	-	-
<b>Total</b>	<b>4,490</b>	<b>4,221</b>	<b>4,671</b>	<b>4,506</b>

**Barking & Dagenham College**

**Notes to the Accounts (continued)**

**16 Creditors: amounts falling due after one year**

	Group		College	
	2017	2017	2016	2016
	£'000	£'000	£'000	£'000
Bank loans	4,140	4,140	4,355	4,355
Deferred income - government capital grants	7,826	7,826	8,087	8,087
<b>Total</b>	<b>11,966</b>	<b>11,966</b>	<b>12,442</b>	<b>12,442</b>

**17 Maturity of debt**

**Bank loans and overdrafts**

Bank loans and overdrafts are repayable as follows:

	Group		College	
	2017	2017	2016	2016
	£'000	£'000	£'000	£'000
In one year or less	215	215	215	215
In five years or more	4,140	4,140	4,355	4,355
<b>Total</b>	<b>4,355</b>	<b>4,355</b>	<b>4,570</b>	<b>4,570</b>

**Barking & Dagenham College**

**Notes to the Accounts (continued)**

**18 Provisions**

Group and College			
	Enhanced pensions	Other	Total
	£'000	£'000	£'000
At 1 August 2016	1,798	-	1,798
Expenditure in the period	-	-	-
Transferred from income and expenditure account	-	-	-
<b>At 31 July 2017</b>	<b>1,798</b>	<b>-</b>	<b>1,798</b>

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government pension Scheme. Further details are given in Note 25.

**Barking & Dagenham College**

**Notes to the Accounts (continued)**

**18 Provisions (contd.)**

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

The principal assumptions for this calculation are:

	<b>2017</b>	<b>2016</b>
Price inflation	2.30%	2.30%
Discount rate	1.30%	1.30%

**19 Revaluation Reserve**

	<b>Group</b>	<b>College</b>	<b>Group</b>	<b>College</b>
	<b>2016</b>	<b>2016</b>	<b>2015</b>	<b>2015</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
As at 1 August 2016	5,086	5,086	4,936	4,936
Transfer on revalued assets	-	-	150	150
<b>As at 1 August 2017</b>	<b>5,086</b>	<b>5,086</b>	<b>5,086</b>	<b>5,086</b>

**20 Cash and cash equivalents**

	<b>At 1 August 2016</b>	<b>Cash flows</b>	<b>Other changes</b>	<b>At 31 July 2017</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cash and cash equivalents	4,181	2,014	-	6,195
Overdrafts	-	-	-	-
<b>Total</b>	<b>4,181</b>	<b>2,014</b>	<b>-</b>	<b>6,195</b>

**Barking & Dagenham College**  
**Notes to the Accounts (continued)**

**21 Capital commitments**

	Group and College	
	2017	2016
	£'000	£'000
Commitments contracted for at 31 July	0	0



**Barking & Dagenham College**

**Notes to the Accounts (continued)**

**22 Income and Expenditure Reserve**

	Group	College	Group	College
	2017	2017	2016	2016
	£'000	£'000	£'000	£'000
At 1 August	6,587	6,672	8,156	8,201
Surplus retained for the year	825	848	807	848
Transfer from revaluation reserve	-	-	-	-
Re-measurements	2,986	2,986	(2,377)	(2,377)
At 31 July	10,398	10,506	6,587	6,672
Pension reserve	(12,791)	(12,791)	(15,137)	(15,137)
Income and expenditure account reserve excluding pension reserve	23,198	23,278	21,723	21,809
At 31 July	<b>10,407</b>	<b>10,487</b>	<b>6,586</b>	<b>6,672</b>

## Barking & Dagenham College

### Notes to the Accounts (continued)

#### 23 Defined benefit obligations

The College's employees belong to two principal post-employment benefit plans: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by the London

Borough of Barking & Dagenham. Both are multi-employer defined-benefit plans.

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

#### Total pension cost for the year

		2017		2016	
		£'000		£'000	
Teachers' Pension Scheme: contributions paid		976		959	
Local Government Pension Scheme:					
Contributions paid	1,334			1,321	
FRS 102 (28) charge	640			522	
Charge to the Statement of Comprehensive Income		1,974		1,843	
Enhanced pension charge to Statement of Comprehensive Income					
		(125)		(125)	
<b>Total Pension Cost for Year</b>		<b>2,825</b>		<b>2,677</b>	

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 2013.

#### 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 teachers and lecturers are employed by various bodies, their retirement and other pension benefits, including annual increases payable under the Pensions (Increase) Acts are, as provided for in the Superannuation Act 1972, paid out of monies provided by Parliament. Under the unfunded TPS, teachers' contributions on a 'pay-as-you-go' basis, and employers' contributions, are credited to the Exchequer under arrangements governed by the

above Act. Retirement and other pension benefits are paid by public funds provided by Parliament.

The Teachers' Pensions Regulations require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pensions' 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.



## Barking & Dagenham College

### Notes to the Accounts (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 £191,500 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176,600 million giving a notional past service deficit of £14,900 million;
- an employer cost cap of 10.9% of pensionable pay.
- the assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%

The new employer contribution rate for the TPS will be implemented in September 2015. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

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 employer pension costs paid to TPS in the year amounted to £976k (2015: £959k)

## Barking & Dagenham College

### Notes to the Accounts (continued)

#### 23 Defined benefit obligations (continued)

##### FRS 102 (28)

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

Accordingly, the College has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined-contribution 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

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by London Borough of Barking & Dagenham Local Authority. The total contribution made for the year ended 31 July 2017 was £1,669m, of which employer's contributions totalled £1,334m and employees' contributions totalled £0.335m. The agreed contribution rates for future years are 17.3 % for employers and range from 5.5% to 7.5% cent for employees, depending on salary.



## Barking & Dagenham College

### Notes to the Accounts (continued)

#### Principal Actuarial Assumptions

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

	At 31 July	At 31 July
	2017	2016
Rate of increase in salaries	3.00%	3.40%
Future pensions increases	2.50%	1.90%
Discount rate for scheme liabilities	2.70%	2.40%
Inflation assumption (CPI)	1.25%	1.25%
Commutation of pensions to lump sums	50%	50%

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

	At 31 July	At 31 July
	2017	2016
	years	years
<i>Retiring today</i>		
Males	22.00	21.80
Females	24.70	24.00
<i>Retiring in 20 years</i>		
Males	24.00	24.10
Females	26.40	26.50

Barking & Dagenham College

Notes to the Accounts (continued)

23 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

Sensitivity analysis

	At 31 July		At 31 July	
	2017		2016	
	£'000		£'000	
Discount rate +0.5%				
Discount rate -0.5%	(4,569)		(4,936)	
Salary increase 0.5%	864		1,223	
Salary decrease -0.5%	(864)		(1,223)	
CPI rate +0.5%	564		1,400	
CPI rate -0.5%	0		0	

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

		Fair Value at 31 July 2017			Fair Value at 31 July 2016	
		£'000			£'000	
<b>Equities</b>	76.00%	22,221	69.00%		17,689	
<b>Bonds</b>	18.00%	5,263	20.00%		5,127	
<b>Property</b>	6.00%	1,754	7.00%		1,795	
<b>Cash</b>	0.00%	0	4.00%		1,025	
<b>Total market value of assets</b>		<b>29,238</b>			<b>25,636</b>	
<b>Weighted average expected long term rate of return</b>	<b>5.80%</b>		<b>5.50%</b>			
<b>Actual return on plan assets</b>		<b>1,696</b>			<b>1,410</b>	

**Barking & Dagenham College**

**Notes to the Accounts (continued)**

**23 Defined benefit obligations (continued)**

**Local Government Pension Scheme (Continued)**

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

	2017		2016
	£'000		£'000
Amounts included in staff costs			
Current service cost	1,610		1,403
Past service cost	-		-
<b>Total</b>	<b>1,610</b>		<b>1,403</b>

**Amounts included in investment income**

Net interest income	992	812
<b>Total</b>	<b>992</b>	<b>812</b>

**Barking & Dagenham College**

**Notes to the Accounts (continued)**

**23 Defined benefit obligations (continued)**

**Local Government Pension Scheme (Continued)**

**Amounts recognised in Other Comprehensive Income**

	(2,078)	(1,757)
<b>Return on pension plan assets</b>		
Experience losses arising on defined benefit obligations	(2,020)	(436)
Changes in demographic assumptions	(325)	-
Changes in assumptions underlying the present value of plan liabilities	1,437	4,570
<b>Amount recognised in Other Comprehensive Income</b>	<b>(2,986)</b>	<b>2,377</b>

**Movement in net defined benefit (liability)/asset during the year**

	2017	2016
	£'000	£'000
Surplus/(deficit) in scheme at 1 August	(15,137)	(12,238)
Movement in year:		
Current service cost	(1,610)	(1,403)
Employer contributions	1,334	1,321
Past service cost		-
Net interest on the defined (liability)/asset	(366)	(442)
Actuarial gain or loss	2,986	(2,377)
<b>Net defined benefit (liability)/asset at 31 July</b>	<b>(12,791)</b>	<b>(15,137)</b>

**23 Defined benefit obligations (continued)****Local Government Pension Scheme (Continued)****Asset and Liability Reconciliation**

	2017	2016
	£'000	£'000
<b>Changes in the present value of defined benefit obligations</b>		
<b>Defined benefit obligations at start of period</b>	40,773	34,305
Current Service cost	1,610	1,403
Interest cost	992	1,254
Contributions by Scheme participants	336	344
Experience gains and losses on defined benefit obligations	(2,020)	(436)
Changes in financial assumptions	1,437	4,570
Estimated benefits paid	(772)	(665)
Changes in demographic assumptions	(325)	-
Past Service cost	-	-
Curtailments and settlements	-	-
<b>Defined benefit obligations at end of period</b>	<b>42,031</b>	<b>40,775</b>

**Reconciliation of Assets**

	25,636	22,067
<b>Fair value of plan assets at start of period</b>		
Interest on plan assets	626	812
Return on plan assets	2,078	1,757
Employer contributions	1,334	1,321
Contributions by Scheme participants	336	344
Estimated benefits paid	(772)	(665)
<b>Fair value of plan assets at end of period</b>	<b>29,238</b>	<b>25,636</b>

## Barking & Dagenham College

### Notes to the Accounts (continued)

#### 24 Related party transactions

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

#### Broadway Theatre

During the year ending 31 July 2017 the College paid £100,000 (2016: £100,000) towards the cost of meeting common services with other users. These are not repayable to the College and have been charged as a cost in the College's accounts.

#### Barking Learning Centre

During the year ending 31 July 2016 the College paid £138,587 (2015: £160,000) to Barking Learning Centre as a contribution to operating costs. These are not repayable to the College and have been charged as a cost in the College's accounts.







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