Annual Report

of the Members of the Corporation and

Financial Statements

for the year ended

31 July 2018

Key management personnel

Key management personnel are defined as members of the Senior Leadership Team and were represented by the following in 2017-18:

Phil Cook Principal and CEO; Accounting officer
Mick Hickey; Deputy Principal
Phil Hastie; Vice Principal Corporate Planning and Performance
Jason Faulkner; Assistant Principal
Michelle Elliott; Director of Business Development (to 4 May 2018)
Mark Flannery; Director of Students
Paul Hiser; Director of Human Resources
Fiona Sharp; Director of Finance
Gary Potts; Director of Business Engagement (from 1 July 2018)

Board of Governors

A full list of Governors is given on pages 23 and 24 of these financial statements.

Ms Sarah Thompson acted as Clerk to the Corporation throughout the period.

Professional Advisers

Financial Statements auditors and reporting accountants:

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

Internal Auditors

ICCA Education Training & Skills
McLaren House – 11th Floor
46 The Prior Queensway
Dale End
Birmingham
B4 7LR

Bankers

Barclays Bank
49 High Street
Stockton-on-Tees
TS18 1AH

Solicitors

Qdos Legal Services Ltd
Windsor House
Troon Way Business Centre
Humberstone Lane
Leicestershire
LE4 9HA

Thompsons Solicitors
Grove House
55 Lowlands Road
Harrow
Middlesex
HA1 3AP

Jacksons Law Firm
Innovation House
Yarm Road
Stockton-on-Tees
TS18 3TN

TMJ Legal Services
14 Yoden Way
Peterlee
Co. Durham
SR8 1BP

Watson Burton LLP
1 St James Gate
Newcastle upon Tyne
NE99 1YQ

Endeavour Partnership
Tobias House
St Mark's Court
Teesdale Business Park
Teesside
TS17 6QW

Association of Teachers and Lecturers
7 Northumberland Street
London
WC2N 5RD

Merritt & Company Solicitors
83 High Street
Yarm
TS15 9BG

Askews Solicitors
4-6 West terrace
Redcar
TS10 3BX

Tilly Bailey & Irvine LLP
12 Evolution
Wynyard Park
Wynyard
TS22 5TB

Annual Report and Financial Statements of the Corporation

For the period 1 August 2017 to 31 July 2018

Contents

Objectives and Strategy
The governing body present their annual report and the audited financial statements and the auditor's report for Stockton Riverside College for the year ended 31 July 2018.

Legal status
The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting Stockton & Billingham College. On 1 January 2003, with the approval of the secretary of state, the Corporation changed its name to Stockton Riverside College. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

On 1 May 2008 Stockton Riverside College formed a merger with Bede Sixth Form College under which the Corporation of Bede College was dissolved and its property, assets and liabilities were transferred to the continuing Stockton Riverside College Further Education Corporation.

On 3 August 2015, Stockton Riverside College became the sole member of the charity NETA Training Trust, an independent training provider.

Mission
The Corporation reviewed the College's mission during 2017-18 and retained its mission statement as follows:

"We will deliver great learning opportunities, inspirational educational experiences and real practical skills training for the young people, adults, businesses and the diverse communities that we serve".

Public Benefit
Stockton Riverside College is an exempt charity under the Part 3 of the Charities Act 2011 and following the Machinery of Government changes in July 2016 is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on page 23 and 24.

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
- Links with Local Enterprise Partnerships (LEPs) and Tees Valley Combined Authority (TVCA)

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

Implementation of Strategic Plan

Stockton Riverside College's annual strategic planning process commences each year in February with a Governors' Strategic Seminar. The strategic seminar provides governors with the opportunity to:

- consider current performance;
- consider the current and future socio-economic and political environment;
- formulate the following year's strategic priorities.

The outcomes from strategic seminars are significant and ultimately lead to the College producing a list of Strategic Aims and Objectives.

College Development Plan

For 2017-18, the College refreshed its College Development Plan following the strategic seminar, as described above.

The College Development Plan was originally approved by the Board at its Corporation meeting on 23rd October 2013. The Development Plan articulates the Strategic Aims and Objectives agreed by the Board and is reviewed annually. It provides a challenging framework. Key Performance Indicators and Action Plans are clearly aligned with the College's Strategic Aims and Objectives. All of the Action Plans are grouped under the College's Improvement Plan (CIP).

The College's Improvement Plan (CIP) is an umbrella term. Under the 'umbrella' is a series of Action Plans. Each Action Plan is owned by one senior manager. Action Plans are SMART, they are deliberately short and succinct and are concerned with only those things that the College deems critical. The CIP is reviewed regularly by the Board and the College uses a RAG system to highlight variation in performance. The Head of Quality, reporting to the Deputy Principal, is responsible for ensuring all Action Plans are kept up to date.

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

Strategic Aims and Objectives 2017-18

Governors agreed the following Strategic Aims and Objectives for 2017-18:

1. **Improve College quality, efficiency and effectiveness:**
   a. **Maintain, at minimum, overall College Self-Assessment grade of 'good':**
      i. Further improve teaching, learning and assessment, using the identification, sharing and application of best practice
      ii. Maintain consistently high overall achievement, significantly above national rates and further improve the attainment of high grades for Advanced level and vocational provision
      iii. Further improve Value Added for A level and Vocational provision
      iv. Reverse dip in 2016/2017 16-18 retention and attendance
      v. Improve the proportion of students that progress into higher levels of study
      vi. Improve the proportion of students leaving College that achieve positive destinations
   b. **Achieve financial sustainability through the delivery of the College's Financial Plan:**
      i. Achieve budgeted cost/income ratio
      ii. Achieve budgeted staffing cost/income ratio (excluding sub-contracting)
   c. **Deliver a business infrastructure that enables the achievement of the College's Aims and Objectives and delivers rigorous, accessible and timely monitoring systems:**
      i. Deliver a robust IT infrastructure to support College effectiveness and efficiency
      ii. Embed a range of analytics capable of monitoring progress against key objectives
      iii. Use technologies to improve effectiveness and efficiency

2. **Improve focus:**
   a. **Ensure all students on study programmes receive high quality learning, educational experiences and skills training covering all aspects of their mandatory entitlement:**
      i. Achieve 16-18 student recruitment targets
      ii. Ensure all students receive skills development and work experience appropriate to their intended destination
      iii. Further embed the delivery of English and mathematics across the curriculum; deliver GCSE maths high grade achievement above national rates and further improve attendance
   b. **Grow employer engagement:**
      i. Increase apprenticeships
      ii. Increase commercial income (training services)
   c. **Grow higher level provision (e.g. Level 4 and above):**
      i. Continue to grow a high quality Higher Education offer

3. **Improve engagement and reputation:**
   a. **Maintain a transformational approach to partnerships:**
      i. Develop a sustainable relationship strategy with local businesses, the public sector and third sector organisations
   b. **Ensure the College is external facing – demand-led:**
      i. Ensure all Departments have appropriate external facing resources in place

4. **Develop highly skilled, flexible staff:**
    a. **Ensure the College is a 'good place to work', enabling staff to have fulfilling working lives and achieve their full potential:**
        i. Ensure staff survey results are at minimum maintained
    b. **Deliver a staff development programme that delivers significant added value closely aligned to the College's Strategic Aims and objectives:**
        i. Derive and then achieve specific measures to clearly evidence the above

Over 2017-18, Stockton Riverside College made significant progress in achieving its Strategic Aims and Objectives:

- During 2017-18 we have continued to work on developing specialisms and niche markets and on further embedding employer responsiveness. The structure of the curriculum has been reviewed, with a particular focus on achieving a high degree of fit between the curriculum offer of Stockton Riverside College and Redcar and Cleveland College. Through taking a cross-College Group approach, the College Group is seeking to achieve further growth in key curriculum areas, such as apprenticeships and higher education.
- Continued, strong teaching, learning and assessment, as evidenced through the outcomes of session observations and learner feedback
- Further, significantly improved 16-18 achievement, with adult achievement maintained at very high levels; achievement on Advanced Apprenticeships maintained at high levels, with a lower level of achievement on intermediate level Apprenticeships which is, however, still above national rates.

Intervention to improve English and mathematics provision continues to be successful in raising achievement. High grades outcomes across all age groups for both GCSE English and mathematics have improved compared to 2016-17 and both are now above the national rate. Similarly, study programme achievement for on Basic Skills provision has improved significantly compared to 2016-17 and is well above national rates.

Financial Objectives
The financial strategy underpins all the strategic priorities and is specifically addressed by the aim to promote financial sustainability and efficient use of resources. The following medium term financial priorities were identified as key:

(a) To achieve an annual operating surplus, prior to FRS 102 pension adjustments

(b) To generate sufficient cash to service the College debt and meet the lending covenants set by our bankers

(c) To fund the College's capital programme

During 2017-18, all of these objectives were met.

Performance Indicators

Performance in 2017-18 against the targets relating to the Corporation's priorities is shown below:

Measure	Target	Actual Performance
Quality		
Overall self-assessment grade	Good	Good
All Achievement rates a. 16-18 b. Adult	 85% 93.3%	 85.1% 92.8%
Apprenticeship (Level 2) Achievement rates a. Overall b. Timely	 84.0% 80.0%	 72.9% 70.4%
Apprenticeship (Level 3) Achievement rates a. Overall b. Timely	 82.0% 75.0%	 80% 73.9%
a. 16-18 English GCSE (A*-C) b. 19+ English GCSE (A*-C) c. 16-18 Mathematics GCSE (A*-C) d. 19+ Mathematics GCSE (A*-C)	30.0% 55.0% 25.0% 55.0%	34.6% 59.5% 22.3% 59.5%
a. 16-18 attendance b. 19+ attendance	91.0% 89.0%	87.8% 88.8%
Teaching and Learning good or better observation profile	89.0%	84.6%
Learner Satisfaction with Teaching, Learning and Assessment	93.0%	93.0%
Human Resources		
Pay cost/Income ratio (exc exceptional costs and subcontracting)	67.70%	68.48%
Financial		
Ratio of surplus to income	1.85%	0.03%
EBITDA as % of income	6.5%	4.3%
ESFA Financial Health	Good	Good (tbc)

The College was inspected by Ofsted in November 2017 and the quality of provision was confirmed as Good.

Financial Position

Financial results

The Group generated a deficit before other gains and losses in the year of £677,000 (2017 – deficit of £469,000), with total comprehensive income of £994,000, (2017 – £4,327,000).

The reported deficit in the year includes a negative FRS 102 s.28 pension adjustment on the revenue account of £687,000 (2017 - £845,000). Before that adjustment, the Group generated an operating surplus of £10,000 against the budgeted surplus of £412,000.

The Group has accumulated reserves of £4,122,000, a pension liability of (£4,112,000) and cash balances of £2,812,000. The College wishes to continue to accumulate reserves and cash balances in order to create a contingency fund.

Fixed asset additions during the year amounted to £554,000 for a HR/Payroll system and general equipment.

The Group has significant reliance on the education sector funding bodies for its principal funding source. In 2017-18 the FE funding bodies provided 71.6% (2017 – 74.6%) of the Group's total income.

The Corporation has five subsidiary companies. Tees Valley Catering Ltd was incorporated in June 2015 and commenced trading from August 2015 to provide catering services primarily to students and hospitality to external clients. On 3 August 2015, the College acquired NETA Training Trust, an independent training provider with three subsidiary companies. NETA Enterprises Ltd operated as a commercial arm of the Trust and in March 2016 ceased trading and all activity was transferred to the Trust. NETA Training Consultancy Ltd was dissolved on 22 August 2017 and EMTA Cleveland Training Centre Ltd entered into a Members Voluntary liquidation and was liquidated in July 2017. Stockton & Billingham College Developments Ltd operates to facilitate the procurement of new college facilities (most recently a new sixth form building and college sports centre at Billingham). Tees Valley Training Ltd is currently dormant but is retained as a potential vehicle for commercial activity. Vocational Training and Assessment Ltd was dissolved on 5 September 2017 and Bede College Ltd was dissolved on 29 August 2017.

Treasury policies and objectives

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

The College has a separate treasury management policy in place.

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 and liquidity
There was a net cash inflow from operating activities in the year of £1,356,000 (2017: £2,138,000). This was sufficient to cover capital investment and the servicing of borrowing. There was an overall net decrease in cash for the year of £517,000 (2017 – net increase of £473,000).

During the year the College made planned repayments on the existing long term fixed loan and made interest only payments on the revolving credit facility. The revolving credit facility is due to be repaid on 1 August 2018.

The amount of the College's total borrowing and its interest rate risk management strategy are managed through the budget process to ensure that the total cost of servicing ongoing debt can be met within the operating cash flow.

Reserves
The College has no formal Reserves Policy, but recognises the importance of reserves in the financial stability of an organisation, whilst ensuring that adequate resources are provided for the College's core activities. The College Group currently holds no restricted reserves. As at the balance sheet date, the Income and Expenditure account reserve stands at £3,813,000 (2017: £2,819,000). The College Group holds a Revaluation reserve of £309,500 that relates solely to inherited land at the Billingham site. The Defined benefit pension provision stands at a negative £4,112,000 (2017: negative £5,096,000). 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

Financial Health
The College is assessed by the Skills Funding Agency as having a "Good" financial health grading. The current rating of Good is considered an acceptable outcome.

Student numbers
In 2017-18 the College has delivered activity that has produced £12.2m in funding body main allocation funding (2016-17 - £12.8m). The College had approximately 5,920 funded learners and 4,440 non-funded learners.

Student achievements
Achievement rates continue to be very good for 16-18 year olds, showing a 1.6% point rise on 2016-17, continuing a 5 year improvement trend since 2013-14. 16-18 year old learner's achievement has risen from -1.4% points below the national rate to 3.6% points above the national rate during this period. Achievement rates for adults are probably 'Outstanding', with an achievement rate in 2017-18 of 92.8%. Adult achievement rates rose continuously between 2013-14 and 2016-17 and, although the 2017-18 rate is identical to that for 2016-17, it still stands well above the latest national rate, by 4.9%.

Curriculum developments
The College has continued to deliver a demand led curriculum. Developments in distance learning to support the Health and Social Care sector had significant growth in 2017-18. The curriculum structure is continually reviewed to ensure it is fit for purpose, in 2017-18 Travel, Aviation and

computing were aligned to the department of Construction and Business to make the department of Construction and Professional Services. The structures have enabled the College to align provision more closely with the expressed priorities of the Combined Authority and employers.

Recent curriculum developments include new provision / developments in:

- Distance Learning: Understanding Safe Handling of Medicines; Dementia Care; Mental Health Awareness, Safeguarding, Prevent.
- Prince's Trust 'Achieve' full time study Programme
- Increase in 14-16 year olds and Electively Home educated children
- The offer of Technical qualifications to 14-16 year olds in schools
- Internships for High Needs Learners

The College continues to support learners who have ambitions to set up their own enterprises and is well embedded within the curriculum.

The College has strong provision designed to ensure students are able to move securely into the labour market and progress to further training and or employment.

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During the accounting period 1 August 2017 to 31 July 2018, the College paid over 95 per cent of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

Events after the end of the reporting period

Following the end of the Area review process in 2017, the College has continued with the rigorous, sincere and community based approach commended by the Combined Authority, Local Authority, the Deputy FE Commissioner and the Joint Area Review Delivery Unit (JARDU). The Further Education Corporation of Redcar & Cleveland College (R&CC) chose the College to become its preferred merger partner in July 2017, and a type B merger was concluded on 1 August 2018, with the dissolution of R&CC and the transfer of assets, liabilities and contracts to the Further Education Corporation of Stockton Riverside College. On 1 August 2018, the College repaid its credit facility of £1.7m to its lenders.

The merger has been supported through the Transactions Unit, Barclays and the Tees Valley Combined Authority, and the resultant intense scrutiny of the College business plan, the reduction in College debt and the investment in key areas of the business, provide the College with a high level of confidence for the future.

Future prospects

As outlined above, the College merged with Redcar and Cleveland College supported by a robust business case and financial forecasts. Through the externally assessed business plan and forecasts, including a comprehensive risk and sensitivity analysis, the College believes it is in a good position to continue in operation and meet its liabilities taking account of its current position and principal risks over the period of the plan to 2021-22.

The College has robust governance, and has benefitted from extensive financial expertise. Our strategic planning processes are outstanding and supported by exemplary Business Planning (BP) and Performance Review (PR) systems. The BP/PR system enables precise and pre-emptive financial management and for the last four years we have delivered surpluses. The College has successfully diversified its income streams, countering the reductions of Education and Skills Funding Agency (ESFA) funding per learner by continuing to develop Apprenticeships, Higher Education programmes and commercial income. We have driven budget accountability down the organisation, enabling those closest to the front line to make decisions that impact directly on the student experience. This has been a key factor in our success.

The College's ESFA main funding allocations for 2018-19 have been confirmed at £10.4m for young learners and £4.6m for adult learners.

The College's rigorous performance management systems will further drive efficiency and target growth areas. The College plans to grow, taking advantage of relevant opportunities aligned to LEP priorities and funding availability, not least through Advanced Learning Loans and Apprenticeships.

RESOURCES:
The Group has various resources that it can deploy in pursuit of its strategic objectives.

Tangible resources include the Harvard Avenue (Teesdale) site in Stockton and the Marsh House Avenue site in Billingham which also houses the College sports centre. NETA Training Trust operates from industrial premises in Stockton supporting training, development and assessment.

Financial
The College has £4.758 million of net assets (including £4.112 million pension liability) and long term bank debt of £3.467 million.

People
The Group employs 431 people (370 expressed as full time equivalents), of whom 131 (126 FTE) are teaching staff.

Reputation
The College continues to build on its already strong reputation as a high performing provider of training and skills. Through its approach to transformational partnership working, the college has strong relationships with Stockton on Tees Council, the Tees Valley Combined Authority, Teesside University and the Education and Skills Funding Agency and a large number of longstanding business relationships across the Tees Valley and England.

The College (Group) works closely with local schools to remove barriers to learning and to increase opportunities for the residents of Stockton on Tees and the wider communities. Stockton Riverside College continues to work with a high performing local school in developing its English and maths provision; in return the College has supported the school in developing vocational options for some of its year 10 and 11 students.

NETA Training Trust continues to grow its commercial training activities with an expanding, national portfolio of clients, training over 5,000 professionals per year. NETA has also grown its 16-18 learner recruitment by over 100% for September 2018 intake based on its strong reputation in industry, local and national business communities and amongst local schools. NETA is rapidly gaining a national reputation for training excellence and is now an active member of a range of business networking and membership groups including the North East Chamber of Commerce. NETA has also achieved national recognition for its position as a finalist in the World Welding Awards and for its recent accreditation of the Occupational Health and Safety (OHSAS) 18001:2007 standard and recertification of the ISO 9001:2005 standard.

Inclusive College

The College Group prides itself on its inclusivity:

- **NEETs:** To reduce the numbers of those young people not in Education, Employment or Training (NEETs) Stockton Riverside College entered into partnership with the Local Authority and Egglescliffe School to create the Skills Academy in Billingham, which was launched in 2015. The Academy is a bespoke resource for students not yet ready for mainstream college and offers a broad curriculum, primarily at Level 1.
- **Prince's Trust:** Our regional Prince's Trust provision regularly achieves national acclaim and recruited 226 study programme learners in 2017/18. It has recently been self-assessed as Outstanding. The College works closely via sub-contracting with Delta North Consett (formally Consett YMCA) and Tyne and Wear Fire and Rescue; Prince's Trust provision targets those most hard to reach, aged 16-25
- **Working with the unemployed:** The College's work with the unemployed in respect of reskilling and upskilling is something we are particularly proud of. In 2017-18, across all programmes, 380 learners engaged in a range of employability courses with Stockton Riverside College. A strong multi- agency approach has been adopted; benefiting from close working relationships with local employers, Jobcentre Plus (JCP), Youth Directions and ESF prime providers, the College Group is successfully positioned as a hub for flexibly engaging with 19+ unemployed, support agencies and other providers, allowing a responsive approach to meet local community demands. A key aim is to ensure engagement and progression into individualised and meaningful education and training, leading to sustainable employment and to challenge the employment and training perceptions (and the aspirations) of the unemployed, so that they can make realistic judgments about the appropriateness of options/opportunities into learning and employment.
- **Services for vulnerable young people and working with local schools:** The College Group provides a comprehensive range of educational services for students with high needs, based on its excellent reputation. Provision has been successfully refocused from a 'social care' type service to a service firmly focused on enabling progression and independent living, often via meaningful work experience. Work in 2017 was successful in laying the foundations for an extension of this provision to Redcar and Cleveland College.

Principal Risks and Uncertainties

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

Based on the Development Plan, the Risk Management Group undertakes a comprehensive review of the risks to which the Group is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the Group. 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 College Risk Management Group will also consider any risks which may arise as a result of a new area of work being undertaken by the Group.

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

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

1 Government Funding

The College has reduced reliance on continued government funding (through the further education funding bodies and through franchised HEFCE funding) and has diversified income streams.

In 2017-18, 71.6% of the College's revenue was ultimately public funded falling from 80% in 2013-14. Between 2013-14 and 2017-18 income for the College grew by circa. £3.9m (23%). The College has successfully diversified income sources. Over the same period, the College has grown 16-18 apprenticeship income, adult apprenticeships and commercial income.

The College Group is still heavily reliant on public funding and 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 Group is aware of several issues which may impact on future funding:

- Limited opportunity of growth in adult education, although funding declines have – temporarily - stabilised
- An increasing role for the Combined Authority in determining skills funding
- Destabilisation of Apprenticeship provision as a result of Apprenticeship funding changes and the introduction of the Apprenticeship Levy
- Planned changes to technical education resulting from the Sainsbury Review and the Post 16 Skills Plan
- Uncertainty surrounding the potential impact of Brexit

The College through positive and proactive relationships 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.

The risk is mitigated in a number of ways:

- Funding is derived through a number of direct and indirect contractual arrangements
- Further development of loan funded provision
- 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
- Proactive partnerships with key stakeholders, including lenders, the local authority and the Combined Authority

2 Tuition fee policy

The College charges all learners, or their nominated sponsors, fees unless they qualify for exemptions or fee remission. Fees for courses are published on the College website (www.stockton.ac.uk) and / or in College printed course guides and publications. Fees comply with the Education and Skills Funding Agency (ESFA) and other relevant funding body regulations and guidance and are, in general, set annually in line with market conditions for a particular course.

The risks associated through changing fee assumptions will be managed through rigorous performance management and business planning and:

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

3 Maintain adequate funding of pension liabilities

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

4 Failure to maintain the financial viability of the College
The College's current financial health grade is classified as Good as described above. 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 via performance review
- Robust financial controls
- Exploring ongoing procurement efficiencies

STAKEHOLDER RELATIONSHIPS
In line with other colleges and with universities, Stockton Riverside College has many stakeholders. These include:

- Students
- Education sector funding bodies
- FE Commissioner
- Staff
- Local employers (with specific links)
- Local Authorities
- The Tees Valley Combined Authority
- Local Enterprise Partnerships (LEPs)
- The local community
- Other FE institutions
- Trade unions
- Professional bodies
- Barclays Bank
- MPs
- The Prince's Trust

The College recognises the importance of these relationships and engages in regular communication with them through conferences, stake-holder events and by meetings.

Trade union facility time

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

Numbers of employees who were relevant in period	FTE employee number
2	0.2 fte

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

Total cost of facility time	£8,743
Total pay bill	£13,435,000
Percentage of total bill spent on facility time	0.065%

Time spent on paid trade union activities as a percentage of total paid facility time	Not applicable

EQUALITY AND DIVERSITY; SAFEGUARDING AND PREVENT

Equality, Diversity and Inclusion Statement

At the Stockton Riverside College Group, we aim to become an exceptional educational institution that focuses on ensuring all our students enjoy their time at college, achieve their qualifications and develop valuable transferable skills that enable them to seize opportunities in the future. Our ethos is inclusive and we aim to maximise the potential of every one of our learners. We will promote shared values that include equality and diversity, valuing and involving our community, showing care and respect for others and demonstrating honesty and fairness in everything we do.

The application of this policy is monitored through the Equality and Diversity Strategy Group which includes representation from the local community and the College's Governing Body. The College Group produces Equality and Diversity Annual Reports; together with the College Group's Single Equality Scheme, which are published on the College Group's website.

Our Equality Objectives

In 2018-19 the College Group will continue to focus on the following objectives:

- To narrow any gaps in performance by different groups of students
- To continue to narrow any gaps in the College staffing profile, to be more reflective of the Community
- To ensure that inclusivity, respect and tolerance are at the heart of everything we do
- To use innovative methods such as social media and new technologies to raise awareness and promote discussion about equality and diversity issues and, through encouragement of participation in events such as the Respect Festival and "Figure it Out" Festival, raise awareness of issues which, directly or indirectly, impact on equality
- To promote Fundamental British Values (FBV)

The College Group will also focus on safeguarding the mental health of its learners and staff.

The College Group will ensure that inclusion remains central to its ethos. The College Group will deliver a broad and balanced curriculum that helps to protect students against extremism and promotes community cohesion. Staff continue to be provided with support to challenge effectively discriminatory behaviour or behaviour which is contrary to Fundamental British Values.

Equality Act 2010

The act came into operation on 1 October 2010, with further public sector duties coming into force in April 2011. The College Single Equality Scheme and Action Plan have been amended regularly to reflect the current changes that affect the College staff, learners and others in the College community.

The Equality Act and its public sector duties cover all nine protected characteristics:

- Age
- Being or becoming a transsexual person
- Marriage and Civil Partnership
- Pregnancy and Maternity
- Disability
- Race, including colour, nationality, ethnic or national origin

- Religion, belief and lack of religion/belief
- Sex
- Sexual Orientation

The public sector equality duty requires public bodies to:

- Eliminate discrimination, harassment and victimisation
- Advance equality of opportunity
- Foster good relations

The delivery and promotion of equal opportunities underpins the College Group's Development Plan.

Disability Statement

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

1. The College Group will ensure safe access to all buildings i.e. automatic and disabled doors at all main entrances and provide specialist equipment for staff and students, including but not limited to: evacuation chairs, hearing loops, desks and chairs.
2. The College Group continuously makes significant investment in the appointment of specialist lecturers to support students with learning difficulties and/or disabilities. There is a team of Learning Support Assistants who can provide a variety of support for learning. There is a continuing programme of continuous professional development to ensure the provision of a high level of appropriate support for learners who have learning difficulties and/or disabilities.
3. Safe movement around the College Group is ensured through rigorous monitoring to make sure that lifts are in good working order and available, as well as through the provision of drop kerbs, manifestations on automatic doors, clear glass windows and clearly marked disabled parking spaces.
4. Personal Emergency Evacuation plans are created for anyone who may have difficulty in the event of an evacuation, whether this may be permanent or temporary.
5. The College Group undertakes regular audits to ensure students have access to the support and equipment identified in their Educational Health Care Plans (EHCP) and that funding guidelines are met. The College Group has specialist staff to oversee the EHCP process within the College Group and ensure adherence to legal guidelines.
6. The Learning Support team provides information, advice and arranges support, where necessary, for students with disabilities. There is specialist equipment and software available through the specialist learning support team.
7. Admissions panels are held with appropriately qualified staff to ensure the support needs of individual students are taken into account when making a decision. Appeals against a decision not to offer a place are dealt with under the complaints policy.
8. All students with learning difficulties and/or disabilities are offered the same opportunities as other students to take part in all aspects of the study programme, including enrichment, work experience and enterprise. Counselling and welfare services are described in the College Group Student Guide, which is issued to students together with the Complaints and Disciplinary Procedure leaflets at induction.

Safeguarding and the Prevent Strategy

The College Group meets its statutory responsibilities for safeguarding. From 18 September 2015, the College has had a statutory "Prevent duty." The Prevent duty aims to ensure that key public sector bodies carry out activities aimed at preventing radicalisation and extremism and promoting Fundamental British Values. The College Group, through the Safeguarding Management Group, working with the Equality and Diversity Strategy Group, has successfully promoted a College Group-wide awareness of Prevent and has embedded the Prevent Duty in the College Group's Safeguarding and other relevant procedures. Information technology continues to be effectively utilised to support Safeguarding and Prevent. This work is being supported by Cleveland Police. The Prevent Strategy is being firmly embedded in the College Group's Safeguarding improvement, monitoring and reporting processes and has recently been subject to a wide-ranging risk assessment, in response to the merger with RCC.

Disclosure of information to auditor

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

Approved by order of the members of the Corporation on 13 December 2018 and signed on its behalf by:

Mark White
Chair of the Corporation

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. The statement covers the period from 1 August 2017 to 31 July 2018 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

i. In accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership); and
ii. In accordance with the guidance to colleges from the Association of Colleges in the Code of Good Governance for English Colleges published in March 2015 and formally adopted by the Corporation in October 2015.
iii. Having due regard to the UK Corporate Governance Code 2016 in so far as it is applicable to the further education sector.

In the opinion of the governors, the College complies with the provisions of the Code of Good Governance for English Colleges and it has complied throughout the year ended 31 July 2018. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. The Corporation's practices are not fully consistent with the Code in the following areas:

- The Corporation has not published a separate schedule of delegation, considering this requirement to be sufficiently met through the Articles of Government, which stipulate the responsibilities that cannot be delegated
- The Corporation does not formally discuss with stakeholder and community representatives the coverage and timing of its reporting but this is managed through informal engagement.
- The Corporation has decided that it is inappropriate to comply with the code in respect of the provision that directors appointed to subsidiary entities should not be staff members or corporation members. The directors appointed to NETA Training Trust include the Principal and a current governor; the directors appointed to Tees Valley Catering include the Principal and two senior staff members
- A role description for the Corporation Chair is currently under development
- In undertaking a review of its own performance, the board does not currently benchmark its performance and processes against other comparable colleges and relevant institutions outside the FE sector.
- The board's self-assessment process does not currently take into account the views of the executive, relevant bodies, staff, parents, trustees, employers and student communities, although governors do consider relevant stakeholder feedback in relation to the college. An external facilitator has not supported the board review for a number of years.

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 as in tables below.

Table 1: Members who served during the year

Name	Date of appointment (R) reappointed	Term of Office	Date of resignation / end of office	Status of Appointment	Committees Served	Corporation meeting attendance
Chaudhary, Miss S	7.11.17	1 year	31.7.18	Student Member		3/8
Chaudhary, Mr S	20.10.16	4 years		Member	Audit	5/5
Clark, Mr J	3.11.17	1 year	27.4.18	Student Member		3/5
Cook, Mr P	4.2.13	Ex officio		Principal	Finance & Employment, Standards Improvement, Search and Governance, Merger Implementation Group	8/8
Craig, Mr D	1.5.16 (R) 1.5.18 (R)	2 years 10 days	11.5.18	Member	Finance & Employment (Chair to May 2018), Remuneration	7/7
Dart, Mr N	7.7.16 (R)	2 years	1.11.17	Staff	Audit	1/1
Duffey, Mr M	23.11.17	2 years		Staff	Finance & Employment	6/6
Hodgson, Ms R	28.3.16 (R)	4 years		Member	Standards Improvement	5/8
Johnson, Mr D	1.8.14 (R)	4 years	31.7.18	Member	Search and Governance (Chair), Finance and Employment, Standards Improvement	6/8
Mason, Ms M	2.5.14	4 years	27.9.17	Member	Finance and Employment, Remuneration	0/0
McCallion, Mr R	21.10.15	4 years		Member	Audit (to May 2018), Finance and Employment (from June 2018, Chair from June 2018), Remuneration, Merger	7/8

Name	Date of appointment (R) reappointed	Term of Office	Date of resignation / end of office	Status of Appointment	Committees Served	Corporation meeting attendance
					Implementation Group	
Poundford, Mr R (R)	5.9.13	4 years		Member	Audit Committee (Chair), Remuneration (Chair) Merger Implementation Group	7/8
Stephenson, Ms M	3.7.16 (R)	2 years	31.7.18	Staff	Audit, Search and Governance	8/8
White, Mr M Chair	17.10.13 (R)	4 years		Member	Finance & Employment, Remuneration, Search and Governance, Standards Improvement (Chair), Merger Implementation Group (Chair)	7/8
Wilburn, Cllr N	28.3.17 (R)	3 years		Member	Audit, Merger Implementation Group	8/8

The clerk to the corporation is Sarah Thompson.

Table 2: Subsequent changes

Beel, Ms S	Appointed for four years from 1.8.18
Lowther, Mr J	Appointed for one year from 1.8.18
Mitchell, Mr R	Appointed for four years from 1.8.18
Smith, Mrs D	Appointed for four years from 1.8.18
Tregear, Ms A	Appointed for one year from 1.8.18

Table 3: Co-opted members of committees (not members of the Corporation)

Merrett, Mrs D	Standards Improvement Group (appointed 20.10.16)
Brown, Ms L	Standards Improvement Group (appointed 1.9.17, resigned 13.12.17)

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 & safety. The Corporation met eight times in 2017-18, with six scheduled meetings and two special meetings.

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Finance & Employment, Remuneration, Search & Governance, Audit and Standards Improvement. In 2017-18, the Corporation also operated a Merger Implementation Group. Terms of reference were agreed by the Corporation. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available from the clerk to the Corporation at:
Stockton Riverside College, Harvard Avenue, Thornaby, Stockton on Tees, TS17 6FB

The clerk to the Corporation maintains a register of financial and personal interests of the governors that 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. Governor workshops are scheduled to take place termly and additional briefings are also provided on an ad-hoc basis as required. Governors also hold an annual, residential strategic seminar.

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

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

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search and Governance Committee which, in 2017-18, was comprised of four members of the Corporation. The Search and Governance Committee is responsible for the selection and nomination of new members for the Corporation's consideration (other than those elected by the students and staff of the College). 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.

Corporation Performance

The Corporation's Standing Orders require governors to undertake an annual self-assessment process. A self-assessment questionnaire was circulated to and returned by all current governors who had served during the 2017-18 academic year. Governors recognised a wide range of College strengths, including: quality of Corporation and College leadership; clarity of vision; focus on teaching and learning; safeguarding; work placements; strong financial monitoring; and accountability and commitment. The key areas for improvement identified by governors included maths and English, AS/A-level results, student recruitment and engagement with businesses.

Governors viewed key College priorities as: improving retention in some areas; improving reputation and results at Bede and Redcar & Cleveland College; integration of Redcar & Cleveland College with SRC and supporting new senior staff; focus on NETA as a strong player in its sector; maintaining financial controls in an expanded College; engaging with employers to identify suitable opportunities for students; and achieving Ofsted Outstanding. Governors were able to identify a wide range of decisions made by governors which had impacted on College performance and learners' experience, including the merger with Redcar & Cleveland College, governors' involvement in interviews and prioritising the safeguarding agenda. Governors' responses are reflected in the whole College Self Assessment Report.

Remuneration Committee

Throughout the year ending 31 July 2018, the College's Remuneration committee comprised the Chair and three further independent members. The committee's responsibilities are to make recommendations to the board on the performance, remuneration and benefits of the Accounting Officer and other key management personnel.

Details of the remuneration for the year ended 31 July 2018 are set out in note 7 to the financial statements.

Audit Committee

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

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

The College's internal 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.

Finance and Employment Committee

The Finance and Employment committee meets five times per year to monitor financial performance and consider key staffing and accommodation issues. There were five committee members in 2017-18.

Task and Finish groups

The Merger Implementation Group met at approximately monthly intervals during 2017-18 to monitor progress in achieving merger and provide support and challenge in respect of processes. The group comprised four independent SRC governors and the Principal, in addition to the Redcar & Cleveland Acting Principal and four independent governors from the Redcar & Cleveland College Corporation Board.

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 he is personally responsible, in accordance with the responsibilities assigned to him in the financial memorandum between the College and the funding bodies. He 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 the College's 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 the College for the year ended 31 July 2018 and up to the date of approval of the annual report and accounts.

The capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed, together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2018 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

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

- Comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the governing body

- Regular reviews by the governing body of periodic and annual financial reports which indicate financial performance against forecasts
- Setting targets to measure financial and other performance
- Clearly defined capital investment control guidelines
- The adoption of formal project management disciplines where appropriate

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

Review of Effectiveness

As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. His 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 in their management letters and other reports

The Accounting Officer has been advised on the implications of the result of his 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 Principal and senior management team receive reports setting out key performance and risk indicators and consider possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Principal and 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 it 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 meeting on 11 October 2018, the Corporation carried out the annual assessment for the year ended 31 July 2018 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2018.

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

Going Concern

After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. The College has in place robust budget setting and financial monitoring processes and has developed a three year financial plan which has the support of the Transactions Unit and demonstrates that it will be financially sustainable over the period of the plan. For this reason it continues to adopt the going concern basis in preparing the financial statements.

Approved by order of the members of the Corporation on 13 December 2018 and signed on its behalf by:

Signed ______________________ Date 13/12/18

Mark White, Chair of the Corporation

Signed ______________________ Date 13/12/18

Phil Cook, Accounting Officer

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

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

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

Signed ______________________ Date 13.12.18

Mark White, Chair of the Corporation

Signed ______________________ Date 13.12.18

Phil Cook, Accounting Officer

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

The law applicable to charities in England and the terms and conditions of the Financial Memorandum between the Education and Skills Funding Agency and the Corporation of the College, requires the corporation of the college to prepare financial statements and the Report of the Governing Body for each financial year in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education Institutions the annual Accounts Direction issued by the Education and Skills Funding Agency, and in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and which give a true and fair view of the state of affairs of the College and of the College's surplus/deficit of income over expenditure for that period.

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

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

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

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

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

Approved by order of the members of the Corporation on 13 December 2018 and signed on its behalf by:

M White
Chair

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF STOCKTON RIVERSIDE COLLEGE

Opinion

We have audited the financial statements of Stockton Riverside College (the "College") and its subsidiaries (the "Group") for the year ended 31 July 2018 which comprise the Consolidated and College Statement of Comprehensive Income and Expenditure, Consolidated and College Statement of Changes in Reserves, Consolidated and College Balance Sheets, Consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the College's affairs as at 31 July 2018 and of the Group's and the College's deficit of income over expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Post-16 Audit Code of Practice 2017 to 2018 issued by the Education and Skills Funding Agency requires us to report to you if, in our opinion:

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

Responsibilities of the Corporation of Stockton Riverside College

As explained more fully in the Statement of Responsibilities of the Members of the Corporation set out on page 31, the Corporation is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

RSM UK Audit LLP

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

Date 17/12/18

	Notes	*Year ended 31 July 2018*		*Year ended 31 July 2017*	
		Group £000	*College £000*	*Group £000*	*College £000*
Income					
Funding body grants	2	14,644	14,644	15,546	15,546
Tuition fees and education contracts	3	4,077	2,747	3,865	2,725
Other grants and contracts	4	-	-	-	-
Other income	5	1,713	1,252	1,396	907
Investment income	6	7	7	13	12
Total income		**20,441**	**18,650**	**20,820**	**19,190**
Expenditure					
Staff costs	7	13,713	12,406	14,253	12,197
Restructuring costs	7	282	263	213	206
Other operating expenses	8	5,487	4,968	5,148	5,314
Depreciation	11/12	1,152	1,063	1,090	973
Interest and other finance costs	9	484	421	585	518
Total expenditure		**21,118**	**19,121**	**21,289**	**19,208**
Deficit before other gains and losses		**(677)**	**(471)**	**(469)**	**(18)**
Profit on disposal of assets	12	-	-	75	-
Deficit before tax		**(677)**	**(471)**	**(394)**	**(18)**
Taxation	10	-	-	-	-
Deficit for the year		**(677)**	**(471)**	**(394)**	**(18)**
Actuarial gain in respect of pensions schemes		1,671	1,671	4,721	4,721
Total Comprehensive Income for the year		**994**	**1,200**	**4,327**	**4,703**

Stockton Riverside College
Consolidated and College Statement of Changes in Reserves
For the year ended 31 July 2018

	Income and expenditure account	*Revaluation reserve*	*Total*
	£000	***£000***	***£000***
Group			
Balance at 1st August 2016	(1,508)	309	(1,199)
Deficit from the income and expenditure account	(394)	-	(394)
Other comprehensive income	4,721	-	4,721
	4,327	-	4,327
Balance at 31st July 2017	2,819	309	3,128
Deficit from the income and expenditure account	(677)	-	(677)
Other comprehensive income	1,671	-	1,671
Total comprehensive income for the year	994	-	994
Balance at 31 July 2018	3,813	309	4,122
College			
Balance at 1st August 2016	(1,454)	309	(1,145)
Deficit from the income and expenditure account	(18)		(18)
Other comprehensive income	4,721		4,721
	4,703		4,703
Balance at 31st July 2017	3,249	309	3,558
Deficit from the income and expenditure account	(471)	-	(471)
Other comprehensive income	1,671	-	1,671
Total comprehensive income for the year	1,200		1,200
Balance at 31 July 2018	4,449	309	4,758

Stockton Riverside College
Balance Sheets as at 31 July 2018

	Notes	*Group* *2018* *£000*	*College* *2018* *£000*	*Group* *2017* *£000*	*College* *2017* *£000*
Non-current assets					
Intangible fixed assets	11	303	303	243	243
Tangible fixed assets	12	39,942	39,195	40,600	39,794
Investments	13	-	-	-	-
		40,245	**39,498**	**40,843**	**40,037**
Current assets					
Stocks		28	2	30	2
Trade and other receivables	14	1,442	1,447	1,192	1,063
Cash and cash equivalents		2,812	2,783	3,329	3,279
		4,282	**4,232**	**4,551**	**4,344**
Less: Creditors - amounts falling due within one year	15	(4,973)	(4,581)	(3,220)	(2,888)
Net current assets		**(691)**	**(349)**	**1,331**	**1,456**
Total assets less current liabilities		**39,554**	**39,149**	**42,174**	**41,493**
Creditors - amounts falling due after more than one year	16	(30,819)	(29,778)	(33,444)	(32,333)
Provisions					
Defined benefit obligations	18	(4,112)	(4,112)	(5,096)	(5,096)
Provision	18	(501)	(501)	(506)	(506)
Total net assets		**4,122**	**4,758**	**3,128**	**3,558**
Unrestricted Reserves					
Income and Expenditure account		3,813	4,449	2,819	3,249
Revaluation reserve		309	309	309	309
Total unrestricted reserves		**4,122**	**4,758**	**3,128**	**3,558**

The financial statements on pages 35 to 61 were approved and authorised by the Corporation on 13 December 2018 and were signed on its behalf on that date by:

Mark White, Chair: ______________________

Phil Cook, Accounting Officer: ______________________

	Notes	2018 £000	2017 £000
Cash flow from operating activities			
Deficit for the year		(677)	(394)
Adjustment for non-cash items			
Depreciation and amortisation		1,152	1,090
Increase in stocks		3	53
(Increase)/decrease in debtors		(250)	178
Decrease in creditors due within one year		(30)	(106)
Decrease in creditors due after one year		-	-
Decrease in provisions		(6)	(25)
Pensions costs less contributions payable		687	845
Adjustment for investing or financing activities			
Investment income		(7)	(13)
Interest payable		484	585
Profit on sale of fixed assets		-	(75)
Net cash flow from operating activities		1,356	2,138
Cash flows from investing activities			
Proceeds from sale of fixed asset		-	357
Capital Grants Received		131	643
Capital Grants Released		(617)	(564)
Investment income		7	13
Payments made to acquire fixed assets		(554)	(1,505)
		(1,033)	(1,056)
Cash flows from financing activities			
Interest paid		(409)	(503)
Interest element of finance lease rental payments		(75)	(82)
Proceeds of new borrowings		-	345
Repayments of amounts borrowed		(248)	(244)
Capital element of finance lease rental payments		(107)	(122)
		(839)	(609)
(Decrease)/Increase in cash and cash equivalents in the year		**(517)**	**473**
Cash and cash equivalents at beginning of the year	19	3,329	2,856
Cash and cash equivalents at end of the year	19	2,812	3,329

1. Statement of accounting policies and estimation techniques

The following accounting policies have been applied consistently to all years presented in dealing with items which are considered material in relation to the financial statements, unless otherwise stated.

General Information

Stockton Riverside College is a Corporation established under the Further and Higher Education Act 1992 as an English General College of Further Education. The address of the College's principal place of business is given on page 25. The nature of the College's operations are set out in the Members' Report.

Basis of Preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2015* (the 2015 FE HE SORP), the *College Accounts Direction for 2017 to 2018* and in accordance with Financial Reporting Standard 102 – *"The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland"* (FRS 102). The College has applied the amendments to FRS 102 issued by the FRC in December 2017 prior to their mandatory effective date of accounting periods beginning on or after 1 January 2019, there were no changes to accounting policies as a result. The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the College's accounting policies. These policies have been applied consistently to all years presented unless otherwise stated.

Basis of Accounting

The financial statements are prepared in accordance with the historical cost convention as modified by the use of previous revaluations as deemed cost at transition for certain non-current assets. Monetary amounts in these financial statements are rounded to the nearest whole £1,000, except where otherwise stated.

Basis of Consolidation

The consolidated financial statements include the college and its subsidiaries Stockton and Billingham College Developments Limited, NETA Training Trust (and its subsidiary NETA Enterprise Ltd) and Tees Valley Catering 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. (Other subsidiaries are dormant and are immaterial to the college and therefore the results have no significant effect on the college). The results of subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra group sales and profits and balances are eliminated fully on consolidation. In accordance with FRS 102, the activities of the student union have not been consolidated because the college does not control those activities. All financial statements are made up to 31 July 2018.

Reduced disclosures

In accordance with the 2015 FE HE SORP and FRS 102, the College in its separate financial statements, which are presented alongside the consolidated financial statements, has taken advantage of the disclosure exemptions available to it in respect of presentation of a cash flow statement and financial instruments.

Going Concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Members' Report. The financial position of the College, its cash flow, liquidity and borrowings are described in the Financial Statements and accompanying Notes. The College at 31 July 2018 has £5.419 m of loans outstanding with bankers on terms re-negotiated in July 2018 which will result in the repayment of £1.7 m in August 2018.The terms of the existing agreement are for up to another 15 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 College merged with Redcar and Cleveland College as at 1 August 2018.

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 or over 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.

Funding body recurrent grant for Adult Education Budget ('AEB') is measured in line with best estimates for the year of what is receivable. Any under achievement of the AEB (outside of permitted tolerance levels) is adjusted for and reflected in the level of recurrent grant recognised in the statement of comprehensive income. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end

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 method as permitted by FRS 102. Other capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met.

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 received.

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

Other income
Income from the supply of services is recovered at fair value of the consideration received or receivable and represents the value of services to the extent there is a right to consideration.

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

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

Teachers' Pension Scheme (TPS)
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 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.

Teesside 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.

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 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.

Fixed Asset Investments
Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements. Investments in subsidiaries are assessed for impairment at each reporting date. Any impairment losses or reversals of impairment losses are recognised immediately in comprehensive income.

Non-current Assets - Tangible Fixed Assets
Land and buildings inherited from the local education authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable. Building improvements made since incorporation are included in the balance sheet at cost.

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

Land and Buildings
Freehold buildings are depreciated on a straight line basis over their expected useful lives as follows:

- New building – 60 years
- Refurbishments – 10 years

Freehold land is not depreciated as it is considered to have an infinite useful life.

Freehold buildings are depreciated over their expected useful economic life to the College of between 20 and 60 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 20 and 60 years.

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred income account within creditors, and are released to the income and expenditure account over the expected useful economic life of the related asset on a systematic basis consistent with the depreciation policy. The deferred income is allocated between creditors due within one year and those due after more than one year.

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.

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1996, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

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

Equipment
Equipment costing less than £500 per individual item is written off to the income and expenditure account in the period of acquisition. Individual items of equipment costing £500 or more, or groups of items where individually the cost is less than the threshold but as a collective purchase are greater than £500 are capitalised over their useful economic life. Equipment inherited from the local education authority is included in the balance sheet at valuation.

Inherited equipment has been depreciated on a straight-line basis over its remaining useful economic life to the College and is now fully depreciated.

- Fixtures and fittings	10 years
- Furniture and general equipment	7 years
- Vehicles and plant	5 years
- Computer and ILT equipment	3 years

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.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value 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 Statement of Comprehensive Income and Expenditure.

Intangible Fixed Assets
Major IT systems with a purchase cost in excess of £30,000 will be capitalised at cost over a period of 7 years. Software costing less than £3,000 is written off to the income and expenditure account in the period of acquisition. All other software will be capitalised at cost and depreciated over three years. Annual licence fees are written off to the income and expenditure account.

Intangible fixed assets are depreciated on a straight line basis over its useful economic life as follows:

- Major IT systems	7 years
- Software	3 years

On adoption of FRS 102, the College followed the transitional provision to retain the book value of Intangible Assets. Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset.

Leased Assets
Costs in respect of operating leases are charged on a straight-line basis over the lease term to the Statement of Comprehensive Income and Expenditure.
Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright and are capitalised at their fair value at the inception of the lease and depreciated over the shorter of the lease term or the useful economic lives of equivalently owned assets. The capital element outstanding is shown as obligations under finance leases. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

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

Financial Instruments
Financial assets and liabilities are recognised when the College becomes a party to the contractual provisions of the instrument.

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

All financial assets and liabilities are initially measured at transactional price (including transaction costs), except for those financial assets measured at fair value through the income or expenditure, which are initially measured at fair value (which is normally transaction price excluding transaction costs), unless arrangement constitutes a financial transaction. A financial asset or liability that is payable or receivable in one year is measured as the undiscounted amount expected to be received or paid net of impairment, unless it is a financing transaction. If an arrangement constitutes a financing transaction, the financial asset of financial liability is measured at the present value of the future payments discounted at a market rate of interest or similar debt instrument.

Financial assets and financial liabilities are offset only when there is a current legally enforceable right to set off the recognised amounts and the intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Taxation
The College is considered to pass the tests set out in paragraph 1 schedule 6 Finance Act 2010 and thereby meets the definition of a charitable company for UK Corporation tax purposes. Accordingly, the college is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478-488 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively 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. Non-pay expenditure is shown inclusive of VAT with any partial recovery netted off against these figures.

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

Liquid Resources
Liquid resources include sums on short term deposits with recognised banks and building societies.

Provisions and contingent liabilities

Provisions are recognised when

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

Judgements in applying accounting policies and key sources of estimation uncertainty

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

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the group's tangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 24, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2018. Any differences between the figures derived from the roll forward approach and a full actuarial valuation.

2 Funding Body Income

	Year ended 31 July 2018 Group £000	Year ended 31 July 2018 College £000	Year ended 31 July 2017 Group £000	Year ended 31 July 2017 College £000
Recurrent grants				
Education and Skills Funding Agency - adult	3,121	3,121	2,765	2,765
Education and Skills Funding Agency – 16-18	9,033	9,033	9,997	9,997
Education and Skills Funding Agency – apprenticeships	1,869	1,869	2,215	2,215
Specific grants				
Release of government capital grants	617	617	564	564
HE grant	4	4	5	5
Total	**14,644**	**14,644**	**15,546**	**15,546**

3 Tuition Fees and Education Contracts

	Year ended 31 July 2018 Group £000	Year ended 31 July 2018 College £000	Year ended 31 July 2017 Group £000	Year ended 31 July 2017 College £000
Adult education fees	1,796	466	1,695	595
Apprenticeship fees and contracts	38	38	4	4
Fees for FE loan supported courses	944	944	883	881
Fees for HE loan supported courses	1,061	1,061	1,051	1,051
International students fees	26	26	41	41
Total Tuition fees	3,865	2,535	3,674	2,572
Education contracts	212	212	191	153
Total	**4,077**	**2,747**	**3,865**	**2,725**

4 Other Grants and Contracts

	Year ended 31 July 2018 Group £000	Year ended 31 July 2018 College £000	Year ended 31 July 2017 Group £000	Year ended 31 July 2017 College £000
Other grants and contracts	-	-	-	-
Total	-	-	-	-

5 Other Income

	Year ended 31 July 2018 Group £000	Year ended 31 July 2018 College £000	Year ended 31 July 2017 Group £000	Year ended 31 July 2017 College £000
Catering	428	-	485	-
Other income generating activities	149	149	144	144
Miscellaneous income	1,136	1,103	767	763
	1,713	**1,252**	**1,396**	**907**

6 Investment Income

	Year ended 31 July 2018 Group £000	Year ended 31 July 2018 College £000	Year ended 31 July 2017 Group £000	Year ended 31 July 2017 College £000
Other interest receivable	7	7	13	13
	7	**7**	**13**	**12**

7 Staff Costs – Group and College

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

	Group 2018	College 2018	Group 2017	College 2017
Teaching staff	126	126	129	129
Non-teaching staff	244	210	268	213
	370	**336**	**397**	**342**

Staff costs for the above persons:	Group 2018 £000	College 2018 £000	Group 2017 £000	College 2017 £000
Wages and salaries	10,555	9,637	10,867	9,502
Social security costs	894	824	870	771
Other pension costs (including FRS102 s.28/EPP adjustments of £560,000 (2017 £628,000)	1,854	1,814	1,912	1,842
Payroll sub total	**13,303**	**12,275**	**13,649**	**12,115**
Contracted out staffing services	410	131	604	82
	13,713	**12,406**	**14,253**	**12,197**
Fundamental restructuring costs- Contractual	245	228	167	160
Non contractual	37	35	46	46
Total staff costs	**13,995**	**12,669**	**14,466**	**12,403**

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 Senior Leadership Team which comprises the Principal, Deputy Principal, two Vice Principals, Assistant Principal, Director of Business Development, Director of Finance, Director of Human Resources and Director of Students and the Chair of the Corporation. Staff costs include compensation paid to key management personnel for loss of office.

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

	2018	***2017***
The number of key management personnel including the Accounting Officer was:	8	9

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

	Key Management Personnel		***Other Staff***	
Range	***2018 No.***	***2017 No.***	***2018 No.***	***2017 No.***
£				
60,001 – 70,000	2	1	-	-
70,001 – 80,000	2	2	-	-
80,001 – 90,000	2	-	-	-
110,001 – 120,000	-	-	-	-
140,001 – 150,000	-	1	-	-
Over 150,000	1	-	-	-
	7	4	-	-

Key management personnel emoluments are made up as follows:

	2018 £000	***2017 £000***
Salaries	673	594
Benefits in kind	-	-
National Insurance	74	73
	747	**667**
Pension contribution	110	91
Total emoluments	**857**	**758**

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

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

	2018 £000	***2017 £000***
Salaries	156	150
Benefits in kind	-	-
	156	150
Pension contribution	25	25

Compensation for loss of office paid to former key management personnel

	2018 £000	2017 £000
Compensation paid to one former post-holder - contractual	15	15
Estimated value of other benefits, including provisions for pension benefits	16	-
	31	15

All severance payments were approved by the College's Finance and Employment Committee.

With the exception of the Chair of the Corporation, the members of the Corporation, other than the Accounting Officer and the staff members did not receive any payment from the institution other than the reimbursement of travel and subsistence expenses incurred in the course of their duties. The Chair of the Corporation received remuneration to the value of £29k as approved by the Charities Commission for duties undertaken in relation to Area Review and merger for the period 2015 to 2018.

8 Other Operating Expenses

	2018 Group £000	2018 College £000	2017 Group £000	2017 College £000
Teaching costs	1,259	1,351	1,286	958
Non-teaching costs	2,345	1,973	1,948	1,519
Premises costs	1,029	791	1,078	861
ESFA funded franchising provision costs	854	854	836	1,976
	5,487	**4,969**	**5,148**	**5,314**

Other operating expenses include	2018 £000	2017 £000
Auditors' remuneration:		
- financial statements and audit*	35	41
- internal audit **	19	19
Other services provided by the financial statements auditor	36	47
Hire of assets under operating leases	217	129

*includes £25,000 in respect of the college (2016-17: £34,000)
**includes £19,000 in respect of the college (2016-17: £19,000)

9 Interest and other finance costs – Group and College

	Group 2018 £000	*College 2018 £000*	*Group 2017 £000*	*College 2017 £000*
On bank loans, overdrafts and other loans	266	266	277	277
	266	**266**	**277**	**277**
On finance leases	75	12	82	15
Net interest on defined pension liability (note 24)	143	143	226	226
	484	**421**	**585**	**518**

10 Taxation – Group only

The members believe that, as an exempt charity for the purposes of the Charities Act 1993, the college was not liable for any Corporation tax arising out of its activities during this period. The consolidated accounts include adjustments to the Corporation tax of subsidiaries.

11 Intangible Fixed Assets (Group and College)

	Group *Major IT/Software* £'000	College *Major IT/Software* £'000
Cost or Valuation		
At 1 August 2017	418	418
Additions	104	104
Disposals	-	-
At 31 July 2018	522	522
Depreciation		
At 1 August 2017	175	175
Charge for the year	44	44
Elimination in respect of disposals	-	-
At 31 July 2018	219	219
Net book value at 31 July 2018	303	303
Net book value at 31 July 2017	243	243

12 Tangible Fixed Assets (Group)

	Land and Buildings		*Equipment*	*Total*
	Freehold	*Leasehold*		
	£000	*£000*	*£000*	*£000*
Cost or valuation				
At 1 August 2017	45,749	1,117	8,375	55,241
Additions	-	-	450	450
Disposals	-	-	-	-
At 31 July 2018	**45,749**	**1,117**	**8,825**	**55,691**
Depreciation				
At 1 August 2017	7,845	464	6,332	14,641
Charge for the year	739	39	330	1,108
Elimination in respect of disposals	-	-	-	-
At 31 July 2018	**8,584**	**503**	**6,662**	**15,749**
Net book value at 31 July 2018	**37,165**	**614**	**2,163**	**39,942**
Net book value at 31 July 2017	37,904	653	2,043	40,600

Tangible Fixed Assets (College Only)

	Land and Buildings Freehold	*Equipment*	*Total*
	£000	*£000*	*£000*
Cost or valuation			
At 1 August 2017	45,728	7,834	53,562
Additions	-	420	420
Surplus on revaluation	-	-	-
Disposals	-	-	-
At 31 July 2018	**45,728**	**8,254**	**53,982**
Depreciation			
At 1 August 2017	7,831	5,937	13,768
Charge for the year	738	281	1,019
Revaluation	-	-	-
Elimination in respect of disposals	-	-	-
At 31 July 2018	**8,569**	**6,218**	**14,787**
Net book value at 31 July 2018	**37,159**	**2,037**	**39,195**
Net book value at 31 July 2017	37,897	1,897	39,794

Land and buildings with a net book value of £26,093,204 have been financed by exchequer funds, through for example the receipt of capital grants. Should these assets be sold the college may be liable under the terms of the financial memorandum with the funding body to surrender the proceeds. Freehold land and buildings include properties with a net book value of £309,500 (2017: £309,500) for which title deeds and leasehold agreements have been transferred to the College.

The net book value of equipment includes an amount of £165,880 (2017 £192,360) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £26,840 (2017-£26,840).

13 Non current Investments

	Group 2018 £000	*College 2018 £000*	*Group 2017 £000*	*College 2017 £000*
Investments in subsidiaries	-	-	-	-
Intangible assets	-	-	-	-
	-	-	-	-

The College owns 100% of NETA Training Trust, a registered charity which constitutes a limited company, limited by guarantee, whose principal activity is the provision of training to members of the community.

NETA Training Trust owns 100% of the issued ordinary £1 shares of NETA Enterprises Ltd, a company incorporated in England and Wales, whose principal activity was the provision of training services. The company ceased trading from 29 February 2016 and activity transferred to NETA Training Trust.

The College owns 100% of Tees Valley Catering Ltd, a company incorporated in England and Wales, whose principal activity is the provision of catering services. The company is limited by guarantee without share capital.

The college owns 100% of the issued ordinary £1 shares of Stockton and Billingham College Developments Limited, a company incorporated in England and Wales, whose principal activity was the development of a new college campus.

The college owns 100% of the issued ordinary £1 shares of Tees Valley Training Ltd, a company incorporated in England and Wales, which is currently dormant and exempt from the requirements to prepare individual accounts by virtue of the Companies Act 2006 section 394A.

14 Debtors

	Group 2018 £000	College 2018 £000	Group 2017 £000	College 2017 £000
Amounts falling due within one year				
Trade receivables	367	198	431	253
Amounts owed by group undertakings:				
Subsidiary undertakings	-	230	-	103
Prepayments and accrued income	737	680	645	591
Amounts owed by the Education and Skills Funding Agency	338	338	116	116
	1,442	**1,447**	**1,192**	**1,063**

15 Creditors: Amounts Falling Due Within One Year

	Group 2018 £000	College 2018 £000	Group 2017 £000	College 2017 £000
Bank loans	1,953	1,952	248	248
Obligations under finance leases	112	40	108	38
Trade payables	561	431	588	440
Amounts owed to group undertakings				
Subsidiary undertakings	-	126	-	126
Other taxation and social security	254	236	250	231
Accruals and deferred income	1,429	1,131	1,054	833
Deferred income – government capital grants	638	638	564	564
Amounts owed to the ESFA	26	26	408	408
	4,973	**4,581**	**3,220**	**2,888**

16 Creditors: Due After More Than One Year

	Group 2018 £000	College 2018 £000	Group 2017 £000	College 2017 £000
Bank loans	3,467	3,467	5,420	5,420
Obligations under finance leases	1,139	98	1,250	139
Deferred income – government capital grants	26,212	26,212	26,774	26,774
	30,819	**29,778**	**33,444**	**32,333**

17 Maturity of debt

(a) Bank Loans

Bank loans are repayable as follows:

	Group 2018 £000	*College 2018 £000*	*Group 2017 £000*	*College 2017 £000*
In one year or less	1,952	1,952	277	277
Between one and two years	252	252	366	366
Between two and five years	753	753	1,101	1,101
In five years or more	2,462	2,462	3,924	3,924
Total	**5,419**	**5,419**	**5,668**	**5,668**

(b) Finance Leases

The net finance lease obligations to which the institution is committed are:

	Group 2018 £000	*College 2018 £000*	*Group 2017 £000*	*College 2017 £000*
In one year or less	111	40	108	37
Between one and two years	382	98	423	139
Between two and five years	757	-	828	-
Total	**1,250**	**138**	**1,359**	**176**

Finance lease obligations are secured on the assets to which they relate.

18 Provisions

		Group and College		
	Defined benefit Obligations	*Enhanced Pensions*	*Dilapidation Provision*	*Total*
	£000	*£000*	*£000*	*£000*
At 1 August 2017	5,096	506	0	5,602
Expenditure in the period	(1,671)	(35)	-	(1,706)
Additions in period	687	16	14	716
At 31 July 2018	**4,112**	**487**	**14**	**4,612**

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government Pension Scheme. Further details are given in Note 24.

The enhanced pension provision relates to the cost of staff who have already left the College's employment and commitments for reorganisation costs from which the College cannot reasonably withdraw from 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:

	2018	2017
Price inflation	1.7%	1.3%
Interest rate	3.5%	2.3%

19 Cash and Cash Equivalents (Group)

	At 1 August 2017 £000	*Cash Flows £000*	*Other Changes £000*	*At 31 July 2018 £000*
Cash and cash equivalents	3,329	(517)	-	2,812
Total	**3,329**	**(517)**	**-**	**2,812**

20 Capital Commitments

	Group and College	
	2018 £000	*2017 £000*
Commitments contracted for at 31 July	971	181

21 Lease Obligations

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

	Group and College	
Future minimum lease payments due:	*2018 £000*	*2017 £000*
Land and buildings		
Not later than one year	41	32
Later than one year and not later than five years	164	205
Later than five years	69	78
	274	315
Other:		
Not later than one year	129	119
Later than one year and not later than five years	95	34
Later than five years		
	224	153
Total Lease payments due	498	468

22 Contingent Liabilities

There are no contingent liabilities in the year (2017 £nil).

23 Events after the reporting period

The College merged with Redcar and Cleveland College as at 1 August 2018. £1.7 m of bank debt was repaid on 1 August 2018.

24 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 Teesside Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Middlesbrough Borough Council. Both are multi-employer defined-benefit plans.

Total pension cost for the year		***2018***		***2017***
		£000		***£000***
Teachers' Pension Scheme: contributions paid		680		692
Local Government Pension Scheme:				
Contributions paid	592		538	
FRS 102 (28) charge	562		637	
Charge to the Statement of Comprehensive		1,154		1,175
Enhanced pension charge to Statement of Comprehensive Income		(20)		(25)
Contributions from subsidiaries		40		70
Total Pension Cost for Year within staff costs		**1,854**		**1,912**

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

Contributions amounting to £165,000 (2017 £154,000) were payable to the schemes at 31st July and are included within creditors.

Teachers' Pension Scheme

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

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

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

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

Valuation of the Teachers' Pension Scheme

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

- New employer contribution rates were set at 16.48% of pensionable pay (including administration fees of 0.08%);
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £191,500 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176,600 million giving a notional past service deficit of £14,900 million;
- an employer cost cap of 10.9% of pensionable pay.
- the assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

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

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

The pension costs paid to TPS in the year amounted to £680,000 (2017: £692,000).

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Middlesbrough Borough Council. The total contributions made for the year ended 31 July 2018 were £823,000, of which employer's contributions totalled £592,000 and employees' contributions totalled £231,000. The agreed contribution rates for future years are 15.2% for employers and range from 5.5% to 12.5% for employees, depending on salary.

Principal Actuarial Assumptions

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

	At 31 July 2018	*At 31 July 2017*
Rate of increase in salaries	3.1%	3.0%
Future pensions increases	2.1%	2.0%
Discount rate for scheme liabilities	2.8%	2.6%
Inflation assumption (CPI)	2.1%	2.0%
Commutation of pensions to lump sums	2.0%	2.0%

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

	At 31 July 2018 years	*At 31 July 2017 years*
Retiring today		
Males	22.9	22.8
Females	25.0	24.9
Retiring in 20 years		
Males	25.1	25.0
Females	27.3	27.2

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

	Fair Value at 31 July 2018 £000	*Fair Value at 31 July 2017 £000*
Equity instruments	17,339	16,862
Debt instruments	-	21
Property	1,829	1,364
Cash	4,275	2,728
Other	309	341
Total fair value of plan assets	**23,752**	**21,316**
Actual return on plan assets	**1,827**	**3,379**

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

	2018 £000	*2017 £000*
Fair value of plan assets	23,752	21,316
Present value of plan liabilities	(27,864)	(26,412)
Net pensions (liability)/asset (Note 18)	**(4,112)**	**(5,096)**

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

	2018	2017
	£000	£000
Amounts included in staff costs		
Current service cost	1,116	1,137
Past service cost	38	38
Total	**1,154**	**1,175**
Amounts included in investment income		
Net interest income	(125)	(208)
	(125)	**(208)**
Amount recognised in Other Comprehensive Income		
Return on pension plan assets	1,265	2,954
Experience gains/(losses) arising on defined benefit obligations	406	1,767
Amount recognised in Other Comprehensive Income	**1,671**	**4,721**

Asset and Liability Reconciliation

	2018	2017
	£000	£000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	26,412	26,404
Current service cost	1,116	1,137
Interest cost	687	633
Contributions by Scheme participants	231	222
Experience gains and losses on defined benefit obligations	(406)	(1,767)
Changes in financial assumptions	-	-
Estimated benefits paid	(214)	(255)
Past Service cost	38	38
Curtailments and settlements	-	-
Defined benefit obligations at end of period	**27,864**	**26,412**
Reconciliation of Assets		
Fair value of plan assets at start of period	21,316	17,432
Interest on plan assets	562	425
Return on plan assets	1,265	2,954
Employer contributions	592	538
Contributions by Scheme participants	231	222
Estimated benefits paid	(214)	(255)
Fair value of plan assets at end of period	**23,752**	**21,316**

25 Related Party Transactions

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

The total expenses paid to or on behalf of the Governors during the year was £2,759; 3 governors (2017: £2,180; 2 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

1 Governor has received remuneration of £29,250 from the College during the year in relation to Area Review for the period 2015 to 2018 (2017: None).

26 Amounts Disbursed as Agent

Learner support funds	***2018*** ***£000***	***2017*** ***£000***
Funding body grants – bursary support	317	313
Funding body grants – discretionary learner support	201	197
Interest earned	-	-
	518	510
Disbursed to students	(475)	(425)
Administration costs	(18)	(18)
Balance unspent as at 31 July, included in creditors	**27**	**67**

Funding body grants are available solely for students. In the majority of instances, the College only acts a paying agent. In these circumstances, the grants and related disbursements are therefore excluded from Statement of Comprehensive Income.

Conclusion

We have carried out an engagement, in accordance with the terms of our engagement letter dated 10 November 2017 and further to the requirements of the grant funding agreements and contracts with the Education and Skills Funding Agency (the "ESFA"), to obtain limited assurance about whether the expenditure disbursed and income received by Stockton Riverside College during the period 1 August 2017 to 31 July 2018 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2017 to 31 July 2018 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Basis for conclusion

The framework that has been applied is set out in the Post-16 Audit Code of Practice (the "ACoP") issued by the ESFA. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record (ILR) returns, for which the ESFA has other assurance arrangements in place.

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

Responsibilities of Corporation of Stockton Riverside College for regularity

The Corporation of Stockton Riverside College is responsible, under the grant funding agreements and contracts with the ESFA and the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. The corporation of Stockton Riverside College is also responsible for preparing the Governing Body's Statement of Regularity, Propriety and Compliance.

Reporting accountant's responsibilities for reporting on regularity

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the ACoP.

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity. A limited assurance engagement is more limited in scope than a reasonable assurance engagement and the procedures performed vary in nature and timing from, and are less in extent than for a reasonable assurance engagement; consequently a limited assurance engagement does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2017 to 31 July 2018 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

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

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

Use of our report

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

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Date: 17/12/18