



**S. W. Durham Training Limited**

**Report of the Trustees and**

**Financial Statements**

**for the Year Ended 31 July 2025**



**Registered Company Number: 00918178**  
**Registered Charity Number: 518211**

**S. W. Durham Training Limited**

**Contents of the Financial Statements  
for the Year Ended 31 July 2025**

	<b>Page</b>
<b>Report of the Trustees</b>	<b>2 to 7</b>
<b>Report of the Independent Auditors</b>	<b>8 to 10</b>
<b>Statement of Financial Activities</b>	<b>12</b>
<b>Balance Sheet</b>	<b>13</b>
<b>Notes to the Financial Statements</b>	<b>14 to 26</b>
<b>Detailed Statement of Financial Activities</b>	<b>27</b>

## S. W. Durham Training Limited

### Report of the Trustees for the Year Ended 31 July 2025

#### Trustees' Report

The trustees, who are also directors of the charity for the purposes of the Companies Act 2006, present their report together with the financial statements of the charity for the year ended 31 July 2025. The trustees have adopted the provisions of *Accounting and Reporting by Charities: Statement of Recommended Practice* applicable to charities preparing their accounts in accordance with the *Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)* (effective 1 January 2019)

#### Objective and Activities

The objective of S W Durham Training Limited is to provide high quality training services and to promote a culture of lifelong learning. The charity aims to meet the ongoing needs of individuals and the business community, maximise potential, secure employment opportunities, and contribute to wealth creation within the region.

##### Achievement and Performance

During the year, the charitable company has continued to expand and deliver full time training for young people and adults in the engineering sector. It provides high quality vocational training by:

- Providing practical and technical skills required to succeed in the engineering and manufacture industries
- Maximising the potential of learners
- Delivering bespoke and innovative training to meet the needs of the local industrial employer.

#### Public Benefit

The trustees confirm that they have complied with their duty under the Charities Act 2011 to have due regard to the Charity Commission's guidance on public benefit.

S W Durham Training Limited provides clear public benefit by delivering high quality training and education that supports individuals in gaining skills, qualifications, and employment. The charity's work is closely aligned with local priorities for the North of England, and particularly County Durham, where economic regeneration, skills development, and employment opportunities are critical to supporting communities. Our activities benefit:

- Young people and adults in County Durham – by offering apprenticeship frameworks, full time training, and lifelong learning opportunities that improve employability and career prospects in sectors identified as regional growth priorities, such as advanced manufacturing and engineering.
- Local employers and the regional economy – by supplying a skilled workforce to meet business needs, supporting productivity, and contributing to County Durham's economic development strategies.
- The wider community – by promoting a culture of learning, raising aspirations, and helping individuals maximise their potential, thereby addressing social mobility challenges and supporting inclusive growth across the North East.

Through these activities, the charity advances education, supports regional skills strategies, and contributes to the creation of jobs and wealth in County Durham and the wider North of England, delivering tangible public benefit in line with its charitable objectives.

**Report of the Trustees  
for the Year Ended 31 July 2025**

**FINANCIAL REVIEW**

**Personnel**

The average number of employees throughout the period 2024/25 was 18 (2023/24: 12 FTE).

**Reserves policy**

The Council of Management consider the charitable company requires reserves to:

- ensure that the current activities of the charitable company would be able to continue in the event of a change or significant drop in the level of funding;
- allow the Council to react quickly to the training needs of the manufacturing and service industries in our area;
- enable the charitable company to continue to invest in fixed assets and maintain the freehold property in a high state of repair.

In order to be prepared for these eventualities target reserves equating to 6 months of cash expenditure, excluding Group recharges, are deemed appropriate; £500k. The Reserves Policy will be reviewed and approved annually by the Council.

The Council has reviewed the level of free reserves held, which currently stand at £874,605 (2024: £843,142), and considers this is adequate to ensure the continued operation of the charitable company. South West Durham Training is forecast to return to a surplus position in the current year 2025/26 and through 2026/27 continuing to grow reserves.

Monthly management accounts are prepared to enable the Council to monitor the level of reserves on a timely basis.

**Going concern**

It is considered appropriate to adopt the going concern basis of accounting in preparing these financial statements, as the Corporation has a reasonable expectation that SWDT will continue to operate for a period significantly longer than the statutory twelve months from the date of approval.

For the year ended 31 July 2025, SWDT reported a deficit of £84k compared with a forecast deficit of £150k (or £121k after capital grant adjustments). During the year, investment was made in staffing and resources to strengthen the foundations for future growth and to support the achievement of long term financial sustainability.

As reported during the year, growth funding was initially calculated on actuals. The Department for Education subsequently revised the methodology, capping growth funding at £100k and committing to pay 50%, subject to reconciliation. In September 2025, the Department released a further payment to SWDT as part of growth funding, which improved the financial outturn for the year ended 31 July 2025 and is reflected in these financial statements.

## **S. W. Durham Training Limited**

### **Report of the Trustees for the Year Ended 31 July 2025**

Looking forward, SWDT is forecasting a surplus position for 2025/26 (before the inter company transfer), supported by the growth in 16–18 learner numbers achieved in 2024/25, which will continue to be funded into 2025/26, albeit at a reduced level.

On this basis, the trustees have a reasonable expectation that SWDT has adequate resources to continue in operational existence for the foreseeable future, and accordingly continue to adopt the going concern basis of accounting in preparing these financial statements.

#### **Financial Year**

The company finished the year in a surplus position; this was an improvement against the approved budget.

The Council of Management are proposing for approval at the annual general meeting that the fee structure for the training period commencing 1 August 2025 be as follows:

(a) that a company sending a learner to the centre and having that learner with S W Durham Training Limited will, providing the learner is eligible for full funding, not be charged whilst full funding is still available for that learner and they are aged 16-18 at the start of their framework. If the learner is not eligible for full funding, the sponsoring company will pay the difference between full funding and that received;

(b) that companies will pay fees for their learner to attend work based learning and further education subsequent to completion of apprenticeships framework.

#### **Fund Raising Activities**

The trustees confirm that the charity does not engage in significant fundraising activities and no material fundraising took place during the financial year.

#### **COUNCIL OF MANAGEMENT**

No fees have been paid to any Member of the Council of Management nor does any such member have any beneficial interest.

#### **Governing document**

S W Durham Training Limited is a company limited by guarantee, incorporated in the United Kingdom and a registered charity. The charitable company is governed by its Memorandum and Articles of Association, as amended at the extraordinary general meeting of 17 October 2014.

#### **STRUCTURE, GOVERNANCE AND MANAGEMENT**

##### **Recruitment and appointment of new council members**

Council members, who are also trustees and directors of the charitable company, can appoint any nominated member to act until the next Annual General Meeting at which time they are eligible for re-election.

##### **Organisational structure**

The council members can meet as many times as they see fit, but generally they meet every three months. Decisions will be made by a majority vote with the Chairperson having the casting vote. Day to day management of the charitable company is delegated to the General Manager.

## **S. W. Durham Training Limited**

### **Report of the Trustees for the Year Ended 31 July 2025**

#### **Induction and training of new council members**

New council members are briefed on their legal obligations under charity and company law, the content of the Memorandum and Articles of Association, the committee and decision making processes, recent financial performance and future plans. They are introduced to key employees and other council members. Council members are encouraged to attend appropriate external training events where these will facilitate the undertaking of their role.

#### **Key management remuneration**

Details of key management remuneration, which is set by the council having regard to the recommendations of the remuneration committee of the parent Bishop Auckland College, are set out in note 8 to the financial statements.

#### **Investment powers**

The council members may invest any monies in any manner authorised by law for the investment of such funds.

#### **Restrictions imposed**

No paid employee or person in receipt of fees or any other remuneration from the charitable company may be a council member. However, any council member engaged by the charitable company in any profession will be entitled to be paid for any work done for the charitable company.

#### **REFERENCE AND ADMINISTRATIVE DETAILS**

##### **Registered Company number**

00918178

##### **Registered Charity number**

518211

##### **Registered office**

Durham Way South  
Aycliffe Business Park  
NEWTON AYCLIFFE  
Co Durham, DL5 6AT

##### **Trustees**

Keith Ivory (Chair)  
Shaun Hope  
James Robson  
David Bell  
Bobby Taylor

The trustees, who constitute the Council of Management, are also the directors of the company for the purposes of the Companies Act 2006.

##### **Chief Executive Officer**

None

**Executive Director**

Jonathan Hall

**Company Secretary**

Lynn Heighton

**Auditors**

Armstrong Watson  
First Floor, One Strawberry Lane  
Newcastle upon Tyne  
NE1 4BX

**Solicitors**

Muckle LLP  
Time Central, 32 Gallowgate  
NEWCASTLE UPON TYNE  
NE1 4BF

**Bankers**

Barclays Bank Plc  
PO Box 378, 71 Grey Street  
NEWCASTLE UPON TYNE  
NE99 1JP

**CHAIRMAN'S STATEMENT**

On behalf of the Council of Management, may I take this opportunity to thank all members of staff of S W Durham Training Limited for their continued support and dedication to the success of the charitable company. I would also like to take this opportunity to thank all our Member Companies for their high level of support during the year.

This has been a challenging year for S W Durham Training dealing many challenges in the changing landscape of education since the pandemic; despite the challenges we have seen some growth in apprenticeship numbers.



Keith Ivory  
Chair

Date: 18<sup>th</sup> December 2025

## **S. W. Durham Training Limited**

### **Report of the Trustees for the Year Ended 31 July 2025**

#### **STATEMENT OF TRUSTEES' RESPONSIBILITIES**

The trustees (who are also the directors of S. W. Durham Training Limited for the purposes of company law) are responsible for preparing the Report of the Trustees and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing those financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charity SORP;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charitable company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the trustees are aware:

- there is no relevant audit information of which the charitable company's auditors are unaware; and
- the trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

#### **AUDITORS**

The auditors, Armstrong Watson, will be proposed for re-appointment at the forthcoming Annual General Meeting.

Approved by order of the board of trustees on 18<sup>th</sup> December 2025 and signed on its behalf by:



.....  
Keith Ivory – Trustee



**Report of the Independent Auditors to the Members of  
S. W. Durham Training Limited**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF S. W. DURHAM TRAINING LIMITED**

**Opinion**

We have audited the financial statements of S. W. Durham Training Limited (the 'charitable company') for the year ended 31 July 2025 which comprise the Statement of financial activities, the Balance sheet, a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 July 2025 and of its incoming resources and application of resources, including its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**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 charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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**

In auditing the financial statements, we have concluded that the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charitable company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Trustees with respect to going concern are described in the relevant sections of this report.

## **Other information**

The other information comprises the information included in the Annual report other than the financial statements and our Auditor's report thereon. The Trustees are responsible for the other information contained within the Annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

## **Opinion on other matters prescribed by the Companies Act 2006**

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

- the information given in the Trustees' report including the Strategic report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Trustees' report and the Strategic report have been prepared in accordance with applicable legal requirements.

## **Matters on which we are required to report by exception**

In the light of our knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' report including the Strategic report.

We have nothing to report in respect of the following matters in relation to which Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

## **Responsibilities of trustees**

As explained more fully in the Trustees' responsibilities statement, the Trustees on page 21 (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees 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 Trustees are responsible for assessing the charitable company'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 Trustees either intend to liquidate the charitable company 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of laws and regulations that affect the company, focusing on those that had a direct effect on the financial statements or that had a fundamental effect on its operations. Key laws and regulations that we identified included the UK Companies Act, tax legislation and occupational health and employment legislation.
- We enquired of the directors, reviewed correspondence with HMRC and reviewed directors meeting minutes for evidence of non-compliance with relevant laws and regulations. We also reviewed controls the directors have in place to ensure compliance.
- We gained an understanding of the controls that the directors have in place to prevent and detect fraud. We enquired of the directors about any incidences of fraud that had taken place during the accounting period.
- The risk of fraud and non-compliance with laws and regulations and fraud was discussed within the audit team and tests were planned and performed to address these risks. We identified the potential for fraud in the following areas: revenue recognition and management override of controls.
- We reviewed financial statements disclosures and tested to supporting documentation to assess compliance with relevant laws and regulations discussed above.
- We enquired of the directors and third party advisors about actual and potential litigation and claims.
- We performed analytical procedures to identify any unusual or unexpected relationships that might indicate risks of material misstatement due to fraud.
- In addressing the risk of fraud due to management override of internal controls we tested the appropriateness of journal entries and assessed whether the judgements made in making accounting estimates were indicative of a potential bias.

Due to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, internal omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing fraud or non-compliance with laws and regulations and cannot be expected to detect all fraud and non-compliance with laws and regulations.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](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 charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and its members, as a body, for our audit work, for this report, or for the opinions we have formed.

  
Simon Turner (Dec 19, 2025 08:26:34 GMT)

Simon Turner (Senior statutory auditor)  
for and on behalf of  
Armstrong Watson Audit Limited

Chartered Accountants & Statutory Auditors  
Newcastle

Date: 19/12/2025

**S. W. Durham Training Limited**

**Statement of Financial Activities  
(Incorporating an Income and Expenditure Account)  
for the Year Ended 31 July 2025**

		Unrestricted		2025 Restricted	2024 Total
	Notes	fund £	funds £	funds £	Total Total funds £
<b>INCOME AND ENDOWMENTS FROM</b>					
<b>Charitable activities</b>					
Income from activities and services	3	1,301,022	-	1,301,022	1,596,953
Investment income	2	13,410	-	13,410	13,108
Income from gain on disposals	4	<u>2,750</u>	<u>-</u>	<u>2,750</u>	<u>          </u>
<b>Total</b>		1,317,182	-	1,317,182	1,610,061
 <b>EXPENDITURE ON</b>					
<b>Charitable activities</b>					
Charitable expenditure	5	<u>1,311,973</u>	<u>126,603</u>	<u>1,438,576</u>	<u>1,367,019</u>
<b>NET INCOME/(EXPENDITURE)</b>		5,209	(126,603)	(121,394)	243,042
 <b>RECONCILIATION OF FUNDS</b>					
<b>Total funds brought forward</b>		<u>1,951,724</u>	<u>1,215,664</u>	<u>3,167,388</u>	<u>2,924,346</u>
<b>TOTAL FUNDS CARRIED FORWARD</b>		<u><u>1,956,933</u></u>	<u><u>1,089,061</u></u>	<u><u>3,045,994</u></u>	<u><u>3,167,388</u></u>

**S. W. Durham Training Limited**

**Balance Sheet  
31 July 2025**

		Unrestricted	Total	2025 Restricted	2024 Total
	Notes	fund £	funds £	funds £	funds £
<b>FIXED ASSETS</b>					
Tangible assets	11	1,112,761	1,089,061	2,201,822	2,324,243
<b>CURRENT ASSETS</b>					
Debtors	12	303,228	-	303,228	371,263
Cash at bank		<u>709,823</u>	<u>-</u>	<u>709,823</u>	<u>684,433</u>
		1,013,051	-	1,013,051	1,055,696
<b>CREDITORS</b>					
Amounts falling due within one year	13	(168,879)	-	(168,879)	(212,554)
		<u>844,172</u>	<u>-</u>	<u>844,172</u>	<u>843,142</u>
<b>NET CURRENT ASSETS</b>					
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>					
		1,956,933	1,089,061	3,045,994	3,167,385
		<u>1,956,933</u>	<u>1,089,061</u>	<u>3,045,994</u>	<u>3,167,385</u>
<b>NET ASSETS</b>					
<b>FUNDS</b>	15				
Unrestricted funds				1,956,933	1,951,721
Restricted funds				<u>1,089,061</u>	<u>1,215,664</u>
<b>TOTAL FUNDS</b>				<u>3,045,994</u>	<u>3,167,385</u>

These financial statements have been prepared in accordance with the provisions applicable to charitable companies subject to the small companies regime.

The financial statements were approved by the Board of Trustees and authorised for issue on 18<sup>th</sup> December 2025. and were signed on its behalf by:



.....  
Keith Ivory – Chair

**Notes to the Financial Statements  
for the Year Ended 31 July 2025**

**1. ACCOUNTING POLICIES**

**Basis of preparing the financial statements**

That the company is limited by guarantee, S.W Durham Training, Durham Way South, Aycliffe Business Park, Newton Aycliffe, Co. Durham, DL5 6AT which qualifies as a public benefit entity under FRS 102, have been prepared in accordance with the *Charities SORP (FRS 102), as amended*, the *Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)*, and the requirements of the Companies Act 2006. The financial statements have been prepared under the historical cost convention, modified by the revaluation of certain assets.

In accordance with Paragraph 3(3) of Schedule 4 of the Companies Act, the charitable company has adapted the statutory formats to reflect the special nature of its activities.

The financial statements are prepared in sterling (£).

**Going Concern**

The financial statements are prepared on the going concern basis which assumes that the charitable company will continue to operate. If the company is unable to continue to operate, adjustments would be required to reduce the value of assets to their recoverable amounts, to provide for any further liabilities that might arise and to analyse both fixed assets and long term liabilities as current assets and liabilities.

The charity had total funds of £3.046m as at 31 July 2025 (increase of £3.167m from 31 July 2024). Budgets and cash flow forecasts have been updated to factor in the expected reduction in income and a worst case scenario has been used to confirm that the charity has sufficient cash for the organisation to continue for at least 12 months from the date these financial statements are signed. At the time of approving the financial statements, the trustees have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus, the trustees continue to adopt the going concern basis of accounting in preparing the financial statements.

**Financial reporting standard 102 - reduced disclosure exemptions**

The charitable company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland':

- the requirements of Section 7 Statement of Cash Flows.

**Income**

All income is recognised in the Statement of Financial Activities once the charity has entitlement to the funds, it is probable that the income will be received and the amount can be measured reliably.

**Expenditure**

Liabilities are recognised as expenditure as soon as there is a legal or constructive obligation committing the charity to that expenditure, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably. Expenditure is accounted for on an Accruals basis and has been classified under headings that aggregate all costs related to the category. Where costs cannot be directly attributed to particular headings, they have

been allocated to activities on a basis consistent with the use of resources.

#### **Allocation and apportionment of costs**

Where costs cannot be directly attributed to particular headings, they have been allocated to activities on a basis consistent with the use of resources.

#### **Debtors**

Debtors are recognised at the amount due to the charity. Prepayments and other amounts receivable are included at cost less any provision for impairment where recovery is considered doubtful.

#### **Cash at Bank and in Hand**

Cash at bank and in hand includes cash held in current accounts, deposit accounts and any short-term, highly liquid investments with a maturity of three months or less from the date of acquisition.

#### **Creditors**

Creditors are recognised where the charity has a present obligation resulting from a past event that will result in the transfer of funds to a third party. They are measured at their settlement amount, being the amount, the charity expects to pay to settle the liability

#### **Tangible fixed assets**

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Freehold land & buildings	- 4% on cost and 2% on cost
Plant, machinery, fixtures & equipment	- 20% on cost, 16.67% on cost, 10% on cost and 4% on cost
Motor vehicles	- 25% on reducing balance
Computer equipment	- 50% on cost and 33%-50% on cost

#### **Related party exemption**

The charitable company has taken advantage of exemption, under the terms of Financial Reporting Standard FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions group entities.



**Notes to the Financial Statements - continued  
for the Year Ended 31 July 2025**

**1. ACCOUNTING POLICIES - continued**

**Taxation**

The charity is exempt from corporation tax on its charitable activities.

**Fund accounting**

Unrestricted funds can be used in accordance with the charitable objectives at the discretion of the trustees.

Restricted funds can only be used for particular restricted purposes within the objects of the charity. Restrictions arise when specified by the donor or when funds are raised for particular restricted purposes.

Further explanation of the nature and purpose of each fund is included in the notes to the financial statements.

**Foreign currencies**

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

**Pension costs and other post-retirement benefits**

The charitable company operates a funded group pension plan arrangement, whereby it makes contributions directly to each individual employees' pension plan. Contributions paid are included in the period to which they relate.

**Irrecoverable vat**

The charity was partially exempt for VAT purposes for the period ended 31 July 2025. Irrecoverable VAT has been included in the Statement of Financial Activities during the period within support costs.

**Investments**

Listed investments are included in the financial statements at market value at the balance sheet date.

**Financial Instruments**

The charitable company has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

**Critical accounting estimates and areas of judgement**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**Critical accounting estimates and assumptions:**

The charitable company makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

**Critical areas of judgement**

Depreciation - Depreciation is calculated so as to write off the cost of an asset, less its residual value, over the economic life of that asset. An estimate of the useful life of assets is detailed in the depreciation policy.

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 July 2025**

	Unrestricted funds	Restricted funds	2025 Total funds	2024 Total funds
	£	£	£	£
Bank interest	13,410	-	13,410	13,108

		2025	2024
	Activity	£	£
Apprentices & youth/adult training	Income from activities and services	1,263,283	1,577,424
Course fees	Income from activities and services	<u>37,739</u>	<u>19,528</u>
		1,301,022	1,596,952

## 2,750 -

Direct Costs	Support Costs (See note 6)	Totals
£	£	£
825,683	612,893	1,483,576

SUPPORT COSTS	Management	Governance costs	Totals
	£	£	£
Charitable expenditure	612,893	-	612,893

**S. W. Durham Training Limited**

**Notes to the Financial Statements - continued  
for the Year Ended 31 July 2025**

Support costs, included in the above, are as follows:

**Management**

	2025 Charitable expenditure activities £	2024 Total £
Wages & salaries	15,159	14,233
Social security	2,106	1,757
Pensions	1,073	832
Advertising & publicity	8,781	21,534
General expenses	12,760	12,810
Irrecoverable VAT	34,816	38,556
Operating and maintenance costs	147,655	135,732
College recharges	190,000	190,000
Depreciation of tangible and heritage assets	<u>200,543</u>	<u>155,327</u>
	<u>612,893</u>	<u>570,781</u>

**Governance costs**

	2025 Total activities £	2024 Total activities £
Auditors' remuneration	-	29,280
Accountancy and legal fees	<u>-</u>	<u>4,517</u>
	<u>-</u>	<u>33,797</u>

**7. NET INCOME/(EXPENDITURE)**

Net income/(expenditure) is stated after charging/(crediting):

	2025 £	2024 £
Auditors' remuneration	-	29,280
Depreciation – owned assets	200,543	155,327
Operating leases	<u>-</u>	<u>-</u>

**8. TRUSTEES' REMUNERATION AND BENEFITS**

The trustees receive no emoluments for their services to the charitable company (2025: £Nil ).

## Trustees' expenses

Trustees' expenses totalling £Nil were reimbursed during the year 2024/25 (2023/24 £nil)

### 9. STAFF COSTS

	2025	2024
	£	£
Wages and salaries	510,352	465,456
Social security costs	52,254	43,160
Other pension costs	64,716	55,277
	<u>627,322</u>	<u>563,893</u>

The average monthly number of employees during the year was as follows:

	2025	2024
Training	8	8
Administration	<u>4</u>	<u>4</u>
	<u>12</u>	<u>12</u>

Key management comprise the General Manager. Remuneration of key management during the year was £51,253 including £7,290 pension contributions (2024: £46,518 including pension contributions of £6,683 ).

Zero employees received emoluments in excess of £60,000 (2024: Nil).

**S. W. Durham Training Limited**  
**Notes to the Financial Statements - continued**  
**for the Year Ended 31 July 2025**

**10. COMPARATIVES FOR THE STATEMENT OF FINANCIAL ACTIVITIES**

	Unrestricted fund £	Total funds £	Restricted funds £
<b>INCOME AND ENDOWMENTS FROM</b>			
<b>Charitable activities</b>			
Income from activities and services	1,301,022	-	1,301,022
Investment income	13,410	-	13,410
Gain on disposal	<u>2,750</u>	<u>-</u>	<u>2,750</u>
<b>Total</b>	1,317,182	-	1,317,182
 <b>EXPENDITURE ON</b>			
<b>Charitable activities</b>			
Charitable expenditure	<u>1,311,973</u>	<u>126,603</u>	<u>1,438,576</u>
 <b>NET INCOME/(EXPENDITURE)</b>	5,209	(126,603)	(121,394)
 <b>RECONCILIATION OF FUNDS</b>			
<b>Total funds brought forward</b>	<u>1,582,079</u>	<u>1,342,267</u>	<u>2,924,346</u>
 <b>TOTAL FUNDS CARRIED FORWARD</b>	<u><u>1,587,288</u></u>	<u><u>1,215,664</u></u>	<u><u>2,802,952</u></u>

**S. W. Durham Training Limited**  
**Notes to the Financial Statements - continued**  
**for the Year Ended 31 July 2025**

**11. TANGIBLE FIXED ASSETS**

	Freehold land & buildings £	Plant, machinery, fixtures & equipment £	Motor vehicles £	Computer equipment £	Totals £
<b>COST</b>					
At 1 August 2024	4,812,771	3,869,591	42,984	713,397	9,438,743
Additions	-	71,593	-	-	71,593
Disposal	-	(4,000)	-	-	(4,000)
At 31 July 25	<u>4,812,771</u>	<u>3,937,184</u>	<u>42,984</u>	<u>713,397</u>	<u>9,506,336</u>
<b>DEPRECIATION</b>					
At 1 August 2024	3,300,633	3,057,486	42,984	713,397	7,114,500
Charge for year	82,705	117,841	-	-	200,546
Disposal	-	(4,000)	-	-	(4,000)
At 31 July 2025	<u>3,383,338</u>	<u>3,171,327</u>	<u>42,984</u>	<u>713,397</u>	<u>7,311,046</u>
<b>NET BOOK VALUE</b>					
At 31 July 2025	<u>1,429,433</u>	<u>765,857</u>	<u>-</u>	<u>-</u>	<u>2,195,290</u>
At 31 July 2024	<u>1,512,913</u>	<u>812,105</u>	<u>-</u>	<u>-</u>	<u>2,324,243</u>

Included in cost or valuation of land and buildings is freehold land of £300,000 (2024: £300,000) which is not depreciated. Freehold land was revalued as at 31 July 2014 by the trustees supported by an independent valuation. On transition to FRS102 the freehold land is held at deemed cost.

**12. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2025 £	2024 £
Trade debtors	-	7,547
Amounts owed by group undertakings	-	-
Prepayments and accrued income	<u>303,227</u>	<u>363,715</u>
	<u>303,227</u>	<u>371,262</u>

**13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2025 £	2024 £
Trade creditors	4,191	14,065
Other creditors	-	26,998
Amounts owed to group undertakings	58,159	40,647
Social security and other taxes	11,168	22,814
Deferred income	58,515	41,663
Accruals	<u>36,847</u>	<u>66,367</u>
	168,880	212,553

**S. W. Durham Training Limited**  
**Notes to the Financial Statements - continued**  
**for the Year Ended 31 July 2025**

**Deferred Income**

Balance at 1 August 2024	(41,663)
Amount received and accrued in the year	1,334,034
Balance at 31 July 2025	<u>58,515</u>
Amount released to incoming resources	<u><u>1,350,885</u></u>

Deferred income relates to 16-19 programme funding income received and not earned. This funding will be subject to clawback.

**14. LEASING AGREEMENTS**

Minimum lease payments under non-cancellable operating leases fall due as follows:

	2025 £	2024 £
Within one year	-	-
Between one and five years	<u>-</u>	<u>-</u>
	<u><u>-</u></u>	<u><u>-</u></u>

**15. MOVEMENT IN FUNDS**

	At 01.08.24 £	Net movement in funds £	At 31.07.25 £
<b>Unrestricted funds</b>			
General fund	1,962,142	5,209	1,956,933
<b>Restricted funds</b>			
The Core	962,458	(126,603)	1,089,061
<b>TOTAL FUNDS</b>	<u>2,924,600</u>	<u>(121,394)</u>	<u>3,045,994</u>



**S. W. Durham Training Limited**

**Notes to the Financial Statements - continued  
for the Year Ended 31 July 2025**

**15. MOVEMENT IN FUNDS - continued**

Net movement in funds, included in the above are as follows:

	Incoming resources £	Resources expended £	Movement in funds £
<b>Unrestricted funds</b>			
General fund	1,317,182	(1,311,973)	5,209
<b>Restricted funds</b>			
The Core	-	(126,603)	(126,603)
	<hr/>	<hr/>	<hr/>
<b>TOTAL FUNDS</b>	<u>1,317,182</u>	<u>(1,438,576)</u>	<u>(121,394)</u>

**Comparatives for movement in funds**

	At 01.08.23 £	Net movement in funds £	At 31.07.24 £
<b>Unrestricted funds</b>			
General fund	1,582,079	369,645	1,951,724
<b>Restricted funds</b>			
The Core	1,342,267	(126,603)	1,215,664
	<hr/>	<hr/>	<hr/>
<b>TOTAL FUNDS</b>	<u>2,924,346</u>	<u>243,042</u>	<u>3,167,388</u>

Comparative net movement in funds, included in the above are as follows:

	Incoming resources £	Resources expended £	Movement in funds £
<b>Unrestricted funds</b>			
General fund	1,610,061	(1,240,416)	369,645
<b>Restricted funds</b>			
The Core	-	(126,603)	(126,603)
	<hr/>	<hr/>	<hr/>
<b>TOTAL FUNDS</b>	<u>1,610,061</u>	<u>(1,367,019)</u>	<u>243,042</u>

## S. W. Durham Training Limited

### Notes to the Financial Statements - continued for the Year Ended 31 July 2025

#### 15. MOVEMENT IN FUNDS - continued

A current year 12 months and prior year 12 months combined position is as follows:

	At 01.08.23 £	Net movement in funds £	At 31.07.25 £
<b>Unrestricted funds</b>			
General fund	1,582,079	374,854	1,956,933
<b>Restricted funds</b>			
The Core	1,342,267	(253,206)	1,089,061
	<hr/>	<hr/>	<hr/>
<b>TOTAL FUNDS</b>	<u>2,924,346</u>	<u>121,648</u>	<u>3,045,994</u>

A current year 12 months and prior year 12 months combined net movement in funds, included in the above are as follows:

	Incoming resources £	Resources expended £	Movement in funds £
<b>Unrestricted funds</b>			
General fund	2,927,243	(2,552,389)	374,854
<b>Restricted funds</b>			
The Core	-	(253,206)	(253,206)
	<hr/>	<hr/>	<hr/>
<b>TOTAL FUNDS</b>	<u>2,927,243</u>	<u>(2,805,595)</u>	<u>121,648</u>

Unrestricted funds: These funds represent unrestricted resources available for the general work of the charitable company.

The Core:

This is funds from Durham County Council for the creation of the advanced manufacturing facility known as The Core (Creating Opportunities, Realising Excellence).

#### 16. PENSION COSTS

The charity operates a defined contribution pension scheme for eligible employees. Pension contributions are charged to the Statement of Financial Activities (SoFA) in the year in which they are payable.

The total pension costs recognised in the (SoFA) for the year was £52,254

At the year end, outstanding pension contributions of £2,519 were due to the scheme and are included within creditors.

**17 ULTIMATE PARENT COMPANY**

The ultimate parent company is Bishop Auckland College, a college of further education incorporated in the United Kingdom, which is the sole member of the charity. The consolidated accounts can be obtained from the college at Woodhouse Lane, Bishop Auckland, County Durham, DL14 6JZ.

**18. CAPITAL COMMITMENTS**

There were no capital commitments at 31 July 2024 or 2025.

**19. RELATED PARTY DISCLOSURES**

The charitable company has taken advantage of the exemption under FRS102 not to disclose transactions with UK parent company.

**20. MEMBERS**

The liability of the members of the charitable company is limited by guarantee and such liability does not exceed £10 per member.

**S. W. Durham Training Limited**

**Detailed Statement of Financial Activities  
for the Year Ended 31 July 2025**

	2025	2024
	£	£
<b>INCOME AND ENDOWMENTS</b>		
<b>Investment income</b>		
Bank interest	13,410	13,108
<b>Charitable activities</b>		
Apprentices & youth/adult training	1,263,283	1,577,424
Course fees	37,739	19,528
Gain on disposal	2,750	-
	<hr/>	<hr/>
<b>Total incoming resources</b>	1,317,182	1,596,952
<b>EXPENDITURE</b>		
<b>Charitable activities</b>		
Wages and salaries	510,352	465,456
Social security	52,254	43,161
Pensions	64,716	55,277
Course & workshop expenses	169,080	151,128
Administration & monitoring	29,281	47,419
	<hr/>	<hr/>
	825,683	762,441
<b>Support costs Management</b>		
Wages & salaries	15,159	14,233
Social security	2,106	1,757
Pensions	1,073	832
Advertising & publicity	8,781	21,534
General expenses	12,760	12,810
Irrecoverable VAT	34,816	38,556
Operating and maintenance costs	147,655	135,732
College recharges	190,000	190,000
Depreciation of tangible and heritage assets	200,543	155,327
	<hr/>	<hr/>
	612,893	570,781
<b>Governance costs</b>		
Auditors' remuneration	-	14,400
Accountancy and legal fees	-	6,020
	<hr/>	<hr/>
	-	20,420
	<hr/>	<hr/>
<b>Total resources expended</b>	1,438,576	1,202,862
	<hr/>	<hr/>
<b>Net expenditure</b>	(121,394)	394,090
	<hr/>	<hr/>



**S. W. Durham Training Limited**

**Report of the Trustees and**

**Financial Statements**

**for the Year Ended 31 July 2025**



**Registered Company Number: 00918178**  
**Registered Charity Number: 518211**

**S. W. Durham Training Limited**

**Contents of the Financial Statements  
for the Year Ended 31 July 2025**

	<b>Page</b>
<b>Report of the Trustees</b>	<b>2 to 7</b>
<b>Report of the Independent Auditors</b>	<b>8 to 10</b>
<b>Statement of Financial Activities</b>	<b>12</b>
<b>Balance Sheet</b>	<b>13</b>
<b>Notes to the Financial Statements</b>	<b>14 to 26</b>
<b>Detailed Statement of Financial Activities</b>	<b>27</b>

**Report of the Trustees  
for the Year Ended 31 July 2025**

**Trustees' Report**

The trustees, who are also directors of the charity for the purposes of the Companies Act 2006, present their report together with the financial statements of the charity for the year ended 31 July 2025. The trustees have adopted the provisions of *Accounting and Reporting by Charities: Statement of Recommended Practice* applicable to charities preparing their accounts in accordance with the *Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)* (effective 1 January 2019)

**Objective and Activities**

The objective of S W Durham Training Limited is to provide high quality training services and to promote a culture of lifelong learning. The charity aims to meet the ongoing needs of individuals and the business community, maximise potential, secure employment opportunities, and contribute to wealth creation within the region.

**Achievement and Performance**

During the year, the charitable company has continued to expand and deliver full time training for young people and adults in the engineering sector. It provides high quality vocational training by:

- Providing practical and technical skills required to succeed in the engineering and manufacture industries
- Maximising the potential of learners
- Delivering bespoke and innovative training to meet the needs of the local industrial employer.

**Public Benefit**

The trustees confirm that they have complied with their duty under the Charities Act 2011 to have due regard to the Charity Commission's guidance on public benefit.

S W Durham Training Limited provides clear public benefit by delivering high quality training and education that supports individuals in gaining skills, qualifications, and employment. The charity's work is closely aligned with local priorities for the North of England, and particularly County Durham, where economic regeneration, skills development, and employment opportunities are critical to supporting communities. Our activities benefit:

- Young people and adults in County Durham – by offering apprenticeship frameworks, full time training, and lifelong learning opportunities that improve employability and career prospects in sectors identified as regional growth priorities, such as advanced manufacturing and engineering.
- Local employers and the regional economy – by supplying a skilled workforce to meet business needs, supporting productivity, and contributing to County Durham's economic development strategies.
- The wider community – by promoting a culture of learning, raising aspirations, and helping individuals maximise their potential, thereby addressing social mobility challenges and supporting inclusive growth across the North East.

Through these activities, the charity advances education, supports regional skills strategies, and contributes to the creation of jobs and wealth in County Durham and the wider North of England, delivering tangible public benefit in line with its charitable objectives.

**Report of the Trustees  
for the Year Ended 31 July 2025**

**FINANCIAL REVIEW**

**Personnel**

The average number of employees throughout the period 2024/25 was 18 (2023/24: 12 FTE).

**Reserves policy**

The Council of Management consider the charitable company requires reserves to:

- ensure that the current activities of the charitable company would be able to continue in the event of a change or significant drop in the level of funding;
- allow the Council to react quickly to the training needs of the manufacturing and service industries in our area;
- enable the charitable company to continue to invest in fixed assets and maintain the freehold property in a high state of repair.

In order to be prepared for these eventualities target reserves equating to 6 months of cash expenditure, excluding Group recharges, are deemed appropriate; £500k. The Reserves Policy will be reviewed and approved annually by the Council.

The Council has reviewed the level of free reserves held, which currently stand at £874,605 (2024: £843,142), and considers this is adequate to ensure the continued operation of the charitable company. South West Durham Training is forecast to return to a surplus position in the current year 2025/26 and through 2026/27 continuing to grow reserves.

Monthly management accounts are prepared to enable the Council to monitor the level of reserves on a timely basis.

**Going concern**

It is considered appropriate to adopt the going concern basis of accounting in preparing these financial statements, as the Corporation has a reasonable expectation that SWDT will continue to operate for a period significantly longer than the statutory twelve months from the date of approval.

For the year ended 31 July 2025, SWDT reported a deficit of £84k compared with a forecast deficit of £150k (or £121k after capital grant adjustments). During the year, investment was made in staffing and resources to strengthen the foundations for future growth and to support the achievement of long term financial sustainability.

As reported during the year, growth funding was initially calculated on actuals. The Department for Education subsequently revised the methodology, capping growth funding at £100k and committing to pay 50%, subject to reconciliation. In September 2025, the Department released a further payment to SWDT as part of growth funding, which improved the financial outturn for the year ended 31 July 2025 and is reflected in these financial statements.



## **S. W. Durham Training Limited**

### **Report of the Trustees for the Year Ended 31 July 2025**

Looking forward, SWDT is forecasting a surplus position for 2025/26 (before the inter company transfer), supported by the growth in 16–18 learner numbers achieved in 2024/25, which will continue to be funded into 2025/26, albeit at a reduced level.

On this basis, the trustees have a reasonable expectation that SWDT has adequate resources to continue in operational existence for the foreseeable future, and accordingly continue to adopt the going concern basis of accounting in preparing these financial statements.

#### **Financial Year**

The company finished the year in a surplus position; this was an improvement against the approved budget.

The Council of Management are proposing for approval at the annual general meeting that the fee structure for the training period commencing 1 August 2025 be as follows:

(a) that a company sending a learner to the centre and having that learner with S W Durham Training Limited will, providing the learner is eligible for full funding, not be charged whilst full funding is still available for that learner and they are aged 16-18 at the start of their framework. If the learner is not eligible for full funding, the sponsoring company will pay the difference between full funding and that received;

(b) that companies will pay fees for their learner to attend work based learning and further education subsequent to completion of apprenticeships framework.

#### **Fund Raising Activities**

The trustees confirm that the charity does not engage in significant fundraising activities and no material fundraising took place during the financial year.

#### **COUNCIL OF MANAGEMENT**

No fees have been paid to any Member of the Council of Management nor does any such member have any beneficial interest.

#### **Governing document**

S W Durham Training Limited is a company limited by guarantee, incorporated in the United Kingdom and a registered charity. The charitable company is governed by its Memorandum and Articles of Association, as amended at the extraordinary general meeting of 17 October 2014.

#### **STRUCTURE, GOVERNANCE AND MANAGEMENT**

##### **Recruitment and appointment of new council members**

Council members, who are also trustees and directors of the charitable company, can appoint any nominated member to act until the next Annual General Meeting at which time they are eligible for re-election.

##### **Organisational structure**

The council members can meet as many times as they see fit, but generally they meet every three months. Decisions will be made by a majority vote with the Chairperson having the casting vote. Day to day management of the charitable company is delegated to the General Manager.

## **S. W. Durham Training Limited**

### **Report of the Trustees for the Year Ended 31 July 2025**

#### **Induction and training of new council members**

New council members are briefed on their legal obligations under charity and company law, the content of the Memorandum and Articles of Association, the committee and decision making processes, recent financial performance and future plans. They are introduced to key employees and other council members. Council members are encouraged to attend appropriate external training events where these will facilitate the undertaking of their role.

#### **Key management remuneration**

Details of key management remuneration, which is set by the council having regard to the recommendations of the remuneration committee of the parent Bishop Auckland College, are set out in note 8 to the financial statements.

#### **Investment powers**

The council members may invest any monies in any manner authorised by law for the investment of such funds.

#### **Restrictions imposed**

No paid employee or person in receipt of fees or any other remuneration from the charitable company may be a council member. However, any council member engaged by the charitable company in any profession will be entitled to be paid for any work done for the charitable company.

#### **REFERENCE AND ADMINISTRATIVE DETAILS**

##### **Registered Company number**

00918178

##### **Registered Charity number**

518211

##### **Registered office**

Durham Way South  
Aycliffe Business Park  
NEWTON AYCLIFFE  
Co Durham, DL5 6AT

##### **Trustees**

Keith Ivory (Chair)  
Shaun Hope  
James Robson  
David Bell  
Bobby Taylor

The trustees, who constitute the Council of Management, are also the directors of the company for the purposes of the Companies Act 2006.

##### **Chief Executive Officer**

None

**Executive Director**

Jonathan Hall

**Company Secretary**

Lynn Heighton

**Auditors**

Armstrong Watson  
First Floor, One Strawberry Lane  
Newcastle upon Tyne  
NE1 4BX

**Solicitors**

Muckle LLP  
Time Central, 32 Gallowgate  
NEWCASTLE UPON TYNE  
NE1 4BF

**Bankers**

Barclays Bank Plc  
PO Box 378, 71 Grey Street  
NEWCASTLE UPON TYNE  
NE99 1JP

**CHAIRMAN'S STATEMENT**

On behalf of the Council of Management, may I take this opportunity to thank all members of staff of S W Durham Training Limited for their continued support and dedication to the success of the charitable company. I would also like to take this opportunity to thank all our Member Companies for their high level of support during the year.

This has been a challenging year for S W Durham Training dealing many challenges in the changing landscape of education since the pandemic; despite the challenges we have seen some growth in apprenticeship numbers.



Keith Ivory  
Chair

Date: 18<sup>th</sup> December 2025

## **S. W. Durham Training Limited**

### **Report of the Trustees for the Year Ended 31 July 2025**

#### **STATEMENT OF TRUSTEES' RESPONSIBILITIES**

The trustees (who are also the directors of S. W. Durham Training Limited for the purposes of company law) are responsible for preparing the Report of the Trustees and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing those financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charity SORP;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charitable company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the trustees are aware:

- there is no relevant audit information of which the charitable company's auditors are unaware; and
- the trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

#### **AUDITORS**

The auditors, Armstrong Watson, will be proposed for re-appointment at the forthcoming Annual General Meeting.

Approved by order of the board of trustees on 18<sup>th</sup> December 2025 and signed on its behalf by:



.....  
Keith Ivory – Trustee

**Report of the Independent Auditors to the Members of  
S. W. Durham Training Limited**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF S. W. DURHAM TRAINING LIMITED**

**Opinion**

We have audited the financial statements of S. W. Durham Training Limited (the 'charitable company') for the year ended 31 July 2025 which comprise the Statement of financial activities, the Balance sheet, a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 July 2025 and of its incoming resources and application of resources, including its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**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 charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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**

In auditing the financial statements, we have concluded that the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charitable company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Trustees with respect to going concern are described in the relevant sections of this report.

## **Other information**

The other information comprises the information included in the Annual report other than the financial statements and our Auditor's report thereon. The Trustees are responsible for the other information contained within the Annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

## **Opinion on other matters prescribed by the Companies Act 2006**

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

- the information given in the Trustees' report including the Strategic report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Trustees' report and the Strategic report have been prepared in accordance with applicable legal requirements.

## **Matters on which we are required to report by exception**

In the light of our knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' report including the Strategic report.

We have nothing to report in respect of the following matters in relation to which Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

## **Responsibilities of trustees**

As explained more fully in the Trustees' responsibilities statement, the Trustees on page 21 (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees 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 Trustees are responsible for assessing the charitable company'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 Trustees either intend to liquidate the charitable company 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of laws and regulations that affect the company, focusing on those that had a direct effect on the financial statements or that had a fundamental effect on its operations. Key laws and regulations that we identified included the UK Companies Act, tax legislation and occupational health and employment legislation.
- We enquired of the directors, reviewed correspondence with HMRC and reviewed directors meeting minutes for evidence of non-compliance with relevant laws and regulations. We also reviewed controls the directors have in place to ensure compliance.
- We gained an understanding of the controls that the directors have in place to prevent and detect fraud. We enquired of the directors about any incidences of fraud that had taken place during the accounting period.
- The risk of fraud and non-compliance with laws and regulations and fraud was discussed within the audit team and tests were planned and performed to address these risks. We identified the potential for fraud in the following areas: revenue recognition and management override of controls.
- We reviewed financial statements disclosures and tested to supporting documentation to assess compliance with relevant laws and regulations discussed above.
- We enquired of the directors and third party advisors about actual and potential litigation and claims.
- We performed analytical procedures to identify any unusual or unexpected relationships that might indicate risks of material misstatement due to fraud.
- In addressing the risk of fraud due to management override of internal controls we tested the appropriateness of journal entries and assessed whether the judgements made in making accounting estimates were indicative of a potential bias.

Due to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, internal omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing fraud or non-compliance with laws and regulations and cannot be expected to detect all fraud and non-compliance with laws and regulations.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](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 charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and its members, as a body, for our audit work, for this report, or for the opinions we have formed.

  
Simon Turner (Dec 19, 2025 08:26:34 GMT)

Simon Turner (Senior statutory auditor)  
for and on behalf of  
Armstrong Watson Audit Limited

Chartered Accountants & Statutory Auditors  
Newcastle

Date: 19/12/2025



**S. W. Durham Training Limited**

**Statement of Financial Activities  
(Incorporating an Income and Expenditure Account)  
for the Year Ended 31 July 2025**

		Unrestricted		2025 Restricted	2024 Total
	Notes	fund £	funds £	funds £	Total Total funds £
<b>INCOME AND ENDOWMENTS FROM</b>					
<b>Charitable activities</b>					
Income from activities and services	3	1,301,022	-	1,301,022	1,596,953
Investment income	2	13,410	-	13,410	13,108
Income from gain on disposals	4	<u>2,750</u>	<u>-</u>	<u>2,750</u>	<u>          </u>
<b>Total</b>		<b>1,317,182</b>	<b>-</b>	<b>1,317,182</b>	<b>1,610,061</b>
 <b>EXPENDITURE ON</b>					
<b>Charitable activities</b>					
Charitable expenditure	5	<u>1,311,973</u>	<u>126,603</u>	<u>1,438,576</u>	<u>1,367,019</u>
<b>NET INCOME/(EXPENDITURE)</b>		<b>5,209</b>	<b>(126,603)</b>	<b>(121,394)</b>	<b>243,042</b>
 <b>RECONCILIATION OF FUNDS</b>					
<b>Total funds brought forward</b>		<u>1,951,724</u>	<u>1,215,664</u>	<u>3,167,388</u>	<u>2,924,346</u>
<b>TOTAL FUNDS CARRIED FORWARD</b>		<u><u>1,956,933</u></u>	<u><u>1,089,061</u></u>	<u><u>3,045,994</u></u>	<u><u>3,167,388</u></u>

**S. W. Durham Training Limited**

**Balance Sheet  
31 July 2025**

		Unrestricted	Total	2025 Restricted	2024 Total
	Notes	fund £	funds £	funds £	funds £
<b>FIXED ASSETS</b>					
Tangible assets	11	1,112,761	1,089,061	2,201,822	2,324,243
<b>CURRENT ASSETS</b>					
Debtors	12	303,228	-	303,228	371,263
Cash at bank		<u>709,823</u>	<u>-</u>	<u>709,823</u>	<u>684,433</u>
		1,013,051	-	1,013,051	1,055,696
<b>CREDITORS</b>					
Amounts falling due within one year	13	(168,879)	-	(168,879)	(212,554)
		<u>844,172</u>	<u>-</u>	<u>844,172</u>	<u>843,142</u>
<b>NET CURRENT ASSETS</b>					
		1,956,933	1,089,061	3,045,994	3,167,385
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>					
		<u>1,956,933</u>	<u>1,089,061</u>	<u>3,045,994</u>	<u>3,167,385</u>
<b>NET ASSETS</b>					
		<u>1,956,933</u>	<u>1,089,061</u>	<u>3,045,994</u>	<u>3,167,385</u>
<b>FUNDS</b>	15				
Unrestricted funds				1,956,933	1,951,721
Restricted funds				<u>1,089,061</u>	<u>1,215,664</u>
<b>TOTAL FUNDS</b>				<u>3,045,994</u>	<u>3,167,385</u>

These financial statements have been prepared in accordance with the provisions applicable to charitable companies subject to the small companies regime.

The financial statements were approved by the Board of Trustees and authorised for issue on 18<sup>th</sup> December 2025. and were signed on its behalf by:



.....  
Keith Ivory – Chair

**Notes to the Financial Statements  
for the Year Ended 31 July 2025**

**1. ACCOUNTING POLICIES**

**Basis of preparing the financial statements**

That the company is limited by guarantee, S.W Durham Training, Durham Way South, Aycliffe Business Park, Newton Aycliffe, Co. Durham, DL5 6AT which qualifies as a public benefit entity under FRS 102, have been prepared in accordance with the *Charities SORP (FRS 102), as amended*, the *Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)*, and the requirements of the Companies Act 2006. The financial statements have been prepared under the historical cost convention, modified by the revaluation of certain assets.

In accordance with Paragraph 3(3) of Schedule 4 of the Companies Act, the charitable company has adapted the statutory formats to reflect the special nature of its activities.

The financial statements are prepared in sterling (£).

**Going Concern**

The financial statements are prepared on the going concern basis which assumes that the charitable company will continue to operate. If the company is unable to continue to operate, adjustments would be required to reduce the value of assets to their recoverable amounts, to provide for any further liabilities that might arise and to analyse both fixed assets and long term liabilities as current assets and liabilities.

The charity had total funds of £3.046m as at 31 July 2025 (increase of £3.167m from 31 July 2024). Budgets and cash flow forecasts have been updated to factor in the expected reduction in income and a worst case scenario has been used to confirm that the charity has sufficient cash for the organisation to continue for at least 12 months from the date these financial statements are signed. At the time of approving the financial statements, the trustees have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus, the trustees continue to adopt the going concern basis of accounting in preparing the financial statements.

**Financial reporting standard 102 - reduced disclosure exemptions**

The charitable company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland':

- the requirements of Section 7 Statement of Cash Flows.

**Income**

All income is recognised in the Statement of Financial Activities once the charity has entitlement to the funds, it is probable that the income will be received and the amount can be measured reliably.

**Expenditure**

Liabilities are recognised as expenditure as soon as there is a legal or constructive obligation committing the charity to that expenditure, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably. Expenditure is accounted for on an Accruals basis and has been classified under headings that aggregate all costs related to the category. Where costs cannot be directly attributed to particular headings, they have

been allocated to activities on a basis consistent with the use of resources.

#### **Allocation and apportionment of costs**

Where costs cannot be directly attributed to particular headings, they have been allocated to activities on a basis consistent with the use of resources.

#### **Debtors**

Debtors are recognised at the amount due to the charity. Prepayments and other amounts receivable are included at cost less any provision for impairment where recovery is considered doubtful.

#### **Cash at Bank and in Hand**

Cash at bank and in hand includes cash held in current accounts, deposit accounts and any short-term, highly liquid investments with a maturity of three months or less from the date of acquisition.

#### **Creditors**

Creditors are recognised where the charity has a present obligation resulting from a past event that will result in the transfer of funds to a third party. They are measured at their settlement amount, being the amount, the charity expects to pay to settle the liability

#### **Tangible fixed assets**

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Freehold land & buildings	- 4% on cost and 2% on cost
Plant, machinery, fixtures & equipment	- 20% on cost, 16.67% on cost, 10% on cost and 4% on cost
Motor vehicles	- 25% on reducing balance
Computer equipment	- 50% on cost and 33%-50% on cost

#### **Related party exemption**

The charitable company has taken advantage of exemption, under the terms of Financial Reporting Standard FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions group entities.

**Notes to the Financial Statements - continued  
for the Year Ended 31 July 2025**

**1. ACCOUNTING POLICIES - continued**

**Taxation**

The charity is exempt from corporation tax on its charitable activities.

**Fund accounting**

Unrestricted funds can be used in accordance with the charitable objectives at the discretion of the trustees.

Restricted funds can only be used for particular restricted purposes within the objects of the charity. Restrictions arise when specified by the donor or when funds are raised for particular restricted purposes.

Further explanation of the nature and purpose of each fund is included in the notes to the financial statements.

**Foreign currencies**

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

**Pension costs and other post-retirement benefits**

The charitable company operates a funded group pension plan arrangement, whereby it makes contributions directly to each individual employees' pension plan. Contributions paid are included in the period to which they relate.

**Irrecoverable vat**

The charity was partially exempt for VAT purposes for the period ended 31 July 2025. Irrecoverable VAT has been included in the Statement of Financial Activities during the period within support costs.

**Investments**

Listed investments are included in the financial statements at market value at the balance sheet date.

**Financial Instruments**

The charitable company has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

**Critical accounting estimates and areas of judgement**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**Critical accounting estimates and assumptions:**

The charitable company makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

**Critical areas of judgement**

Depreciation - Depreciation is calculated so as to write off the cost of an asset, less its residual value, over the economic life of that asset. An estimate of the useful life of assets is detailed in the depreciation policy.

**S. W. Durham Training Limited**

**Notes to the Financial Statements - continued  
for the Year Ended 31 July 2025**

**2. INVESTMENT INCOME**

	Unrestricted funds £	Restricted funds £	2025 Total funds £	2024 Total funds £
Bank interest	<u>13,410</u>	<u>-</u>	<u>13,410</u>	<u>13,108</u>

**3. INCOME FROM CHARITABLE ACTIVITIES**

	Activity	2025 £	2024 £
Apprentices & youth/adult training	Income from activities and services	1,263,283	1,577,424
Course fees	Income from activities and services	<u>37,739</u>	<u>19,528</u>
		1,301,022	1,596,952

**4. GAINS ON DISPOSAL OF FIXED ASSET**

2,750                      -

**5 CHARITABLE ACTIVITIES COST**

Direct Costs £	Support Costs (See note 6) £	Totals £
825,683	612,893	1,483,576

**6 SUPPORT COSTS**

	Management £	Governance costs £	Totals £
Charitable expenditure	<u>612,893</u>	<u>-</u>	<u>612,893</u>

**S. W. Durham Training Limited**

**Notes to the Financial Statements - continued  
for the Year Ended 31 July 2025**

Support costs, included in the above, are as follows:

**Management**

	2025 Charitable expenditure activities £	2024 Total £
Wages & salaries	15,159	14,233
Social security	2,106	1,757
Pensions	1,073	832
Advertising & publicity	8,781	21,534
General expenses	12,760	12,810
Irrecoverable VAT	34,816	38,556
Operating and maintenance costs	147,655	135,732
College recharges	190,000	190,000
Depreciation of tangible and heritage assets	<u>200,543</u>	<u>155,327</u>
	<u>612,893</u>	<u>570,781</u>

**Governance costs**

	2025 Total activities £	2024 Total activities £
Auditors' remuneration	-	29,280
Accountancy and legal fees	<u>-</u>	<u>4,517</u>
	<u>-</u>	<u>33,797</u>

**7. NET INCOME/(EXPENDITURE)**

Net income/(expenditure) is stated after charging/(crediting):

	2025 £	2024 £
Auditors' remuneration	-	29,280
Depreciation – owned assets	200,543	155,327
Operating leases	<u>-</u>	<u>-</u>

**8. TRUSTEES' REMUNERATION AND BENEFITS**

The trustees receive no emoluments for their services to the charitable company (2025: £Nil ).



## Trustees' expenses

Trustees' expenses totalling £Nil were reimbursed during the year 2024/25 (2023/24 £nil)

### 9. STAFF COSTS

	2025	2024
	£	£
Wages and salaries	510,352	465,456
Social security costs	52,254	43,160
Other pension costs	64,716	55,277
	<u>627,322</u>	<u>563,893</u>

The average monthly number of employees during the year was as follows:

	2025	2024
Training	8	8
Administration	<u>4</u>	<u>4</u>
	<u>12</u>	<u>12</u>

Key management comprise the General Manager. Remuneration of key management during the year was £51,253 including £7,290 pension contributions (2024: £46,518 including pension contributions of £6,683 ).

Zero employees received emoluments in excess of £60,000 (2024: Nil).

**S. W. Durham Training Limited**  
**Notes to the Financial Statements - continued**  
**for the Year Ended 31 July 2025**

**10. COMPARATIVES FOR THE STATEMENT OF FINANCIAL ACTIVITIES**

	Unrestricted fund £	Total funds £	Restricted funds £
<b>INCOME AND ENDOWMENTS FROM</b>			
<b>Charitable activities</b>			
Income from activities and services	1,301,022	-	1,301,022
Investment income	13,410	-	13,410
Gain on disposal	<u>2,750</u>	<u>-</u>	<u>2,750</u>
<b>Total</b>	1,317,182	-	1,317,182
 <b>EXPENDITURE ON</b>			
<b>Charitable activities</b>			
Charitable expenditure	<u>1,311,973</u>	<u>126,603</u>	<u>1,438,576</u>
 <b>NET INCOME/(EXPENDITURE)</b>	5,209	(126,603)	(121,394)
 <b>RECONCILIATION OF FUNDS</b>			
<b>Total funds brought forward</b>	<u>1,582,079</u>	<u>1,342,267</u>	<u>2,924,346</u>
 <b>TOTAL FUNDS CARRIED FORWARD</b>	<u><u>1,587,288</u></u>	<u><u>1,215,664</u></u>	<u><u>2,802,952</u></u>

**S. W. Durham Training Limited**  
**Notes to the Financial Statements - continued**  
**for the Year Ended 31 July 2025**

**11. TANGIBLE FIXED ASSETS**

	Freehold land & buildings £	Plant, machinery, fixtures & equipment £	Motor vehicles £	Computer equipment £	Totals £
<b>COST</b>					
At 1 August 2024	4,812,771	3,869,591	42,984	713,397	9,438,743
Additions	-	71,593	-	-	71,593
Disposal	-	(4,000)	-	-	(4,000)
At 31 July 25	<u>4,812,771</u>	<u>3,937,184</u>	<u>42,984</u>	<u>713,397</u>	<u>9,506,336</u>
<b>DEPRECIATION</b>					
At 1 August 2024	3,300,633	3,057,486	42,984	713,397	7,114,500
Charge for year	82,705	117,841	-	-	200,546
Disposal	-	(4,000)	-	-	(4,000)
At 31 July 2025	<u>3,383,338</u>	<u>3,171,327</u>	<u>42,984</u>	<u>713,397</u>	<u>7,311,046</u>
<b>NET BOOK VALUE</b>					
At 31 July 2025	<u>1,429,433</u>	<u>765,857</u>	<u>-</u>	<u>-</u>	<u>2,195,290</u>
At 31 July 2024	<u>1,512,913</u>	<u>812,105</u>	<u>-</u>	<u>-</u>	<u>2,324,243</u>

Included in cost or valuation of land and buildings is freehold land of £300,000 (2024: £300,000) which is not depreciated. Freehold land was revalued as at 31 July 2014 by the trustees supported by an independent valuation. On transition to FRS102 the freehold land is held at deemed cost.

**12. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2025 £	2024 £
Trade debtors	-	7,547
Amounts owed by group undertakings	-	-
Prepayments and accrued income	<u>303,227</u>	<u>363,715</u>
	<u>303,227</u>	<u>371,262</u>

**13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2025 £	2024 £
Trade creditors	4,191	14,065
Other creditors	-	26,998
Amounts owed to group undertakings	58,159	40,647
Social security and other taxes	11,168	22,814
Deferred income	58,515	41,663
Accruals	<u>36,847</u>	<u>66,367</u>
	168,880	212,553

**S. W. Durham Training Limited**  
**Notes to the Financial Statements - continued**  
**for the Year Ended 31 July 2025**

**Deferred Income**

Balance at 1 August 2024	(41,663)
Amount received and accrued in the year	1,334,034
Balance at 31 July 2025	<u>58,515</u>
Amount released to incoming resources	<u><u>1,350,885</u></u>

Deferred income relates to 16-19 programme funding income received and not earned. This funding will be subject to clawback.

**14. LEASING AGREEMENTS**

Minimum lease payments under non-cancellable operating leases fall due as follows:

	2025 £	2024 £
Within one year	-	-
Between one and five years	<u>-</u>	<u>-</u>
	<u><u>-</u></u>	<u><u>-</u></u>

**15. MOVEMENT IN FUNDS**

	At 01.08.24 £	Net movement in funds £	At 31.07.25 £
<b>Unrestricted funds</b>			
General fund	1,962,142	5,209	1,956,933
<b>Restricted funds</b>			
The Core	962,458	(126,603)	1,089,061
<b>TOTAL FUNDS</b>	<u>2,924,600</u>	<u>(121,394)</u>	<u>3,045,994</u>

**S. W. Durham Training Limited**

**Notes to the Financial Statements - continued  
for the Year Ended 31 July 2025**

**15. MOVEMENT IN FUNDS - continued**

Net movement in funds, included in the above are as follows:

	Incoming resources £	Resources expended £	Movement in funds £
<b>Unrestricted funds</b>			
General fund	1,317,182	(1,311,973)	5,209
<b>Restricted funds</b>			
The Core	-	(126,603)	(126,603)
	<hr/>	<hr/>	<hr/>
<b>TOTAL FUNDS</b>	<u>1,317,182</u>	<u>(1,438,576)</u>	<u>(121,394)</u>

**Comparatives for movement in funds**

	At 01.08.23 £	Net movement in funds £	At 31.07.24 £
<b>Unrestricted funds</b>			
General fund	1,582,079	369,645	1,951,724
<b>Restricted funds</b>			
The Core	1,342,267	(126,603)	1,215,664
	<hr/>	<hr/>	<hr/>
<b>TOTAL FUNDS</b>	<u>2,924,346</u>	<u>243,042</u>	<u>3,167,388</u>

Comparative net movement in funds, included in the above are as follows:

	Incoming resources £	Resources expended £	Movement in funds £
<b>Unrestricted funds</b>			
General fund	1,610,061	(1,240,416)	369,645
<b>Restricted funds</b>			
The Core	-	(126,603)	(126,603)
	<hr/>	<hr/>	<hr/>
<b>TOTAL FUNDS</b>	<u>1,610,061</u>	<u>(1,367,019)</u>	<u>243,042</u>

## S. W. Durham Training Limited

### Notes to the Financial Statements - continued for the Year Ended 31 July 2025

#### 15. MOVEMENT IN FUNDS - continued

A current year 12 months and prior year 12 months combined position is as follows:

	At 01.08.23 £	Net movement in funds £	At 31.07.25 £
<b>Unrestricted funds</b>			
General fund	1,582,079	374,854	1,956,933
<b>Restricted funds</b>			
The Core	1,342,267	(253,206)	1,089,061
	<hr/>	<hr/>	<hr/>
<b>TOTAL FUNDS</b>	<u>2,924,346</u>	<u>121,648</u>	<u>3,045,994</u>

A current year 12 months and prior year 12 months combined net movement in funds, included in the above are as follows:

	Incoming resources £	Resources expended £	Movement in funds £
<b>Unrestricted funds</b>			
General fund	2,927,243	(2,552,389)	374,854
<b>Restricted funds</b>			
The Core	-	(253,206)	(253,206)
	<hr/>	<hr/>	<hr/>
<b>TOTAL FUNDS</b>	<u>2,927,243</u>	<u>(2,805,595)</u>	<u>121,648</u>

Unrestricted funds: These funds represent unrestricted resources available for the general work of the charitable company.

The Core:

This is funds from Durham County Council for the creation of the advanced manufacturing facility known as The Core (Creating Opportunities, Realising Excellence).

#### 16. PENSION COSTS

The charity operates a defined contribution pension scheme for eligible employees. Pension contributions are charged to the Statement of Financial Activities (SoFA) in the year in which they are payable.

The total pension costs recognised in the (SoFA) for the year was £52,254

At the year end, outstanding pension contributions of £2,519 were due to the scheme and are included within creditors.

#### **17 ULTIMATE PARENT COMPANY**

The ultimate parent company is Bishop Auckland College, a college of further education incorporated in the United Kingdom, which is the sole member of the charity. The consolidated accounts can be obtained from the college at Woodhouse Lane, Bishop Auckland, County Durham, DL14 6JZ.

#### **18. CAPITAL COMMITMENTS**

There were no capital commitments at 31 July 2024 or 2025.

#### **19. RELATED PARTY DISCLOSURES**

The charitable company has taken advantage of the exemption under FRS102 not to disclose transactions with UK parent company.

#### **20. MEMBERS**

The liability of the members of the charitable company is limited by guarantee and such liability does not exceed £10 per member.

**S. W. Durham Training Limited**

**Detailed Statement of Financial Activities  
for the Year Ended 31 July 2025**

	2025	2024
	£	£
<b>INCOME AND ENDOWMENTS</b>		
<b>Investment income</b>		
Bank interest	13,410	13,108
<b>Charitable activities</b>		
Apprentices & youth/adult training	1,263,283	1,577,424
Course fees	37,739	19,528
Gain on disposal	2,750	-
	<hr/>	<hr/>
<b>Total incoming resources</b>	1,317,182	1,596,952
<b>EXPENDITURE</b>		
<b>Charitable activities</b>		
Wages and salaries	510,352	465,456
Social security	52,254	43,161
Pensions	64,716	55,277
Course & workshop expenses	169,080	151,128
Administration & monitoring	29,281	47,419
	<hr/>	<hr/>
	825,683	762,441
<b>Support costs Management</b>		
Wages & salaries	15,159	14,233
Social security	2,106	1,757
Pensions	1,073	832
Advertising & publicity	8,781	21,534
General expenses	12,760	12,810
Irrecoverable VAT	34,816	38,556
Operating and maintenance costs	147,655	135,732
College recharges	190,000	190,000
Depreciation of tangible and heritage assets	200,543	155,327
	<hr/>	<hr/>
	612,893	570,781
<b>Governance costs</b>		
Auditors' remuneration	-	14,400
Accountancy and legal fees	-	6,020
	<hr/>	<hr/>
	-	20,420
<b>Total resources expended</b>	<hr/>	<hr/>
	1,438,576	1,202,862
<b>Net expenditure</b>	<hr/>	<hr/>
	(121,394)	394,090



# **Bishop Auckland College & South West Durham Training**

Final Management and Governors' Report

For the year ended 31 July 2025

This document is strictly private and confidential

## Scope and Limitations

This document is strictly confidential and although it has been made available to management to facilitate discussions, it may not be taken as altering our responsibilities under our audit engagement letter. The contents of this audit strategy memorandum should not be disclosed to third parties without our prior written consent. No responsibility to any third party is accepted as this memorandum has not been prepared for, and is not intended for, any other purpose



Armstrong Watson LLP is a limited liability partnership registered in England and Wales, number OC415608. The registered office is James Watson House, Montgomery Way, Rosehill, Carlisle, CA1 2UU where a list of Governors is kept. Armstrong Watson LLP is regulated by the Institute of Chartered Accountants in England and Wales for a range of investment business activities. Unless otherwise indicated, either expressly or by the context, we use the word "partner" to describe a member of Armstrong Watson LLP or an employee of Armstrong Watson LLP in their capacity as such.



Armstrong Watson Audit Limited is registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Registered as a limited company in England and Wales, number 8800970. The registered office is James Watson House, Montgomery Way, Rosehill, Carlisle, CA1 2UU.



Armstrong Watson Financial Planning Limited is authorised and regulated by the Financial Conduct Authority. Firm reference number 542122. Registered as a limited company in England and Wales, number 7208672. The registered office is James Watson House, Montgomery Way, Rosehill, Carlisle, CA1 2UU. Armstrong Watson Financial Planning & Wealth Management is a trading style of Armstrong Watson Financial Planning Limited.

Armstrong Watson Governors Limited is a limited company registered in England and Wales, number 84495656. The registered office is James Watson House, Montgomery Way, Rosehill, Carlisle, CA1 2UU.

## 1. INTRODUCTION

### a. Purpose

This report has been prepared for the Governors of Bishop Auckland College and South West Durham Training (hereon "Bishop Auckland College Group") to bring attention to various matters arising from the audit of Bishop Auckland College Group for the period ended 31 July 2025.

### b. Responsibilities

Details of the responsibilities of the Governors of Bishop Auckland College Group are set out in our engagement terms dated 31 August 2022.

Armstrong Watson Audit Limited, as auditor to Bishop Auckland College Group is responsible for forming an opinion on the financial statements. Details of our responsibilities are set out in our engagement terms. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

### c. Limitations

Our audit procedures, which have been designed to enable us to express an opinion on the financial statements, have included the examination of the transactions and the controls thereon of Bishop Auckland College Group. The International Standards on Auditing (UK) do not require us to design audit procedures for the purpose of identifying supplementary matters to communicate with those charged with governance.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

We have included in this report only those matters that have come to our attention as a result of our normal audit procedures and, consequently, our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

This report is to be regarded as confidential to the Governors of Bishop Auckland College Group is intended for use by them and staff of Bishop Auckland College Group only. No responsibility is accepted to any other person in respect of the whole or part of its contents. Before this report, or any part of it, is disclosed to a third party our written consent must be obtained.

**d. Independence**

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that there are no relationships between us and any of our related or subsidiary companies and you and your related entities creating an actual or perceived threat to our independence within the regulatory or professional requirements governing us as your auditors.

We provide the below other services permitted by the College Accounts Direction 2024-25.

- Teachers' Pension EOYC assurance
- Turing grant application assurance

The above are assurance services which do not directly impact the financial statements. Therefore we do not believe that there are any threats to our independence as a result of us completing these engagements.

## 2. AUDIT RISK AREAS

### a. Significant Audit Risks

Significant audit risks highlighted in our Audit Strategy:

Significant risk	Our response	Findings
<b>Income recognition including income entitlement</b> There is a presumed fraud risk over income prescribed by the auditing standards. This means there is an inherent fraud risk that management may misstate income to present a preferential position to stakeholders. We have not rebutted this risk.	<p>We have agreed income from DfE, local authorities and other income sources to remittances and assessed its recognition against the relevant criteria. For other streams of income, we have agreed these back to source documentation and ensured recognition is in accordance with FRS 102.</p> <p>We have performed controls and sample testing over the student enrolment process and ongoing monitoring to gain assurance that where income is claimed, the right to that income exists through the conditions of that funding being met.</p> <p>We have tested whether the ILR returns reflect the information in the student records system.</p> <p>We have performed cut-off testing to gain assurance that income is recognised in the correct accounting period.</p> <p>Deferred capital grant releases have been tested via comparison to their related asset useful lives.</p>	<p>No issues noted with the current testing. All income streams tested have been reconciled to the amounts recognised within a trivial difference.</p> <p>No issues have been noted from the ILR submission testing, with all learners selected for testing having appropriate documentation completed and criteria met for income to be recognised.</p> <p>No issues have been noted during testing of income included within deferred and accrued income at the year end.</p>
<b>Management Override</b> There is a presumed fraud risk with regards management override and intervention prescribed by the auditing standards. This means there is an inherent fraud risk that management may misstate results to present a preferential position to stakeholders.	<p>We have reviewed systems and processes to identify potential areas of management override risk.</p> <p>We have tested a sample of manual journals to gain assurance over the risk of management override of controls.</p>	<p>No issues with regards to potential management bias were identified from our review of areas of judgement and estimation.</p> <p>Journals tested covering risk areas have been reviewed and appear to be posted within expectations and do not indicate management override of controls.</p>

## b. Key Audit Focus Areas

Key audit focus areas highlighted in our Audit Strategy:

Key area of focus	Our response	Findings
<p><b>Regularity and value for money</b></p> <p>Regularity and value for money are always a priority of the DfE and as such they expect auditors in the sector to place a focus on these areas.</p> <p>We are also required to issue a distinct regularity opinion in addition to our opinion on the financial statements. As such, we must ensure that we gain assurance over these areas in order to support this opinion.</p> <p>The requirement to assess regularity and value for money extends to the College's subsidiary company as well as the College itself</p>	<p>We have incorporated both substantive and controls testing around key transition processes, particular expenditure / procurement, into our audit approach.</p> <p>We have considered DfE requirements in respect of the utilisation of specific grants.</p> <p>We have reviewed the regularity questionnaire prepared by management and corroborate the responses.</p> <p>We have reviewed governance and regularity systems and processes to gain assurance that they are designed effectively and implemented as documented.</p>	<p>No issues noted when completing regularity and value for money testing.</p> <p>Review of policy and governing documents do not show any indication of noncompliance with regulatory requirements.</p> <p>We have found the college to obtain value for money through the tendering process.</p>

Key area of focus	Our response	Findings
<b>Going concern</b> Due to the historic deficits reported by the Group, going concern has been highlighted as a heightened risk area.	<p>We have reviewed budgets and forecasts prepared by management, including cash flow forecast, for the relevant assessment period for going concern. This is no less than 12 months from the date of signing the accounts.</p> <p>We have reviewed management's assessment of going concern, which is subject to Audit Committee approval. We have reviewed and challenged the assumptions upon which it is based. This has included a stress test over the figures included in the calculations.</p> <p>We have considered student recruitment for the 2025/26 academic year, and the impact of this recruitment on the funding to be received for the early part of 26/27, which falls into the assessment period.</p>	<p>We have reviewed management's assessment of going concern and concur that that this is the correct basis on which the accounts should be prepared.</p> <p>We note forecasted improvements to the financial health of the college following the repayment of the loan, and improvement in EBITDA.</p>
<b>Defined Benefit Pension Scheme</b> The valuation of the liabilities is based on a range of actuarial assumptions and judgements, therefore there is the risk of material misstatement or manipulation through potential management bias.	<p>We have obtained the actuarial reports for the local government pension scheme and agreed the information within to that presented within the accounts.</p> <p>We have reviewed the assumptions utilised in the calculation of the defined benefit pension (unrecognised) asset.</p> <p>We have reviewed the competence of the actuary with reference to their professional credentials and experience.</p> <p>We have reviewed management's assessment of the likelihood of the inflow of economic benefits as a result of the current asset position.</p>	<p>In benchmarking the key assumptions driving the pension obligation we have identified no indicators of misstatement.</p> <p>The pension continues to be in an asset position. We have reviewed management's assessment, actuarial report and asset ceiling calculation and concur with management that not recognising the asset is the correct treatment.</p>

Key area of focus	Our response	Findings
<b>Deferred Grants</b> The release of deferred grants are incorrect, or that deferred grants are continued to be held on the balance sheet incorrectly.	<p>We have tested deferred grants to ensure that they have been correctly classified.</p> <p>We have substantively tested transactions in the year to ensure that the relevant criteria have been met.</p> <p>We have performed cut-off testing to gain assurance that grant income has been recognised in the correct accounting period.</p>	No issues with regards to the recognition, classification and accounting treatment of Deferred Grants have been identified from our testing.

**c. Additional Risks Identified**

We have not identified any additional risks during the audit process and therefore we have not had to amend our planned audit procedures.



### 3. SUMMARY OF ADJUSTMENTS

#### a. Late Adjustments (following receipt of information)

Management have identified the below year end accounting adjustments. These have been approved and posted to the nominal ledger in the year to 31 July 2025 and therefore they are recognised in the profit reconciliation from the opening position as presented at the start of the audit work.

##### Bishop Auckland College:

	£'000
College Total Comprehensive Income per first drafts	826
Pension Adjustment	(99)
Total Comprehensive Income per latest accounts	<u>727</u>

#### b. Unadjusted Audit Differences

The following audit differences have been identified which remain unadjusted:

##### Bishop Auckland College:

As at the date of preparation of the report, we have identified no unadjusted audit differences.

##### South West Durham Training:

As at the date of preparation of the report, we have identified no unadjusted audit differences.

## 4. AUDIT FINDINGS

### a. Matters to bring to your attention

#### Defined benefit pension asset non-recognition

Due to changes in key assumptions, and particularly the rate at which future liabilities are discounted, there has been a significant swing in the value of the Durham County Council Local Government Pension Scheme, such that the colleges are seeing a net position of an asset in 2025 (consistent with the prior year).

As discussed in Section 2, we have reviewed the assumptions used to arrive at this valuation and are comfortable with them.

The movement in the asset surplus from £1.97m to £5.49m is driven by changes in the following assumptions, used in calculating the value of pension deficit:

- -0.1% change in CPI inflation to 2.5%
- -0.1% change in salaries increase to 3.5%
- -0.1% change in pensions in payment/deferment to 2.5%

The discount rate has increased by 0.8% to 5.8%.

Understanding these assumptions, particularly the discount rate, is essential to understanding the pension fund surplus. As part of our audit testing, we have considered the assumptions used in the preparation of the pension fund estimate for other relevant entities, and summarised the findings in the tables below:

Assumption	Bishop Auckland	College 1	College 2	College 3	Range	0.1% increase in assumption	0.1% decrease in assumption
CPI Inflation	2.5	2.5	2.8	2.5	0.3	<i>Not disclosed in the actuarial report</i>	
Increase in salaries	3.5	3.75	3.55	4.00	0.5	£30k increase in liability	£30k decrease in liability
Discount rate	5.8	5.8	5.8	5.9	0.1	£290k decrease in liability	£310k increase in liability

In line with the previous financial period, the college instructed their actuary to prepare the above figures on the basis that no surplus would be recognised in the year to 31 July 2025. Despite the actuary report showing a net pensions asset, Bishop Auckland College have opted to apply an asset ceiling to this figure and instead recognise the pension as nil. Following our detailed review of the pension report and assumptions, we believe this to be the appropriate treatment.

## 5. INTERNAL CONTROLS

### a. Significant Deficiencies in Internal Controls

We have not identified any significant deficiencies in the internal controls. However please refer to the section below for recommendations on improvements in internal systems identified during the course of the audit.

### b. Systems Improvements

These controls have been assessed on the following basis:

Recommendation Rating / Colour		Definition
Red Priority		Recommendations which are fundamental to the system and upon which the organisation should take immediate action.
Amber Priority		Recommendations which, although not fundamental to the system, provide scope for improvements to be made.
Green Priority		Recommendations concerning issues which are considered to be of a minor nature, but which nevertheless need to be addressed.
Improved System Potential		Issues concerning potential opportunities for management to improve the operational efficiency and/or effectiveness of the system.

Observation	Risk Arising	Recommended Actions	Management Response
<b>Red Priority</b>			
None noted			
<b>Amber Priority</b>			
None noted			
<b>Green Priority</b>			
None noted			
<b>Improved System Potential</b>			
None noted			

### c. Observations brought forward

Observation – 2024	Risk Arising	Recommended Actions	Outcome – 2025
<b>Amber Priority</b>			
A number of missed accruals as the year end were noted across Bishop Auckland College and S.W. Durham Training	The risk is that expenditure is allocated against the wrong year, creating discrepancies between income receipted, and expenditure incurred.	Our recommendation would be to implement a clear cut-off policy at year end to ensure that expenditure is captured in the correct year.	In the audit of the financial statements to 31 July 2025, we have noted no errors above triviality in relation to missed liabilities at the year end.

## 6. AUDIT CONCLUSIONS

### a. Significant Difficulties Encountered During the Audit

No significant difficulties were encountered during the audit. We would like to thank all Members of staff - especially Lynn, Bev, Katie, James & Craig - for their assistance throughout the engagement. In particular we would like to thank all for the quality and promptness of the provision of information, and active engagement with our queries and the audit process.

### b. Written Representations

A Letter of Representation for the financial statements and Regularity audit will be signed on behalf of the Governors prior to the audited accounts being issued. Please note this will be issued separately to the Final Management and Governors' Report.

### c. Audit Opinion

We anticipate that we will issue an unmodified audit report on the financial statements of Bishop Auckland College Group, subject to the Governors approving the accounts as presented to us.

We anticipate that we will issue an unmodified assurance report on regularity to Bishop Auckland College Group, subject to the Governors approving the accounts as presented to us.

### d. Acknowledgement of Final Report

We acknowledge receipt of the final management report on behalf of those charged with governance

Signed:  .....

Name **Mo Dixon** .....

Position: **Chair of Board** .....

Date: **18/12/2025** .....

## 7. Feedback

At Armstrong Watson, we have a 'Crazy Goal' to 'be the best accounting and financial advisory firm to deal with, delivering the best client experience in the United Kingdom'. In helping us on our journey to achieve the Crazy Goal, it would be very helpful to hear your feedback on how this year's audit has gone for you. If you are willing to, we would like to briefly discuss your feedback at the audit close meeting.

For each of the statements below, we would like to hear your grading.

Statement	Your grading
The timings, logistics and required deliverables of the audit were clearly communicated in advance.	a) Strongly Agree b) Agree c) Neither Agree Nor Disagree d) Disagree e) Strongly Disagree
The audit was conducted in a courteous and professional manner.	a) Strongly Agree b) Agree c) Neither Agree Nor Disagree d) Disagree e) Strongly Disagree
The disruption of daily activities was minimised as much as possible during the audit.	a) Strongly Agree b) Agree c) Neither Agree Nor Disagree d) Disagree e) Strongly Disagree
The audit testing met our expectations in terms of the balance of scrutiny and efficiency.	a) Strongly Agree b) Agree c) Neither Agree Nor Disagree d) Disagree e) Strongly Disagree
Progress and issues arising during the audit fieldwork were clearly communicated.	a) Strongly Agree b) Agree c) Neither Agree Nor Disagree d) Disagree e) Strongly Disagree
The Final Management Report was clearly written and relevant.	a) Strongly Agree b) Agree c) Neither Agree Nor Disagree d) Disagree e) Strongly Disagree
The team are responsive to questions raised during the year.	a) Strongly Agree b) Agree c) Neither Agree Nor Disagree d) Disagree e) Strongly Disagree
The team proactively inform us of relevant upcoming issues and solutions during the course of the year. We would recommend Armstrong Watson to other similar organisations.	a) Strongly Agree b) Agree c) Neither Agree Nor Disagree d) Disagree e) Strongly Disagree

Finally, if there is one thing that you could change about the audit, what would it be?



## APPENDIX 1

### a. Cyber & Data Protection

We would like to bring to your attention some recent developments in this important area.

It is clear from recent well publicised cyber-attacks on UK entities that data breaches are of a major concern and risk to companies both financially and reputationally.

Most companies are data controllers under the Data Protection Act (2018) which was applicable in the UK from May 2018. Whilst this is over five years ago, a company's responsibility remains to have all appropriate protocols and procedures in place, demonstrating that your risks continue to be appropriately managed and regularly reviewed and that your outsourced activities are similarly covered.

We recommend you consider regularly reviewing and if necessary, refreshing existing cyber security policies, procedures and checklists. In addition, updating your Risk Register for the methodology you use to ensure your company's protocols are sufficiently robust in this area. These should be kept under regular review. Raise awareness and train staff. The most common types of breaches can be linked to human factors, such as unwittingly clicking on a malicious link. Staff awareness and vigilance are essential to a business' cyber security alongside any technical and software protections. Raising awareness and education across all staff - not just specialist IT staff - is essential.

On the next page are the ten steps to cyber security as issued by the National Cyber Security Centre



## b. Upcoming changes to FRS102

Following consultations under exposure draft (FRED82) in March 2024 a revised FRS102 was issued.

There are a number of extensive changes to update the standard to align it more closely with International Financial Reporting Standards (IFRS). The changes apply to accounting periods commencing 1 January 2026 onwards.

The main changes include:

### Revenue

A new model for revenue recognition is now mandated.

This model is based on the five step model for revenue recognition in IFRS15 with a small number of simplifications.

Revenue will be largely recognised based on promises included in contracts with customers and whether these are satisfied over time or at a point in time.

This may mean that revenue will be recognised in a different accounting period to which it is now.

### Leasing

A new on-balance sheet model has been adopted. This model is based on the IFRS16 leasing requirements with a small number of simplifications.

Lessees with significant operating leases will be the most affected by the new arrangements as most leased assets and lease liabilities will come onto the balance sheet.

Exceptions are available for small value leases and for short term leases ( those with a lease term of 12 months and under at commencement)

There is no monetary limit stated in the standard in determining what are small value leases.

The disclosures under the new standard are significantly more extensive both in volume and complexity.

There is not much of an impact on lessors.

### Other

Following Brexit, there has been changes to disclosures for small companies. Disclosures in Appendix E to section 1A, which currently are encouraged, will become

mandatory. This means that full related party disclosures and dividend notes will be required again.

The revisions will affect accounting periods commencing on 1<sup>st</sup> January 2026 although early adoption will be permitted if all changes to the standard are applied at the same time.

### c. Holiday pay entitlement reforms

The UK government has introduced reforms to simplify holiday entitlement and holiday pay calculations. These changes, effective from 1 January 2024, include:

1. **Defining irregular hours workers and part-year workers:** This relates to the introduction of the holiday entitlement accrual method and rolled-up holiday pay.
2. **Calculating statutory holiday entitlement for irregular hours and part-year workers:** A method has been introduced to determine holiday entitlement for these workers.
3. **Accrued leave calculation:** When irregular hour or part-year workers take maternity or family-related leave or are off sick, a method is used to calculate their accrued leave.
4. **Removal of COVID-19 carryover accrual:** The Working Time (Coronavirus) (Amendment) Regulations 2020, which affected COVID-19 carryover of leave, have been removed.
5. **Holiday pay rates:** The current rates remain unchanged, with 4 weeks paid at the normal rate of pay and 1.6 weeks paid at the basic rate of pay. Two distinct pots of leave are retained.
6. **Definition of 'normal remuneration':** This is clarified in relation to the 4 weeks of statutory annual leave.
7. **Rolled-up holiday pay:** An alternative method for calculating holiday pay for irregular hours workers and part-year workers.

#### Calculating holiday pay for irregular workers and part-year workers

What is an irregular worker?

A worker is an irregular hours worker, in relation to a leave year, if the number of paid hours that they will work in each pay period during the term of their contract in that year is, under the terms of their contract, wholly or mostly variable. This could be a 'casual' contract or a zero hours contract.

*What is a part-year worker?*

A worker is a part-year worker, in relation to a leave year, if, under the terms of their contract, they are required to work only part of that year and there are periods within that year (during the term of the contract) of at least a week which they are not required to work and for which they are not paid. This includes part-year workers who may have fixed hours.

What is the change in calculating holiday pay?

For leave years beginning on or after 1 April 2024, there is a new accrual method for irregular hour workers and part-year workers in the first year of employment and beyond. Holiday entitlement for these workers will be calculated as 12.07% of actual hours worked in a pay period.

Worked example:

Mr Watson works 70 hours in May 2024.

1. Divide the hours worked in that pay period by 100 -  $70/100 = 0.70$
2. Multiply by 12.07% -  $0.70 \times 12.07 = 8.449$
3. Round up to the nearest hour – 9 hours of holiday accrued for the month of May

Changes to maternity or family related leave or off sick leave

Leave is accrued in these instances using the same method outlined above, but using a 52 week relevant period to calculate an average for hours worked. This 52 week period works backwards from the first date of leave. The employer is only required to calculate this one per period of leave.

Worked example:

Mrs Watson is a part-year worker who is entitled to the minimum 5.6 weeks statutory holiday entitlement. Over a 52 week period, she worked 25 weeks for a total of 900 hours. She then took the following 40 weeks as maternity leave:

1. Calculate average hours per week during the relevant 52 week period leading up to the first day of maternity leave – 52 weeks – 5.6 holiday pay = 46.4 weeks.
  - $900 \text{ hours} / 46.4 \text{ weeks} = 19.397 \text{ hours (3dp)}$
2. Calculate the number of hours of annual leave accrued per week of the maternity period
  - $19.397 / 100 \times 12.07\% = 2.341$
3. Calculate the total number of hours of annual leave accrued whilst on maternity
  - $2.341 \times 40 \text{ weeks} = 93.64$

In this example Mrs Watson would have 94 hours holiday entitlement accrued under the new rules.

### Holiday pay rates

Regulation 13 of the Working Time Regulations now states that 4 of the 5.6 weeks paid statutory holiday entitlement for the year must be paid at a worker's 'normal' rate of pay. The remaining 1.6 weeks' can be paid at 'basic' rate of pay.

From 1 January 2024, 'Normal rate' of pay is defined as:

- Payments, including commission payments, intrinsically linked to the performance of tasks which a worker is contractually obliged to carry out.
- Payments relating to length of service, professional status or professional qualifications.
- Other payments, such as overtime payments, which have regularly been paid to a worker in the 52 weeks preceding the calculation date.

Basic pay = a workers wages that they would have earned had they been working (not including bonuses, commission and other additional payments).

For leave years beginning on or after 1 April 2024, part-year and irregular hours workers are legally entitled up to a maximum amount of 5.6 weeks of paid statutory holiday entitlement per year, calculated according to actual hours worked using the 12.07% accrual method. If their employer chooses to use rolled-up holiday pay, then the entire amount of their leave for irregular hours and part-year workers will be paid at the 'normal' rate of pay.

### Rolled-up holiday pay for irregular hour and part-year workers only

Employers have an option which allows them to include an additional amount with every payslip to cover a worker's holiday pay, rather than paying it whilst the worker is on annual leave.

This can only be used on leave years beginning on or after 1 April 2024.

Holiday pay is still calculated using the 12.07% based on a workers total pay in a pay period. If employers want to opt to use this method, they will need to revisit contracts of employment and their HR team to ensure that variations are made where required. Holiday pay will also need to be separated out on a worker's payslip, and paid at the same time as their normal pay.

## **d. Companies House reform**

The Economic Crime and Corporate Transparency Act 2023 received royal assent on 26 October 2023.

Whilst the bill gave Companies House more powers over verification and correction of information and introduced new identity identification protocols the main effect for companies is the requirement for small and micro companies to produce and file a profit and loss account with Companies House.

The timescales for this are unclear as it needs secondary legislation to be passed to actually implement the measures. It is again unclear whether the filed profit and loss account will be viewable by the public as the legislation passes the decision to decide to a minister at a later date.

The ability to file filleted or abridged accounts has been removed but again at a future undetermined date.

Companies House can mandate the electronic filing of all accounts but there is no date set for this to be implemented.

#### **d. Economic Crime and Transparency Act 2023 – Failure to prevent**

The act became law on 26 October 2023. Some parts of the Act are still to be enacted.

One of them is a new 'failure to prevent' offence

Organisations will be held criminally liable where a person associated with it (including employees, agents and subsidiaries) commits a fraud intending to benefit the organisation and it does not have reasonable procedures in place to prevent the fraud.

The offence will apply to all large organisations including:

- Companies
- Partnerships
- Not for profit organisations
- Incorporated public bodies

Organisations are large if they meet 2 out of 3 of the following:

- More than 250 employees
- More than £36 million turnover
- More than £18 million total assets

Types of offences that could be committed

- False accounting
- False representation
- Failure to disclose information
- False statements by company directors amongst others

What are reasonable procedures to prevent fraud?

- The government is to publish guidance.
- The offence will then come into force.
- There will be a transition period but its length is unknown.
- The penalty is an unlimited fine.

Organisations should now consider if they are within its scope prior to its introduction and prepare themselves to implement when it's start date is known.