



Annual Report and Financial
Statements for the Year Ended
31 July 2019

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Reference and Administrative Details

Board of Governors

A full list of Governors is given on page 12-14 of these financial statements.

Key Management Personnel

Key management personnel are defined as Senior Post Holders and members of the College Executive Team and were represented by the following in 2018/19:

- Dr Fazal Dad, Principal and Chief Executive; Accounting Officer (Commenced January 2019)
- Graham Towse, Interim Principal and Chief Executive; Accounting Officer (From October 2018 to December 2018)
- Dr Thomas Moore, Principal and Chief Executive; Accounting Officer (Retired 30 September 2018)
- Graham Towse, Interim Vice Principal - Curriculum and Quality (From December 2017 to September 2018)
- Peter Robinson, Vice Principal - Curriculum and Quality (From August 2018)
- Jennifer Eastham, Vice Principal - Finance and Corporate Services
- Sharon Germain-Cox, Director of Human Resources and Organisational Development
- Nicola Clayton, Director of Business Development and External Engagement
- Jean Tracy, Clerk to the Corporation

Principal and Registered Office: Feilden Street, Blackburn, BB2 1LH.

Professional advisers;	External Auditors:	BDO LLP
	Internal auditors:	RSM UK Consulting LLP
	Bankers:	Santander UK Plc, Barclays Bank
	Solicitors:	Forbes Solicitors

Strategic Report

Nature, objectives and strategies

The members present their report and the audited financial statements for the year ended 31 July 2019.

Legal status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting Blackburn College. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

Mission

The College's mission is reviewed on an annual basis and is as follows: "Transforming lives through outstanding education, training and support."

Strategic Plan

The current Strategic Plan covers the academic years 2015/16 to 2017/18 and was approved by the Corporation Board on the 3 July 2015. Since the plan was approved, the external environment has changed, and amongst other challenges, the European Referendum has taken place - with significant impact to the UK's finances being forecast. Therefore, a review has been undertaken, that has involved evaluating the targets, the aims, objectives and ambitions, to ensure that they and the full plan remain current, relevant and 'fit for purpose'. At its meeting in July 2018, the Corporation Board agreed to extend that plan for further year as a revised three-year plan was being written with the incoming Principal and Chief Executive (this was approved in July 2019, with it first having been considered at the Governors' Strategic Seminar held in November 2018). The Corporation Board agreed that the current plan remains 'fit for purpose' for the coming year, with some minor amendments to the KPI's. The College's continuing ambition statements for the year are as follows;

STUDENTS: Deliver outstanding teaching, learning, assessment and support to our students, enabling them to progress positively to further education or employment.

STAFF: Provide a supportive environment for staff, with effective communication and consultation, encouraging personal well-being and professional development.

RESOURCES: Ensure financial stability and effective use of resources in order to invest in our students and our staff.

PARTNERSHIPS: Work in partnership with others for the benefit of Blackburn College, Blackburn with Darwen Borough Council, Lancashire and beyond.

Key actions were identified for each of the four ambition statements which were measured by a number of performance indicators, the indicators are reported at each level within the College and monitored by Governors.

Financial objectives

The College's strategic financial ambition statement is to 'ensure financial stability and effective use of resources in order to invest in our students and our staff'.

The performance indicators which were reviewed and approved by Governors in December 2018 and remain in effect include:

- To deliver an operating surplus of at least 3% of income plus a net cash inflow from operating activities in each year of the plan submitted to the Education and Skills Funding Agency (Current year and next 2 years). Achieved in submitted financial plans.
- To ensure that the College continues to achieve at least grade "Good" financial health a ratio of at 1:1. Achieved.

Financial objectives (continued)

- To maintain income and expenditure reserves in excess of 40% of income (pre-pension reserve) and in excess of 25% of income (post pension reserve). Partially achieved.
- To ensure that risk management plans are realised. Achieved.
- To generate a cash inflow from operating activities of at least £3.5m. Not achieved, £3.2m actual.
- To ensure that staffing cost (pre-pension actuarial adjustment) to income ratio remains below 65%, as measured by the FE Commissioner. Not Achieved, ratio is 66.2%.

Resources

The College has various resources that it can deploy in pursuit of its strategic objectives, this includes our staff, campus and net assets.

As at 31 July 2019 the College employed 688 full time equivalent staff, of whom 396 are teaching staff. Staff have a range of qualifications to suit the level at which they teach and the College has a rolling Continuous Professional Development (CPD) program to support the development of staff across all areas of the College. In addition to the CPD program, teaching staff can apply for support to undertake research in their area of specialism.

The College has seen an decrease in its net assets from £18.5m in 2017/18 to £11.8m in 2018/19, which is mainly a result of increases in the pension liability from £10.5m to £17.9m. The College currently has £13.0m of long term debt, which was used to develop the College campus. The campus is made up the Victoria Building, Elizabeth Building, Construction Centre, Harrison Centre, St Paul's, the University Centre, the Beacon Centre, the Sir Bill Taylor Futures Centre, the Regional Automotive Technology Hub and Blackburn Sports and Leisure Centre (a joint venture with Blackburn with Darwen Council) and forms part of the tangible assets.

The College campus includes a building which has been vacant for a number of years, which was being considered for redevelopment as part of the College Estates Strategy. During the year the Corporation agreed the Blakey Moor should be sold and discussions are ongoing with a potential buyer. As at the year end no obligation to sell was agreed, with discussions progressing that may result in a sale within the next 12 months.

The College enrolled approximately 11,000 students. The college's student population includes 3,181 16-to-18-year-old students, 749 apprentices, 1974 higher education students, 5 international students and 2,351 adult learners.

Stakeholder relationships

In line with other Colleges and with Universities, Blackburn College has many stakeholders. These include:

- Students;
- Education sector funding bodies;
- FE Commissioner;
- Staff;
- Local employers (with specific links);
- Local Authorities;
- Local Enterprise Partnerships (LEPs);
- The local community;
- Other FE and HE institutions;
- Trade unions; and
- Professional bodies.

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

Strategic Report (Continued)

Development and performance

Financial results

The College generated a deficit before other gains and losses in the year of £1,215k (2017/18 – £943k surplus, which included a release of a 2016 accrual for loan break fees (please see note 17 for details)). This deficit includes an adjustment to the past service cost of £586k in respect of a court case, between the Government and the case of Sargeant and McCloud, whereby the transitional arrangements from a 2015 Local Government Pension Scheme (LGPS) reform have been challenged on the basis of age discrimination. At this stage the remedial actions remain unclear for LGPS employers, with the amount included in these results an estimate on the past service costs.

There is an overall reduction in the total comprehensive income reserve of £6,776k, which is made up of an operating surplus of £1,263k, less LGPS adjustments of £7,406k (£288k of interest, £971k of current service cost deficit, £586k past service cost and £5,561k of net movements in scheme assets / liabilities). Note 23 provides detail on the Local Government Pension Scheme valuation and accounting adjustments.

Reserves

The College has accumulated Income and Expenditure reserves of £9,181k and cash and short term investment balances of £7,918k. The College wishes to continue to accumulate reserves and cash balances in line with its financial performance indicators.

Tangible fixed asset additions during the year amounted to £678k, of which £578k was invested in Fixtures and Fittings and the balance on minor improvements to the Buildings.

Sources of Income

The College has a reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2018/19 the FE funding bodies provided 48% of total income.

Future Prospects

Developments

The College performs an annual review of all areas as part of the Business Planning cycle, which includes review of the appropriateness of the Curriculum offer for our local community and employers. This review also includes a review of the Campus, with the future use of the Blakey Moor Building a key consideration (in light of the Blackburn with Darwen Council development of the Blakey Moor terrace and Reel Cinema development).

Financial plan

The College Governors approved a financial plan in July 2019 which sets objectives for 2019/20 and 2020/21.

Treasury policies and objectives

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

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

Cash flows and liquidity

At £7.9 million (2017/18 £7.8 million) cash and cash equivalents was acceptable in the Corporations view.

Strategic Report (Continued)

All loan facilities are subject to financial covenants. During the year to 31 July 2018 the College renegotiated the terms of all its loan facilities with its lenders, as disclosed in the prior year accounts. During the year to 31 July 2019 the College agreed a revised Operating Leverage covenant with Barclays Bank for the current year, as forecasted headroom was deemed as insufficient. As at the year end the additional headroom from this revised covenant was not used.

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

Reserves Policy

The College has a Performance Indicator, as previously set out in this report that recognises the importance of reserves in the financial stability of any organisation, and ensures that there are adequate reserves to support the College's core activities. The College reserves include £60k held as restricted reserves. As at the Balance Sheet date, the Income and Expenditure reserve stands at £9.2m (2017/18: £15.8m). It is the Corporation's intention for reserves to be maintained in line with the Performance Indicator.

Going concern

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

Principal risks and uncertainties

Risk Management

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

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

A Risk Register is maintained at the College level which is reviewed by the Corporation Board and Audit Committee at each meeting. The Risk Register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

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

1. Government funding

The College has considerable reliance on continued government funding through the Further and Higher Education funding bodies. In 2018/19, 48% of the College's revenue was ultimately public funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

Strategic Report (Continued)

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

- Introduction of T Levels
- Apprenticeship reforms
- Devolution of Adult Education Budget
- Local Authority funding cuts impacting on College services and the wider economy
- Reduction in staffing levels at funding bodies and Government offices to service the College
- Reductions or changes to the Office for Students Student Opportunity Allocation and the method in which support for HE learners with additional learning support needs is funded

The College, in conjunction with its key stakeholders, develop strategies in response to the factors affecting the local area and it's funding factor to mitigate the risk. These risks are mitigated in a number of ways:

- Funding is derived through a number of direct and indirect contractual arrangements
- By ensuring the College is rigorous in delivering high quality education and training
- By ensuring that the student experience and ability to find a positive destination at the end of their study is supported
- Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies as far as this is possible
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding.
- Relevant Curriculum, leading to positive destinations
- Regular dialogue with the funding bodies and with partner universities
- Growth in other income streams, value for money and efficiency reviews

2. Tuition fee policy

Ministers have confirmed that the fee assumption for FE remains at 50%. In line with the majority of other Colleges, Blackburn College will seek to increase tuition fees in accordance with the fee assumptions.

This risk is mitigated in a number of ways:

- By ensuring the College is rigorous in delivering high quality education and training, thus ensuring value for money for students
- Close monitoring of the demand for courses as prices change
- Robust credit control processes
- An effective marketing strategy to promote the benefits of studying at the College
- An attractive bursary/scholarship offer

3. Maintain adequate funding of pension liabilities

The financial statements report the share of the local government pension scheme deficit on the College's Balance Sheet in line with the requirements of FRS 102.

This risk is mitigated by an agreed deficit recovery plan with the Lancashire County Local Government Pension Scheme.

4. Failure to maintain the financial viability of the College

The College's current financial health grade is classified as "Good" as described above. Notwithstanding that, the continuing challenge to the College's financial position remains the constraint on Further Education funding arising from the ongoing cuts in public sector spending whilst maintaining the student experience.

Strategic Report (Continued)

This risk is mitigated in a number of ways:

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

5. Ofsted and inspection

In December 2018, the Further Education and Apprenticeship provision at Blackburn College was inspected by Ofsted and was given the grade 'Requires Improvement'. The report recognised the journey the College has undertaken over recent years, together with its aspiration and commitment to delivering high quality academic and technical education to the people of Blackburn with Darwen and the surrounding areas. Indeed Inspectors clearly recognised the strengths in the relationships with students of the College and its key relationships with employers and other stakeholders which is reflected in the high quality of our Apprenticeship and High Needs programmes. The College has written an 'Improvement Plan' to deliver the necessary improvements ready for re-inspection within two years.

Key Performance Indicators

The College has a number of internal KPI's that it monitors at both Governing Body and Executive Management levels. These include measures such as enrolments against target, staff utilisation, room utilisation, Financial Health (as measured by the ESFA), Surplus ratio (as measured by the FE Commissioner), debt against income (as measured by the FE Commissioner), overall debt levels by customer type, creditor days, debt cover and performance against loan covenants. Assessment against a number of these measures are included within this Strategic Report, with regular updates discussed at Board, Committee and operational management meetings. The key financial performance indicators are included as part of the financial objectives, as stated above.

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

The College's financial health for 2018/19, as measured by the ESFA, is 'good', with the profitability measure of Earnings Before Interest Taxation and Depreciation of Assets (EBITDA) as outstanding. This is in line with the College's Strategic Plan.

Student achievements

Achievement rates increased overall to 82.3% in 2018/19 from 78.6% in 2017/18, which is as a result of the work undertaken as part of the Ofsted improvement plan.

Other Information

Public benefit

Blackburn College is an exempt charity under the Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 14 to 16. In setting and reviewing the College's strategic objectives, the Governing Body has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education.

In delivering its mission, the College provides identifiable public benefits through the advancement of education to approximately 11,000 students. The College provides courses without charge to young people, to those who are unemployed and adults taking English and Maths course. The College adjusts its courses to meet the needs of local employers and provides training to 1,000 apprentices. The College is committed to providing information, advice and guidance to the students it enrolls and to finding suitable courses for as many students as possible

Strategic Report (Continued)

regardless of their educational background.

Equality opportunities

The College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value all protected characteristics including race, gender, sexual orientation, disability, religion or belief and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat intolerance. This policy is resourced, implemented and monitored on a planned basis. The College's Single Equal Policy is published on the College's Intranet site.

The College publishes an Annual Equality Report and Equality Objectives every four years to ensure compliance with the Equality Act 2010. The College undertakes equality impact assessments on all new policies and procedures to ensure the infrastructure within which we operate is free from any discrimination. Equality impact assessments are also undertaken for existing policies and procedures on a prioritised basis.

The College is a Disability Confident employer and has committed to the principles and objectives of this highly acclaimed standard. The College considers all employment applications from disabled persons, bearing in mind the aptitudes of the individuals concerned, and guarantees an interview to any disabled applicant who meets the essential criteria for the post. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion which, as far as possible, provide identical opportunities to those of non-disabled employees.

The College has also implemented an updated mandatory Equality & Diversity training programme which all staff have to undertake. Refresher training and training for new starters is carried out on an ongoing basis.

The College has, over the past year, seen an increase in the proportion of staff with a declared disability to just under 8% and an increase in the representation of Minority Ethnic staff to 15% demonstrating, the College's actions in relation to diversity are having an impact in attracting and retaining a more diverse workforce.

Disability equality

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

- a) As part of its accommodation strategy the College updated its access audit. Experts in this field conducted an audit during 2015/16, and the results of this form part of our Estates strategy.
- b) The Additional Learning Support team liaise with Estates team in terms of any accessibility issues identified as part of our anticipatory duty or by students on programme to ensure full accessibility. This includes Personal Emergency Evacuation Procedures and any other aspects which may be buildings or equipment related to secure appropriate resolutions.
- c) There is range of specialist equipment, managed by the Additional Learning Support Service which the College can make available for use by students which is addition to a range of assistive technology solutions available. The Pennine Lancashire Access Centre provides access to specialist assessments available to potential and current HE students to enable an assessment of need and award of DSA support. who have been approved to access Disabled Student's Allowances (this facility is part of the national network of Access Centres and support our students and those from other Higher Education establishments). As part of the Centre's registration they provide access to specialist equipment inventory as specified by the Quality Assurance Group. The Centre supports the development of the College's ongoing knowledge and understanding of the developments in the field of specialist equipment for learners with learning difficulties and/or disabilities.
- d) Students at the college benefit from specialist advisory teachers, including a Teacher of the Deaf and Teacher for Visually Impairment. The Special Educational Needs and Disabilities (SEND) and Inclusive Studies Team employ specialists to provide in class support to promote access to education. There are a number of Academic Learning Support Assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who

Strategic Report (Continued)

- e) have learning difficulties and/or disabilities which ensures that the College meets the requirements in the Special Educational Needs and Disability Code of Practice as well as our Equality Duty.
- f) Inclusive learning programmes are described in College prospectuses, and achievements and destinations are recorded and published in the standard College format.
- g) Counselling and welfare services are described in the College Student Guide, which is shared with students via Moodle together with the Complaints and Disciplinary Procedure.

In addition, the College has a Single Equality statement that encompasses all protected groups and pledges zero tolerance to discrimination of any kind. Full details can be obtained from the College web site or by contacting student services at: The Hub Services, Blackburn College, Beacon Centre, Blackburn, BB2 1LH.

Trade Union Facility Time

The Trade Union (Facility Time Publication Requirements) Regulations 2017 require the College to publish information on facility time arrangements for trade union officials at the College. The information below covers the published period of 1 April 2018 to 31 March 2019;

Numbers of employees who were relevant	FTE employee number
17	16.0

Percentage of time	Number of employees
0%	0
1-50%	17
51-99%	0
100%	0

Total cost of facility time	£22,129
Total pay bill	£24,159,952
Percentage of total bill spent on facility time	0.09%

Time spent on paid trade union activities as a percentage of total paid facility time	0%
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Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998 came into force on 1 November 1998, which requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95%. During the accounting year 1 August 2018 to 31 July 2019, the College paid 89.8% of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this year (£nil 2017/18).

Events after the end of the reporting year

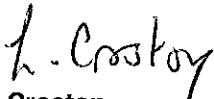
There were no significant post balance sheet events.

Strategic Report (Continued)

Disclosure of information to auditors

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

Approved by order of the members of the Corporation on 6th December 2019 and signed on its behalf by:



Lillian Croston
Chair to the Corporation

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and financial statements of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2018 to 31 July 2019 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

- i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- ii. in full accordance with the guidance to Colleges from the Association of Colleges in The Code of Good Governance for English College's ("The Code") and

The College is committed to exhibiting best practice in all aspects of corporate governance and in particular the College has adopted and complied with the Code. We have not adopted and therefore do not apply the UK Corporate Governance Code. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the further education sector and best practice.

In the opinion of the Governors, the College complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2019. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of Corporate Governance at all times. In carrying out its responsibilities, it takes full account of the Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted on 3rd July 2015 with the stipulation that the number of terms of office for Governors would be a matter reserved for determination by the Corporation Board having conducted a current and future skills need analysis and performance assessments of its Governors.

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

The Corporation

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

Name	Date of Appointment	Terms of Office	Date of Resignation	Status of Appointment	Committees Served	Attendance in 2018/19
Dr Thomas Moore	25 Oct 2013	Ex-officio	30 Sep 2018	Principal and Chief Executive	Policy & Resources Standards, Quality & Student Experience (now Learning & Quality), Governance Panel	1/1
Gray Towse	1 Oct 2018	Ex-officio	21 Dec 2018	Interim Principal and Chief Executive	Policy & Resources Standards, Quality & Student Experience (now Learning & Quality), Governance Panel	7/7
Dr Fazal Dad	1 Jan 2019	Ex-officio		Principal and Chief Executive	Policy & Resources Standards, Quality & Student Experience (now Learning & Quality), Governance Panel	10/10

Statement of Corporate Governance and Internal Control (continued)

Name	Date of Appointment	Terms of Office	Date of Resignation	Status of Appointment	Committees Served	Attendance in 2018/19
Mr Phil Watson CBE	Reappointed 8 Dec 2017	31 Mar 2021	4 Sep 2019	External	Chair of Board; Remuneration, Governance Panel	8/8
Mr Garth Hodgkinson	Reappointed 18 Mar 2016	31 Mar 2022	13 Sep 2019	External	Vice Chair of the Corporation; Governance Panel, Policy & Resources, Remuneration	12/13
Mr Mike Cheston	18 Mar 2016	31 Mar 2019	31 Mar 2019	External	Chair of Audit	1/1
Mrs Lillian Croston	Reappointed 8 Dec 2017	31 Mar 2021		External	Chair of Board wef 9 Sep 2019; Standards, Quality & Student Experience (now Learning & Quality)	4/8
Mr Paul Levet	Reappointed 8 Dec 2017	31 Mar 2021		External	Vice Chair of Board wef 13 Sep 2019; Chair of Policy & Resources, Remuneration	8/9
Mrs Shaheen Gul	18 Mar 2016	31 Mar 2022	3 Oct 2019	External	Standards, Quality & Student Experience (now Learning & Quality)	5/8
Mr Roger Spensley	18 Mar 2016	31 Mar 2022		External	Policy & Resources; Governance Panel; Remuneration	3/9
Mr Mark Allanson	11 Dec 2015	31 Mar 2022		External	Chair of Standards, Quality & Student Experience (now Learning & Quality)	16/16
Mr Chris Johnson	20 Oct 2017	31 Mar 2020		External	Audit (Chair of Audit since 5 Jul 2019)	7/8
Mr Leslie Stove	8 Jul 2016	31 Mar 2020		External	Standards, Quality & Student Experience (now Learning & Quality)	5/8
Professor Mike Wright	11 Dec 2015	31 Mar 2020		External	Standards, Quality & Student Experience (now Learning & Quality)	7/8
Mrs Kathryn Lord	16 Mar 2018	31 Mar 2020		External	Policy & Resources	3/9
Mrs Denise Park	16 Mar 2018	31 Mar 2020	5 Jul 2019	External	Policy & Resources	2/9
Mr Will Doherty	1 Apr 2018	31 Mar 2021	9 May 2019	Staff	Standards, Quality & Student Experience (now Learning & Quality)	6/6
Mr Michael Lee	1 Apr 2018	31 Mar 2021		Staff	Policy & Resources	8/9
Eugene Sullivan	9 Nov 2018	31 Mar 2021	5 Jul 2019	External	Chair of Audit	4/7

Statement of Corporate Governance and Internal Control (continued)

Name	Date of Appointment	Terms of Office	Date of Resignation	Status of Appointment	Committees Served	Attendance in 2018/19
Aiden Pilling	6 Jul 2018	30 Sep 2019	1 Mar 2019	SU President	Standards, Quality & Student Experience (now Learning & Quality)	2/5
Amina Khan	15 Mar 2019	30 Sep 2019	30 Sep 2019	SU President	Standards, Quality & Student Experience (now Learning & Quality)	3/3
Eshah Tirmizi	9 Nov 2081	31 Aug 2019	31 Aug 2019	FE Student	Audit	1/7
Geoff Disley	5 Jul 2019	31 Mar 2021		Staff	Standards, Quality & Student Experience (now Learning & Quality)	1/1
Steve Waggott	9 Nov 2018	31 Mar 2020		External	Policy & Resources	2/8
Catherine Hill OBE	18 Oct 2019	31 Mar 2022		External	Learning and Quality	n/a
Paul Fleming	18 Oct 2019	31 Mar 2022		External	Policy & Resources	n/a

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

The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and staffing related matters such as health and safety and environmental issues. The Corporation normally meets four times per year.

The Corporation conducts its business through a number of committees. Each Committee has terms of reference, which have been approved by the Corporation. These Committees are Policy and Resources, Standards, Quality & Student Experience (now Learning & Quality), Remuneration, Governance Panel and Audit. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website [www.blackburn.ac.uk] or from the Clerk to the Corporation, Blackburn College, Feilden Street, Blackburn, BB2 1LH.

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

The Corporation members are able to take independent professional advice in furtherance of their duties at the College's expense and have access to the Clerk to the Corporation, who is responsible to the Corporation for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Clerk are matters for the Corporation as a whole.

Formal agendas, papers and reports are supplied to the Corporation in a timely manner, prior to Board and Committee meetings. Briefings are also provided on an ad-hoc basis.

The Corporation has a strong and independent non-executive element and no individual or group dominates its decision making process. The Corporation considers that each of its non-executive members is independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. Independent individuals have been identified in the above table as 'external'.

Statement of Corporate Governance and Internal Control (continued)

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

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Governance Panel, which comprises five Corporation members. The Governance Panel is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required. In 2018/19, six vacancies arose.

Members of the Corporation are appointed for a term of office not exceeding three years. The number of consecutive terms of office is set at three, but that this can be waived where an appointment is made mid-term or where it is in the best interests of the Corporation to make an appointment for a further term(s).

Corporation performance

The Board had completed its work to enhance the College's Governance infrastructure and as agreed in the Review of Governance, Governors had been appointed to at least one Committee and that where possible, appointments to Committees had been made in accordance with the skills mix of Governors, to make best use of skills, knowledge and experience in decision making processes. A further review of Committee membership was undertaken in October 2017. Committee membership is considered when new appointments to the Board are made to make best use of Governors skills, knowledge and experience.

The Corporation Board agreed a set of metrics to be used in the assessment of the Board's review of performance at its meeting on 7th July 2017. The Corporation carried out an appraisal of the Chair and each Governor took part in a Self-Assessment Review, both being considered by the Governance Panel at its meeting on 1 October 2018. Similar performance reviews will be undertaken for the 2019/20 academic year.

In order to further enhance Corporation performance and as part of Governor development, a number of presentations had been made at the Board and Committees. A calendar of Governor development/training activities has been completed and is updated as necessary.

As part of the Review of Governance, the Board had considered and approved the six areas to be covered by the Governor Champions. These areas are Safeguarding, Special Educational Needs (SEND), Health and Safety and Staff Welfare, Learner Experience, Teaching, Learning and Assessment and Equality and Diversity. The areas of Safeguarding and Special Educational Needs were combined during 2017/18. The role of the Governor Champions has been agreed and is a strategic role and does not have operational responsibility. Champions are invited to attend the relevant College Committees. The Corporation Board also has Curriculum Link Governor Champions.

The Committees have reviewed their Terms of Reference and their performance against terms of reference; a report was presented to the Corporation Board at its meeting on 5 July 2019. The Board has also continued to review its performance against the Code of Good Governance for English Colleges and RSM: Turning Lights Green – A Best Practice Guide for Audit Committee.

The work of the Board and its Committees has been in accordance with the relevant calendars of business and has also included ad hoc reports as required.

Remuneration Committee

Throughout the year ended 31 July 2019 the Corporation's Remuneration Committee comprised four members of the Corporation. In taking account the best practice identified in the AoC Code of Good Governance for English Colleges, the Vice Chair of the Corporation Board now chairs this Committee. The Committee's responsibilities

Statement of Corporate Governance and Internal Control (continued)

are to make recommendations to the Corporation on the remuneration and benefits of the Accounting Officer and other Senior Post-Holders, including the Clerk.

Details of remuneration for these posts for the year ended 31 July 2019 are set out in note 7 to the financial statements.

Audit Committee

The Audit Committee comprises four members of the Corporation (excluding the Accounting Officer and Chair) and two co-opted members, three of whom are finance/audit specialists. The Committee operates in accordance with written terms of reference approved by the Corporation. At 31 July 2019 there were two vacancies.

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

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

Management is responsible for the implementation of agreed audit recommendations, and Internal Audit undertake periodic follow-up reviews to ensure such recommendations have been implemented.

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

Internal Control

Scope of responsibility

The Corporation is ultimately responsible for the College's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Corporation has delegated the day to day responsibility to the Principal and Chief Executive, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with the responsibilities assigned to him in the Funding Agreement between Blackburn College and the funding bodies. The Principal and Chief Executive is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to;

- identify and prioritise the risks to the achievement of College policies, aims and objectives,
- to evaluate the likelihood of those risks being realised and the impact should they be realised, and
- to manage them efficiently, effectively and economically.

The system of internal control has been in place in Blackburn College for the year ended 31 July 2019 and up to the date of approval of the annual report and financial statements.

Statement of Corporate Governance and Internal Control (continued)

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed, together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that

there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the year ended 31 July 2019 and up to the date of approval of the annual reports and financial statements. This process is regularly reviewed by the Audit Committee and by the Corporation.

The risk and control framework

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

- Comprehensive annual budgeting system with an annual budget which is reviewed and agreed by the Corporation
- Regular reviews by the Policy and Resources Committee and the Corporation of periodic and annual financial reports, which indicate performance against forecasts (including in reforecasts during the year)
- Setting targets to measure financial and other operational performance
- Clearly defined capital investment control guidelines and delegated authorities to spend
- The adoption of formal project management disciplines, where appropriate.

Blackburn College has an Internal Audit service which complies with the ESFA Post 16 Audit Code of Practice. The work of the Internal Audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the audit committee. At a minimum, the Internal Auditors provide the Governing body with an annual report on Internal Audit activity in the College. The report includes the Internal Auditor's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Review of effectiveness

As Accounting Officer, the Principal and Chief Executive has responsibility for reviewing the effectiveness of the system of internal control. His review of the effectiveness of the system of internal control is informed by:-

- The work of the Internal Auditors;
- The work of the Executive Team within the College who have responsibility for the development and maintenance of the internal control framework; and
- Comments made by the College's financial statements auditors and the reporting accountant for regularity assurance in their management letters and other reports.

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

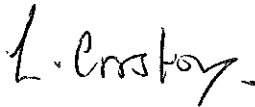
The Executive Team receives reports on key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Executive Team and the Audit Committee also receive regular reports from Internal Audit and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is principally to have oversight of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Executive Team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

Statement of Corporate Governance and Internal Control (continued)

At its October 2019 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2019 by considering documentation from the Executive Team and Internal Audit, and taking account of events since 31 July 2019.

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

Approved by the members of the Corporation on 6 December 2019 and signed on its behalf by:



Lillian Croston
Chair to the Corporation



Dr Fazal Dad
Principal and Chief Executive
(Accounting Officer)

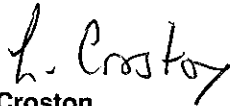
Governing body's statement on the college's regularity, propriety and compliance with funding body terms and conditions of funding

The Corporation has considered its responsibility to notify the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of funding, under the College's grand funding agreement and contracts with the ESFA. As part of its consideration the Corporation has had due regard to the requirements of the grant funding agreements and contracts with the ESFA.

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

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

Approved by the members of the Corporation on 6th December 2019 and signed on its behalf by:



Lillian Croston
Chair to the Corporation



Dr Fazal Dad
Principal and Chief Executive
(Accounting Officer)

Statement of responsibilities of the members of the Corporation

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

Within the terms and conditions of the college's grant funding agreements and contracts with ESFA, the corporation – through its accounting officer – is required to prepare financial statements and an operating and financial review for each financial year in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education, ESFA's college accounts direction and the UK's Generally Accepted Accounting Practice, and which give a true and fair view of the state of affairs of the college and its surplus / deficit of income over expenditure for that period.

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

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

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

The Corporation is responsible for keeping proper accounting records, which disclose with reasonable accuracy, at any time, the financial position of the College and which enable it to ensure that the financial statements are prepared in accordance with the relevant legislation including the Further and Higher Education Act 1992 and Charities Act 2011 and other relevant accounting standards. It is responsible for taking steps that are reasonably open to it to safeguard assets of the College and to prevent and detect fraud and other irregularities.

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

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

Approved by order of the members of the Corporation on 6th December 2019 and signed on its behalf by:



Lillian Croston
Chair to the Corporation

Independent Auditors' report to the Corporation of Blackburn College

Opinion

We have audited the financial statements of Blackburn College ("the College") for the year ended 31 July 2019 which comprise the statement of comprehensive income, the statement of changes in reserves, the balance sheet, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2019 and of the College's income and expenditure, gains and losses, changes in reserves and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education and relevant legislation.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information [including the Strategic Report, Statement of Corporate Governance and Internal Controls (specify titles of other information if different and/or further sections)] and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact.

We have nothing to report in this regard.

Independent auditors' report to the corporation of Blackburn College (continued)

Matters on which we are required to report by exception

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

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

Responsibilities of the Corporation

As explained more fully in the Statement of Responsibilities of the Members of the Corporation, the Corporation is 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 Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

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

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. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Corporation of the College, as a body, in accordance with the Further & Higher Education Act 1992. Our audit work has been undertaken so that we might state to the Corporation of the College those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the College and the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP.

Helen Knowles (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor, Manchester

Date: 16 DECEMBER 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Reporting accountant's assurance report on regularity

To: The Corporation of Blackburn College and Secretary of State for Education, acting through the Education and Skills Funding Agency (ESFA)

In accordance with the terms of our engagement letter dated 11 July 2018 and further to the requirements and conditions of funding in ESFA's grant funding agreements and contracts, or those of any other public funder, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest, in all material respects, the expenditure disbursed and income received by Blackburn College ("the College") during the period 1 August 2018 to 31 July 2019 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

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

Respective responsibilities of Blackburn College and the reporting accountant

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2018 to 31 July 2019 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Code issued by ESFA. We performed a limited assurance engagement as defined in that framework.

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

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

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

Reporting accountant's assurance report on regularity (continued)

The work undertaken to draw to our conclusion includes:

- Documentation and walkthrough of relevant controls on significant transaction streams to assess the adequacy of design of relevant controls and whether they appear to have been implemented;
- Review of the books and records of the Corporation, along with associated minutes and registers as appropriate for matters relevant to the regularity requirements;
- Review of the Corporation's completed Self-Assessment Questionnaire (Annex C of the Post-16 Audit Code of Practice) for the Corporation's responses and supporting evidence to each of the regularity requirements;
- Testing of material income streams for matters relevant to the regularity requirements;
- Testing of specific areas required to provide a limited assurance opinion, including but not limited to, expenditure and payroll amendments.

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects, the expenditure disbursed and income received during the period 1 August 2018 to 31 July 2019 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

BDO LLP.

BDO LLP

Chartered Accountants

Location = MANCHESTER, UK

Date: 16 DECEMBER 2019

BDO LLP is a Limited Liability Partnership registered in England and Wales (with registered number OC305127)

Statement of Comprehensive Income

For the year ended 31 July 2019

	Notes	2019 £'000	2018 £'000
Income			
Funding body grants	2	18,791	20,157
Tuition fees and education contracts	3	14,884	17,569
Other grants and contracts	4	762	420
Other income	5	2,805	3,071
Investment income	6	58	23
Total income		37,300	41,240
Expenditure			
		£'000	£'000
Staff costs	7	25,484	27,366
Restructuring costs	7	612	441
Other operating expenses	8	8,065	8,771
Depreciation	11	3,319	3,404
Interest and other finance costs	9	1,083	315
Total expenditure		38,563	40,297
(Deficit) / Surplus before other gains and losses		(1,263)	943
Surplus on disposal of assets		48	-
(Deficit) / Surplus before tax		(1,215)	943
Taxation	10	-	-
(Deficit) / Surplus for the year		(1,215)	943
Actuarial (loss) / gain in respect of pensions schemes	23	(5,561)	6,481
Total Comprehensive income for the year		(6,776)	7,424

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

The notes on pages 29 to 50 form part of these financial statements

Statement of Changes in Reserves

	Income and expenditure account £'000	Revaluation reserve £'000	Restricted reserves £'000	Total £'000
Balance at 1 August 2017	8,275	2,738	60	11,073
Surplus from the Statement of Comprehensive Income	943	-	-	943
Other comprehensive income (Pension defined benefit adjustment, as per note 23)	6,481	-	-	6,481
Transfers between revaluation and income and expenditure reserves	129	(129)	-	-
	7,553	(129)	-	7,424
Balance at 31 July 2018	15,828	2,609	60	18,497
(Deficit) from the Statement of Comprehensive Income	(1,215)	-	-	(1,215)
Other comprehensive income (Pension defined benefit adjustment, as per note 23)	(5,561)	-	-	(5,561)
Transfers between revaluation and income and expenditure reserves	129	(129)	-	-
Total comprehensive income for the year	(6,647)	(129)	-	(6,776)
Balance at 31 July 2019	9,181	2,480	60	11,721

The notes on pages 29 to 50 form part of these financial statements

Balance Sheet as at 31 July 2019

	Notes	2019 £'000	2018 £'000
Tangible fixed assets	11	55,180	57,806
Endowment assets	13	60	60
Current assets			
Trade debtors and other receivables	14	1,981	2,052
Cash and cash equivalents	19	7,918	7,803
		9,899	9,855
Less: Creditors - amounts falling due within one year	15	(8,004)	(8,766)
Net current assets		1,895	1,089
Total assets less current liabilities		57,135	58,955
Creditors - amounts falling due after more than one year	16	(25,991)	(28,511)
Provisions			
Defined benefit obligations	23	(17,914)	(10,508)
Other provisions	18	(1,509)	(1,439)
Net assets		11,721	18,497
Restricted reserves			
Income and expenditure account – Endowment reserve		60	60
Unrestricted reserves			
Income and expenditure account - unrestricted		9,181	15,828
Revaluation reserve		2,480	2,609
Total unrestricted reserves		11,661	18,437
Total reserves		11,721	18,497

The financial statements on pages 29 to 50 were approved and authorised for issue by the Corporation on 6th December 2019 and were signed on its behalf on that date by:



Lillian Croston
Chair to the Corporation



Dr Fazal Dad
Principal and Chief Executive
(Accounting Officer)

The notes on pages 29 to 50 form part of these financial statements

Statement of Cash Flows

For the year ended 31 July 2019

	Notes	2019 £'000	2018 £'000
Cash flow from operating activities			
(Deficit) / Surplus for the year		(1,215)	943
Adjustment for non-cash items			
Depreciation		3,319	3,403
Decrease / (Increase) in debtors		71	(164)
(Increase) / Decrease in creditors due within one year		(762)	102
Release of loan break fee accrual (in interest payable)		-	910
Decrease in creditors due after one year		(804)	(664)
Increase / (Decrease) in provisions		70	(66)
Pensions costs less contributions payable		1,845	1,695
Taxation		-	-
Adjustment for investing or financing activities			
Investment income		(58)	(23)
Interest payable		762	791
Release of loan break fee accrual (in interest payable)		-	(910)
Profit on sale of fixed assets		(48)	-
Net cash inflow from operating activities		3,180	6,017
Cash flows from investing activities			
Proceeds on sale of fixed assets		48	-
Investment income		58	22
Payments made to acquire fixed assets		(693)	(516)
		(587)	(494)
Cash flows from financing activities			
Interest paid		(762)	(791)
Movement on balance of Revolving Credit Facility		(1,000)	(1,750)
Repayments of amounts borrowed		(716)	(716)
		(2,478)	(3,257)
Increase in cash and cash equivalents in the year		115	2,266
Cash and cash equivalents at beginning of the year	19	7,803	5,537
Cash and cash equivalents at end of the year	19	7,918	7,803

Notes to the Financial Statements

1. Statement of accounting policies

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

Basis of Preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2015* (the 2015 FE HE SORP), the *College Accounts Direction for 2018 to 2019* and in accordance with Financial Reporting Standard 102 – “*The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland*” (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

Basis of Accounting

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

Going Concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Strategic Review. The financial position of the College, its cashflow, liquidity and borrowings are described in the Financial Statements and accompanying notes.

The College currently has £13.0m borrowings with bankers, of which £10.5m is loan outstanding on a 25-year term loan running until July 2038 and £2.5m is loan outstanding on 25 year terms running to 2034. The College has a further £6m revolving credit facility with terms running to August 2022. At 31 July 2019 £0.0m of this revolving credit facility was drawn (£1.0m at 31 July 2018).

To ensure financial stability the College operates an ongoing cost reduction and efficiency review as part of Business Planning (planning for the year) and Performance Monitoring (during the year). These reviews allow the College to be responsive to the changing economic environment in respect of student recruitment and changes in Government policy and associated grant funding.

The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

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

Recognition of income

Revenue grant funding

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under achievement for the Adult Education Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end, and the results of any funding audits. 16-18 learner funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

The recurrent grant from Office for Students represents the funding allocations attributable to the current financial year and is credited to the Statement of Comprehensive Income

Notes to the Financial Statements (continued)

1. Statement of accounting policies (continued)

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

Capital grant funding

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual model as permitted by FRS 102. Other capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the Balance Sheet and released to income as conditions are met.

Fee income

Income from tuition fees is stated gross of any expenditure which is not a discount and is recognised in the period for which it is received and includes all fees payable by students or their sponsors. Rebates and discounts are offered in exceptional circumstances, as approved by the Executive Team.

Investment income

All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned on a receivable basis. Income from restricted purpose endowment funds is not expended in accordance with the restrictions of the endowment in the period is transferred from the Statement of Comprehensive Income to accumulated income within endowments funds.

Agency arrangements

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

Accounting for post-employment benefits

Post-employment benefits to employees of the College are principally provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS).

Teachers' Pension Scheme (TPS)

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method.

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

Lancashire County Local Government Pension Scheme (LGPS)

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred.

Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets,

Notes to the Financial Statements (continued)

1. Statement of accounting policies (continued)

calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in interest and other finance costs.

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

Short term employment benefits

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

Enhanced pensions

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

Non-current assets - tangible fixed assets

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

The cost of tangible fixed assets includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended purpose.

Land and buildings

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

- Harrison Centre – 10 to 40 years
- Beacon Centre – 5 to 40 years
- Construction Centre – 50 years
- Elizabeth Building – 50 years
- University Centre – 5 to 40 years
- Regional Automotive Hub – 5 to 40 years
- St. Pauls - 5 to 40 years
- Blackburn Sports and Leisure Centre - 5 to 40 years
- Futures Centre - 5 to 40 years
- Victoria Building - 25 to 40 years

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

Freehold buildings are depreciated over their expected useful economic life to the College of between 10 and 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 10 and 50 years

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred income account within creditors, and are released to the

Notes to the Financial Statements (continued)

1. Statement of accounting policies (continued)

income and expenditure account over the expected useful economic life of the related asset on a systematic basis consistent with the depreciation policy. The deferred income is allocated between creditors due within one year and those due after more than one year. Where freehold land is acquired with the aid of specific grants, the value of the grant received is deducted from the cost of the land.

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

Any plant and machinery relating to buildings is shown separately from land and buildings in note 11 and is depreciated over its expected useful economic life to the College of between 10 and 40 years.

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued as at 1 August 2014, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

Assets under construction

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

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets it is charged to the Statements of Comprehensive Income in the period it is incurred, unless it increases the future benefits to the College, in which case it is capitalised and depreciated on the relevant basis.

Equipment

Equipment costing less than £1,000 per individual item is recognised as expenditure in the period of acquisition. All other equipment is capitalised at cost.

Capitalised equipment and building works are depreciated over their useful economic life (UEL) as follows:

- Plant and Machinery- Up to 40 years on a straight-line basis, dependent upon UEL
- Building adaptations- Up to 10 years on a straight-line basis, dependent upon UEL
- Building components- Up to 25 years on a straight-line basis, dependent upon UEL
- Motor vehicles- 5 years on a straight-line basis
- General equipment- 5 years on a straight-line basis
- Computer equipment- 4 years or 7 years on a straight-line basis, dependent upon UEL

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

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

Notes to the Financial Statements (continued)

1. Statement of accounting policies (continued)

Heritage assets

Inherited equipment has been depreciated on a straight-line basis over its remaining useful economic life to the College of between 3 and 5 years from incorporation and is now fully depreciated.

Borrowing costs

Borrowing costs, including when they are directly attributable to the construction of land and buildings, are recognised as expenditure in the period in which they are incurred.

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term to the Statement of Comprehensive Income and Expenditure. Any lease premiums or incentives relating to leases signed after 1 August 2014 are spread over the minimum lease term.

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

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

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

Investments and endowment assets

Investments are carried at historical cost plus incidental expenses less any provision for impairment in their value. Current asset investments are included in the balance sheet at the lower of their original cost and net realisable value. Investments that form part of endowment assets are included in the balance sheet at market value.

Inventories

Inventories are written off to the income and expenditure account in the year of purchase.

Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

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

Financial liabilities and equity

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

Notes to the Financial Statements (continued)

1. Statement of accounting policies (continued)

All loans, investments and short term deposits held are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however the Group has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instruments are stated on the balance sheet at historical cost. Loans and investments that are payable or receivable within one year are not discounted.

Foreign currency translation

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

Taxation

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478-488 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The College is partially exempt in respect of Value Added Tax, so that it can only recover around 6% of the VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

Provisions and contingent liabilities

Provisions are recognised when

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

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in the statement of comprehensive income in the period it arises.

A contingent liability arises from a past event that gives the College a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the College. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but are disclosed in the notes to the Financial Statements.

Liquid resources

Investments in short term deposits include sums on short-term deposits with recognised banks and building societies and government securities.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in the statement of comprehensive income in the period it arises.

Notes to the Financial Statements (continued)

1. Statement of accounting policies (continued)

Agency arrangements

Related payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure of the College where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

Judgements in applying accounting policies and key sources of estimation uncertainty

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

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

Other key sources of estimation uncertainty

- *Tangible fixed assets*
Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.
- *Local Government Pension Scheme*
The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 23, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2019. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Notes to the Financial Statements (continued)
2. Funding body grants

	2019 £'000	2018 £'000
Recurrent grants		
Education and Skills Funding Agency – Adult	2,641	2,257
Education and Skills Funding Agency – 16 -18	14,306	15,658
Grant income from the Office for Students	812	1,135
Specific grants		
Releases of government capital grants: Education and Skills Funding Agency	1,032	1,107
Total	18,791	20,157

3. Tuition fees and education contracts

	2019 £'000	2018 £'000
Adult education fees	93	142
Apprenticeship fees and contracts	1,742	1,978
Fees for FE loan supported courses	640	526
Fees for HE loan supported courses	12,400	14,821
International students fees	9	101
Total tuition fees	14,884	17,568
Education contracts	-	1
Total	14,884	17,569

4. Other grants and contracts

	2019 £'000	2018 £'000
European Commission grants	75	116
Other grants and contracts	687	304
Total	762	420

Notes to the Financial Statements (continued)

5. Other income

	2019 £'000	2018 £'000
Catering	623	678
Other income generating activities: full cost provision	1,315	1,406
Teaching related activities	130	128
Exam and registration cost recovery	35	61
Premises income	46	44
Support and admin activities	337	342
Miscellaneous income	319	412
Total	2,805	3,071

6. Investment income

	2019 £'000	2018 £'000
Interest receivable	58	23
Total	58	23

7. Staff costs

The average number of persons (including Key Management Personnel) employed by the College during the year, described as full-time equivalents (FTE), was:

	2019 FTE	2018 FTE
Teaching staff	396	437
Non-teaching staff	292	311
Total	688	747

The 2018 split has been restated, as it did include administration staff based in centre, that were not directly involved in teaching.

	2019 £'000	2018 £'000
Wages and salaries	18,991	20,809
Social Security costs	1,694	1,900
Other pension costs: Employer contributions	2,845	2,991
: Actuarial charge (net of interest payable in note 9)	1,557	1,313
	25,087	27,013
Contracted out staffing services	397	353
	25,484	27,366
Restructuring costs – contractual	612	441
Total staff costs	26,096	27,807

Notes to the Financial Statements (continued)

7. Staff costs (continued)

Key Management Personnel

Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the Senior Post holders and College Executive Team which comprises the Principal, Vice Principal - Curriculum and Quality, Vice Principal - Finance and Corporate Services, Director of Human Resources and Organisational Development, Director of Business Development and External Engagement and Clerk to the Corporation.

Emoluments of Key Management Personnel, Accounting Officer and other higher paid staff

	2019	2018
The number of key management personnel including the Accounting Officer was:	8	7

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

	Key management personnel		Other staff	
	2019 No.	2018 No.	2019 No.	2018 No.
£50,000 to £55,000 p.a.	1	1	-	-
£65,001 to £70,000 p.a.	-	-	3	4
£70,001 to £75,000 p.a.	1	1	2	2
£80,001 to £85,000 p.a.	1	1	-	-
£95,001 to £100,000 p.a.	1	-	-	-
£105,001 to £110,000 p.a.	-	3	-	-
£110,001 to £115,000 p.a.	1	-	-	-
£145,001 to £150,000 p.a. (relate to 1 post)	2	-	-	-
£175,001 to £180,000 p.a. (leaver in 2019)	1	1	-	-
	8	7	5	6

The disclosure above is based upon headcount during the year and it should be noted that in 2019 that 3 people held the position of Principal (at differing times) and 2 people held the position, Vice Principal - Curriculum and Quality. The total positions in Key Management Personnel was 6.

Key Management Personnel emoluments are made up as follows:

	2019 £'000	2018 £'000
Salaries – gross of salary sacrifice and waived emoluments	576	594
Pension contributions	91	91
Total emoluments	667	685

There were no amounts due to key management personnel that were waived in the year, nor any salary sacrifice arrangements in place that are not HMRC approved.

Notes to the Financial Statements (continued)

7. Staff costs (continued)

The above emoluments include the combined amounts paid to the 3 persons who fulfilled the Accounting Officer position through the academic year (who is also the highest paid officer) of:

	2019 £'000	2018 £'000
Salaries	172	176
Pension contributions	25	29

The governing body has adopted AoC's Senior Staff Remuneration Code in July 2019 and will assess pay in line with its principles in future. The remuneration package of those staff designated as Senior Post Holders, including the Principal and Chief Executive, is subject to annual review by the Remuneration Committee of the Governing Body who use benchmarking information to provide objective guidance. The Principal and Chief Executive reports to the Chair of Corporation who undertakes an annual review of their performance against the College's overall objectives using both qualitative and quantitative measures of performance.

Relationship of Principal and Chief Executive pay and remuneration expressed as a multiple

	2019 £'000	2018 £'000
Principal's basic salary as a multiple of the median of all staff	5.66	6.23
Principal and CEO's total remuneration as a multiple of the median of all staff	5.72	6.36

There was no Compensation for loss of office paid to former key management personnel.

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

8. Other operating expenses

	2019 £'000	2018 £'000
Teaching departments	2,788	3,370
Teaching support services	1,107	1,044
Other support services	79	319
Administration and central services	1,188	854
General education	1,095	1,170
Premises costs – running costs	1,420	1,560
Premises costs – rents and leases	125	134
Other income generating activities	47	44
Catering	216	276
Total	8,065	8,771

Notes to the Financial Statements (continued)

8. Other operating expenses (cont.)

	2019 £'000	2018 £'000
Other operating expenses include:		
Auditors' remuneration		
- financial statements audit	33	32
- VAT advisory services	-	1
- internal audit	25	24
(Profit) on disposal of equipment	(48)	-
Hire of plant and machinery – operating leases	1	1

9. Interest and other finance costs

	2019 £'000	2018 £'000
On bank loans and other loans:		
Repayable within five years, by instalments	-	4
Repayable wholly or partly in more than five years	762	787
	<hr/> 762	<hr/> 791
Release of loan break fee accrual	-	(910)
Net interest of defined pension liability (Note 23)	288	382
Enhanced pension costs	33	52
	<hr/> 1,083	<hr/> 315
Total	1,083	315

Included in the interest payable is the release for an accrual of a potential loan break fee from the 2015-16 year, as described in note 17.

10. Taxation

The members do not believe that the College was liable for any Corporation Tax arising out of its activities during either year.

Notes to the Financial Statements (continued)
11. Tangible fixed assets

	Freehold Land and Buildings Freehold £'000	Plant and Machinery £'000	Assets in the course of Construction £'000	Fixtures, Fittings Tools and Equipment £'000	Total £'000
Cost or valuation					
At 1 August 2018	76,817	7,109	4	6,102	90,032
Additions	104	-	(4)	578	678
Disposals	-	-	-	(324)	(324)
As at 31 July 2019	76,921	7,109	-	6,356	90,386
Depreciation					
At 1 August 2018	24,657	2,488	-	5,081	32,226
Charge for the year	2,397	310	-	612	3,319
Eliminated in respect of disposals	-	-	-	(339)	(339)
At 31 July 2019	27,054	2,798	-	5,354	35,206
Net book value at 31 July 2019	49,867	4,311	-	1,002	55,180
Net book value at 31 July 2018	52,160	4,621	4	1,021	57,806
Inherited	3,155	-	-	-	3,155
Financed by capital grant	13,657	1,007	-	583	15,247
Other	33,055	3,304	-	419	36,778
Net book value at 31 July 2019	49,867	4,311	-	1,002	55,180

Land and buildings were valued in 1993 at depreciated replacement cost by the District Valuer. Other tangible assets inherited from the local education authority at incorporation were valued by the Corporation on a depreciated replacement cost basis with the assistance of independent professional advice.

12. Investments

	2019 £	2018 £
Investment in joint venture company at cost	1	1
	<u>1</u>	<u>1</u>

At 31 July 2019 the College held a 7 per cent of the issued share capital of The Lancashire Colleges Limited. This is a company limited by guarantee incorporated in England and Wales. The principle business activity of the company is to advise and assist educational institutions in respect of funds and grants that may be available to them.

The Corporation believes that the carrying value for the investments is supported by the underlying net assets.

Notes to the Financial Statements (continued)
13. Endowment assets

	2019 £'000	2018 £'000
Balance at 1 August 2018	60	60
Movement in the year	-	-
Balance at 31 July 2019	<u>60</u>	<u>60</u>
Represented by Cash balances	<u>60</u>	<u>60</u>

14. Debtors

	2019 £'000	2018 £'000
Amounts falling due within one year:		
Trade receivables	1,309	1,280
Prepayments and accrued income	672	772
Total	<u>1,981</u>	<u>2,052</u>

15. Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Bank loans	716	716
Trade payables	1,254	1,371
Other taxation and social security	359	460
Accruals and deferred income	3,766	3,863
Accrual for untaken annual leave	441	441
Deferred income - Government capital grants	872	946
Amounts owed to the ESFA	596	969
Total	<u>8,004</u>	<u>8,766</u>

16. Creditors: amounts falling due after one year

	2019 £'000	2018 £'000
Bank loans	12,328	14,044
Deferred income - Government capital grants	13,663	14,467
Total	<u>25,991</u>	<u>28,511</u>

Notes to the Financial Statements (continued)

17. Maturity of debt

Bank loans and overdrafts are repayable as follows:

	2019 £'000	2018 £'000
In one year or less	716	716
Between one and two years	716	716
Between two and five years	2,148	3,148
In five years or more	9,464	10,180
Total	13,044	14,760

A secured loan of £4m commenced in 2011 at 6.22% repayable by instalments falling due between 1 August 2011 and 31 July 2035 (amount outstanding at 2018 £2.48m: 2017 £2.64m). Revised terms of this loan were agreed in July 2018, which included the granting of security against the 'Regional Automotive Technology Hub', an increase in the rate of 0.5% to 6.72% and revised covenants. The year 2017/18 included the release of an accrual for loan break fees of £910k from interest costs (see note 9). During 2018/19 an amendment to one of the covenants was agreed for the 31 July 2019 review.

A secured loan of £13.9m commenced in 2013 of which £12.1m is at 5.92%, the remaining £1.8m is subject to LIBOR plus margin and repayable by instalments falling due between 24th July 2013 and 23rd July 2038 (Amount outstanding at 2019 £10.5m, 2018 £11.1m). Revised terms of this loan were agreed in July 2018, which included the granting of security against the 'Beacon Centre'.

An unsecured revolving credit facility of £6m is subject to LIBOR plus margin and is on a revolving credit basis falling due in August 2022. Amount drawn at 31 July 2019 £0.00m (2018 £1.00m).

18. Provisions

	Defined benefit obligations £'000	Enhanced Pension £'000	Total £'000
At 1 August 2018	10,508	1,439	11,947
Expenditure in the period	1,845	(109)	1,736
Transferred from income and expenditure account	5,561	179	5,740
At 31 July 2019	17,914	1,509	19,423

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government Pension Scheme. Further details are given in Note 23.

The enhanced pension provision includes £37,005 (2017/18 £30,810) in respect of former senior post holders.

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

Notes to the Financial Statements (continued)

18. Provisions (continued)

The principal assumptions for this calculation are:

	2019 £'000	2018 £'000
Price Inflation	2.00%	2.30%
Discount Rate	1.20%	1.30%

19. Cash and cash equivalents

	At 1 August 2018 £'000	Cash flows £'000	Other changes £'000	At 31 July 2019 £'000
Cash and cash equivalents	7,803	115	-	7,918
Overdrafts	-	-	-	-
Total	7,803	115	-	7,918

20. Capital commitments

	2019 £'000	2018 £'000
Commitments contracted for at 31 July	-	-
Authorised but not contracted for at 31 July	-	-

21. Lease obligations

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

	2019 £'000	2018 £'000
Land and Buildings		
Expiring within one year	-	-
Other		
Expiring within one year	-	-
Total lease payments due	-	-

22. Events after the reporting period

There are no events after the reporting period

Notes to the Financial Statements (continued)

23. Defined benefit obligations

The College's employees belong to two principal pension schemes; the Teachers Pension Scheme, England and Wales (TPS) for academic and related staff and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Lancashire County Council. Both are defined benefit schemes.

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

Total Pension Cost for the Year Ended	2019 £'000	2018 £'000
Teachers' Pension Scheme : contributions paid	1,584	1,824
Local Government Pension Scheme :		
Contributions paid	1,115	1,178
FRS 102 charge	1,845	1,695
FRS 102 charge in interest	(288)	(382)
Charge to the Statement of Comprehensive Income	2,672	2,491
Enhanced pension charge to Statement of Comprehensive Income	146	(11)
Total pension cost for year within staff costs	4,402	4,304

Teachers' Pension Scheme

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

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

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

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

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

The latest actuarial review of the TPS was carried out as at 31 March 2016. The valuation report was published by the Department for Education (the Department) in April 2019. The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £198 billion giving a notional past service deficit of £22 billion.

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/9. DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2019-20 academic year

Notes to the Financial Statements (continued)

23. Defined benefit obligations (continued)

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

The pension costs paid to TPS in the year amounted to £1.584m (2018: £1.824m)

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Lancashire County Council. The total contributions made for the year ended 31 July 2019 were £1.555m, of which employer's contributions totalled £1.115m and employees' contributions totalled £0.440m. The agreed contribution rates for future years are 14.2% for employers and range from 5.5% to 12.5% for employees, depending on salary.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2019 by a qualified independent actuary.

	At 31 July 2019	At 31 July 2018
Rate of increase in salaries *	3.70%	3.60%
Future pensions increases	2.20%	2.10%
Discount rate for scheme liabilities%	2.20%	2.90%
Inflation assumption (Consumer Price Index)	2.30%	2.20%
Commutation of pensions to lump sums	50.0%	50.0%

* For 31 July 2018 the rate of increase in salary costs was set at 1.5% for the following 2 years to reflect short term expectations on the rate of increase in salary costs. This increased to 3.6% from year 4 to reflect the medium to long term expectations.

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

	31 July 2019	July 2018
<i>Retiring today:</i>		
Males	22.8	22.7
Females	25.5	25.4
<i>Retiring in 20 years:</i>		
Males	25.1	25.0
Females	28.2	28.0
Sensitivity analysis of Deficit	£'000	£'000
Discount rate +0.1%	(1,562)	(1,255)
Pay growth +0.1%	227	199
Mortality assumption – 1 year increase	1,505	1,209
Inflation rate +0.1%	1,594	1,280

Notes to the Financial Statements (continued)

23. Defined benefit obligations (continued)

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

	July 2019 £'000	July 2018 £'000
Equities instruments	29,013	23,111
Government Bonds	-	1,790
Other Bonds	971	316
Property	5,341	4,843
Cash	1,093	474
Other	24,279	22,111
Total fair value of plan assets	60,697	52,645
Actual return on plan assets	6,295	3,955

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

	2019 £'000	2018 £'000
Fair value of plan assets	60,697	52,645
Present value of plan liabilities	(78,546)	(63,092)
Present value of unfunded liabilities	(65)	(61)
Net pensions (liability) (Note 18)	(17,914)	(10,508)

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

	2019 £'000	2018 £'000
Amounts included in staff costs		
Current service cost	1,998	2,439
Past service cost	586	
Curtailments	53	14
Total	2,637	2,453
Amounts included in interest and other finance costs		
Net interest cost	(288)	(382)
Amount recognised in Other Comprehensive Income		
Return on pension plan assets	6,295	2,688
Changes in assumptions underlying the present value of plan liabilities	(11,856)	3,793
Amount recognised in Other Comprehensive Income	(5,561)	6,481

Notes to the Financial Statements (continued)
23. Defined benefit obligations (continued)
Movement in net defined benefit (liability)/asset during year

	2019 £'000	2018 £'000
Net defined liability at 1 August	(10,508)	(15,294)
Movement in year:		
Current service cost	(1,998)	(2,439)
Employer contributions	1,115	1,178
Past Service Costs	(586)	-
Curtailments	(53)	(14)
Administration expenses	(35)	(38)
Net interest on the defined (liability)	(288)	(382)
Actuarial gain	(5,561)	6,481
Net defined liability at 31 July	(17,914)	(10,508)

Asset and Liability Reconciliation

	2019 £'000	2018 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of year	63,153	63,969
Current service cost	1,998	2,439
Interest cost	1,819	1,648
Past Service Costs	586	-
Contributions by scheme participants	440	482
Changes in financial assumptions	11,856	(3,793)
Estimated benefits paid	(1,294)	(1,606)
Curtailments	53	14
Defined benefit obligations at end of year	78,611	63,153
Changes in fair value of plan assets		
Fair value of plan assets at start of year	52,645	48,675
Interest on plan assets	1,531	1,266
Return on plan assets	6,295	2,688
Administration expenses	(35)	(38)
Employer contributions	1,115	1,178
Contributions by scheme participants	440	482
Estimated benefits paid	(1,294)	(1,606)
Fair value of plan assets at end of year	60,697	52,645

These accounts show a past service cost of £586k in respect of the McCloud / Sergeant judgment which ruled that the transitional protection for some members of public service schemes implemented when they were reformed constituted age discrimination. This provision is 0.75% of the total scheme liability as at 31 March 2019.

Notes to the Financial Statements (continued)

23. Defined benefit obligations (continued)

The calculation of adjustment to past service costs, £586k, arising from the outcome of the Court of Appeal judgement is based on a number of key assumptions including:

- the form of remedy adopted
- how the remedy will be implemented
- which members will be affected by the remedy
- the earning assumptions
- the withdrawal assumption

The other financial and demographic assumptions adopted to calculate the past service cost are the same as those used to calculate the overall scheme liability. Adopting different assumptions, or making other adjustments to reflect behavioural changes stemming from the judgment, would be expected to change the disclosed past service cost. Similarly, allowing for variations in individual members' future service or salary progression is expected to produce higher costs. The past service cost is particularly sensitive to the difference between assumed long term general pay growth and the CPI. If the long term salary growth assumptions were 0.5% pa lower, then the past service cost disclosed here would be expected to reduce by 50% and conversely a 0.5% pa increase would increase the estimated cost by 65%.

24. Related party transactions

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

The total expenses paid to or on behalf of the Governors during the year was £1,176; 4 Governors (2018: £199; 3 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

No Governor has received any remuneration or waived payments from the College during the year (2018: None).

Transactions are detailed below:

Blackburn with Darwen Borough Council is an organisations in which a Governor has declared influence as Key Management Personnel: the College incurred expenditure of £242,706 (2018 – £263,247), and earned income of £498,084 (2018 – £461,533).

Blackburn Rovers Ltd and Blackburn Rovers Community Trust are organisations in which a Governor has declared influence as Key Management Personnel, with Joint Control: the College incurred expenditure of £3,863 (2018 - £2,445), and earned income of £0 (2018 - £4,455).

P M & M Solutions For Business is an organisation in which a Governor has declared influence as Key Management Personnel: the College incurred expenditure of £0 (2018 - £1,320), and earned income of £3,409 (2018 - £3,075).

Edge Hill University is an organisation in which a Governor has declared influence as Key Management Personnel: the College incurred expenditure of £0 (2018 - £0) and earned income of £0 (2018 - £231)

Blackburn with Darwen Community and Voluntary Services an organisation in which a Governor has declared influence as Key Management Personnel: the College incurred expenditure of £500 (2018 - £500) and earned income of £0 (2018 - £0)

Notes to the Financial Statements (continued)

24. Related party transactions (continued)

Advance HE is an organisation in which a Governor has declared influence as Key Management Personnel: the College incurred expenditure of £3,015 (2018 – £0)

Hive is an organisation in which a Governor has declared influence as Key Management Personnel: the College incurred expenditure of £150 (2018 – £0)

Transactions with the ESFA and Office for Students are detailed in notes 2, and 15.

25. Amounts Disbursed as agent

Learner Support Funds	2019 £'000	2018 £'000
Funding body grants – bursary support	126	109
Funding body grants – discretionary learner support	905	1,394
	<hr/>	<hr/>
	1,031	1,503
Disbursed to Students	(481)	(817)
Administration costs	(24)	(52)
	<hr/>	<hr/>
Balance unspent at 31 July, included in creditors	526	634
	<hr/>	<hr/>

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

