



Annual Report and Financial
Statements for the Year Ended
31 July 2021

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Reference and Administrative Details

Board of Governors

A full list of Governors is given on page 13-14 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 2020/21:

- Dr Fazal Dad, Principal and Chief Executive; Accounting Officer
- Jennifer Eastham, Vice Principal - Finance and Corporate Services
- Nicola Clayton, Director of Business Development and External Engagement
- Stephen Malone, Executive Dean of Higher Education (until 30th September 2020)
- Caroline Bracewell, Assistant Principal Higher Education (from 1st July 2021)
- Rachel Tarplee, Assistant Principal Teaching and Learning
- Damian Stewart, Assistant Principal Teaching and Learning
- Andrew Pickles, Assistant Principal Student Support and Engagement (until 1st August 2021)
- 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 Plc
	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 2021.

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 Statement

Transforming students' lives and our community, through excellent education, training and support.

Vision Statement

Aspiring, innovating and achieving through excellence.

Value Statements

- **Excellence** - we strive for excellence to realise the potential of our students and staff;
- **Knowledge** - we promote the value of learning in fostering curious minds and to aid the acquisition of knowledge and skills;
- **Empowerment** - we empower our learners to change their lives through education and training;
- **Equality** - we promote equality and diversity in our teaching, training, support and customer services;
- **Commitment** - we are committed to the education, training and support of our students and staff;
- **Respect** - we treat everyone equally and with respect.

Strategic Plan

The Strategic Plan is regularly reviewed by the Corporation Board, with the current plan covering the period 2019-2022. This Strategic Plan was developed following consultation with Governors, Staff, Students, local stakeholders and employers. The plan focuses on five strategic pillars of activity:

- **Student Experience** - To provide an excellent student experience which leads to high levels of student success and supports progression to employment, education and training and raises future aspirations.
- **Teaching and Learning** - To deliver outstanding teaching and assessment practice that enables students, of all abilities, to succeed in their ambitions, progress to their chosen next steps and prepares them for leading successful and prosperous lives.
- **Curriculum** - To have an industry-led curriculum which meets the needs of employers, the local economy, addresses the regional skills shortages, has employability at its heart and provides a holistic education experience.
- **Learning Environment** - To provide students with an inspiring, sustainable and outstanding learning environment, which prepares them for industry and enables innovation in teaching and learning.
- **Partnerships** - To lead and be renowned for partnership work and collaboration that increases the opportunities for different groups of students and helps communities grow and thrive.

Each of these pillars are underpinned by cross cutting themes. The cross cutting themes run through everything that the College does and will be at the forefront of our minds:

- **Student Focus**
- **Quality and Standards**
- **Finance and Resources**
- **People**
- **Communication**
- **Technology**

Strategic Report (Continued)

Since the plan was approved, COVID-19 has had an impact on the College, as it has with all other organisations across the world. Through the pandemic and lockdown periods, the College has kept its students and staff at the heart of all it does, with a clear focus on supporting learner achievement and their well-being. It has been a challenge that our students and staff have responded well to, with investments in IT to support home learning / working. The College has ensured it follows the Government and local Public Health guidance in ensuring it reopens the campus as a COVID secure environment. The Strategic Plan remains completely relevant through this time of challenge.

Financial objectives

As part of the College's Strategic Plan, Finance and Resources is a cross cutting theme and is supported by a financial ambition statement 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 November 2020, are as follows:

Objective 1	
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).	
Performance	The plan submitted delivers surpluses in all years.
Achieved	
Objective 2	
To ensure that the College continues to achieve at least grade "Good" financial health in both the ESFA Financial Plan for all reported years, with a current ratio of no less than 1:1.	
Performance	The financial plan submitted to the ESFA had an automated financial health grade of 'Outstanding' and current ratio of 2.69 for 2020/21. The budget and forecast for the following 2 years, under the current and proposed methodology sees the automated financial health grade remaining as 'Outstanding' and current ratios of 2.6 and 2.7.
Achieved	
Objective 3	
To maintain income and expenditure (I&E) reserves in excess of 40% of income (pre-pension reserve) and in excess of 25% of income (post pension reserve).	
Performance	The I&E reserve as at 31 July 2021 was 89% of income pre-pension reserve (increase from 84% in 2020) and 10% of income post pension reserve (increase from -0.5% in 2020). The post pension reserve is largely impacted by the value of the pension deficit, which is outside of the control of College management.
Not Achieved, but due to an pension accounting liability that is outside of the College's control	
Objective 4	
To ensure that risk management plans are realised.	
Performance	A Risk Register is maintained, scoring all risks and reporting to Audit Committee and Corporation.
Achieved	

Strategic Report (Continued)

Objective 5	
To generate a cash inflow from operating activities of at least £3.5m.	
Performance	The net cash flow from operating activities for 2020/21 was £6.2m.
Achieved	

Objective 6	
To ensure that staffing cost to income ratio remains below 65%, as measured by the FE Commissioner.	
Performance	For 2020/21 the staffing cost ratio was 60%, excluding Pension and Restructuring costs.
Achieved	

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 2021 the College employed 583 full time equivalent staff, of whom 356 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 increase in its net assets from £2.2m in 2019/20 to £6.0m in 2020/21, which is a result of increased cash and a reduction in the pension liability from £29.1m to £27.6m. The College currently has £11.6m of long term debt, which was used to invest in the College campus. The campus is made up the Victoria Building, Elizabeth Building, Construction Centre, Harrison Centre, Sixth Form, University Centre, Beacon Centre, Futures Centre, 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 and the Corporation has agreed to dispose of Blakey Moor. A buyer has been found and as at the year end solicitors for both parties were agreeing contracts. The expectation is that contracts will be exchanged and the sale completed in the course of the next 12 months.

The College enrolled approximately 8,499 students. The College's student population includes 2,732 16-to-18-year-old students, 747 apprentices, 1,451 higher education students and 1,940 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.

Strategic Report (Continued)

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

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 13 to 14. 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 8,499 students. The College provides courses without charge to young people, to those who are unemployed and adults taking English and Maths courses. The College adjusts its courses to meet the needs of local employers and provides training to 747 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 regardless of their educational background.

Development and performance

Financial results

The College generated an operating surplus in the year of £161k (2019/20 – £265k deficit). The College faced a number of income challenges as a result of COVID-19 in respect of Commercial courses, Apprenticeships and provision of student catering. Where not funded by other sources of income, the College utilised £227k (2019: £208k) from the Coronavirus Job Retention Scheme to safeguard jobs in those areas, in line with the government guidance.

There is an overall increase in the total comprehensive income reserve of £3.9m after LGPS adjustments, note 23 provides detail on the Local Government Pension Scheme valuation and accounting adjustments.

Cash flows and liquidity

At £13.3m (2019/20 £9.5m) cash and cash equivalents is strong in the Corporation's view. A capital investment plan has been developed to re-invest in the College Campus and Curriculum equipment to support the development of the College, in line with its Strategy. The increase from the prior year is due to an improvement in operating performance before depreciation and capital losses.

All loan facilities are subject to financial covenants and during the year to 31 July 2021 there were no concerns with the College's operating within the banking covenants. The size of the College's total borrowing and its approach to interest rates is modelled to ensure a reasonable cushion between the total cost of servicing debt and operating cashflow. During the year this margin was comfortably exceeded.

Developments

Student Experience has been a key focus for the College and has made some significant progress in improving the campus. This has been achieved through capital investments in the Sixth Form and general on site equipment and facilities, along with a grant from the ESFA Condition Fund. These investments will continue as part of the development of the College, with a clear focus on student experience and creating a more sustainable campus.

Reserves

The College has accumulated Income and Expenditure reserves of £3.7m (after FRS102 Pension adjustments) and cash and short term investment balances of £13.3m. 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 £1.0m, of which £0.6m was invested in Fixtures and Fittings and the balance mostly on the development of the Sixth Form. Expenditure in future years is expected to increase as the College continues to develop its facilities to suit the changing landscape of Education within the sector.

Strategic Report (Continued)

Sources of Income

The College has a reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2020/21 the FE funding bodies provided 52% of total income.

Streamlined Energy and Carbon Reporting

The College is committed to reducing its carbon emissions and has taken the following measures in the year to improve energy efficiency:

- Upgraded external signage to LED
- Upgraded external lighting to more efficient solutions
- Replaced the Multi-functional devices to more energy efficient machines

The College has published on its website the Carbon Emissions report, in line with the Government's streamlined energy and carbon reporting requirements <https://www.blackburn.ac.uk/about-us/corporate-information/publication-scheme/what-we-spend-how-we-spend-it/>.

Future Prospects

Future Developments

The College performs an annual review of all areas as part of the Business Planning cycle, which includes a review of the appropriateness of the Curriculum offer for our local community and employers. As the College looks forward to starting T levels, this review has allocated resource for both the development of the Curriculum and investment in appropriate technology for 2021/22 and beyond.

The annual review also includes a review of the Campus, with the Blakey Moor building in the process of being sold. Further investment is planned across campus with the refurbishment of the Victoria Building. During the year the College was advised it had been selected for FE Capital Transformation Funding in respect of the Victoria Building. At the year end discussions were ongoing in respect of the detail and scope of the project, including the value of College match funding.

Financial plan

The College Governors approved a financial plan in July 2021 which sets financial objectives for 2021/22 and 2022/23.

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.

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 Statement of Financial Position date, the Income and Expenditure reserve stands at a surplus of £3.7m after £1.5m non-cash Pension adjustment in respect of the LGPS scheme (2019/20: loss of £11.2m). It is the Corporation's intention for reserves to be maintained in line with the Performance Indicator.

Strategic Report (Continued)

Going Concern

The financial position of the College as at 31 July 2021, its cashflow, liquidity and borrowings are described in the financial statements and accompanying notes. In the year to July 2021 the financial impact of COVID-19 was managed closely by management, with mitigating action taken to manage the financial risk in terms of cost control and appropriate use of grants available.

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 ongoing pandemic means that risks to student recruitment and expenditure (to minimise the impact of student achievement) remains for the coming year and will form part of the Performance Monitoring element of ensuring financial stability.

The College has a year end cash balances of £13.3m and £11.6m borrowings with bankers. The borrowings are split as follows; £9.5m is loan outstanding on a 25-year term loan running until July 2038 and £2.2m is loan outstanding on 25-year term loan running to 2034. The College has a further £6m revolving credit facility with terms running to August 2022. At 31 July 2021 £0.0m of this revolving credit facility was drawn (£0.0m at 31 July 2020). Future forecasts show net cash inflow from operating activities with sufficient headroom to manage the financial risks.

A report on the potential impacts of Brexit has been prepared and shared with the Corporation, considering the impact on student recruitment, staffing and the supply chain. No significant impact on the College has been experienced to date.

A detailed report on Going Concern has been prepared and 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 developed and embedded a 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 2020/21, 52% 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)

1. Government funding (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 allocations

The College, in conjunction with its key stakeholders, develops strategies in response to the factors affecting the local area and its 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
- Ensuring the College is rigorous in delivering high quality education and training
- Ensuring that the student experience and ability to find a positive destination is supported
- Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies as far as 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

The fee assumption for FE remains at 50%. In line with the majority of other Colleges, Blackburn College will monitor and review 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 Statement of Financial Position in line with the requirements of FRS 102.

4. Failure to maintain the financial viability of the College

The College's ESFA financial health grade for 2020/21 is autoscored as "Outstanding". Notwithstanding that, the continuing challenge to the College's financial position remains with balancing expenditure on the student experience with grant and tuition fee funding not linked to inflation and variations in student recruitment.

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
- Relentless focus on costs and efficient deployment of resources

Strategic Report (Continued)

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'. In January 2020 a monitoring visit was undertaken to evaluate the progress, with this monitoring visit showed that reasonable progress had been made since the 2018 inspection. In May 2021 a pilot inspection of the revised inspection framework was undertaken, as it was a pilot no formal outcome was provided. The College continues to focus on the quality of teaching and learning and the impact of the Curriculum for our stakeholders. Learner outcome measures for 2019/20 and 2020/21 showed good progress on the journey to improve the outcome from the Ofsted inspections.

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, retention, attendance progress, 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 College's financial health for 2020/21, as measured by the ESFA, is 'outstanding', 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

FE Achievement rates increased overall to 92.5% in 2020/21 from 89.5% in 2019/20, which is as a result of the work undertaken as part of the Ofsted improvement plan.

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 2020 to 31 July 2021, the College paid 75.6% of its invoices within 30 days, with delays in the receipt of valid invoices the major contributor to this (by valid invoice, it means with approved purchase order, sent to the Finance team). Average credit days taken were 35. The College incurred no interest charges in respect of late payment for this year (£nil 2019/20).

Equality and diversity

Equality

The College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value all protected characteristics including age, race, sex, gender, sexual orientation, disability, religion or belief, gender reassignment, marriage and civil partnership, pregnancy and maternity. 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 Equality 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.

Strategic Report (Continued)

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

The College has committed to the 'Mindful Employer' initiative to assist the mental health wellbeing of staff. The College has achieved accreditation to the Committed to Equality (C2E) standard at the gold (highest) level. The College has also implemented an updated Equality & Diversity training programme which all staff have attended. Refresher training and training for new starters is carried out on an ongoing basis.

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. An access audit was undertaken 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 the 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 makes available for use by students which is in addition to a range of assistive technology solutions available.
- d) 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 Disabled Student's Allowances (DSA support) who have been approved to access DSA (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.
- e) 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.
- f) Students at the College benefit from specialist advisory teachers, including a Teacher of the Deaf and Teacher for Visual 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.
- g) There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities which ensures that the College meets the requirements in the Special Educational Needs and Disability Code of Practice as well as our Equality Duty.
- h) Inclusive learning programmes are described in College prospectuses. Achievements and destinations are recorded and published in the standard College format.
- i) 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, by emailing thehub@blackburn.ac.uk or writing to The Hub Services, Blackburn College, Beacon Centre, Blackburn, BB2 1LH.

The College also has a Single Equality Committee to monitor key metrics, identify any gaps in progress / metrics and to work across College in supporting learners and staff.

Strategic Report (Continued)

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 2020 to 31 March 2021;

Numbers of employees who were relevant	FTE employee number
17	14.9

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

Total cost of facility time	£38k
Total pay bill	£24.1m
Percentage of total bill spent on facility time	0.15%

Time spent on paid trade union activities as a percentage of total paid facility time	100%
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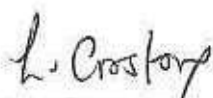
Events after the end of the reporting year

There were no significant post Statement of Financial Position events.

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 15th December 2021 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 2020 to 31 July 2021 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 Colleges ("The Code")

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 2021. This opinion is based on an internal review of compliance with "The Code" reported to the Audit Committee on 8 June 2021 and to the Corporation Board via the minutes of the Audit Committee meeting. 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" initially issued by the Association of Colleges in March 2015, which it formally adopted on 3 July 2015, with the stipulation that an extension to the normal 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 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	Term of Office	Date of Resignation	Status of Appointment	Committees Served	Attendance in 2020/21
Dr Fazal Dad	1 Jan 2019	Ex-officio		Principal and Chief Executive	Policy & Resources, Learning & Quality, Governance Panel, Student Voice	19/19 100%
Mrs Lillian Croston	Reappointed 12 Mar 2021	31 Mar 2024		External	Chair of Board; Learning & Quality, Governance Panel, Remuneration, Student Voice	18/19 95%
Mr Paul Levet	Reappointed 12 Mar 2021	31 Mar 2024		External	Vice Chair of Board; Chair of Policy & Resources, Governance Panel, Chair of Remuneration	17/17 100%
Professor Waqar Ahmed	6 Dec 2019	31 Mar 2022	12 Jul 2021	External	Policy & Resources	0/9 0%
Mr Mark Allanson	11 Dec 2015	31 Mar 2022		External	Chair of Learning & Quality	13/14 93%

Statement of Corporate Governance and Internal Control (continued)

Name	Date of Appointment	Term of Office	Date of Resignation	Status of Appointment	Committees Served	Attendance in 2020/21
Kerry Baron	11 Dec 2020	30 Nov 2021		Student	Learning & Quality	3/7 43%
Geoff Disley	5 Jul 2019	31 Mar 2021	31 Mar 2021	Staff	Learning & Quality	7/8 88%
Paul Fleming	18 Oct 2019	31 Mar 2022		External	Audit, Student Voice	7/10 70%
Ram Gupta	12 Mar 2021	31 Mar 2024		External	Learning and Quality	3/3 100%
Catherine Hill OBE	18 Oct 2019	31 Mar 2022		External	Learning and Quality, Student Voice	10/13 77%
Chris Johnson	20 Oct 2017	31 Mar 2023		External	Chair of Audit	8/10 80%
Michael Lee	1 Apr 2018	31 Mar 2021		Staff	Policy & Resources	11/11 100%
Kathryn Lord	16 Mar 2018	31 Mar 2023		External	Policy & Resources	2/9 22%
Mark Moren	7 May 2021	31 Mar 2024		Staff	Learning and Quality	2/2 100%
Paul Morris	1 Apr 2020	31 Mar 2023		External	Policy & Resources	10/11 91%
Shru Morris	1 Apr 2020	31 Mar 2023	15 Jan 2021	External	Audit	0/4 0%
Glenys Pashley-Crawford	1 Apr 2020	31 Mar 2023		External	Learning & Quality	9/12 75%
Arif Patel	1 Apr 2020	31 Mar 2023		External	Policy & Resources	6/11 55%
Roger Spensley	18 Mar 2016	31 Mar 2022		External	Policy & Resources; Governance Panel; Remuneration	11/13 85%
Brooklyn Spiers	11 Dec 2020	30 Nov 2021		Student	Audit	2/7 29%
Taiyab Sufi	2 Jul 2021	31 Mar 2024		External	Audit	1/1 100%
Steve Waggott	9 Nov 2018	31 Mar 2023		External	Policy & Resources	2/11 18%

Statement of Corporate Governance and Internal Control (continued)

The Governance Framework

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 recruitment targets, proposed capital expenditure, quality matters and personnel-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 Learning and Quality, Policy and Resources, Audit, Remuneration, Governance Panel (Search) and Student Voice. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website blackburn.ac.uk or from the Clerk to the Corporation at the College's registered address – Blackburn College, Feilden Street, Blackburn, BB2 1LH.

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

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

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

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

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

Since the lockdown due to COVID-19, Board and Committee meetings have been held via Microsoft Teams, with some in person attendance where regulations allowed. All Governors have been issued with an iPad to facilitate paperless meetings and have been provided with training on how to use Microsoft Teams.

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 four Corporation members and one co-opted member, which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required. In 2020/21, seven 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 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). As per the Code of Good Governance, this could be where a member takes on a more senior role, as Chair or Vice Chair, for example.

Statement of Corporate Governance and Internal Control (continued)

Corporation Performance

The Board has completed its work to enhance the College's Governance infrastructure and as agreed in the Review of Governance, Governors have been appointed to at least one Committee and that where possible, appointments to Committees have been made in accordance with the skills mix of Governors, to make best use of skills, knowledge and experience in decision making processes. 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 performance at its meeting on 7 July 2017. The Corporation again 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 4 October 2021 and to the Board at its meeting on 15 October 2021. Similar performance reviews will be undertaken for the 2021/22 academic year.

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

An internal audit on Governance Arrangements in 2020/21 was undertaken in September 2021. The internal audit opinion was for 'substantial assurance' and no management actions were made as a result of the audit.

Training and development activities for members of the Corporation Board have been completed during the year. This includes presentations at Audit Committee on a number of risk themed topics; Health and Safety Awareness for Governors, Safeguarding and Prevent, and the FE White Paper updates for all Board members. Governors have also completed individual training such as AoC Governance Finance Masterclasses, ETF Governance Development Programme modules. The Chair of the Corporation Board has also completed the ETF/Saïd Business School Chairs Strategic Development Programme.

The Clerk to the Corporation holds the ICSA Certificate in FE Governance. During the 2020/21 academic year, the Clerk attended numerous webinar training events relevant to the role, including the AoC Governance Professionals' Conference and the AoC Masterclass on Good Practice in Governance in Preparing for EIF. The Clerk also completed the ETF/Saïd Business School Governance Professionals' Development Programme.

As part of the Review of Governance, the Board has considered and approved the six areas to be covered by the Governor Champions. These areas are Safeguarding and Special Educational Needs (SEND), Health and Safety and Staff Welfare, Learner Experience, Teaching, Learning and Assessment and Equality and Diversity. 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. All Governors are invited to attend the College Quality Summit meetings.

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 2 July 2021. 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 2021, the Corporation's Remuneration Committee comprised four members of the Corporation. In taking account the best practice identified in the Association of Colleges (AoC) Code of Good Governance for English Colleges, the Vice Chair of the Corporation Board chairs this Committee. The Committee's responsibilities 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 2021 are set out in note 7 to the financial statements.

Statement of Corporate Governance and Internal Control (continued)

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 2021 there was one vacancy; this was filled on 15 October 2021 with the appointee having significant audit experience.

The Audit Committee meets 4 times a year and provides a forum for reporting by the College's internal and external auditors, who have access to the Committee for independent discussion, without the presence of College management.

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 and external auditors and their remuneration for both audit and non-audit work as well as reporting annually to the Corporation.

The Audit Committee met four times in the year to 31 July 2021. The members of the committee and their attendance records are shown below:

Committee member	Meetings attended
Chris Johnson	4
Brooklyn Spiers (appointed 11 December 2020)	0
Paul Fleming (appointed 12 March 2021)	1
Taiyab Sufi (appointed 2 July 2021)	1
John Whittaker (co-opted member)	4
Louise Mattinson (co-opted member; resigned 24 February 2021)	3
Shru Morris (resigned 15 January 2021)	0

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 College 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,

Statement of Corporate Governance and Internal Control (continued)

The purpose of the system of internal control (continued)

- 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 2021 and up to the date of approval of the annual report and financial statements.

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 2021 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 engages RSM to provide an Internal Audit service which complies with the ESFA Post 16 Audit Code of Practice. The work of the Internal Auditors 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. 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.

Risks faced by the Corporation

The College has a Risk Management Policy that has been approved by the Corporation and the Principal and is available for all staff to see on the College intranet. The Risk Management Plan is discussed by the Principalship on a regular basis and is submitted to each meeting of the Audit Committee, with highlights presented to Corporation. The Vice Principal - Finance and Corporate Services is the appointed Risk Champion for the College. The Risk Management plan is reviewed annually by the Senior Management Team, this is to ensure that they have a good understanding of the risks facing College, reiterate the process for identifying risks and to give the opportunity to highlight any new risks.

The principal risks, government funding, financial viability and Ofsted / Inspection as identified in the Strategic Report are both noted as key risks in the Colleges Risk Register.

Control weaknesses identified

A total of six Internal Audits plus a follow-up audit were undertaken during the year. All reports were considered by the Audit Committee. No significant areas of weaknesses or failures were identified.

Responsibilities under funding agreements

The Corporation has met its contractual responsibilities under its funding agreements and contracts with the ESFA. Each year a Regularity Audit, which tests compliance, is undertaken by management, reviewed by Audit Committee and then audited by the external auditors.

Statement of Corporate Governance and Internal Control (continued)

Statement from the Audit Committee

The Audit Committee has advised the board of Governors that the Corporation has an effective framework for governance and risk management in place. The Audit Committee believes the Corporation has effective internal controls in place.

The specific areas of work undertaken by the Audit Committee in 2020/21 and up to the date of the approval of the financial statements are:

- Assessed the performance of the External and Internal Audit function
- Received External Audit report from the External Auditors and considered the audit outcomes for onward recommendations to the Board
- Considered a scope of work for the Internal Auditors for recommendation to the Board. The agreed areas being Governance – Student Target Setting and Tracking (ProMonitor), Governance Framework, Academic Quality Framework, Key Financial Controls – Student Loans and Advance Loans Administration Framework, Health and Safety Framework, Human Resources – Performance Management; Follow up from prior year recommendations
- Received Internal Audit reports on the agreed scope of work, considered the outcomes and monitored management action against those outcomes and recommendations
- Considered the final outcome of 3 whistleblowing investigations received in 2018-19

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 external 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 confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management and Executive teams and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

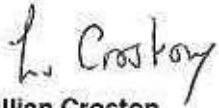
At its meeting on 15 October 2021, the Corporation carried out the annual assessment for the year ended 31 July 2021 by considering documentation from the Executive Team and Internal Audit, and taking account of events since 31 July 2021.

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

Statement of Corporate Governance and Internal Control (continued)

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 15th December 2021 and signed on its behalf by:



Lillian Croston
Chair to the Corporation



Dr Fazal Dad
Principal and Chief Executive
(Accounting Officer)

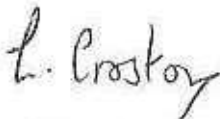
Governing body's statement on the College's regularity, propriety and compliance with funding body terms and conditions of funding

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 grant 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, or any other public funder.

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

Approved by the members of the Corporation on 15th December 2021 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 and any other relevant funding body, 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 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess whether the corporation is a going concern, noting the key supporting assumptions qualifications or mitigating actions as appropriate; and
- prepare financial statements on the going concern basis unless it is inappropriate to assume that the College will continue in operation.

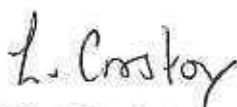
The Corporation is also required to prepare a Strategic Report which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College.

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 15th December 2021 and signed on its behalf by:



Lillian Croston
Chair to the Corporation

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BLACKBURN COLLEGE

Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2021 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.

We have audited the financial statements of Blackburn College ("the College") for the year ended 31 July 2021 which comprise statement of comprehensive income, statement of changes in reserves, statement of financial position, 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).

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

Independence

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.

Conclusions relating to going concern

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

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

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

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information including the Strategic Report, Statement of Corporate Governance and Internal Control, Statement of regulatory, propriety & compliance 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.

Opinion on other matters required by the Education and Skills Funding Agency (“ESFA”) and Office for Students (“OfS”)

In our opinion, in all material respects:

- Funds from whatever source administered by the College for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation.
- Funds provided by the OfS and the Education and Skills Funding Agency have been applied in accordance with the relevant terms and conditions
- The requirements of the OfS’s Accounts Direction (OfS 2019.41) have been met.

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

- The College’s grant and fee income, as disclosed in the note to the accounts, has been materially misstated.
- The College’s expenditure on access and participation activities for the financial year has been materially misstated.

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 Members

As explained more fully in the statement of responsibilities of the members of the corporation set out on page 22, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the members 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 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 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.

Extent to which the audit was capable of detecting irregularities, including fraud

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

Based on our understanding of the College and the sector in which it operates, we identified that the principal risks of non-compliance with laws and regulations are related to their registration with the Office for Students ("OfS) and their ongoing conditions of registration, and we considered the extent to which non-compliance might have a material effect on the Financial Statements or their continued operation. We also considered those laws and regulations that have a direct impact on the financial statements such as compliance with the Companies Act, the OfS Accounts Direction and tax legislation. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Board and other management and inspection of regulatory and legal correspondence if any.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results and management bias in accounting estimates.

The audit procedures to address the risks identified included:

- Reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC and relevant regulators to identify any actual or potential frauds or any potential weaknesses in internal control which could result in fraud susceptibility.
- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud, including direct representation from the Accountable Officer.
- Challenging assumptions made by management in their significant accounting estimates in particular in relation to defined benefit pension liability, provision against debtors and useful life of the tangible assets.
- In addressing the risk of fraud, including the management override of controls and improper income recognition, we tested the appropriateness of certain manual journals, reviewed the application of judgements associated with accounting estimates for the indication of potential bias and tested the application of cut-off and revenue recognition.
- Identifying and testing journal entries, in particular any journal entries posted from staff members with privilege access rights, journals posted by key management, journals posted during the period and journals posted after the year end.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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.

In addition, we also report to you whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the College have been properly applied only for the purposes for which they were received and whether income has been applied in accordance with the Statutes and, where appropriate, with the Terms and Conditions of Funding with the OfS.

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 College's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the College and the members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:
HELEN KNOWLES
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Helen Knowles (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Manchester

20 December 2021

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 the Secretary of State for Education acting through the Education and Skills Funding Agency

In accordance with the terms of our engagement letter dated 21 September 2021 and further to the requirements and conditions of funding in ESFA's grant funding agreements and contracts we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Blackburn College during the period 1 August 2020 to 31 July 2021 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Post-16 Audit Code of Practice (the Code) issued by 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 returns, for which ESFA has other assurance arrangements in place.

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2020 to 31 July 2021 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 college's income and expenditure. 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;

Reporting accountant's assurance report on regularity (continued)

- 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, Learner Support Funds and Governors' and Senior Management Team's expenses.

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 2020 to 31 July 2021 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

DocuSigned by:
HELEN KNOWLES
DAED9B91914A4A7...

BDO LLP
Chartered Accountants
Manchester

Date: 20 December 2021

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 2021

	Notes	2021 £'000	2020 £'000
Income			
Funding body grants	2	21,915	20,238
Tuition fees and education contracts	3	12,045	13,122
Other grants and contracts	4	768	844
Other income	5	1,963	2,157
Investment income	6	33	55
Total income		36,724	36,416
Expenditure			
Staff costs	7	23,318	24,275
Restructuring costs	7	220	447
Other operating expenses	8	8,792	7,683
Depreciation	12	3,086	3,141
Interest and other finance costs	9	1,147	1,135
Total expenditure		35,563	36,681
Surplus / (Deficit) before other gains and losses		161	(265)
Surplus on disposal of assets		7	-
Surplus / (Deficit) before tax		168	(265)
Taxation	11	-	-
Surplus / (Deficit) for the year		168	(265)
Actuarial gain / (loss) in respect of pensions schemes	23	3,601	(9,230)
Total Comprehensive income / (expense) for the year		3,769	(9,495)

All items of income and expenditure relate to continuing activities.

The notes on pages 33 to 54 form part of these financial statements

Statement of Changes in Reserves

	Income and expenditure reserve £'000	Revaluation reserve £'000	Restricted reserve £'000	Total £'000
Balance at 1 August 2019	9,181	2,480	60	11,721
(Deficit) from the Statement of Comprehensive Income	(265)	-	-	(265)
Other comprehensive income (Pension defined benefit adjustment, as per note 23)	(9,230)	-	-	(9,230)
Transfers between revaluation and income and expenditure reserves	129	(129)	-	-
Total comprehensive expense for the year	(9,366)	(129)	-	(9,495)
Balance at 31 July 2020	(185)	2,351	60	2,226
Surplus from the Statement of Comprehensive Income	168	-	-	168
Other comprehensive income (Pension defined benefit adjustment, as per note 23)	3,601	-	-	3,601
Transfers between revaluation and income and expenditure reserves	129	(129)	-	-
Total comprehensive income for the year	3,898	(129)	-	3,769
Balance at 31 July 2021	3,713	2,222	60	5,995

The notes on pages 33 to 54 form part of these financial statements

Statement of Financial Position as at 31 July 2021

	Notes	2021 £'000	2020 £'000
Non Current Assets			
Tangible fixed assets	12	50,315	52,359
Endowment assets	14	60	60
		50,375	52,419
Current assets			
Trade debtors and other receivables	15	1,703	2,157
Cash and cash equivalents	20	13,286	9,454
		14,989	11,611
Less: Creditors - amounts falling due within one year	16	(7,205)	(6,780)
		7,784	4,831
Total assets less current liabilities			
		58,159	57,250
Creditors - amounts falling due after more than one year	17	(23,054)	(24,423)
Provisions			
Defined benefit obligations	23	(27,619)	(29,076)
Other provisions	19	(1,491)	(1,525)
		5,995	2,226
Net assets			
Restricted reserves			
Income and expenditure account – Endowment reserve		60	60
Unrestricted reserves			
Income and expenditure account - unrestricted		3,713	(185)
Revaluation reserve		2,222	2,351
		5,935	2,166
Total unrestricted reserves		5,935	2,166
Total reserves		5,995	2,226

The financial statements on pages 33 to 54 were approved and authorised for issue by the Corporation on 15th December 2021 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 33 to 54 form part of these financial statements

Statement of Cash Flows

For the year ended 31 July 2021

	Notes	2021 £'000	2020 £'000
Cash flow from operating activities			
Surplus / (Deficit) for the year		168	(265)
Adjustment for non-cash items			
Depreciation		3,086	3,141
Decrease / (Increase) in debtors		454	(176)
Increase / (Decrease) in creditors due within one year		425	(1,224)
Decrease in creditors due after one year		(653)	(852)
(Decrease) / Increase in provisions		(34)	16
Pensions costs less contributions payable		2,144	1,932
Adjustment for investing or financing activities			
Investment income		(33)	(55)
Interest payable		671	722
Profit on sale of fixed assets		(7)	-
Net cash inflow from operating activities		6,221	3,239
Cash flows from investing activities			
Proceeds on sale of fixed assets		7	-
Investment income		33	55
Payments made to acquire fixed assets		(1,042)	(320)
		(1,002)	(265)
Cash flows from financing activities			
Interest paid		(671)	(722)
Repayments of amounts borrowed		(716)	(716)
		(1,387)	(1,438)
Increase in cash and cash equivalents in the year		3,832	1,536
Cash and cash equivalents at beginning of the year	20	9,454	7,918
Cash and cash equivalents at end of the year	20	13,286	9,454

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 2019* (the 2019 FE HE SORP), the *ESFA College Accounts Direction for 2020 to 2021* 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.

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 Report. The financial position of the College, its cashflow, liquidity and borrowings are described in the financial statements and accompanying notes.

The College currently has £11.6m borrowings with bankers, of which £9.5m is loan outstanding on a 25-year term loan running until July 2038 and £2.2m is loan outstanding on 25-year term loan running to 2034. The College has a further £6m revolving credit facility with terms running to August 2022. At 31 July 2021 £0.0m of this revolving credit facility was drawn (£0.0m at 31 July 2020).

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 COVID, Brexit, 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 has continued 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 accruals 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 accounting period end, and the results of any funding audits. 16-19 learner funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

Notes to the Financial Statements (continued)

1. Statement of accounting policies (continued)

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.

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 Statement of Financial Position and released to income as the conditions are met.

Coronavirus Job Retention Scheme grant

Payments received from the government for furloughed employees are a form of grant. This grant money is receivable as compensation for expenses already incurred, and where this is not in respect of future related costs, is recognised in income in the period in which it becomes receivable and the related expense incurred.

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 accruals 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 Statement of Financial Position 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 endowment funds is not expended in accordance with the restrictions of the endowment in the period, it 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.

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

Notes to the Financial Statements (continued)

1. Statement of accounting policies (continued)

triennially and are updated at each Statement of Financial Position date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred.

Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income

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

Actuarial gains and losses are recognised immediately in actuarial gains and losses in the Statement of Comprehensive Income.

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 Statement of Financial Position using the enhanced pension spreadsheet provided by the funding bodies.

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 2019 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 Technology Hub – 5 to 40 years
- Sixth Form Centre – 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.

Notes to the Financial Statements (continued)

1. Statement of accounting policies (continued)

Freehold buildings are depreciated over their expected useful economic life to the College of between 5 and 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 5 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

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 was carried out and no concerns identified. 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 12 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 Statement 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.

Notes to the Financial Statements (continued)

1. Statement of accounting policies (continued)

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.

Heritage assets

Inherited equipment has been depreciated on a straight-line basis over its useful economic life 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. 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 Statement of Financial Position 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 Statement of Financial Position at the lower of their original cost and net realisable value. Investments that form part of endowment assets are included in the Statement of Financial Position at market value.

Inventories

Inventories are written off to the Statement Of Comprehensive Income 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.

Notes to the Financial Statements (continued)

1. Statement of accounting policies (continued)

Financial liabilities and equity

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

All loans, investments and short term deposits held 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 College has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instruments are stated on the Statement of Financial Position 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 Statement of Financial Position 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.

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

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 2019 has been used by the actuary in valuing the pensions liability at 31 July 2021. 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

	2021 £'000	2020 £'000
Recurrent grants		
Education and Skills Funding Agency – Adult	3,386	3,454
Education and Skills Funding Agency – 16 -19	15,189	14,343
Grant income from the Office for Students	589	576
Specific grants		
Teachers' Pension Scheme Grant	912	877
ESFA Condition Fund	823	-
Releases of government capital grants: Education and Skills Funding Agency	569	498
Releases of capital grants: Office for Students (OfS)	447	490
Total funding body grants	21,915	20,238

As an OFS registered College a single table is required to show grant and fee income for courses at Level 4 and above. The table below summarises this information, which forms part of the disclosures in note 2 and 3;

	2021 £'000	2020 £'000
Recurrent grants		
Grant income from the Office for Students	589	576
Releases of capital grants: Office for Students	447	490
Fees for HE loan supported courses	9,834	10,994
Total recurrent OfS grants	10,870	12,060

3. Tuition fees and education contracts

	2021 £'000	2020 £'000
Adult education fees	31	85
Apprenticeship fees and contracts	1,761	1,568
Fees for FE loan supported courses	419	474
Fees for HE loan supported courses	9,834	10,994
International students fees	-	1
Total tuition fees and education contracts	12,045	13,122

4. Other grants and contracts

	2021 £'000	2020 £'000
European Commission grants	102	65
Other grants and contracts	439	571
Coronavirus Job Retention Scheme grant	227	208
Total Other grants and contracts	768	844

Notes to the Financial Statements (continued)
5. Other income

	2021 £'000	2020 £'000
Catering	492	526
Other income generating activities: full cost provision	894	1,016
Teaching related activities	26	98
Exam and registration cost recovery	2	14
Premises income	63	44
Support and admin activities	298	241
Miscellaneous income	188	218
Total Other income	1,963	2,157

6. Investment income

	2021 £'000	2020 £'000
Interest receivable	33	55
Total Investment income	33	55

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:

	2021 FTE	2020 FTE
Teaching staff	356	369
Non-teaching staff	227	245
Total	583	614

	2021 £'000	2020 £'000
Wages and salaries	16,750	17,583
Social Security costs	1,477	1,557
Other pension costs: Employer contributions	3,036	3,164
:Pension defined liability charge (net of interest payable in note 9)	1,743	1,640
	23,006	23,944
Contracted out staffing services	312	331
	23,318	24,275
Restructuring costs – contractual	220	447
Total staff costs	23,538	24,722

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 and Chief Executive, Vice Principal - Finance and Corporate Services, Dean of Higher Education (later replaced by Assistant Principal Higher Education), two Assistant Principal Teaching and Learning, Assistant Principal Student Support and Engagement, Director of Business Development and External Engagement and Clerk to the Corporation.

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

	2021	2020
The number of key management personnel including the Accounting Officer was:	9	6

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	
	2021 No.	2020 No.	2021 No.	2020 No.
£50,000 to £55,000 p.a.	-	1	-	-
£55,001 to £60,000 p.a.	1	-	-	-
£65,001 to £70,000 p.a.	4	-	-	4
£70,001 to £75,000 p.a.	2	1	-	1
£80,001 to £85,000 p.a.	-	1	-	-
£95,001 to £100,000 p.a.	-	1	-	-
£105,001 to £110,000 p.a.	-	1	-	-
£110,001 to £115,000 p.a.	1	-	-	-
£145,001 to £150,000 p.a.	-	1	-	-
£150,001 to £155,000 p.a.	1	-	-	-
	9	6	-	5

During the year the College Executive Team membership was updated, with Assistant Principals moving from attendees to members. As can be seen in the information above, the total higher paid staff reduced from 11 to 9. The disclosure above is based upon headcount during the year and it should be noted that in 2020 that 2 people held the senior leadership position within Higher Education. The total positions in Key Management Personnel was 8. Overall higher paid management costs have reduced.

Key Management Personnel emoluments are made up as follows:

	2021 £'000	2020 £'000
Salaries – gross of salary sacrifice and waived emoluments	662	538
Pension contributions	136	88
Total KMP emoluments	798	626

Notes to the Financial Statements (continued)

7. Staff costs (continued)

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.

The above emoluments include the amounts paid to Principal and Chief Executive who is the Accounting Officer position through the academic year (who is also the highest paid officer) of:

	2021 £'000	2020 £'000
Salaries	153	150
Pension contributions	36	35

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:

	2021 £'000	2020 £'000
Principal's basic salary as a multiple of the median of all staff	5.13	5.14
Principal and CEO's total remuneration as a multiple of the median of all staff	5.28	5.45

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

	2021 £'000	2020 £'000
Teaching direct costs	639	654
Payments for HE Course validation	973	1,056
Bursary support for learners	400	418
Teaching support costs	1,465	1,469
Administration and central services	1,613	1,582
Utilities, rent and insurance	1,031	947
Premise maintenance	947	558
Premise maintenance, linked to ESFA Condition Fund grant in note 2	921	-
Examination fees	696	791
Fees for subcontracted income	107	208
Total Other operating expenses	8,792	7,683

Notes to the Financial Statements (continued)

8. Other operating expenses (cont.)

Other operating expenses include:	2021 £'000	2020 £'000
Auditors' remuneration		
- financial statements audit	33	34
- VAT advisory services	-	-
- internal audit	25	25
Profit on disposal of equipment	7	-
Hire of plant and machinery – operating leases	1	-1

9. Interest and other finance costs

	2021 £'000	2020 £'000
On bank loans and other loans:		
Repayable wholly or partly in more than five years	671	722
	<hr/>	<hr/>
	671	722
Net interest on defined pension liability (Note 23)	456	383
Enhanced pension costs	20	30
	<hr/>	<hr/>
Total Interest and other finance costs	1,147	1,135
	<hr/>	<hr/>

10. Access and participation spending

The total of the approved expenditure in our Access and Participation Plan for the year ended 31 July 2021 was £1.64m, the actual spend was £1.5m and a breakdown is shown below. Details of the approved plan can be found at https://apis.officeforstudents.org.uk/accessplansdownloads/2024/BlackburnCollege_APP_2020-21_V1_10000747.pdf

	2021 £'000	2020 £'000
Access Investment	978	1,198
Financial support provided to students	391	405
Support for disabled students	138	125
Research and evaluation expenditure	5	20
	<hr/>	<hr/>
Total Access and participation spending	1,512	1,748
	<hr/>	<hr/>

11. 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)
12. 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 2020	76,962	7,109	-	6,635	90,706
Additions	56	-	355	631	1,042
Disposals	-	-	-	(100)	(100)
As at 31 July 2021	77,018	7,109	355	7,166	91,648
Depreciation					
At 1 August 2020	29,339	3,093	-	5,915	38,347
Charge for the year	2,386	193	-	507	3,086
Eliminated in respect of disposals	-	-	-	(100)	(100)
At 31 July 2021	31,725	3,286	-	6,322	41,333
Net book value at 31 July 2021	45,293	3,823	355	844	50,315
Net book value at 31 July 2020	47,623	4,016	-	720	52,359
Inherited	3,155	-	-	-	3,155
Financed by capital grant	12,584	908	-	281	13,773
Other	29,554	2,915	355	563	33,387
Net book value at 31 July 2021	45,293	3,823	355	844	50,315

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.

Included within Fixtures, Fittings Tools and Equipment are laptops that the DfE gifted to the College to support disadvantaged learners to access remote learning. The College has applied Section 34 of FRS102, which required that donated assets are measured at fair value to the College (£140k).

13. Investments

	2021 £	2020 £
Investment in joint venture company at cost	1	1
Total Investments	1	1

At 31 July 2021 the College held a 7% share 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)
14. Endowment assets

	2021 £'000	2020 £'000
Balance at 1 August 2020	60	60
Movement in the year	-	-
Balance at 31 July 2021	<u>60</u>	<u>60</u>
Represented by Cash balances	<u>60</u>	<u>60</u>

15. Debtors

	2021 £'000	2020 £'000
Amounts falling due within one year:		
Trade receivables	1,039	1,216
Prepayments and accrued income	664	941
Total Debtors	<u>1,703</u>	<u>2,157</u>

16. Creditors: amounts falling due within one year

	2021 £'000	2020 £'000
Bank loans	716	716
Trade payables	1,118	1,308
Other taxation and social security	367	395
Accruals and deferred income	3,309	2,955
Accrual for untaken annual leave	441	441
Deferred income - Government capital grants	899	872
Amounts owed to the ESFA	355	93
Total Creditors: amounts falling due within one year	<u>7,205</u>	<u>6,780</u>

17. Creditors: amounts falling due after one year

	2021 £'000	2020 £'000
Bank loans	10,896	11,612
Deferred income - Government capital grants	12,158	12,811
Total Creditors: amounts falling due after one year	<u>23,054</u>	<u>24,423</u>

Notes to the Financial Statements (continued)

18. Maturity of debt

Bank loans and overdrafts are repayable as follows:

	2021 £'000	2020 £'000
In one year or less	716	716
Between one and two years	716	716
Between two and five years	2,148	2,148
In five years or more	8,032	8,748
Total Debt	11,612	12,328

A secured loan (security held against the 'Regional Automotive Technology Hub') of £4m commenced in 2011 at 6.22% repayable by instalments falling due between 1 August 2011 and 31 July 2035 (amount outstanding at 2021 £2.16m; 2020 £2.32m). Revised terms of this loan were agreed in July 2018, which included an increase in the rate of 0.5% to 6.72% and revised covenants.

A secured loan (security held against the 'Beacon Centre') 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 2021 £9.5m, 2020 £10.0m). As at 31 July 2021, Santander had provided an alternative to LIBOR, which is due to cease in 2022. The College have assessed the impact a change to SONIA and no material detriment is expected. A change to SONIA has been agreed post 31 July 2021.

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. The amount drawn at 31 July 2021 was £0 (2020 £0).

19. Provisions

	Defined benefit obligations £'000	Enhanced Pension £'000	Total £'000
At 1 August 2020	29,076	1,525	30,601
Expenditure in the period	2,144	(108)	2,036
Transferred from income and expenditure account	(3,601)	74	(3,527)
At 31 July 2021	27,619	1,491	29,110

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 £24,755 (2020 £24,755) 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 Statement of Financial Position date. This provision has been recalculated in accordance with guidance issued by the funding bodies.

Notes to the Financial Statements (continued)

19. Provisions (continued)

The principal assumptions for this calculation are:

	2021 £'000	2020 £'000
Price Inflation	1.30%	1.30%
Discount Rate	2.20%	2.20%

20. Analysis of changes in net debt

	At 1 August 2020 £'000	Cash flows £'000	Other changes £'000	At 31 July 2021 £'000
Cash and cash equivalents	9,454	3,832	-	13,286
Debt due within one year	(716)	716	(716)	(716)
Debt due after one year	(11,612)	-	716	(10,896)
Borrowings	(12,328)	716	-	(11,612)
Total changes in net debt	(2,874)	4,548	-	1,674

21. Capital commitments

The College had £130k of capital commitments in year end an asset under construction as at 31 July 2021 (31 July 2020: none).

Whilst not a capital commitment at the balance sheet date, the College was advised of funding from the FE Capital Transformation Fund in respect of the Victoria Building. At the year end discussions were ongoing in respect of the detail and scope of the project, including the value of College match funding.

22. Lease obligations

The College had no operating lease commitments as at 31 July 2021 (31 July 2020: none).

23. Defined benefit obligations

The College's employees belong to one of 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 2019 and of the LGPS 31 March 2019.

Total Pension Cost for the Year Ended	2021 £'000	2020 £'000
Teachers' Pension Scheme : contributions paid	2,095	2,095
Local Government Pension Scheme :		
Contributions paid	1,016	1,069
FRS 102 charge	2,144	1,932
FRS 102 charge in interest	(456)	(383)
Charge to the Statement of Comprehensive Income	2,704	2,618
Enhanced pension charge to Statement of Comprehensive Income	55	91
Total pension cost for year within staff costs	4,854	4,804

Notes to the Financial Statements (continued)

23. Defined benefit obligations (continued)

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 2019. 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 2018/19). DfE has agreed to pay a Teachers' Pension Scheme Grant to cover the additional costs during the 2020/21 academic year.

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

The pension contribution paid to TPS in the year amounted to £2.095m (2020: £2.210m)

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 2021 were £1.403m, of which employer's contributions totalled £1.016m and employees' contributions totalled £0.387m. The agreed contribution rates for future years are 15.5% 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 2019 updated to 31 July 2021 by a qualified independent actuary.

	At 31 July 2021	At 31 July 2020
Rate of increase in salaries	4.10%	3.80%
Future pensions increases	2.60%	2.30%
Discount rate for scheme liabilities	1.60%	1.60%
Inflation assumption (Consumer Price Index)	2.70%	2.40%
Commutation of pensions to lump sums	50.0%	50.0%

Notes to the Financial Statements (continued)

23. Defined benefit obligations (continued)

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

	31 July 2021	31 July 2020
<i>Retiring today:</i>		
Males	22.4	22.3
Females	25.1	25.0
<i>Retiring in 20 years:</i>		
Males	23.9	23.8
Females	26.9	26.8
Sensitivity analysis of Deficit	£'000	£'000
Discount rate +0.1%	(1,808)	(1,682)
Pay growth +0.1%	198	204
Mortality assumption – 1 year increase	3,056	2,710
Inflation rate +0.1%	1,843	1,713

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

	2021 £'000	2020 £'000
Equities instruments	34,298	27,246
Government Bonds	-	-
Other Bonds	3,600	4,122
Property	6,792	8,125
Cash	1,426	1,075
Other	21,801	19,178
Total fair value of plan assets	67,917	59,746
Actual return / (loss) on plan assets	8,333	(1,345)

The amount included in the Statement of Financial Position in respect of the defined benefit pension plan is as follows:

	2021 £'000	2020 £'000
Fair value of plan assets	67,917	59,746
Present value of plan liabilities	(95,471)	(88,755)
Present value of unfunded liabilities	(65)	(67)
Net pensions (liability) (Note 19)	(27,619)	(29,076)

Notes to the Financial Statements (continued)
23. Defined benefit obligations (continued)

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

	2021 £'000	2020 £'000
Amounts included in staff costs		
Current service cost	2,597	2,375
Past service cost	-	125
Curtailments	69	79
Total	2,666	2,579
Amounts included in interest and other finance costs		
	2021 £'000	2020 £'000
Net interest cost	(456)	(383)
Amount recognised in Other Comprehensive Income		
	2021 £'000	2020 £'000
Return on pension plan assets	8,333	(1,345)
Changes in assumptions underlying the present value of plan liabilities	(4,732)	(7,885)
Amount recognised in Other Comprehensive Income	3,601	(9,230)
Movement in net defined benefit (liability)/asset during year		
	2021 £'000	2020 £'000
Net defined liability at 1 August	(29,076)	(17,914)
Movement in year:		
Current service cost	(2,597)	(2,375)
Employer contributions	1,016	1,069
Past service costs	-	(125)
Curtailments	(69)	(79)
Administration expenses	(38)	(39)
Net interest on the defined (liability)	(456)	(383)
Actuarial gain / (loss)	3,601	(9,230)
Net defined liability at 31 July	(27,619)	(29,076)

Notes to the Financial Statements (continued)
23. Defined benefit obligations (continued)
Asset and Liability Reconciliation

	2021 £'000	2020 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of year	88,822	78,611
Current service cost	2,597	2,375
Interest cost	1,411	1,719
Past service costs	-	125
Contributions by scheme participants	387	411
Changes in financial assumptions	3,777	6,908
Estimated benefits paid	(1,527)	(1,406)
Curtailments	69	79
Defined benefit obligations at end of year	95,536	88,822
Changes in fair value of plan assets		
Fair value of plan assets at start of year	59,746	60,697
Interest on plan assets	955	1,336
Return / (loss) on plan assets	7,378	(2,322)
Administration expenses	(38)	(39)
Employer contributions	1,016	1,069
Contributions by scheme participants	387	411
Estimated benefits paid	(1,527)	(1,406)
Fair value of plan assets at end of year	67,917	59,746

These accounts include a historic past service cost of £586k, as adjusted for in 2019, 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 0.61% of the total scheme liability as at 31 July 2021. The calculation of the adjustment to the past service costs arise 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%.

Notes to the Financial Statements (continued)

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 £NIL; 0 Governors (2020: £531; 5 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 (2020: None).

Transactions are detailed below:

Blackburn with Darwen Borough Council is an organisation in which a Governor has declared influence as Key Management Personnel: the College incurred expenditure of £198,440 (2020 – £183,872), and earned income of £379,797 (2020 – £451,753).

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 £2,550 (2020 - £2,103), and earned income of £70 (2020 - £4,050).

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 £300 (2020 - £300), and earned income of £4,100 (2020 - £3,090).

East Lancashire NHS Trust is an organisation in which a Governor has declared influence as Key Management Personnel: the College incurred expenditure of £41,234 (2020 - £N/a) and earned income of £3,225 (2020 - £N/a).

Advance HE is an organisation in which a Governor has declared influence as Key Management Personnel: the College incurred expenditure of £NIL (2020 – £3,015).

Hive is an organisation in which a Governor has declared influence as Key Management Personnel: the College incurred expenditure of £NIL (2020 – £150).

Lancaster University is an organisation in which a Governor has declared influence as Key Management Personnel: the College incurred expenditure of £763,172 (2020 - £831,735) (Degree validation) and earned income of £6,979 (2020 - £2,404). The Governor is not involved in these arrangements.

Manchester College is an organisation in which a Governor has declared influence as Joint Control: the College incurred expenditure of £NIL (2020 - £11,000).

BAE Systems is an organisation in which a Governor has declared influence as Management Personal: the College earned income of £1,796 (2020 - £N/A).

Graham & Brown is an organisation in which a Governor has declared influence as Director: the College incurred expenditure of £300 (2020 - £N/A).

Lewis Mitchell Solicitors is an organisation in which a Governor has declared influence as Owner: the College incurred expenditure of £254 (2020 - £N/A).

Nybble Interactive is an organisation in which a Governor has declared influence as Full Control: the College incurred expenditure of £17,925 (2020 - £N/A).

Transactions with the ESFA and Office for Students are detailed in notes 2, and 16.

Notes to the Financial Statements (continued)
25. Amounts Disbursed as agent
Learner Support Funds

	2021 £'000	2020 £'000
Funding body grants – bursary support	163	136
Funding body grants – discretionary learner support	1,107	1,120
	<hr/> 1,270	<hr/> 1,256
Disbursed to Students	(912)	(751)
Administration costs	(35)	(34)
	<hr/> 323	<hr/> 471
	<hr/> <hr/>	<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.

