Report and financial statements Accrington & Rossendale College

For the year ended 31 July 2015

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Operating and financial review

A. NATURE, OBJECTIVES AND STRATEGIES

The members present their report and the audited financial statements for the year ended 31 July 2015.

Legal status

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

The Corporation was incorporated as Accrington & Rossendale College.

The College Vision and Mission Statement

The Governors reviewed the College's mission in September 2014 and confirmed the vision and mission statement as follows:
The Vision: To be the first choice college for a career-focussed education

The Mission: To raise access, aspiration and achievement

Public Benefit

Accrington & Rossendale College is an exempt charity under the Part 3 of the Charities Act 2011 and from 1st September 2013, is regulated by the Secretary of State for Business, Innovation and Skills as Principal Regulator for all FE Corporations in England. The members of the Governing body, who are trustees of the charity, are disclosed on pages 17 to 19.

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

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

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

Implementation of strategic aims

The Corporation monitors the performance of the College against the stated aims and objectives, which are reviewed and updated each year. Progress against the College`s five strategic aims is summarised below.

1. To remain an outstanding college

1.1 During the Ofsted inspection (March 2009), the College was officially designated 'outstanding' for 'effectiveness of provision'. Overall success rates were in the top 10% nationally for FE colleges and have remained there, improving year on year from 85% in 2009/10 to 89.4% in 2013/14. For 2014/15 outcomes, it is unlikely that the College will be in the top 10% nationally, with overall success rates reported at 84.9% (now including Maths and English). Progression and destinations of learners are based on new destination measures for 2014/15, and are in line with national averages. 63% of curriculum areas are rated as `good or better`. The College Value

Operating and financial review (continued)

Added score, using ALPS methodology, remains at 5 (good). Learner attendance improved by 4% to 88.1%.

2 **To provide inspirational teaching, learning and support which equips all our learners for their future careers**

2.1 The percentage of 'good' or better Teaching, Learning and Assessment observations has improved significantly in 2014/15 - by 8% on the previous year. The number of outstanding outcomes has increased marginally from 32% to 33% over the same period. A team of Advanced Practitioners leads on the promotion and development of innovative teaching and learning. A `Good to Great` group was established to drive and support outstanding teaching and learning. A new digital strategy has been launched to promote excellence in blended learning.

2.2 An extensive range of career and work related learning opportunities have now been embedded into programmes of study to enable learners to develop personal social and employability skills. These sit alongside an extensive enrichment programme and include: mock interviews, internal and external work experience, master classes, and enterprise projects and skills competitions

3 **To add value to our community, economically and socially**

3.1 The curriculum offer for 2014/15 was realigned to take account of changing economic priorities and learner demand. A number of new programmes were introduced and a small number phased out (see Curriculum Developments section of this report). Developments included an 11% growth in apprenticeship provision

3.2 A new sports and fitness centre was opened in November 2014, which has allowed the College to extend its range of sports and fitness qualifications and increase student numbers. The centre also offers a state of the art facility for community use.

3.3 The new £5m Visitor Economy Centre (Heartwood Centre) was completed and launched. It houses the most advanced catering facilities in Lancashire, as well as a top quality commercial restaurant and conferencing facilities. The centre will enable us to grow our provision in hospitality and catering, warehousing and business/financial services. We are working with a number of high profile catering, food production and retail employers who will be using our facilities to support product development.

3.4 In 2014/15 our new Coppice Training brand was launched, encompassing all our employer facing work. Throughout the year we did business with over 570 local employers. Our CRM recorded an increase of 6% in employer engagement, rising to 2,800 employers. We focused our employer engagement activity toward larger companies, developing new business with Senator, Fagan & Whalley, North West Logistics and large social housing providers.

3.5 Senior managers represent the College on Hyndburn, Rossendale and Ribble Valley Business Leaders groups and Chamber of Commerce Diamond Ambassador events. The Principal is a member of the East Lancashire Chamber of Commerce Board of Directors. The College has been a key sponsor of Chamber networking events in 2014/15. Strategic partnerships with local borough councils have been strengthened further.

Operating and financial review (continued)

4 To be an employer of first choice for talented and innovative staff

4.1 The College has recruited staff successfully to a significant number of key posts in skills shortage areas, including Computing, Maths & English.

4.2 The Annual staff survey showed 79.2% participation and 74% overall satisfaction, an increase of 6% from last year and significantly higher when compared to 21 other Colleges

4.3 A new CPD policy and framework was launched in February 2015, and a comprehensive programme of professional development rolled out to support staff in achieving individual and college objectives. Links between CPD, quality and performance management were strengthened further.

4.4 The College started work towards achieving the Wellbeing at Work Charter, and introduced a wide range of activities and opportunities for staff to promote wellbeing at work.

5 To maintain financial stability

5.1 Despite an initial financial target of nil surplus and a forecast of £125k deficit during the year, the final outturn has resulted in a historical cost deficit of £979k (excluding adjustments of £29k for FRS17 and £96k for an onerous lease). Despite achieving a challenging savings target, a significant under-achievement of funding for adult provision resulted in this deficit and has contributed to the reduction in turnover to £15m in 2014/15 from £16m in 2013/14.

5.2 The failure to achieve the funding available for adult provision is the subject of an internal investigation and the focus of an internal audit to be carried out by RSM. A number of issues has been identified and actions put in place to ensure this is not replicated in future.

5.3 In 2014/15, as in 2013/14, despite 16-18 learner numbers falling short of target, (970 compared to the target of 1,066), the EFA funding allocated has been exceeded due to an increase in the size of learners' programmes of study.

5.4 Cash balances have been retained above 30 days in hand throughout 2014/15 apart from 20 days during the period March to May. This is despite investment in the new Sports Hall and the Heartwood Centre. Both projects have been constructed within the anticipated budgets and funded from College reserves plus grants. Over £1m of College reserves has been invested in these two projects.

5.5 A capital grant of £4m was provided by the Skills Funding Agency for development of a new Heartwood Centre in readiness for occupancy in 2015/16. Although the College has used its cash reserves during 2014/15 to fund this construction, a loan of £1m from Lloyds Bank is required during 2015 to help maintain cash reserves. In addition to Enhanced Renewal Grant of £617k from the Skills Funding Agency, additional Sport England funding of £361k has been secured to support the construction of the Sports Hall and £47k has been granted by the Savoy Trust to purchase catering equipment for the Heartwood Centre.

5.6 On completion of the Heartwood Centre, all the Property Strategy objectives up to 2014 will have been achieved. A new Property Strategy for 2014 to 2017 has been developed for the future which aligns with LEP priorities.

Operating and financial review (continued)

Financial objectives

The College's financial objectives are:

KEY FINANCIAL OBJECTIVES	2012/13 Actual	2013/14 Actual	2014/15 Target	2014/15 Actual	2015/16 Forecast
Surplus/(deficit) (before FRS17) as % of income	1.82%	(0.65%)	(0.60%)	(6.38%)	(4.56%)
I & E Reserve (excluding pension)	£4.926m	£4.859m	£4.825m	£3.909m	£3.310m
Financial Health Category*	Good	Satisfactory	Satisfactory	Inadequate	Inadequate
Cash days in hand** (20 days in hand at all times)	55	68	46	30	14
Current ratio	1.67:1	1.43:1	1.07:1	0.82:1	0.57:1
Borrowing as % of income	35.1%	37.8%	42.9%	39.3%	49.4%

* *self assessed, based on current SFA criteria*

***based on cash as at 31 July over total income reported in the SFA Finance Record*

Performance indicators

The College is committed to observing the importance of sector measures and indicators, and uses the FE Choices website to benchmark our performance on key indicators against other providers. The College is likely to remain in the top 25% of Colleges in 2014/15 based on 14/15 national benchmarks for learner success rates.

High level KPIs have been established against each of the College`s strategic aims, which are monitored termly by the Board of Governors. The College has a robust self-assessment process, which is evidence based around 40 key indicators. Performance of every curriculum area is reviewed against these three times per year. Intervention and support is targeted quickly in underperforming teams.

The College produces an annual finance record for the Skills Funding Agency, which automatically generates a financial health grading. In 2014/15 the financial health grade has reduced from Satisfactory to Inadequate. A two year financial plan is in place which returns the College`s financial health to Satisfactory by 2017.

Operating and financial review (continued)

B. FINANCIAL POSITION

Financial results

The College generated an historic cost deficit in the year of £979,000 (2013/14 – deficit of £289,000). The College would have achieved a deficit of £914,000 if the effects of the FRS17 adjustments had not been incorporated. This compares to a historic cost surplus target in the original budget of £nil and mid-year forecasts of £125,000 deficit.

At 31 July 2015, the College had accumulated reserves of £3,909,000 excluding FRS17 Pension Reserve (2013/14 - £4,859,000) and cash balances of £1,227,000 (2013/14 - £3,020,000).

The College's pension reserve deficit increased in year from £7,850,000 to £9,247,000.

Tangible fixed asset additions during the year amounted to £5,292,000 (2013/14 - £1,708,000). This related to the standard annual investment in equipment and software, completion of the new Sports Hall and construction work up to 31st July 2015 of the Heartwood Centre.

The College has significant reliance on the Skills Funding Agency and Education Funding Agency, for its principal funding source, largely from recurrent grants. In 2014/15, these sources provided 73% of the College's total income (2013/14 – 76%). Total income from Higher Education provision, including grants, tuition fees and education contracts, accounts for £2.27m of the total overall income (2013/14 - £2.07m).

The College has one subsidiary company, ARC Enterprises Limited. During 2014/15, this company remained dormant.

Treasury policies and objectives

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

The College has a separate treasury management policy in place which is revised and updated annually.

Short term borrowing for temporary revenue purposes is authorised by the Principal. All other borrowing requires the authorisation of the Corporation and shall comply with SFA requirements. The College will maintain these controls to ensure safe practice.

Cash flows

The cash balances as at 31 July 2015 were £1,227,000 (31 July 2014 - £3,020,000). This reflects a reduction in cash reserves from 68 to 30 days cash in hand during the year. Although the College retains its overdraft facility, this was not required during 2014/15.

Liquidity

The College continues to service a fixed interest rate loan from Barclays Bank plc, which was taken out in June 2008 to consolidate two loans required for capital investment. Interest charges in 2014/15 amounted to £352,000 (2013/14 - £356,000); more than 2% of turnover. College borrowings are currently at 39% (2013/14 - 37%) of turnover, which is a level acceptable to the FE Commissioner. A second loan facility has been agreed with Lloyds Bank. This is an agreement for a loan of £1m over ten years with five year revolving terms. At present, this loan is not fixed and will be drawn down in November 2015.

Operating and financial review (continued)

C. CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

In 2014/15, the College delivered activity that has, overall, produced £9,645,000 in main allocation funding from the Skills Funding Agency and the Education Funding Agency (£11,525,000 in 2013/14). This includes the following funding streams:

• The EFA provided funding for 1,066 16-18 year old college based learners, which is a decrease on the previous year's figure of 1,109 with funding reducing from £5.3m to £4.9m. In 2013/14, £198,000 was earned for pupils aged 14 to 16 years who were transferred to the College from Hyndburn Studio School to complete their secondary education. As this provision was discontinued in 2014, no equivalent funding was earned in 2015.

• The number of college based adult students decreased from 4,868 in 2013/14 to 3,744 in 2014/15 with the associated income decreasing from £4,620,000 to £3,269,000.

• Adult apprentices funding generated £536,000 in 2014/15 compared to £530,000 in the previous year.

• 16 to 18 year old apprenticeship funding earned £934,000 compared to £857,000 in the previous year.

The College's Higher Education provision is funded from several sources including franchise arrangements. The overall income has increased from £2,070,000 in 2013/14 to £2,271,000 in 2014/15. This increase is attributable to an adjustment in payments from HEFCE of £240k relating to 2012/13.

Funding via partnerships with local secondary schools sending pupils on the College's Year 11 programme and other vocational provision generated £240,000 compared to £190,000 in 2013/14.

Student achievements

The overall performance of learners in colleges is measured using a success rate calculation, which takes into account the retention and achievement of learners; the College's overall success rate for 2014/15 is 84.9%, which shows a reduction from 2013/14 (89.4%). 95% of students progressed into positive destinations. Value Added score (using ALPS methodology remained at 5 (Good).

Curriculum developments

The College has a national reputation for excellent vocational delivery. The curriculum offer is reviewed and realigned annually and has been influenced by an increasingly wide range of internal and external factors in 2014/15 which included:

- LEP priorities - current and future skills needs
- External Funding priorities and regulations
- Local and regional LMI trends and projections
- Competitor activity
- Learner and employer demand
- Historical recruitment trends and contribution rates
- Learner progression and destinations
- Political pressures
- Community relationships

Operating and financial review (continued)

New provision or growth in provision was achieved in Catering, Health and Social Care, Science, Construction and Sport. New HE Programmes were launched in Audio & Music Production, Media Production, Counselling and Health, Fitness & Exercise. 16-18 apprenticeship numbers overall grew by 15%. Our first cohort of Higher Level Apprentices (HLAs) completed with a 100% success rate. A small number of programmes in Business, Beauty Therapy and Film & Theatre were phased out or converted to apprenticeships or new HNC Programmes. In 2014, only 22.4% of our 16-18 year old students entered college with five GCSEs graded A* to C. In response to this and the wider vocational education reforms, the College continued to strengthen its individualised programmes of study from foundation level through to level 3. The college full time study programmes are designed to develop our learners' core employability skills (including English and Mathematics) alongside high quality vocational delivery, to support their development and progression in line with future career aspirations. Other activities that prepare learners for work or university continue to include:

- Access courses for adults
- Partnerships with a range of universities
- Development of Level 4 courses including HNCs and degrees where they clearly fit the needs of our learners.

A new Digital Strategy was launched in 2014 to increase provision of online and blended learning. A suite of courses across all sectors was offered via the Virtual College online learning platform, and a new Microsoft Academy established within the College. All Curriculum Teams continue to increase the percentage of blended learning which is embedded into their programmes.

The College increased its involvement with the Lancashire LEP in 2014, via representation on several sub groups including Energy and Environmental Technologies, Health, Financial & Professional Service Sector and Digital Industries, all of which will shape the LEP strategy into 2015/16 and beyond. The College will continue work in 2015/16 to align its strategic objectives and curriculum offer to the Lancashire LEP in order to build a workforce fit for the future. Higher level skills are at the heart of this and in 2015/16 the College will strengthen and further develop its offer in response to these emerging priorities in the key sectors outlined above.

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During the accounting period 1 August 2014 to 31 July 2015, the College paid all appropriate invoices within 30 days. Invoices in dispute were dealt with within 60 days. The College incurred no interest charges in respect of late payment for this period.

Post-balance sheet events

There are no reportable post balance sheet events.

Future developments

The College aims to reduce further its dependency on core SFA and EFA funding in 2015/16 through expansion of provision funded by HE and 24+ Adult Learner Loans, ESIF projects and self-funded provision. This will be supported by the development of a wider range of products and flexible delivery models that better meet the needs of employers and the emerging learner market. These will include an increased number of e-learning and blended learning programmes.

The recent completion and launch of the new Heartwood Centre will give the College a wide range of further opportunities to generate commercial and self-funding activities. We are working with

Operating and financial review (continued)

employers in the catering, food production and retail industries to develop opportunities for them to access our leading edge training kitchens for training and product development. The new conferencing facility will also be launched, with planned growth in income from conferencing.

The College is working in partnership with two major employers, Lanway and Netwise, to develop a bespoke, integrated IT platform and an associated range of commercial products targeting FE colleges. This will be available for rollout in 2016/17.

In 2015/16 the College plans to grow its apprenticeship provision further, in line with government targets. Significant growth is planned in construction, health, digital technologies and business administration. Further growth in Higher Level Apprenticeships is also planned in Leadership and Management, Administration and Digital Technologies.

The Principal and Board of Governors are working closely with other colleges in Pennine Lancashire on options for a new collaborative structure going forward. This work is being done ahead of the Area Review process, and is likely to result in a merger with one or more other colleges.

D. RESOURCES

The College has an attractive, state of the art campus in the middle of Accrington which has been enhanced over the last few years by the completion of the 3G sports pitch, Sports Hall and Pavilion and the Heartwood Centre. In order to achieve its strategic objectives across the local area this is supplemented by various leased facilities covering Hyndburn, Bacup and the Ribble Valley.

Our highly trained, qualified members of staff are our main resource in which we continue to invest to ensure continuous improvements and the achievement of our strategic targets. The average number of staff the College employed (expressed as full time equivalents) is 300 (2014 - 329), of whom 141 (2014 – 155) are teaching or delivery staff.

Maintaining the College's reputation for quality and resources is essential for the College's success in attracting learners and developing positive external relationships. A strategy of continual investment includes purchase of minor equipment of £300k annually, the majority of which is used to enhance our digital infrastructure, and constant internal remodelling of our buildings to fulfil the needs of the curriculum.

E. PRINCIPAL RISKS AND UNCERTAINTIES

Annual training for the Senior Leadership Team on risk management to protect the College's assets and reputation is provided by RSM (the College's internal auditors). The priorities of the annual internal audit plan are agreed with members of the Audit Committee based on their assessment of risk.

Key risks are identified against each of the College's strategic ambitions which are reviewed termly by the Audit Committee. In addition, all management reports include identified risks and these are monitored by the Senior Management Team on a regular basis. This ensures all risks are identified and managed at the appropriate level.

The Risk Management Plan identifies risks under the five strategic aims and categorises them against scores for likelihood and impact.

Operating and financial review (continued)

Objectives identified as having the highest risk rating for 2014/15 were:-

- Plan and achieve a balanced budget
- Maintain confidence of stakeholders including lenders, funders and suppliers
- Maximise income from all funding streams and secure new funding sources
- Maintain cash balances of at least 20 days at any time
- Improve the development of Mathematics and English across all elements of our Programmes of Study
- Review and align our curriculum to meet the changing needs of our employers, learners and the wider community
- Strengthen our relationships with key employers and maximise opportunities for increased partnership working
- Strengthen recruitment activities to increase our market share of school leavers

In order to mitigate all identified risks, early warning indicators and specific actions are agreed and monitored. This process has enabled many of the risks to be identified and their impact reduced but it is evident that the first three risks have not been managed sufficiently during 2014/15 and further controls are necessary to mitigate these risks in the future.

F. STAKEHOLDER RELATIONSHIPS

In line with other colleges and with universities, Accrington & Rossendale College has many stakeholders. The College recognises the importance of these relationships and engages in regular communication with them. These include:

- Learners;
- Funding Agencies;
- Staff;
- Local employers (with specific links);
- Local Authorities and schools;
- Lancashire LEP
- The local community;
- Other FE institutions and training providers;
- Trade unions and professional bodies.

G. SINGLE EQUALITY SCHEME

The College believes in working positively to celebrate diversity and advance equality of opportunity and embrace the fact that we work in a multi-faceted and diverse community.

We believe in the right of every individual to be treated with respect and dignity, in an environment in which a diversity of backgrounds experience is valued. We aim to ensure that all staff and learners, whether existing or potential, receive fair and equal treatment when applying to, or working as, members of the College community. We are committed to challenge and eliminate any attitudes and behaviour which deny these fundamental rights.

Our Single Equality Scheme sets out how we will meet our statutory duties contained in the Equality Act 2010 and ensure that equality of opportunity and respect for diversity is at the heart of all we do. It sets out how the College will work to eliminate discrimination and promote good relations between people of different groups regardless of:

Operating and financial review (continued)

- Race
- Disability
- Sex
- Age
- Sexual orientation
- Gender reassignment
- Marriage and civil partnership
- Pregnancy and maternity
- Faith, religion and belief

Our key Equality objectives for 2014/2015 are:

- To identify areas of underachievement through robust data monitoring to ensure that appropriate action and intervention is in place to narrow any achievement gaps
- To ensure that the destinations of different groups are monitored carefully and will ensure that appropriate action is taken and intervention is in place to narrow any identified gaps
- To implement the requirements of the Anti-Terrorism Act 2015 and ensure that the Prevent Agenda and British Values are embedded into all aspects of college
- To improve the experience of transgender learners and staff
- To advance the spiritual, Moral, Social and Cultural development of our learners
- To continue to advance equality for all staff and learners with protected characteristics and raise awareness of all forms of discrimination to ensure all feel valued and respected
- To ensure that the principles of Equality and Diversity are embedded into teaching and learning
- To embed Equality and Diversity impact assessments into every area of the organisation
- To work towards a staff profile that broadly reflects that of our learner and community populations

Staff Profile
In January 2015, 94.2% of College staff identified as being white, 4.2% staff identified as being from BME groups and 1.6% identified as "other". The number of BME staff decreased by 0.8% whilst the number of white staff remained static. The number of staff identifying as 'other' increased by 0.8%. The majority of BME staff (78.6%) are employed in support roles, with 2.7% of our teachers declaring their ethnicity as BME or 'other'. Of the whole College management team, one member of staff declared BME ethnicity.

The number of staff with a disability in January 2015 was 10.2% rising by 4% over the past 2 years. The disability of 2% of staff was not known. The number of staff with a disability employed by the College is still more than double the national average (4%) reported by the ETF.

The gender profile of staff working at the College as at January 2015 is 59% female and 41% male, which has remained steady in recent years. When the data is analysed by the occupational group the breakdown shows our teaching staff with 45.5% male and 54.5% female, a shift from the previous year when the split was almost 50% of each. This compares favourably to the comparable national statistics for teaching staff which is 59% female and 41% male and shows that our workforce has a better gender balance than the sector as a whole.

The support staff profile shows the widest gap with 63% female staff and 37% male. This has remained fairly static over the last few years and still compares favourably to national statistics that show a similar trend. The whole college management team consists of 61.5% female and 38.5% male. This shows a 6% reduction in female managers since the last report. This is due, in the main to normal turnover.

Operating and financial review (continued)

In January 2015, 89.4% of staff had declared their sexual orientation, a slight increase on the previous year's figures. Of the staff that declared their sexual orientation 97.2% identified as straight/heterosexual, 0.7% of staff identified as bi sexual, 0.7% of staff identified as gay men, 1.0% of staff identified as lesbian / gay women and 0.4% identified as other.

Of the staff who declared their sexual orientation to be other than straight / heterosexual 50% were teachers, 25% were support staff and 25% were managers.

Comparisons to national data relating to sexual orientation are difficult as only 26% of records were returned with valid data. In this respect the College is significantly ahead of the sector in understanding the make-up of its workforce.

We monitor and analyse pay levels and discrepancies between genders to ensure that any pay gap is understood, legitimate and more importantly that any unfair disparities are eliminated.

For the year to January 2014, the overall College pay gap between women and men's median earnings was -0.5%, a shift from the previous year when the gap between women and men's pay was -0.3%. Median pay levels across genders are almost the same with the median salary for all females £129 (or 0.5%) higher than males.

When the issue of the gender imbalance at senior management level is taken into account (and these salaries excluded from the calculation) then the gender pay gap is higher than last year (3.6%), with men's median salaries 5% higher than women's. Further analysis focusing on the pay gap between males and females in the same general roles where individual are appointed on a fixed point salary, shows no variance in pay between males and females. For other roles where staff are appointed on incremental pay scales, there are marginal year on year variances in pay gaps for those staff. This variance is attributed to staff turnover where new starters to posts are often at the bottom of the pay scale and incremental progression of longer serving members of staff through the pay scale and is not gender related.

Disability statement

The College is committed to achieving objectives set down in the Equality Act 2010:

- The College undertook a further access survey in 2014 / 2015 and the actions identified in this will be prioritised and used to support capital funding bids aimed at improving access.
- The investment in the new Visitor Economy Centre in 2013 / 2014 allowed provision of a full wet room facility with track hoist, shower and bed for September 2015.
- The focus of the College Equality & Diversity sub-group this year has been to fully implement the requirements of the SEND agenda.
- The College has a strong and responsive learning support team who can provide specialist equipment and support for learners. This includes working closely with the College IT team to provide assistive technology as needed.
- Alongside the learning support team, the College has invested in a number of specialist support workers and lecturers who can provide a variety of support to students with learning difficulties and/or disabilities.
- The admissions policy for all students is described in the College policy. Appeals against a decision not to offer a place are dealt with under the complaints policy.
- The College annual rolling development programme continues to offer a range of sessions that aim to raise awareness of the range of disabilities and learning difficulties faced by learners and to strengthen the support staff are able to offer to learners.
- The achievement and success of learners with disabilities and learning difficulties are tracked, recorded and published in the annual Equality & Diversity monitoring report. Data is benchmarked

Operating and financial review (continued)

against other College learners and, where gaps exist, these are identified and actions are taken to narrow the gap.

Disclosure of information to auditors

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

Approved by order of the members of the Corporation on 10 December 2015 and signed on its behalf by:

Brian Stephenson

Chair of Corporation

Professional advisors

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Professional advisors

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure.

The 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 English Colleges' Foundation Code of Governance("the Foundation Code"); and
iii) having due regard to the UK Corporate Governance Code ("the Code") insofar as it is applicable to the further education sector.

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

In the opinion of the Governors, the College complies with all the provisions of the Foundation Code and it has complied throughout the year ended 31 July 2015. 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 English Colleges' Foundation Code of Governance issued by the Association of Colleges in December 2011, which it formally adopted, in principle, in December 2011.

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

The Corporation

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

Name	Period of Office (years)	Date of Appointment	Term of Office Expiry Date	Attendance 2014/15
Brian Stephenson				
As Independent Member	4	16 Oct 2015	15 Oct 2019	87%
As Chair of Corporation	3	1 Aug 2013	1 Aug 2016	
As Chair of Resources Committee	-	2 Oct 2007	15 Oct 2019	100%
As Chair of Remuneration Committee	-	1 Aug 2013	15 Oct 2019	100%
As Chair of Search and Governance	-			
Committee	-	1 Aug 2013	15 Oct 2019	75%
As Member of Scholarship Committee	-	1 Aug 2013	15 Oct 2019	0% (1 meeting)
Steve Ireland				
As Independent Member	4	28 Sept 2014	27 Sept 2018	93%
As Vice Chair of Corporation	-	24 Sept 2015	24 Sept 2017	
As Chair of Curriculum and Quality Standards Committee	-	18 June 2013	27 Sept 2018	67%
As Member of Search and Governance Committee	-	24 Sept 2013	27 Sept 2018	100%
As Member of Remuneration Committee		24 Sept 2013	24 Sept 2017	100%

Operating and financial review (continued)

Name	Period of Office (years)	Date of Appointment	Term of Office Expiry Date	Attendance 2014/15
Dr Mike Lee				
As Independent Member	1	16 Oct 2015	15 Oct 2016	91%
As Member of Curriculum and Quality Standards Committee		18 June 2013	15 Oct 2016	100%
As Member of Remuneration Committee	1	23 Sept 2015	23 Oct 2016	100%
As Member of Scholarship Committee		1 August 2010	15 Oct 2016	100%
Rosemarie Andrews				
As Independent Member	4	27 Jan 2012	26 January 2016	70%
As Chair of Audit Committee		14 June 2005	26 January 2016	100%
Mohammed Aslam				
As Independent Member	4	29 Apr 2012	28 April 2016	78%
As Member of Resources Committee		April 2009	28 April 2016	100%
Dr Ann-Marie Coyne				
As Independent Member	4	30 Sept 2012	29 Sept 2016	85%
As Member of Curriculum and Quality Standards Committee		18 June 2013	29 Sept 2016	67%
As Member of Search and Governance Committee		24 Sept 2015	29 Sept 2016	75%
Rob Grigorjevs				
As Independent Member (Resigned)	4	28 Sept 2014	7 July 2015	100%
As Member of Curriculum and Quality Standards Committee		18 June 2013	7 July 2015	100%
Stephanie Bridgeman				
As Independent Member	4	24 Sept 2013	23 Sept 2017	100%
As Member of Audit Committee	-	24 Sept 2013	23 Sept 2017	100%
Lynn Spencer				
As Independent Member	4	10 Dec 2013	9 Dec 2017	78%
As Member of Resources Committee		10 Dec 2013	24 Sept 2015	67%
As Member of Curriculum and Quality Standards Committee		24 Sept 2015	9 Dec 2017	-
Pilkington Scholarship Committee		30 Jan 2014	9 Dec 2018	100%
Stephen Cox				
As Independent Member	4	10 Dec 2013	9 Dec 2017	44%
Curriculum and Quality Standards Committee		10 Dec 2013	9 Dec 2017	33%
Jim Cassell				
As Independent Member (Resigned)	1	10 Dec 2013	9 Dec 2014	50%
As Member of Resources Committee		10 Dec 2013	9 Dec 2014	-
Janine Smith				
As Independent Member (Resigned)	1	10 Dec 2013	9 Dec 2014	0%
As Member of Audit Committee		10 Dec 2013	9 Dec 2014	
Zia Shah				
As Independent Member	4	26 Mar 2014	25 Mar 2018	78%
As Member of Resources Committee		13 May 2014	25 Mar 2015	67%
Louise Gaskell				
As Independent Member	4	13 May 2014	12 May 2018	90%
As Member of Audit Committee		13 May 2014	12 May 2018	100%
Dr Martyn Walker				
As Independent Member	1 (initially)	14 May 2015	13 May 2016	100%
As Member of Resources Committee		14 May 2015	13 May 2016	100%
Stephen Hughes				
As Independent Member	1 (initially)	14 May 2015	13 May 2016	67%
As Member of Audit Committee		14 May 2015	13 May 2016	100%
Sue Taylor – Principal				
As Member		18 June 2013	as Principal	100%

Operating and financial review (continued)

Name	Period of Office (years)	Date of Appointment	Term of Office Expiry Date	Attendance 2014/15
As Member of Resources Committee		18 June 2013	as Principal	100%
As Member of Curriculum and Quality Standards Committee		18 June 2013	as Principal	100%
As Member of Search and Governance Committee		18 June 2013	as Principal	100%
Accross Scholarship Committee		18 June 2013	as Principal	100%
Pilkington Scholarship Committee		18 June 2013	as Principal	100%
Tracy Landon – Staff Member				
As Staff Member	4	9 July 2013	8 July 2017	89%
Curriculum and Quality Standards Committee	-	9 July 2013	8 July 2017	67%
Catherine Robinson – Staff Member				
As Staff Member (Resigned)	4	9 July 2013	31 July 2015	86%
As Member of Resources Committee	-	9 July 2013	31 July 2015	100%
As Member of Search and Governance Committee	2	24 Sept 2013	31 July 2015	100%
Shirley Lynch – Staff Member				
As Staff Member	4	24 Sept 2015	23 Sept 2019	N/A
As Member of Resources Committee		24 Sept 2015	23 Sept 2019	N/A
Stephen Long – Student Member FE	-			
As Student Member		6th Nov 2014	31 July 2015	40%
Elisa Sampson – Student Member HE	-	24 Mar 2015	Period as HE Student	33%
As Student Member				
Andy Armiger: Clerk to the Corporation				100%

Sue Taylor, was appointed as Principal and Accounting Officer on 1st August 2013, after previously holding the post of Vice Principal (Curriculum) at the College.

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

The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and human resource related matters such as health and safety and environmental issues. The Corporation meets at least once each term.

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are resources (formerly finance and employment), remuneration, search and governance, curriculum and quality standards, audit and scholarships. Full minutes of all Corporation meetings except those deemed to be confidential are available from the Clerk to the Corporation, at: Accrington & Rossendale College, Broad Oak Road, Accrington, BB5 2AW, and are also available on the College website www.accross.ac.uk under 'Governance'.

The Clerk to the Corporation maintains a register of financial and other interests of the members of the Corporation and other key members of staff. 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

Operating and financial review (continued)

for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Clerk are matters for the Corporation as a whole.

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

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

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

Appointments to the Corporation
Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a search and governance committee, comprised of four governors, which is responsible for the selection and nomination of new members for the Corporation's consideration. Recruitment and selection of new members is based on a matrix of skills and experience, existing and needed. The Corporation is responsible for ensuring that appropriate training is provided as required.

Independent members of the Corporation are normally appointed for a term of office not exceeding four years, subject to a one year probationary period. Student governors are normally appointed for one year.

Remuneration committee
Throughout the year ended 31 July 2015, the College's remuneration committee comprised four governors. The committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Principal and two Vice-Principals as senior post-holders and Clerk to the Corporation.

Details of remuneration for senior post-holders for the year ended 31 July 2015 are set out in note 7 to the financial statements.

Audit committee
The Audit Committee comprises five governors and excludes the Principal and Chair. The Committee operates in accordance with written terms of reference approved by the Corporation.

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

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

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

The Audit Committee also advises the Corporation on the appointment of internal, financial

Operating and financial review (continued)

statements and regularity auditors and their remuneration for both audit and non-audit work.

Internal control

Scope of responsibility

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

The Corporation has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which she is personally responsible, in accordance with the responsibilities assigned to her in the Financial Memorandum between Accrington & Rossendale College and the funding bodies. She is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Accrington & Rossendale College for the year ended 31 July 2015 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ended 31 July 2015 and up to the date of approval of the annual report and accounts. The Corporation reviews this process regularly.

The risk and control framework

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

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

Accrington & Rossendale College has an internal audit service, which operates in accordance with the requirements of the EFA and SFA's Joint Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed

Operating and financial review (continued)

by the Corporation on the recommendation of the Audit Committee. At minimum annually, the Head of Internal Audit (HIA) provides the governing body with a report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management controls and governance processes.

Review of effectiveness

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

- the work of the internal auditors;
- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework;
- comments made by the College's regularity and financial statements auditors in their management letters and other reports.

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

The Principal and senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Principal and senior management team and the Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2015 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2015 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2015.

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

Operating and financial review (continued)

Going concern

The College has in place a bank loan with Barclays Bank plc, which at 31 July 2015 had a balance of £5.8 million, and an agreed loan facility of £1.0 million available from Lloyds Bank plc. This latter facility has been fully drawn down in November 2015. The College also has an agreed overdraft facility of £250,000 from Lloyds Bank plc. The College's forecasts for the 12-month period following approval of the financial statements indicate that additional financing (beyond that provided by the agreed facilities) is required for the College to continue to meet its liabilities as they fall due and that covenants on these existing facilities are expected to be breached during this period. These factors represent a material uncertainty which may cast significant doubt in respect of the College's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The College is currently in discussions with its lenders about the availability of additional funding for the period to 31 July 2016 (for which agreement in principal has been obtained) and beyond this date, to meet its working capital requirements. In addition, a request has been made to the Skills Funding Agency (the SFA) for exceptional financial support. The College is currently preparing a financial recovery plan in support of this request.

Notwithstanding the circumstance set out above, these financial statements have been prepared on a going concern basis and no adjustment has been made that would result if the College were unable to continue as a going concern.

Approved by order of the members of the Corporation on 10 December 2015 and signed on its behalf by:

B Stephenson	**S Taylor**
Chair	**Principal and 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 Skills Funding Agency and Education Funding Agency of material irregularity, impropriety and non-compliance with Skills Funding Agency and Education Funding Agency terms and conditions of funding, under the financial memorandum and funding agreement in place between the College and the Skills Funding Agency and Education Funding Agency. As part of its consideration the Corporation has had due regard to the requirements of the financial memorandum and funding agreement.

We confirm, on behalf of the Corporation, that to the best of its knowledge, the Corporation believes it is able to identify any material irregular or improper use of funds by the College, or material non-compliance with the Skills Funding Agency or Education Funding Agency's terms and conditions of funding under the College's financial memorandum and funding agreement. We further confirm that any instances of material irregularity, impropriety or funding non-compliance discovered to date have been notified to the Skills Funding Agency and Education Funding Agency.

Approved by order of the members of the Corporation on 10 December 2015 and signed on its behalf by:

S. Taylor

B Stephenson
Chair

S Taylor
Principal and Accounting Officer

Statement of responsibilities of members of the Corporation

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

Within the terms and conditions of the Financial Memorandum agreed between the Skills Funding Agency and the Corporation of the College, the Corporation, through its Principal, is required to prepare financial statements for each financial year in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education Institutions and with the Accounts Direction for 2014-15 financial statements issued jointly by the Skills Funding Agency and the EFA, and which give a true and fair view of the state of affairs of the College and the result for that year.

In preparing the financial statements the Corporation is required to:

• select suitable accounting policies and apply them consistently

• make judgements and estimates that are reasonable and prudent

• state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements

• prepare financial statements on the going concern basis unless it is inappropriate to assume that the College will continue in operation.

The Corporation is also required to prepare an Operating and Financial Review, 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 of incorporation and other relevant accounting standards. It is responsible for taking steps that are reasonably open to it in order 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 of the College; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition, they are responsible for ensuring that funds from the Skills Funding Agency/ EFA are used only in accordance with the Financial Memorandum with the Skills Funding Agency/ EFA and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and 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 Skills Funding Agency/ EFA are not put at risk.

Statement of responsibilities of members of the Corporation (continued)

Approved by order of the members of the Corporation on 10th December 2015 and signed on its behalf by:

B Stephenson

Chair

Independent auditor's report to the Corporation of Accrington & Rossendale College

We have audited the financial statements of Accrington & Rossendale College for the year ended 31 July 2015 which comprise income and expenditure account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses, the statement of historical cost surpluses and deficits and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the College's Corporation, as a body, in accordance with Article 22 of the College's Articles of Government. Our audit work has been undertaken so that we might state to the College's Corporation those matters we are required to state to it 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 College's Corporation as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Corporation and auditor

As explained more fully in the Statement Responsibilities of the Corporation set out on pages 24 – 25, the College's Corporation is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on 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 2015 and of its deficit of income over expenditure for the year then ended in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education Institutions.

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the College's ability to continue as a going concern. The College reported a net deficit of £1.0 million during the year ended 31 July 2015 and, at that date, the College had net current liabilities of £0.4 million. These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the College's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the College was unable to continue as a going concern.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the College; or

Independent auditor's report to the Corporation of Accrington & Rossendale College (continued)

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

Grant Thornton UK LLP.

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Manchester
Date 18 December 2015.

Reporting accountant's assurance report on regularity

To the Corporation of Accrington & Rossendale College and Secretary of State for Business, innovation and Skills acting through Skills Funding Agency

In accordance with the terms of our engagement letter dated 11 November 2015 and further to the requirements of the financial memorandum with Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that, in all material respects, the expenditure disbursed and income received by Accrington & Rossendale College during the year ended 31 July 2015 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 Joint Audit Code of Practice issued jointly by Skills Funding Agency and Education Funding Agency in August 2015. In accordance with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record (ILR) returns, for which Skills Funding Agency has other assurance arrangements in place.

This report is made solely to the Corporation of Accrington & Rossendale College as a body, and the Skills Funding Agency, as a body, in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the corporation of Accrington & Rossendale College and Skills Funding Agency those matters we are required to state in a limited assurance 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 Accrington & Rossendale College as a body, and Skills Funding Agency as a body, for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Accrington & Rossendale College and the reporting accountant

The corporation of Accrington & Rossendale College is responsible, under the requirements of the Further and 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 are imposed by law and professional standards and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Joint Audit Code of Practice. 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 year ended 31 July 2015 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 Joint Audit Code of Practice issued jointly by skills Funding Agency and Education Funding Agency. 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.

Reporting accountant's assurance report on regularity

To the Corporation of Accrington & Rossendale College and Secretary of State for Business, Innovation and Skills acting through Skills Funding Agency (continued)

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 our conclusion includes:

- making enquiries of management;
- analytical procedures;
- evaluation of controls and walkthroughs on a sample of material items
- review of completed and signed self-assessment questionnaire (SAQ);
- review of Board and Committee meeting minutes;
- review of internal audit papers (where relevant); and
- limited testing, on a selective basis, on a number of areas which are considered within the SAQ

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 year ended 31 July 2015 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Grant Thornton UK LLP.

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Manchester
18 December 2015

Income and expenditure account

	Notes	2015 £'000	2014 £'000
INCOME			
Funding body grants	2	10,893	12,353
Tuition fees and education contracts	3	3,595	3,424
Other income	4	398	466
Endowment and investment income	5	9	27
TOTAL INCOME		14,895	16,270
EXPENDITURE			
Staff costs	6	10,331	10,653
Restructuring costs	6	80	207
Other operating costs	8	4,011	4,292
Depreciation	13	948	910
Onerous lease cost	10	96	-
Interest and other finance costs	9	418	536
TOTAL EXPENDITURE		15,884	16,598
Deficit on continuing operations after depreciation of tangible fixed assets and before exceptional items and tax		(989)	(328)
(Loss)/profit on disposal of assets		(26)	3
Deficit on continuing operations after depreciation of tangible fixed assets, exceptional items and disposal of assets but before tax		(1,015)	(325)
Taxation	11	-	-
DEFICIT FOR THE YEAR RETAINED WITHIN GENERAL RESERVES	12	(1,015)	(325)

The income and expenditure account is in respect of continuing activities.

The accompanying notes form part of these financial statements

Note of historical cost surpluses and deficits

	Notes	**2015** **£'000**	2014 £'000
Deficit on continuing operations before taxation		(1,015)	(325)
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	21	36	36
Historical cost deficit before and after taxation		(979)	(289)

Statement of total recognised gains and losses

	Notes	**2015** **£'000**	2014 £'000
Deficit on continuing operations after depreciation of tangible fixed assets, disposal of assets and tax		(1,015)	(325)
Actuarial (loss)/gain in respect of pension scheme	28	(1,368)	619
Total recognised (losses)/gains since last report		(2,383)	294
Opening reserves		(1,869)	(2,163)
Total recognised (losses)/gains for the year		(2,383)	294
Closing reserves		(4,252)	(1,869)

The accompanying notes form part of these financial statements.

Balance sheet

	Note	2015 £'000	2014 £'000
Tangible assets	13	21,204	16,887
Investments	14	-	-
Total fixed assets		21,204	16,887
Current assets			
Stock		17	26
Debtors	15	765	707
Cash at bank and in hand		1,227	3,020
Total current assets		2,009	3,753
Less: Creditors – amounts falling due within one year	16	(2,439)	(2,632)
Net current (liabilities)/assets		(430)	1,121
Total assets less net current assets		20,774	18,008
Less: Creditors – amounts failing due after more than one year	17	(5,656)	(5,857)
Less: Provisions for liabilities	19	(183)	(85)
Net assets excluding pension liability		14,935	12,066
Net pension liability	28	(9,247)	(7,850)
NET ASSETS INCLUDING PENSION LIABILITY		5,688	4,216
Deferred capital grants	20	9,940	6,085
Income and expenditure account excluding pension reserve	22	3,909	4,859
Pension reserve	28	(9,247)	(7,850)
Income and expenditure account including pension reserve	22	(5,338)	(2,991)
Revaluation reserve	21	1,086	1,122
Total reserves		(4,252)	(1,869)
TOTAL FUNDS		5,688	4,216

The financial statements were approved by the Corporation on 10 December 2015 and signed on their behalf by:

S. Taylor

B Stephenson
Chair

S Taylor
Principal and Accounting Officer

The accompanying notes form part of these financial statements.

Cash flow statement

	Note	2015 £'000	2014 £'000
CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	23	(107)	1,493
Returns on investment and servicing of finance	24	(343)	(329)
Taxation		-	-
Capital expenditure and financial investment	25	(1,144)	(712)
Financing	26	(199)	(194)
(DECREASE)/INCREASE IN CASH IN THE YEAR		(1,793)	258

Reconciliation of net cash flow to movement in net debt

	Note	2015 £'000	2014 £'000
(Decrease)/increase in cash for the year		(1,793)	258
New loans	26	-	-
Repayment of amounts borrowed	26	199	194
Movement in net date in period		(1,594)	452
Net debt at 1 August		(3,033)	(3,485)
Net debt at 31 July	27	(4,627)	(3,033)

The accompanying notes form part of these financial statements.

Notes to the financial statements

1 Accounting policies

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 - Going Concern

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

The College has in place a bank loan with Barclays Bank plc, which at 31 July 2015 had a balance of £5.8 million, and an agreed loan facility of £1.0 million available from Lloyds Bank plc. This latter facility has been fully drawn down in November 2015. The College also has an agreed overdraft facility of £250,000 from Lloyds Bank plc. The College's forecasts for the 12-month period following approval of the financial statements indicate that additional financing (beyond that provided by the agreed facilities) is required for the College to continue to meet its liabilities as they fall due and that covenants on these existing facilities are expected to be breached during this period. These factors represent a material uncertainty which may cast significant doubt in respect of the College's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The College is currently in discussions with its lenders about the availability of additional funding for the period to 31 July 2016 (for which agreement in principal has been obtained) and beyond this date, to meet its working capital requirements. In addition, a request has been made to the Skills Funding Agency (the SFA) for exceptional financial support. The College is currently preparing a financial recovery plan in support of this request.

Notwithstanding the circumstance set out above, these financial statements have been prepared on a going concern basis and no adjustment has been made that would result if the College were unable to continue as a going concern.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets and in accordance with applicable United Kingdom Accounting Standards.

The College's only subsidiary undertaking, ARC Enterprises Limited, has been dormant throughout the entire current and prior period. As such, consolidated financial statements have not been prepared.

Going concern

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

At 31 July 2015 the College had £5.854m of loans outstanding with Barclays on terms negotiated in 2008. The terms of the existing agreement are for up to another 18 years. The College has also agreed to enter into a further borrowing facility of £1m with Lloyds Bank in order to support the capital investment in the Visitor Economy Centre.

Going Concern statement to be inserted following advice from Grant Thornton

Notes to the financial statements

Accounting policies (continued)

Recognition of income

The recurrent grant from HEFCE represents the funding allocations attributable to the current financial year and is credited direct to the income and expenditure account.

Funding body recurrent grants are recognised in line with best estimates of what is receivable for the period and depend on the particular income stream involved. Any under or over achievement for the Adult Skills 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 at the end of November, following the year end and the results of any funding audits. 16-18 classroom based learning funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

Non-recurrent grants from the funding bodies or other bodies received in respect of the acquisition of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

Income from tuition fees is recognised in the period for which it is received and includes all fees payable by students or their sponsors.

Income from grants, contracts and other services rendered is included to the extent the conditions of the funding have been met or the extent of the completion of the contract or service concerned.

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

Post retirement benefits

Retirement benefits to employees of the College are provided by the Teachers' Pensions Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit schemes, which are externally funded and contracted out of the State Earnings Related Pension Scheme (SERPS).

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 quinquennial valuations using a prospective benefit method.

As stated in note 28, the TPS is a multi-employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

The assets of the LGPS are measured using closing market values. LGPS liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the operating surplus.

The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in pension finance costs. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

Notes to the financial statements

Accounting policies (continued)

Enhanced pensions

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

Tangible fixed assets

a) Land and buildings

Land and buildings inherited from the Local Education Authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable. Building improvements made since incorporation are included in the balance sheet at cost. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College of between 20 and 40 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of 20 years to 40 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 capital grant account and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

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

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

b) 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.

c) Subsequent expenditure or existing fixed assets

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

- Market value of the fixed asset has subsequently improved
- Asset capacity increases
- Substantial improvement in the quality of output or reduction in operating costs
- Significant extension of the asset's life beyond that conferred by repair and maintenance

d) Equipment

Equipment costing less than £1,500 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost.

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

Notes to the financial statements

Accounting policies (continued)

depreciated. All other equipment is depreciated on a straight-line basis over its useful economic life as follows:

Plant and machinery	10 – 20 years
Furniture and fittings	10 years
Vehicles	7 years
Computer equipment	3 to 5 years

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

Leased assets
Costs in respect of operating leases are charged on a straight line basis over the lease term.

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

Taxation
The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

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

Liquid resources
Liquid resources include sums on short-term deposits with recognised banks, building societies and government securities.

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

Agency arrangements
The College acts as an agent in the collection and payment of discretionary support funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the Income and Expenditure account and are shown separately in note 33, except for 5% (3% for HEFCE) of the grant received which is available to the College to cover administration costs relating to the grant.

Notes to the financial statements

1 Funding body grants

	2015 £'000	2014 £'000
Recurrent grants – SFA	4,738	6,008
Recurrent grant – EFA	4,906	5,517
Recurrent grant – HEFCE	543	375
Non recurrent grants – SFA	422	194
Non recurrent grants – EFA	15	31
Non recurrent grants – HEFCE	29	7
Releases of deferred capital grants (note 20)	240	221
	10,893	12,353

2 Tuition fees and educating contracts

	2015 £'000	2014 £'000
Tuition fees	2,837	2,410
Education contracts	758	1,014
	3,595	3,424

Included in the above amounts are tuition fees funded by bursaries of £58,188 (2013/14 £17,726).

3 Other income

	2015 £'000	2014 £'000
Other income generating activities:		
training restaurant	73	92
training salons	19	27
sports facilities	67	45
shared services	2	33
services to Pennine Lancashire Education Trust (note 32)	-	12
other	27	19
Examination fees	39	36
Releases from deferred capital grants (non-funding body) (note 20)	53	44
Other income	118	158
	398	466

Notes to the financial statements

4 Endowment and investment income

	2015 £'000	2014 £'000
Interest receivable	9	27

5 Staff costs

The average monthly number of persons (including senior post holders) employed by the College during the year, described as full-time equivalents:

	2015 No.	2014 No.
Teaching staff	141	155
Non teaching staff	159	174
	300	329

Staff costs for the above persons:

	2015 £'000	2014 £'000
Wages and salaries	7,959	8,209
Social security costs	542	547
Other pension costs (including FRS 17 credit of £34,000; 2014: charge of £46,000)	1,163	1,206
Payroll sub-total	9,664	9,962
Contracted out staffing services	667	691
	10,331	10,653
Restructuring costs	80	207
	10,411	10,860

Notes to the financial statements

6 Staff costs (continued)

The number of senior post-holders and other staff who received emoluments, excluding pension contributions, but including benefits in kind, was:

	Senior post-holders		Other staff	
	2015	2014	**2015**	2014
	No.	No.	No.	No.
£60,001 to £70,000	-	1	-	-
£70,001 to £80,000	-	1	-	-
£80,001 to £90,000	2	-	-	-
£90,001 to £100,000	-	-	-	-
£100,001 to £110,000	1	1	-	-
£110,001 to £120,000	-	-	-	-
£120,001 to £130,000	-	-	-	-
£130,001 to £140,000	-	-	-	-
	3	3	-	-

7 Senior post-holders' emoluments

Senior post-holders are defined as the Principal and holders of the other senior posts whom the Governing body has selected for the purposes of the articles of government of the College relating to the appointment and promotion of staff who are appointed by the Governing body.

	2015	2014
	Number	Number
The number of senior post-holders including the Principal was:	3	4

Senior post-holders' emoluments are made up as follows:

	2015	2014
	£'000	£'000
Salaries	259	282
Redundancy	-	-
Pension contributions	35	42
Total emoluments	294	324

Notes to the financial statements

7 Senior post-holders' emoluments (continued)

The above emoluments include amounts payable to the Principal (who is also the highest paid senior post holder) of:

	2015	2014
	£'000	£'000
Salary	108	108
Pension contributions	15	15
Total emoluments	123	123

The pension contributions in respect of the Principal and senior post-holders are in respect of employer's contributions to the Teachers' Pension Scheme and to the Local Government Pension Scheme and are paid at the same rate as for other employees.

The members of the corporation other than the Principal and the staff members did not receive any payment from the College other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

8 Other operating expenses

	2015	2014
	£'000	£'000
Teaching costs	699	769
Non-teaching costs	2,689	2,820
Premises costs	623	703
	4,011	4,292

Notes to the financial statements

Other operating expenses (continued)

	2015 £'000	2014 £'000
Other operating expenses include:		
Auditors' remuneration		
- Financial Statements audit	19	21
- Internal audit	8	14
Other services provided by the financial statements auditors**	2	2
Other services provided by the internal auditors*	-	-
Non-cancellable leases on land and buildings	129	104
Hire of other assets	134	26
Costs relating to services provided to Pennine Lancashire Education Trust (note 32)	-	1
Contribution to Pennine Lancashire Education Trust (note 32)	-	-

* relating to funding consultancy services provided to the College
** relates to corporation tax compliance services

9 Interest payable

	2015 £'000	2014 £'000
On bank loans, overdrafts and other loans:		
Repayable within five years, not by instalments	-	-
Repayable within five years, by instalments	-	-
Repayable wholly or partly in more than five years	352	356
	352	356
Pension finance costs (note 28)	63	176
Interest on enhanced pension provision	3	4
	418	536

10 Exceptional items

	2015 £	2014 £
Onerous lease costs	96	-

Notes to the financial statements

11 Taxation

The members do not consider that the College is liable for any corporation tax arising out of its activities during the period.

12 Deficit on continuing operations for the year

The deficit on continuing operations for the year is made up as follows:

	2015 £000	2014 £000
College's deficit on continuing operations for the year is made up as follows:		
College's deficit for the year	(1,015)	(325)
Retained by subsidiary undertaking	-	-
	(1,015)	(325)

13 Tangible fixed assets

	Land and buildings		Equipment	Total
	Freehold	Under Construction		
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2014	19,651	1,027	4,218	24,896
Additions	1,055	4,003	234	5,292
Transfers	765	(765)	-	-
Disposals	-	-	(713)	(713)
At 31 July 2015	21,471	4,265	3,739	29,475
Depreciation				
At 1 August 2014	5,081	-	2,928	8,009
Charge for year	567	-	381	948
Eliminated on disposal	-	-	(686)	(686)
At 31 July 2015	5,648	-	2,623	8,271
Net book value				
At 31 July 2015	15,823	4,265	1,116	21,204
At 31 July 2014	14,570	1,027	1,290	16,887

Notes to the financial statements

Tangible fixed assets (continued)

The transitional rules in FRS 15 Tangible Fixed Assets have been applied on implementing FRS 15. Accordingly, the book values at implementation have been retained.
Land and buildings were valued for the purpose of the 1994 financial statements at depreciated replacement cost by a firm of independent chartered surveyors. Other tangible fixed assets inherited from the local education authority at incorporation have been valued by the College on a depreciated replacement cost basis derived from a full replacement cost valuation undertaken in 1992 by a firm of independent valuers. If these inherited assets had not been revalued they would have been included at a historic cost of £nil.

Land and buildings with a net book value of £5,132,000 have been financed by exchequer funds through the receipt of capital grants. Should these assets be sold, the College may be liable, under the terms of the financial memorandum with the funding body, to surrender the proceeds.

14 Investments

	2015	2014
	£	£
Investment in subsidiary company	2	2
Investment in Lancashire College Consortium Limited	1	1

At 31 July 2015 the College owned 100 per cent of the issued ordinary shares of ARC Enterprises Limited, a company incorporated in England and Wales. The company has not traded in the years ended 31 July 2015 and 31 July 2014.

At 31 July 2015 the College owned 7 per cent of the issued share capital of Lancashire Colleges Consortium Limited, a company limited by guarantee incorporated in England and Wales. The principal business activity of the company is to advise and assist education institutions in respect of grants that may be available to them.

15 Debtors

	2015	2014
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	368	334
Prepayments and accrued income	216	270
Amounts owed by funding bodies	181	103
	765	707

Notes to the financial statements

16 Creditors: amounts falling due within one year

	2015	2014
	£'000	£'000
Loans and overdrafts (note 18)	198	196
Payments received in advance	318	310
Trade creditors	428	818
Other taxation and social security	155	206
Accruals and other creditors	548	613
Amounts owed to funding bodies	792	489
	2,439	2,632

17 Creditors: amounts falling due after one year

	2015	2014
	£'000	£'000
Loans and overdrafts (note 18)	5,656	5,857

18 Borrowings

	2015	2014
	£'000	£'000
Bank loans and overdrafts are repayable as follows:		
In one year or less	198	196
Between one and two years	200	198
Between two and five years	656	625
In five years or more	4,800	5,034
	5,854	6,053

An unsecured bank loan with a fixed interest rate of 5.91% is repayable by instalments falling due between 1 August 2015 and 27 June 2033 totalling £5,832,361. A further interest free loan totalling £21,850 is repayable by instalments falling due between 1 August 2015 and 31 December 2016, respectively.

Notes to the financial statements

19 Provisions for liabilities and charges

	Enhanced Pension £'000	Onerous lease £'000	Total £'000
At 1 August 2014	85	-	85
Expenditure in the period	(7)	-	(7)
Charge to income and expenditure account	6	96	102
Interest cost	3	-	3
At 31 July 2015	87	96	183

The enhanced pension provision was established in 1995 to provide for additional pension benefits for four College lecturers as a result of their early retirement. The provision has been recalculated in accordance with guidance provided by the funding bodies.

The principle assumptions for this calculation are:

	2015	2014
Interest rate	3.46%	4.06%
Net interest rate	1.75%	2.25%

20 Deferred capital grants

	Funding bodies £'000	Other grants £'000	Total £'000
At 1 August 2014	5,899	186	6,085
Cash receivable	3,740	408	4,148
Released to income and expenditure account	(240)	(53)	(293)
At 31 July 2015	9,399	541	9,940

21 Revaluation reserve

	2015 £'000	2014 £'000
At 1 August	1,122	1,158
Transfer from revaluation reserve to general reserve in respect of:		
Depreciation on revalued assets	(36)	(36)
At 31 July	1,086	1,122

Notes to the financial statements

22 Income and expenditure account

	2015 £'000	2014 £'000
At 1 August	(2,991)	(3,321)
Deficit retained for the year	(1,015)	(325)
Transfer from revaluation reserve	36	36
Actuarial (loss)/gain in respect of pension scheme	(1,368)	619
At 31 July	(5,338)	(2,991)
Balance represented by:		
Pension reserve	(9,247)	(7,850)
Income and expenditure account reserve excluding pension reserve	3,909	4,859
At 31 July	(5,338)	(2,991)

Notes to the financial statements

23 Reconciliation of operating surplus to net cash inflow from operating activities

	2015 £'000	2014 £'000
Deficit on continuing operations after depreciation of assets	(1,015)	(325)
Depreciation (note 13)	948	910
Deferred capital grants released to income (note 20)	(293)	(265)
Loss on disposal of tangible fixed assets	26	(3)
Interest payable (note 9)	352	356
Interest receivable (note 5)	(9)	(27)
FRS17 pension cost less contributions payable (notes 6 and 28)	(34)	46
FRS17 pension finance cost (note 9)	63	176
Decrease/(increase) in stock	9	(2)
(Decrease)/increase in debtors	(112)	214
Decrease/(increase) in prepayments and accrued income	54	(3)
(Decrease)/increase in creditors	(390)	396
(Decrease)/increase in other taxation and social security	(51)	21
Increase in payments on account	311	215
Decrease in accruals	(65)	(217)
Increase in provisions	99	1
Net cash (outflow)/inflow from operating activities	(107)	1,493

24 Returns on investments and servicing of finance

	2015 £'000	2014 £'000
Interest received	9	27
Interest paid	(352)	(356)
Net cash outflow from returns on investments and servicing of finance	(343)	(329)

Notes to the financial statements

25 Capital expenditure and financial investment

	2015 £'000	2014 £'000
Purchase of tangible fixed assets	(5,292)	(1,708)
Deferred capital grants received	4,148	996
Net cash outflow from capital expenditure and financial investment	(1,144)	(712)

26 Financing

	2015 £'000	2014 £'000
Debt due beyond a year		
Repayment of amounts borrowed	(199)	(194)
Net cash outflow from financing	(199)	(194)

27 Analysis of changes in net debt

	At 1 August 2014 £'000	Cashflows £'000	At 31 July 2015 £'000
Cash in hand and in bank	3,020	(1,793)	1,227
Debt due within 1 year	(196)	(2)	(198)
Debt due after 1 year	(5,857)	201	(5,656)
	(3,033)	(1,594)	(4,627)

Notes to the financial statements

28 Pension and similar obligations

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

Total pension cost for the year

		2015 £'000		2014 £'000
Teachers pension scheme: contribution paid		453		466
Local Government Pension Scheme:				
Contributions paid	784		755	
FRS 17 charge	(56)		46	
Charge to the Income and Expenditure Account (staff costs)		728		801
Enhanced pension charge to Income and Expenditure Account (staff costs)		6		3
Total Pension Cost for Year		1,187		1,270

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2012 and of the LGPS 31 March 2013. Contributions amounting to £141,159 (2014; £134,560) were payable to the scheme at 31 July and are included within creditors.

Teachers' Pension Scheme

The Teachers' Pension Scheme ("TPS") is an statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations 2010, and , from 1 April 2014, by the Teachers' Pensions Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities. In addition, teachers in many independent and voluntary-aided schools, and teachers and lecturers in establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and from 1 January 2007, automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

The Teachers' Pension Budgeting and Valuation Account

Although members may be employed by various bodies, their retirement and other pension benefits, are set out in regulations made under the Superannuation Act 1972 and are paid by public funds provided by Parliament. 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.

Notes to the financial statements

28 Pension and similar obligations (continued)

The Teachers' Pensions Regulations 2010 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pensions' increases). From 1 April 2001, the Account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

Valuation of the Teachers' Pension Scheme

The latest actuarial review of the TPS was carried out as at 31 March 2012 and in accordance with The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education (the Department) on 9 June 2014. The key results of the valuation are:

- employer contribution rates were set at 6.4% of pensionable pay;
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- an employer cost cap of 10.9% on pensionable pay.

The new employer contribution rate for the TPS will be implemented in September 2015. A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location:
https://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx

Scheme Changes

Following the Hutton report in March 2011 and the subsequent consultations with trade unions and other representative bodies on reform of the TPS, the Department published a Proposed Final Agreement, setting out the design for a reformed TPS was implemented from 1 April 2015.

The key provisions of the reformed scheme include; a pension based on career average earning; an accrual rate of 1/57th; and a Normal Pension Age equal to State Pension Age, but with options to enable members to retire earlier or later than their Normal Pension Age. Importantly, pension benefits built up before 1 April 2015 will be fully protected.

In addition, the Proposed Final Agreement includes a Government commitment that those within 10 years of Normal Pension Age on 1 April 2012 will see no change to the age at which they can retire, and no decrease in the amount of pension they receive when they retire. There will also be further transitional protection, tapered over a three and a half year period, for people who would fall up to three and a half years outside of the 10 year protection.

Regulations giving effect to a reformed Teachers' Pension Scheme came into force on 1 April 2014 and the reformed scheme will commenced on 1 April 2015.

The pension costs paid to TPS in the year amounted to £452,943 (2014: £466,085).

FRS 17

Under the definitions set out in Financial Reporting Standard (FRS 17) Retirement Benefits, the TPS is a multi-employer pension scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme.

Notes to the financial statements

28 Pension and similar obligations (continued)

Accordingly, the College has taken advantage of the exemption in FRS17 and has accounted for its contributions to the scheme as if it were a defined-contribution scheme. The College has set out above the information available on the scheme and the implications for the College in terms of the anticipated contribution rates.

Local Government Pension Scheme
The LGPS is a funded defined-benefit scheme, with the assets held in separate funds administered by Lancashire County Council. The total contribution made for the year ended 31 July 2014 was £951,093 of which employer's contributions totalled £717,105 and employees' contributions totalled £233,988 (these figures represent the actual amounts paid to the scheme provider and differ to the figures used for FRS17 purposes, as those are estimates based on part-year payments). The agreed contribution rates for future years are 19.6% for employers and variable rates for employees (banded, dependant on salary levels).

FRS 17

Principal actuarial assumptions

	At 31 July 2015	At 31 July 20143
Rate of increase in salaries	3.70%	3.80%
Rate of increase for pensions	2.20%	2.30%
Discount rate for scheme liabilities	3.80%	4.30%
Inflation assumption (CPI)	2.20%	2.30%
Commutation of pensions to lump sums	50%	50%

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

	At 31 July 2015	At 31 July 2014
Retiring today		
Males	22.90	22.80
Females	25.40	25.30
Retiring in 20 years		
Males	25.10	25.00
Females	27.80	27.70

Notes to the financial statements

28 Pension and similar obligations (continued)

Analysis of the amount charged to income and expenditure account

	Long-term rate of return expected at 31 July 2015 £'000	Value at 31 July 2015 £'000	Long-term rate of return expected at 31 July 2014 £'000	Value at 31 July 2014 £'000
Equities	6.50%	7,215	7.00%	9,258
Government Bonds	2.50%	1,154	3.20%	37
Other Bonds	3.60%	545	4.10%	4,955
Property	6.10%	1,909	6.20%	1,788
Cash/Liquidity	0.50%	273	0.50%	447
Other	6.50%	9,879	7.00%	2,142
Total market value of assets		20,975		18,627
Present value of scheme liabilities				
- Funded		(30,222)		(26,477)
- Unfunded		-		-
Related deferred liability		-		-
Deficit in the scheme		(9,247)		(7,850)

	2015 £'000	2014 £'000
Actual return on scheme assets	2,000	623

	2015 £'000	**2014 £'000**
Employer service cost (net of employee contributions)	(728)	(774)
Curtailment loss	(22)	(27)
Total operating charge	(750)	(801)

Notes to the financial statements

28 Pension and similar obligations (continued)

Amounts recognised in the statement of total recognised gains and losses (STRGL)

	2015	2014
	£'000	£'000
Expected return on pension scheme assets	1,081	1,064
Interest on pension liabilities	(1,144)	(1,240)
Pension finance cost	(63)	(176)

Movement in deficit during the year

	2015	2014
	£'000	£'000
Actuarial gains/(losses) on pension scheme assets	919	(1,934)
Actuarial (losses)/gains on scheme liabilities	(2,287)	2,553
Actuarial (losses)/gains recognised in STRGL	(1,368)	619

	2015	2014
	£'000	£'000
Deficit in scheme at 1 August	(7,850)	(8,247)
Movement in year:		
Employer service cost (net of employee contributions)	(728)	(774)
Employer contributions	784	755
Curtailment loss	(22)	(27)
Net interest/return on assets	(63)	(176)
Actuarial (loss)/gain	(1,368)	619
Deficit in scheme at 31 July	(9,247)	(7,850)

28 Pension and similar obligations (continued)

	2015	2014
	£'000	£'000
Reconciliation of liabilities		
Liabilities at start of period	26,477	27,339
Current service cost	728	774
Interest cost	1,144	1,240
Employee contributions	236	233
Actuarial loss/(gain)	2,287	(2,553)
Benefits paid	(672)	(583)
Past service gain	-	-
Curtailments and settlements	22	27
	30,222	26,477
Reconciliation of assets		
Assets at start of period	18,627	19,092
Expected return on assets	1,081	1,064
Actuarial gain/(loss)	919	(1,934)
Employer contributions	784	755
Employee contributions	236	233
Benefits paid	(672)	(583)
Assets at end of period	20,975	18,627

The estimated value of employer contributions for the year ended 31 July 2015 is £773,000.

28 Pension and similar obligations (continued)

History of experience gains and losses

	2015	2014	2013	2012	2011
Difference between the expected and actual return on assets:					
Amount £'000	(919)	(1,934)	(1,952)	(556)	681
percentage of scheme assets	4.4%	10.4%	10.2%	(3.3%)	4%
Experience gains and losses on scheme liabilities					
Amount £'000	2,000	2,049	-	-	1,008
percentage of scheme liabilities	9.5%	7.7%	0%	0%	4%
Total amount recognised in STRGL:					
Amount £'000	(1,368)	619	1,447	(1,802)	828
percentage of scheme liabilities	5%	(2%)	(5%)	7%	(4%)

29 Post balance sheet events

There are no reportable post balance sheet events.

30 Financial commitments

At 31 July the college had annual commitments under non-cancellable leases as follows:

	2015	2014
	£'000	£'000
Land and buildings		
Expiring within one year	19	6
Expiring between two and five years inclusive	179	110
Expiring in over five years	-	22
	198	138

31 Contingent liabilities

There are no contingent liabilities at 31 July 2015 (2014: £nil).

32 Related party transactions

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

No expenses were paid to or on behalf of the Governors during the year (2014: None).

No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2014: None).

It is considered by the College that the Pennine Lancashire Education Trust is a related party to the College, as Trust Directors have been nominated by the College, the College Principal is the Chair of the Trust Board and other College Board members also serve on the Trust Board.

No transactions with the Pennine Lancashire Education Trust occurred during the year.

33 Amounts disbursed as agent

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 income and expenditure account. The income and expenditure consolidated in the College's financial statements relates to the payment of some tuition or exams fees by the Learner Support Funds on the students' behalf.

	2015	2014
	£'000	£'000
Learner support funds		
Funding body grants – hardship funds	514	500
Funding body grants – childcare	107	122
Funding body grants – discretionary ESOL	-	-
Other funding bodies grants	-	30
	621	652
Disbursed to students	(600)	(572)
Administration costs	(21)	(29)
Balance unspent at 31 July	-	51