Report and financial statements

Accrington & Rossendale College

For the year ended 31 July 2016

Contents

Members' Report

A. NATURE, OBJECTIVES AND STRATEGIES

The members present their report and the audited financial statements for the year ended 31 July 2016.

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 2016 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 14 to 16.

In setting and reviewing the College's strategic objectives, the Governing Body has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. 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

In September 2016, the Corporation approved the updated Strategic Plan (2015-2017), which included specific objectives for 2016/17 under each of the College`s five strategic aims. The Corporation monitors the performance of the College against these, and they are reviewed and updated each year. The College`s continuing, over-arching strategic aims are to:

Members' Report (continued)

- Be an outstanding college
- Provide inspirational teaching, learning and support which equips all our learners for their future careers
- Increase participation from our community and add value, economically and socially
- Be an employer for first choice for talented and innovative staff
- Maintain financial stability

In 2015/16 some of the specific objectives were achieved in full, some were achieved in part and actions were put in place for those not achieved.

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.

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. Performance of every curriculum area is reviewed against these three times per year

The College produces an annual Finance record for the Skills Funding Agency, which automatically generates a financial health grading. In 2015/16 the financial health grade was Inadequate. A financial plan is in place to return the College`s financial health to Satisfactory by 2018.

B. FINANCIAL POSITION

Financial results

The College generated a deficit before actuarial losses in the year of £1,890,000 (2014/15 – deficit of £1,303,000). The College would have achieved a deficit of 1,543,000 if the effects of the FRS102 pension adjustments had not been incorporated.

At 31 July 2016, the College had accumulated income and expenditure reserves of £2,387,000 excluding FRS102 Pension Reserve (2014/15 - £3,874,000) and was utilising an overdraft facility with Lloyds Bank to a value of £42,000 (2014/15 – cash balance £1,227,000).

The College's pension reserve deficit increased in year from £9,247,000 to £12,198,000.

Tangible fixed asset additions during the year amounted to £1,474,000 (2014/15 - £5,292,000). This related to the standard annual investment in equipment and software and completion 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 2015/16, these sources provided 73% of the College's total income (2014/15 – 73%). Total income from Higher Education provision, including grants, tuition fees and education contracts, accounts for £1.9m of the total overall income (2014/15 - £2.3m).

Members' Report (continued)

The College has one subsidiary company, ARC Enterprises Limited which remained dormant during 2015/16.

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 2016 were £nil (31 July 2015 - £1,227,000). £46,000 of the overdraft facility with Lloyds was required on 31st July 2016 which was also accessed on 30th April for the first time. This reflects a reduction in cash reserves from 31days cash in hand during the year.

Liquidity

The College continues to service a fixed interest rate loan from Barclays Bank plc, which was taken out in June 2008 for twenty five years.

In November 2015, the College drew down a second loan facility, with Lloyds Bank, to complete construction of the Heartwood Centre. This loan is for £1m over ten years with five year revolving terms.

Interest charges in 2015/16 amounted to £343,000 (2014/15 - £352,000). College borrowings are currently at 50% (2014/15 - 40%) of turnover.

C. CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

In 2015/16, the College delivered activity that has, overall, produced £9,027,000 in main allocation funding from the Skills Funding Agency and the Education Funding Agency (£9,644,000 in 2014/15). This includes the following funding streams:

- The EFA provided funding for 960 16-18 year old college based learners, which has decreased from 1,066 in 2014/15 with funding reducing from £4.9m to £4.5m.

- The number of college based adult students decreased from 3,529 in 2014/15 to 2,785 in 2015/16 with the associated income decreasing from £3,269,000 to £3,016,000.

Members' Report (continued)

- Adult apprentices funding generated £600,000 in 2015/16 compared to £536,000 in the previous year.

- 16 to 18 year old apprenticeship funding earned £877,000 compared to £978,000 in the previous year.

The College's Higher Education provision is funded from several sources including franchise arrangements and tuition fees. The overall income has decreased from £2,271,000 in 2014/15 to £1,867,000 in 2015/16.

Student achievements

The headline achievement rate for 2015/16 is 81%. English and maths performance had the effect of depressing the overall college achievement rate by 7% in 15/16. The effect was more pronounced for 16-18s, where the achievement rate was depressed by 15%. The College has developed an action plan to address this issue for 2016/17. The performance for adults continues to be strong across the board with an 88% achievement rate. For apprenticeship provision, for overall achievement at the whole college level, the college is also in line with the national average. The 16-18 and 24+ apprentices' performance is in line with the national average, whilst the 19-23 age group, although the smallest cohort, performs approximately 7 percentage points below the national average.

Curriculum developments

The College continues to collaborate with key stakeholders, including employers and community partners in planning the curriculum the College will offer to ensure it is both current and relevant. The breadth and quality of the curriculum aligns well with LEP priorities, and well planned curriculum pathways are in place to maximise opportunities for progressing learners to access the available and future jobs market or further study. It was confirmed during the college's recent Ofsted inspection that:

'The College has strong collaborative links with employers, individuals in the local community and other stakeholders. Labour market information is used well to inform curriculum development.' (Ofsted Report May 16).

Following a full curriculum review in 2015/16 the College rationalised the curriculum offer for 2015/16 and further for 2016/17, in order to:

- consolidate into 5 key sectors, in line with LEP priorities and future local skills needs
- withdraw provision in areas of low and declining recruitment and low class sizes/contribution rates
- maximise growth on key income lines

The College was inspected during 2015/16 and this resulted in a judgement of 'requires improvement'. The focus remains on quality improvement in order to achieve an Ofsted grade

Members' Report (continued)

of good or better at the next inspection. Work continues to ensure full alignment with government policy relating to programmes of study, with a strong emphasis on improving outcomes in English and maths, the development of core employability skills and vocational excellence to ensure learners maximise their potential in order progress to further study or work destinations.

In 2016/17 the College continues to offer a substantial adult programme to meet the needs of the local community working alongside its community partners throughout its catchment area including Hyndburn, Rossendale, the Ribble Valley, Blackburn and Burnley. Further budget reductions will have an impact on what can be delivered from 2017/18.

In line with Government policy the college continues to promote its apprenticeship offer. Work continues in 16/17 to expand our offer to better meet employer needs locally. The development and growth of Higher Level Apprenticeships (HLAs) has also been a key focus for the college throughout 2015/16 and into 2016/17. A new HLA in Construction Management is planned for recruitment during autumn 2016. The HLA in Professional Administration and Business Management, HLA in Leadership and Management in partnership with the Lancashire Care Foundation will continue to be a target for growth in 16/17. Discussions are also on-going with local HEI partners regarding Degree apprenticeships.

The College continues to deliver prescribed and non- prescribed HE and has partnership arrangements in place Buckinghamshire New University, Bolton University and Liverpool John Moores University. The HE offer in health has been targeted for growth in the last 3 years and now has the largest volumes of learners on a range of specialist pathways including Health and Social Care, Mental Health, Substance Misuse and Counselling, Health and Applied Social and Childhood Studies. A new programme in Construction Management (HNC) is planned for 2016/17 in response to local demand.

In 2014/15 the College launched a new Digital Strategy. This strategy demonstrates the College's continued commitment in using technology to enhance teaching, learning, assessment and the overall student experience. A key part of the strategy was the evolution of curriculum delivery to incorporate online learning. In March 2016 the College launched its Scheduled Online Learning and Assessment (SOLA) initiative for 16/17. This is a tried and tested model that has proved beneficial in a number of partner colleges. From September 2016, all full time study programmes have incorporated 30 hours of online learning into their delivery, giving a 10% blend in line with the FELTAG recommendations.

Following a successful bid to Lancashire LEP in April 2015, the College is now working in collaboration with Risual and Microsoft as a Microsoft Certified Digital Academy. As part of this remit, plans are in place to train a range of staff to become Microsoft Certified Educators. This enables them to disseminate their knowledge across their teams in order to up-skill all staff members in the use of Microsoft applications and Office 365 and to apply pedagogies relevant to successful incorporation of e-learning.

Members' Report (continued)

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 2015 to 31 July 2016, 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 new Heartwood Centre will give the College a wide range of further opportunities to generate commercial and self-funding activities. We are working with 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 College's strong partnership with Risual and Microsoft has led to joint investment of a state of the art facility, and the College becoming the only Certified Digital Academy in the Lancashire LEP area. Shared staffing is planned to support growth in this sector via this new Digital Academy.

The College will actively participate in the forthcoming area reviews and is already engaged in collaborative work with Burnley College which is hoped will result a merger between the two colleges in the next 12 months.

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.

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 278 (2014/15 - 300), of whom 142 (2014/15 – 141) 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 up to £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.

Members' Report (continued)

E. PRINCIPAL RISKS AND UNCERTAINTIES

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. Not all risks identified are within the College's control.

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

Objectives identified as having the highest risk rating for 2015/16 were:-

- Plan and achieve a budget that leads to financial health of at least 'satisfactory' by 2016/17
- Maintain cash balances of at least 10 days at any time
- Maximise income from all funding streams
- Maintain confidence of stakeholders including Lenders, Funders, Suppliers and Staff

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 2015/16 and further controls are necessary to mitigate these risks in the future. The College is working closely with the SFA and the FE Commissioner and has engaged additional professional support.

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 Local Enterprise Partnership (LEP)
- The local community;
- Other FE institutions and training providers;
- Trade unions and professional bodies.

G. EQUAL OPPORTUNITIES

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.

Members' Report (continued)

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:

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

We are committed to the active pursuit of an approach to equality and diversity which addresses the need and right of everyone in College to be treated with respect and dignity, in an environment in which a diversity of backgrounds and experience is valued. We are committed to working in an inclusive way within the communities that we serve and to develop a learner community and workforce of the future that reflects East Lancashire's rich diversity. We also recognise that truly embracing and respecting diversity means more than complying with equalities legislation and the strands protected by it.

The Single Equality Scheme is publicised on the College website and intranet. The College publishes an Annual Monitoring Report and Equality Objectives to ensure compliance with all relevant equality legislation including the Equality Act 2010. The College undertakes equality impact assessments on all new policies and procedures and publishes the results. Equality impact assessments are also undertaken for existing policies and procedures on a prioritised basis.

Staff Profile

In January 2016, 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 2016 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 Education and Training Foundation.

Members' Report (continued)

The gender profile of staff working at the College as at January 2016 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.

In January 2016, 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 2015, 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 seeks to achieve the objectives set down in the Equality Act 2010. The College is a 'Positive about Disabled' employer and has committed to the principles and objectives of the Positive about Disabled standard. The College considers all employment applications from disabled persons, bearing in mind the aptitudes of the individuals concerned, and guarantees an interview to any disabled applicant who meets the essential criteria for the post. Where an

Members' Report (continued)

existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion which, as far as possible, provide identical opportunities to those of non-disabled employees.

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 15 December 2016 and signed on its behalf by:

Brian Stephenson

Chair of Corporation

Key Management Personnel, Board of Governors and Professional advisers

Key management personnel
Susan Taylor Principal; Accounting officer
Susan Collinge Vice Principal (Finance and Corporate Services)
Wendy Higgin Vice Principal (Curriculum and Quality)

Board of Governors
A full list of Governors is given on pages 14-16 of these financial statements

Mr Andrew Armiger acted as Clerk to the Corporation throughout the period

Professional advisers

Financial Statement and Regularity Auditors:
Grant Thornton UK LLP, Chartered Accountants, Registered Auditors
4 Hardman Square
Spinningfields
Manchester
M3 3EB

Internal Auditors:
RSM
Sumner House
Saint Thomas' Road
Chorley
Lancashire
PR7 1HP

Bankers:
Lloyds Bank plc
Church Street
(309087) Blackburn Branch
Lancashire
BB2 1JQ

Barclays Commercial Bank
7th Floor
1 Marsden Street
Manchester
M2 1HW

Solicitors:
Weightmans LLP
First Floor, Three Piccadilly Place
Manchester
M1 3BN

Statement of Corporate Governance and Internal Control

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. This statement covers the period from 1st August 2015 to 31st July 2016 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

i) in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership).
ii) in full accordance with the guidance to colleges from the Association of Colleges in The Good Governance for English Colleges ("the Code"); and
iii) having due regard to the UK Corporate Governance Code 2014 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 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 2016. 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 Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted in September 2015. During the year 2015-16 the Board and its members have continued to work towards compliance with the Code.

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 Current term of Office (years)	Date of Appointment	Term of Office Expiry Date	Attendance 2015/16
Brian Stephenson				
As Independent Member	4	16 Oct 2015	15 Oct 2019	91%
As Chair of Corporation	3	1 Aug 2016	1 Aug 2019	
As Chair of Resources Committee	-	2 Oct 2007	15 Oct 2019	100%
As Chair of Recovery Committee	-	11 Jan 2016	15 Oct 2019	86%
As Chair of Remuneration Committee	-	1 Aug 2013	15 Oct 2019	100%
	-			

Statement of Corporate Governance and Internal Control (continued)

Name	Period of Current term of Office (years)	Date of Appointment	Term of Office Expiry Date	Attendance 2015/16
As Chair of Search and Governance Committee As Member of Scholarship Committee	- -	1 Aug 2013 1 Aug 2013	15 Oct 2019 15 Oct 2019	66% 100% (1 meeting)
Steve Ireland As Independent Member As Vice Chair of Corporation As Chair of Curriculum and Quality Standards Committee As member of the Recovery Committee As Member of Search and Governance Committee As Member of Remuneration Committee	 4 2 - -	 28 Sept 2014 24 Sept 2015 18 June 2013 11 Jan 2016 24 Sept 2013 24 Sept 2013	 27 Sept 2018 24 Sept 2017 27 Sept 2018 27 Sept 2018 27 Sept 2018 24 Sept 2017	 96% 66% 100% 100% 100%
Dr Mike Lee As Independent Member As Member of Curriculum and Quality Standards Committee As Member of Remuneration Committee As Member of Scholarship Committee	 1 1 1	 16 Oct 2015 18 June 2013 23 Sept 2015 1 Aug 2010 16 Oct 2015	 15 Oct 2016 15 Oct 2016 23 Oct 2016 15 Oct 2016 15 Oct 2016	 91% 66% 100% 100% 100%
Rosemarie Andrews As Independent Member As Chair of Audit Committee As member of Recovery Committee	 4	 27 Jan 2016 14 June 2005 11 Jan 2016	 26 Jan 2020 26 Jan 2020 26 Jan 2020	 90% 100% 71%
Mohammed Aslam As Independent Member As Member of Resources Committee	 4	 29 Apr 2012 April 2009	 28 April 2016 28 April 2016	 67% 25%
Dr Ann-Marie Coyne As Independent Member As Member of Curriculum and Quality Standards Committee As Member of Recovery Committee As Member of Search and Governance Committee	 4 2	 30 Sept 2016 18 June 2013 11 Jan 2014 24 Sept 2015	 29 Sept 2020 29 Sept 2020 29 Sept 2020 29 Sept 2017	 95% 100% 100% 100%
Stephanie Bridgeman As Independent Member As Member of Audit Committee As Member of Remuneration Committee	 4 - 2	 24 Sept 2013 24 Sept 2013 24 Sept 2016	 23 Sept 2017 23 Sept 2017 23 Sept 2018	 92% 100% 100%
Lynn Spencer As Independent Member As Member of Curriculum and Quality Standards Committee Pilkington Scholarship Committee	 4	 10 Dec 2013 24 Sept 2015 30 Jan 2014	 9 Dec 2017 9 Dec 2017 9 Dec 2018	 70% 66% 100%
Stephen Cox As Independent Member Curriculum and Quality Standards Committee	 4	 10 Dec 2013 10 Dec 2013	 9 Dec 2017 9 Dec 2017	 20% 33%
Zia Shah As Independent Member As Member of Resources Committee As Member of Recovery Committee	 4	 26 Mar 2014 13 May 2014 11 Jan 2016	 25 Mar 2018 25 Mar 2018 25 Mar 2018	 78% 75% 71%
Louise Gaskell As Independent Member	 4	 13 May 2014	 12 May 2018	 89%

Statement of Corporate Governance and Internal Control (continued)

Name	Period of Current term of Office (years)	Date of Appointment	Term of Office Expiry Date	Attendance 2015/16
As Member of Audit Committee As Member of Recovery Committee		13 May 2014 11 Jan 2016	12 May 2018 12 May 2018	100% 86%
Dr Martyn Walker As Independent Member As Member of Resources Committee	4	14 May 2015 14 May 2015	13 May 2019 13 May 2019	91% 100%
Stephen Hughes As Independent Member As Member of Audit Committee	4	14 May 2015 14 May 2015	13 May 2019 13 May 2019	73% 75%
Alison Cameron Brandwood As Co-opted Member As Member of Curriculum and Quality Standards Committee		31 Mar 2016 31 Mar 2016	31 Dec 2016 31 Dec 2016	100% 100%
Sue Taylor – Principal As Member As Member of Resources Committee As Member of Curriculum and Quality Standards Committee As Member Recovery Committee As Member of Search and Governance Committee Accross Scholarship Committee Pilkington Scholarship Committee		18 June 2013 18 June 2013 18 June 2013 11 Jan 2016 18 June 2013 18 June 2013 18 June 2013 30 Jan 2014	as Principal as Principal as Principal as Principal as Principal as Principal as Principal as Principal	100% 100% 100% 100% 100% 100% 100% 100%
Tracy Landon – Staff Member As Staff Member Curriculum and Quality Standards Committee	4 -	9 July 2013 9 July 2013	8 July 2017 8 July 2017	100% 100%
Shirley Lynch – Staff Member As Staff Member As Member of Resources Committee	4	24 Sept 2015 24 Sept 2015	23 Sept 2019 24 Sept 2019	100% 100%
Kate Nuttall – Student Member HE As Student Member	-	31 Mar 2016	Period as HE Student	100%
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 the Audit, Search and Governance, Resources, Curriculum and Quality Standards, Remuneration,

Statement of Corporate Governance and Internal Control (continued)

Scholarships and since January 2016 the Recovery Committee. 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 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 2016, 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 2016 are set out in note 7 to the financial statements.

Audit committee

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

Statement of Corporate Governance and Internal Control (continued)

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 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 2016 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 2016 and up to the date of approval of the annual report and accounts. The

Statement of Corporate Governance and Internal Control (continued)

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.

During 2015/16 Accrington & Rossendale College had an internal audit service, which operated in accordance with the requirements of the EFA and SFA's Joint Audit Code of Practice. This will be replaced in 2016/17 with agreed professional services with specialisms to reflect the keys areas of risk. This work is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee. At minimum annually, the Clerk to the Corporation will collate the reports on outcomes from this work and provide this to the governing body in line with the risk assurance framework, in order for them to form an 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 Accounting Officer 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

Statement of Corporate Governance and Internal Control (continued)

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 2016 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2016 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2016.

Based on the advice of the Audit Committee, the Corporation is satisfied as to the adequacy and effectiveness of the college's internal controls, audit arrangements, its framework of governance, its arrangements for risk management and reporting of risk management and its processes for securing economy, efficiency and effectiveness.

Basis of preparation

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Member's Report (page 3). The financial position of the College, its cash flow, liquidity and borrowings are described in the Financial Statements and accompanying Notes.

The College primarily meets its day to day working capital requirements through cash generated from its day to day operations and an agreed overdraft facility of £250,000 from Lloyds Bank plc.

The College also has in place a bank loan with Barclays Bank plc, which at 31 July 2016 had a balance of £5,690,000, and a loan in place with Lloyds Bank plc with a balance of £950,000 outstanding at this date. The covenants on these facilities have been breached as at 31 July 2016. The College has also received exceptional financial support of £326,000 from the Skills Funding Agency during the year and received a commitment from the Skills Funding Agency that they will provide a further £1,921,000 of funding in the period to March 2017.

The College's forecasts for the 12-month period following approval of these financial statements indicate that additional financing (beyond that provided by the agreed facilities and the committed level of exceptional financial support) is required for the College to continue to meet its liabilities as they fall due.

The College's Corporation is actively pursuing a merger with Burnley College, which if achieved, would result in all trading activities of the College transferring to Burnley College, but would result in the dissolution of the College Corporation.

As consequence of the breach of financial covenants associated with both bank loans and subsequent default of the loan agreements, the banks have a contractual right to demand immediate repayment of the debt. At the time of approval of the financial statements, and on the basis of the assurance of the exceptional financial support from the Skills Funding Agency and the progress with plans for merger, the banks have not sought to revise the terms

Statement of Corporate Governance and Internal Control (continued)

of those agreements or to demand immediate repayment. However, for the purposes of the financial statements, the full loan balances have been classified as current liabilities to reflect the legal position.

Given the intention of the members of the Corporation at the date of approval of these financial statements is to pursue this merger and ultimately dissolve the College Corporation these financial statements have been prepared on a cessation basis.

The members of the Corporation have reviewed the financial statements and made no adjustment to the measurement or disclosure of balances contained therein. This reflects the current intentions to transfer the activities to Burnley College.

Approved by order of the members of the Corporation on 15 December 2016 and signed on its behalf by:

S. Taylor

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 after due enquiry, and to the best of our knowledge, we are able to identify any material irregular or improper use of funds by the College, or material non-compliance with the Skills Funding Agency or Education Funding Agency's terms and conditions of funding under the College's financial memorandum and funding agreement.

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

Approved by order of the members of the Corporation on 15 December 2016 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 Accounting Officer, is required to prepare financial statements for each financial year in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education Institutions and with the Accounts Direction for 2015-16 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 a Members' Report, which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College.

The Corporation is responsible for keeping proper accounting records, which disclose with reasonable accuracy, at any time, the financial position of the College and which enable it to ensure that the financial statements are prepared in accordance with the relevant legislation 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,

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

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.

Approved by order of the members of the Corporation on 15 December 2016 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 2016 which comprise statement of comprehensive income, the statement of changes in reserves, the balance sheet, the statement of cash flows 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), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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 page 23, 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 2016 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 Statement of Recommended Practice – Accounting for Further and Higher Education issued in March 2014.

Emphasis of matter – Basis of preparation

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1, Basis of preparation to the financial statements concerning the basis on which the financial statements have been prepared. As described in that note, the intention of the members of the Corporation at the date of approval of the financial statements is to merge the College's operations with Burnley College and dissolve the Corporation of Accrington & Rossendale College. As such the members of the Corporation have prepared the financial statements on a cessation basis.

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

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
- 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: 20 December 2016

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 10 October 2016 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 ~~[name of college]~~ Accrington & Rossendale College during the period 1 August 2015 to 31 July 2016 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 June 2016. 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 as imposed by the law, 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 period 1 August 2015 to 31 July 2016 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.

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

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

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

The work undertaken to draw our conclusion includes:

- an assessment of the risk of material irregularity and impropriety across the college's activities;
- evaluation of the processes and controls established and maintained in respect of regularity and propriety for the use of public funds through observation of the arrangements in place and enquiries of management;
- consideration and corroboration of the evidence supporting the Accounting Officer's statement on regularity, propriety and compliance and that included in the self-assessment questionnaire (SAQ); and
- limited testing, on a sample basis, of income and expenditure for the areas identified as high risk and included on 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 period 1 August 2015 to 31 July 2016 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

Chartered Accountants

Manchester

Date: 20 December 2016

Statement of Comprehensive Income

	Notes	2016 £'000	2015 £'000
INCOME			
Funding body grants	2	9,698	10,635
Tuition fees and education contracts	3	2,929	3,461
Other grants and contracts	4	173	392
Other income	5	402	398
Investment income	6	5	9
TOTAL INCOME		13,207	14,895
EXPENDITURE			
Staff costs	7	9,483	10,362
Fundamental restructuring costs	7	298	80
Other operating costs	8	3,472	4,011
Depreciation	12	1,088	948
Onerous lease cost	10	-	96
Merger costs	10	52	-
Interest and other finance costs	9	688	675
TOTAL EXPENDITURE		15,081	16,172
Deficit before other gains and losses		**(1,874)**	**(1,277)**
Loss on disposal of assets		(15)	(26)
Deficit before tax		**(1,889)**	**(1,303)**
Taxation	11	(1)	-
DEFICIT FOR THE YEAR		**(1,890)**	**(1,303)**
Actuarial loss in respect of pension scheme	20	(2,584)	(1,080)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(4,474)**	**(2,383)**

The Statement of Comprehensive Income is in respect of continuing activities.

The accompanying notes form part of these financial statements

Statement of Changes in Reserves

	Income and expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Restated Balance at 1 August 2014	(3,026)	1,122	**(1,904)**
Deficit from the income and expenditure account	(1,303)	-	**(1,303)**
Other comprehensive income	(1,080)	-	**(1,080)**
Transfers between revaluation and income and expenditure reserves	36	(36)	-
	(2,347)	(36)	**(2,383)**
Balance at 31 July 2015	(5,373)	1,086	**(4,287)**
Deficit from the income and expenditure account	(1,890)	-	**(1,890)**
Other comprehensive income	(2,584)	-	**(2,584)**
Transfers between revaluation and income and expenditure reserves	36	(36)	-
Total comprehensive income for the year	(4,438)	(36)	**(4,474)**
Balance at 31 July 2016	(9,811)	1,050	**(8,761)**

Balance sheet

	Note	2016 £'000	2015 £'000
Non current assets			
Tangible assets	12	21,569	21,204
Investments	13	-	-
		21,569	21,204
Current assets			
Stock		24	17
Debtors	14	459	765
Cash at bank and in hand	19	-	1,227
Total current assets		483	2,009
Less: Creditors – amounts falling due within one year	15	(9,226)	(2,844)
Net current liabilities		(8,743)	(835)
Total assets less current liabilities		12,826	20,369
Less: Creditors – amounts failing due after more than one year	16	(9,299)	(15,226)
Provisions			
Defined benefit obligations	20	(12,198)	(9,247)
Other provisions	18	(90)	(183)
TOTAL NET LIABILITIES		(8,761)	(4,287)
Income and expenditure account excluding pension reserve		2,387	3,874
Pension reserve	20	(12,198)	(9,247)
Income and expenditure account including pension reserve		(9,811)	(5,373)
Revaluation reserve		1,050	1,086
TOTAL DEFICIT		(8,761)	(4,287)

The financial statements were approved by the Corporation on 15 December 2016 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.

Statement of Cash Flows

	Notes	2016 £'000	2015 £'000
Cash flow from operating activities			
Deficit for the year		(1,890)	(1,303)
Adjustment for non-cash items			
Depreciation		1,088	948
(Increase)/decrease in stocks		(7)	9
(Increase)/decrease in debtors		306	(58)
Increase/(decrease) in creditors due within one year		(419)	(116)
Increase/(decrease) in creditors due after one year		(369)	3,577
Increase/(decrease) in provisions		(93)	99
Pensions costs less contributions payable		366	317
Taxation		1	-
Adjustment for investing or financing activities			
Investment income		(5)	(9)
Interest payable		350	352
Taxation paid		(1)	-
Loss on sale of fixed assets		15	26
Net cash flow from operating activities		(658)	3,842
Cash flows from investing activities			
Proceeds from sale of fixed assets		6	-
Investment income		5	9
Payments made to acquire fixed assets		(1,474)	(5,292)
		(1,463)	(5,283)
Cash flows from financing activities			
Interest paid		(345)	(352)
Interest element of finance lease rental		(5)	-
New unsecured loans		1,326	-
Repayments of amounts borrowed		(245)	(199)
Capital element of finance lease rental		121	-
		852	(352)
Decrease in cash and cash equivalents in the year		**(1,269)**	**(1,793)**
Cash and cash equivalents at beginning of the year	19	1,227	3,020
Cash and cash equivalents at end of the year	19	(42)	1,227

1 Accounting policies

Legal status and principal activities

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting Accrington & Rossendale College.

The principal activity of the College is to provide further education.

Statement of accounting policies

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

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: *Accounting for Further and Higher Education 2015 (the 2015 FE HE SORP)*, the *College Accounts Direction for 2015 to 2016* and in accordance with Financial Reporting Standard 102 – *"The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland"* (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

Transition to the 2015 FE HE SORP

The College is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the College has amended certain accounting policies to comply with FRS 102 and the 2015 FE HE SORP. The trustees have also taken advantage of certain exemptions from the requirements of FRS 102 permitted by FRS 102 Chapter 35 'Transition to this FRS'.

An explanation of how the transition to the 2015 FE HE SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the College is provided in note 26.

The 2015 FE HE SORP requires colleges to prepare a single statement of comprehensive income, and not the alternative presentation of a separate income statement and a statement of other comprehensive income. This represents a change in accounting presentation from the previous period with separate statements for the Income and Expenditure account and for the Statement of Total Recognised Gains and Losses were presented.

The application of first time adoption allows certain exemptions from the full requirements of the FRS 102 and the 2015 FE HE SORP in the transition period. The following exemptions have been taken in these financial statements:

- Revaluation at deemed cost – at 1st August 2015, the College has retained the carrying values of freehold properties as being deemed cost.

Basis of accounting

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

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.

Basis of preparation

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

The College primarily meets its day to day working capital requirements through cash generated from its day to day operations and an agreed overdraft facility of £250,000 from Lloyds Bank plc.

The College also has in place a bank loan with Barclays Bank plc, which at 31 July 2016 had a balance of £5,690,000, and a loan in place with Lloyds Bank plc with a balance of £950,000 outstanding at this date. The covenants on these facilities have been breached as at 31 July 2016. The College has also received exceptional financial support of £326,000 from the Skills Funding Agency during the year and received a commitment from the Skills Funding Agency that they will provide a further £1,921,000 of funding in the period to March 2017.

The College's forecasts for the 12-month period following approval of these financial statements indicate that additional financing (beyond that provided by the agreed facilities and the committed level of exceptional financial support) is required for the College to continue to meet its liabilities as they fall due.

The College's Corporation is actively pursuing a merger with Burnley College, which if achieved, would result in all trading activities of the College transferring to Burnley College, but would result in the dissolution of the College Corporation.

As consequence of the breach of financial covenants associated with both bank loans and subsequent default of the loan agreements, the banks have a contractual right to demand immediate repayment of the debt. At the time of approval of the financial statements, and on the basis of the assurance of the exceptional financial support from the Skills Funding Agency and the progress with plans for merger, the banks have not sought to revise the terms of those agreements or to demand immediate repayment. However, for the purposes of the financial statements, the full loan balances have been classified as current liabilities to reflect the legal position.

Given the intention of the members of the Corporation at the date of approval of these financial statements is to pursue this merger and ultimately dissolve the College Corporation these financial statements have been prepared on a cessation basis.

The members of the Corporation have reviewed the financial statements and made no adjustment to the measurement or disclosure of balances contained therein. This reflects the current intentions to transfer the activities to Burnley College.

Recognition of income

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the Adult 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 following the year end, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

The recurrent grant from HEFCE represents the funding allocations attributable to the current financial year and is credited direct to the Statement of Comprehensive Income.

Grants from non-government sources are recognised in income when the College is entitled to the income and performance related conditional have been met. Income received in advance of performance related conditions being met is recognized as deferred income within creditors on the balance sheet and released to income as the conditions are met.

Government capital grants are capitalised, held as deferred income and recognized in income over the expected useful life of the asset, under the accrual method as permitted by FRS 102. Other capital grants are recognized in income when the College is entitled to the funds subject to any performance related conditions being met.

Income from tuition fees is stated gross of any expenditure which is not a discount and is recognised in the period for which it is received.

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

Accounting for post-employment benefits

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

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit charges, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in comprehensive income. Actuarial gains and losses are recognised immediately in comprehensive income.

Short term employment benefits

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

Enhanced pensions

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

Non-current assets - Tangible fixed assets

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

a) Land and buildings

Land and buildings inherited from the Local Education Authority are stated in the balance sheet at deemed cost 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.

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

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

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

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 after initial purchase it is charged to income in the period it is incurred, unless it increases the future benefits to the College, in which case it is capitalised and depreciated on the relevant basis.

d) Equipment
Equipment costing less than £1,500 per individual item is recognised as expenditure in the period of acquisition. All other equipment is capitalised at cost.

Capitalised 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

Borrowing costs
Borrowing costs are recognised as expenditure in the period in which they are incurred.

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

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

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

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

Inventories

Inventories are stated at the lower of their cost and net realisable value, being selling price less costs to complete and sell. Where necessary, provision is made for obsolete, slow-moving and defective stocks.

Cash and cash equivalents

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

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

Financial liabilities and equity

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

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

Taxation

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 47-488 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

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

Provisions and contingent liabilities

Provisions are recognised when the College has a present legal or constructive obligation as a result of a past event, 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.

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

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

Contingent liabilities are not recognised in the balance sheet but are disclosed in the notes to the financial statements.

Agency arrangements

The College acts as an agent in the collection and payment of discretionary support funds and are shown separately in note 25, except for 5% of the grant received which is available to the College to cover administration costs relating to the grant. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure account of the College where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

Judgements in applying accounting policies and key sources of estimation uncertainty

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

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

Other key sources of estimation uncertainty

- Tangible fixed assets

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- Local Government Pension Scheme

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions.

The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 20, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2013 has been used by the actuary in valuing the pensions liability at 31 July 2016. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2 Funding body grants

	2016	2015
	£'000	£'000
Recurrent grants		
Skills Funding Agency	4,527	4,738
Education Funding Agency	4,495	4,906
Higher Education Funding Council of England	238	543
Specific grants		
Skills Funding Agency	110	164
Education Funding Agency	10	15
Higher Education Funding Council of England	-	29
Releases of government capital grants	318	240
	9,698	10,635

£258,000 of prior year specific grants income has been reclassified during the current year and is now reflected in note 4.

Tuition fees and education contracts

	2016	2015
	£'000	£'000
Adult education fees	164	188
Commercial course fees	121	79
Fees for FE loan supported courses	500	929
Fees for HE loan supported courses	1,567	1,641
Total tuition fees	2,352	2,837
Education contracts	577	624
	2,929	3,461

Included in the above amounts are tuition fees funded by bursaries of £34,737 (2014/15 £58,188).
£134,000 of prior year education contracts income has been reclassified during the current year and is now reflected in note 4.

3 Other grants and contracts

	2016	2015
	£'000	£'000
Erasmus	59	36
UK-based charities	74	24
European Commission	12	258
Other grants and contracts	28	74
	173	392

For the prior year values, £258,000 has been reclassified from note 2 and £134,000 from note 3 during the current year.

4 Other income

	2016	2015
	£'000	£'000
Other income generating activities:		
training restaurant	75	73
training salons	13	19
sports facilities	76	67
shared services	-	2
other	14	27
Examination fees	48	39
Releases from deferred capital grants (non-funding body)	52	53
Other income	124	118
	402	398

5 Endowment and investment income

	2016	2015
	£'000	£'000
Interest receivable	5	9

6 Staff costs

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

	2016	2015
	No.	No.
Teaching staff	142	141
Non-teaching staff	136	159
	278	300

Staff costs for the above persons:

	2016	2015
	£'000	£'000
Wages and salaries	7,297	7,959
Social security costs	509	542
Other pension costs (including FRS 102 charge of £29,000; 2015: credit of £3,000)	1,238	1,194
Payroll sub-total	9,044	9,695
Contracted out staffing services	439	667
	9,483	10,362
Fundamental restructuring costs – Contractual	237	80
- Non contractual	61	-
Total staff costs	9,781	10,442

7 Staff costs (continued)

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the senior post-holders which comprise the Principal, Vice Principal (Curriculum and Quality) and Vice Principal (Finance and Corporate Services). 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.

Emoluments of Key management personnel and Accounting Officer

	2016	2015
	Number	Number
The number of key management personnel including the Principal was:	3	3

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

	Key management personnel		**Other staff**	
	2016	2015	**2016**	2015
	No.	No.	No.	No.
£60,001 to £70,000	-	-	-	-
£70,001 to £80,000	-	-	-	-
£80,001 to £90,000	2	2	-	-
£90,001 to £100,000	-	-	-	-
£100,001 to £110,000	-	-	-	-
£110,001 to £120,000	-	-	-	-
£120,001 to £130,000	1	1	-	-
£130,001 to £140,000	-	-	-	-
	3	3	-	-

7 Staff costs (continued)

Key management personnel compensation is made up as follows:

	2016	2015
	£'000	£'000
Salaries	259	259
Employers' National Insurance	30	29
Pension contributions	37	35
Total key management personnel compensation	326	323

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

The above compensation includes amounts payable to the Principal and Accounting Officer (who is also the highest paid senior post holder) of:

	2016	2015
	£'000	£'000
Salary	108	108
Pension contributions	18	15
	126	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

	2016	2015
	£'000	£'000
Teaching costs	1,334	699
Non-teaching costs	1,656	2,689
Premises costs	482	623
	3,472	4,011

8 Other operating expenses (continued)

	2016	2015
	£'000	£'000
Other operating expenses include:		
Auditors' remuneration		
- Financial Statements audit	21	19
- Internal audit	10	8
Other services provided by the financial statements auditors*	13	2
Payments to subcontractors	522	673
Non-cancellable leases on land and buildings	29	129
Hire of other assets	119	134

* relates to corporation tax compliance services, subcontracting assurance audit and cash flow modelling

9 Interest payable

	2016	2015
	£'000	£'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	343	352
	343	352
On finance leases	5	-
Pension finance costs (note 20)	338	320
Interest on enhanced pension provision	2	3
	688	675

10 Exceptional items

	2016	2015
	£'000	£'000
Merger costs	52	-
Onerous lease costs	-	96
	52	96

11 Taxation

	2016	2015
	£'000	£'000
United Kingdom corporation tax	1	-

12 Tangible fixed assets

	Land and buildings		Equipment	Total
	Freehold	Under Construction		
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2015	21,471	4,265	3,739	29,475
Additions	177	90	1,207	1,474
Transfers	4,265	(4,265)	-	-
Disposals	-	-	(127)	(127)
At 31 July 2016	25,913	90	4,819	30,822
Depreciation				
At 1 August 2015	5,648	-	2,623	8,271
Charge for year	675	-	413	1,088
Eliminated on disposal	-	-	(106)	(106)
At 31 July 2016	6,323	-	2,930	9,253
Net book value				
At 31 July 2016	19,590	90	1,889	21,569
At 31 July 2015	15,823	4,265	1,116	21,204

Tangible fixed assets (continued)

On adoption of FRS 102, 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. 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 £9,554,000 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.

The net book value of equipment includes an amount of £115,551 (2014/15 - £nil) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £25,353 (2014/15 - £nil).

13 Non-current Investments

	2016	2015
	£	£
Investment in subsidiary company	2	2
Investment in Lancashire College Consortium Limited	1	1

At 31 July 2016 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 2016 and 31 July 2015.

At 31 July 2016 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.

14 Debtors

	2016	2015
	£'000	£'000
Amounts falling due within one year:		
Trade receivables	156	368
Prepayments and accrued income	173	216
Amounts owed by the Skills Funding Agency	130	181
	459	765

15 Creditors: amounts falling due within one year

	2016	2015
	£'000	£'000
Loans and overdrafts (note 17)	6,647	198
Obligations under finance leases	26	-
Trade payables	456	428
Other taxation and social security	161	155
Deferred income – government capital grants	373	370
Deferred income – government revenue grants	-	-
Skills Funding Agency Exceptional Financial Support loan	326	-
Accruals and deferred income	1,136	901
Amounts owed to the funding bodies	101	792
	9,226	2,844

16 Creditors: amounts falling due after one year

	2016	2015
	£'000	£'000
Loans and overdrafts (note 17)	4	5,656
Obligations under finance leases	94	-
Deferred income – government capital grants	9,201	9,570
	9,299	15,226

17 Maturity of debt

	2016	2015
	£'000	£'000
(a) Bank loans and overdrafts		
Bank loans and overdrafts are repayable as follows:		
In one year or less	6,647	198
Between one and two years	4	200
Between two and five years	-	656
In five years or more	-	4,800
	6,651	5,854

An arranged overdraft facility with an interest rate of 2.5%, has been utilised during the year, balance £41,937 at 31 July 2016. An unsecured bank loan with a fixed interest rate of 5.91% is repayable by instalments falling due between 1 August 2016 and 27 June 2033 totalling £5,643,406. A further unsecured bank loan with a variable interest rate (1.6% above LIBOR) is repayable by instalments falling due between 1 August 2016 and 15 January 2026 totalling £954,544. An interest free loan totalling £5,243 is repayable by instalments falling due between 1 August 2016 and 1 April 2020. A further interest free loan totalling £6,097 is repayable by instalments falling due between 1 August 2016 and 31 December 2016, respectively. The covenants on bank loan facilities have been breached at 31st July 2016. As consequence of the breach, the banks have a contractual right to demand immediate repayment of the debt. At the time of approval of the financial statements the banks have not sought to revise the terms of those agreements or to demand immediate repayment. However, to reflect the legal position, the full loan balances have been classified as current liabilities.

	2016	2015
	£'000	£'000
(b) Finance leases		
The net finance lease obligations to which the College is committed are:		
In one year or less	27	-
Between one and two years	28	-
Between two and five years	66	-
In five years or more	-	-
	121	-

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

18 Provisions

	Enhanced Pension	Onerous lease	Total
	£'000	£'000	£'000
At 1 August 2015	87	96	183
Expenditure in the period	(6)	(94)	(100)
Additions in period	7	-	7
At 31 July 2016	88	2	90

The onerous lease provision was established in 2015 to provide for the remaining obligations under a lease, due to end in September 2016, for restaurant premises for the College's catering provision. The premises were vacated in August 2015.

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:

	2016	2015
Interest rate	2.3%	3.5%
Net interest rate	1.3%	1.7%

19 Cash and cash equivalents

	At 1 August 2015	Cash flows	Other changes	At 31 July 2016
	£'000	£'000	£'000	£'000
Cash and cash equivalents	1,227	(1,227)	-	-
Overdrafts	-	(42)	-	(42)
Total	1,227	(1,269)	-	(42)

20 Defined benefit obligations

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

Total pension cost for the year

		2016 £'000		2015 £'000
Teachers pension scheme: contribution paid		500		453
Local Government Pension Scheme:				
Contributions paid	713		784	
FRS 102 (28) charge	29		(3)	
Charge to Statement of Comprehensive Income		742		781
Enhanced pension charge to Statement of Comprehensive Income		6		6
Total Pension Cost for Year within staff costs		1,248		1,240

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 £133,150 (2015; £141,159) 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.

20 Defined benefit 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 20152016. The valuation report was published by the Department for Education (the Department) on 9 June 2014. The key results of the valuation are:

- New employer contribution rates were set at 16.48% of pensionable pay (including administration fees of 0.08%)
- total scheme liabilities 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 was 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/20152016/06/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 £500,229 (2015: £452,943).

20 Defined benefit obligations (continued)

FRS 102 (28)
Under the definitions set out in FRS 102 (28.11), the TPS is a multi-employer pension plan. The College is unable to identify its share of the underlying assets and liabilities of the scheme.

Accordingly, the College has taken advantage of the exemption in FRS102 and has accounted for its contributions to the scheme as if it were a defined-contribution plan. The College has set out above the information available on the plan and the implications for the College in terms of the anticipated contribution rates.

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 contributions made for the year ended 31 July 2016 were £900,642 of which employer's contributions totalled £702,037 and employees' contributions totalled £198,606 (these figures represent the actual amounts paid to the scheme provider and differ to the figures used for FRS102 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).

Principal actuarial assumptions
The following information is based upon a full actuarial valuation of the fund at 31 March 2013 updated to 31 July 2016 by a qualified independent actuary.

	At 31 July 2016	At 31 July 2015
Rate of increase in salaries	3.20%	3.70%
Rate of increase for pensions	1.80%	2.20%
Discount rate for scheme liabilities	2.50%	3.80%
Inflation assumption (CPI)	1.70%	2.20%
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 2016	At 31 July 2015
Retiring today		
Males	23.00	22.90
Females	25.60	25.40
Retiring in 20 years		
Males	25.20	25.10
Females	27.90	27.80

20 Defined benefit obligations (continued)

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

	Long-term rate of return expected at 31 July 2016	Fair Value at 31 July 2016	Long-term rate of return expected at 31 July 2015	Fair Value at 31 July 2015
	£'000	£'000	£'000	£'000
Equities	38.6%	9,681	34.4%	7,215
Government Bonds	-	-	5.5%	1,154
Other Bonds	2.5%	627	2.6%	545
Property	9.5%	2,383	9.1%	1,909
Cash/Liquidity	3.5%	878	1.3%	273
Other	45.9%	11,512	47.1%	9,879
Total fair value of plan assets		25,081		20,975
Actual return on plan assets		4,105		2,000

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

	2016	2015
	£'000	£'000
Fair value of plan assets	25,081	20,975
Present value of plan liabilities	(37,279)	(30,222)
Net pensions liability	(12,198)	(9,247)

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

	2016	**2015**
	£'000	**£'000**
Amounts included in staff costs (note 7)		
Current service cost	718	744
Administration costs	12	15
Curtailment cost	12	22
Past service cost	-	-
Total	**742**	**781**

20 Defined benefit obligations (continued)

	2016	2015
	£,000	£,000
Amounts included in interest payable (note 9)		
Net interest cost	338	320
	338	**320**

Amount recognised in Other Comprehensive Income		
Return on pension plan assets	3,308	1,207
Experience losses arising on defined benefit obligations	-	-
Changes in assumptions underlying the present value of plan	(5,892)	(2,287)
Amount recognised in Other Comprehensive Income	**(2,584)**	**(1,080)**

Movement in net defined benefit liability during year

	2016	2015
	£'000	£'000
Net defined benefit liability in scheme at 1 August	(9,247)	(7,850)
Movement in year:		
Current service cost	(718)	(744)
Employer contributions	713	784
Curtailment loss	(12)	(22)
Administration expenses	(12)	(15)
Net interest on the defined benefit liability	(338)	(320)
Actuarial gain or loss	(2,584)	(1,080)
Net defined benefit liability at 31 July	**(12,198)**	**(9,247)**

Asset and Liability Reconciliation

	2016	2015
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	30,222	26,477
Current service cost	718	744
Interest cost	1,135	1,128
Contributions by Scheme participants	200	236
Experience gains and losses on defined benefit obligations	-	-
Changes in financial assumptions	5,892	2,287
Estimated benefits paid	(900)	(672)
Past Service cost	-	-
Curtailments and settlements	12	22
Defined benefit obligations at end of period	**37,279**	**30,222**

	2016	2015
	£'000	£'000
Changes in fair value of plan assets		
Fair value of plan assets at start of period	20,975	18,627
Interest on plan assets	797	808
Remeasurements	3,308	1,207
Administration expenses	(12)	(15)
Employer contributions	713	784
Contributions by Scheme participants	200	236
Estimated benefits paid	(900)	(672)
Fair value of plan assets at end of period	**25,081**	**20,975**

21 Events after the reporting period

There are no events after the reporting period.

22 Lease obligations

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

	2016	2015
	£'000	£'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	26	64
Later than one year and not later than five years	46	72
Later than five years	-	-
	72	136
Other		
Not later than one year	125	135
Later than one year and not later than five years	115	240
Later than five years	-	-
	240	375

23 Contingent liabilities

There are no contingent liabilities at 31 July 2016 (2015: £nil).

24 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 (2015: None).

No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2015: 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.

25 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 Statement of Comprehensive income. 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.

	2016	2015
	£'000	£'000
Learner support funds		
Funding body grants – bursary support	341	514
Funding body grants – discretionary learner support	181	107
	522	621
Disbursed to students	(447)	(600)
Administration costs	(26)	(21)
Balance unspent at 31 July	49	-

26 Transition to FRS 102 and the 2015 FE HE SORP

The year ended 31 July 2016 is the first year that the College has presented its financial statements under FRS 102 and the 2015 FE HE SORP. The following disclosures are required in the year of transition. The last financial statements prepared under previous UK GAAP were for the year ended 31 July 2016 and the date of transition to FRS 102 and the 2015 FE HE SORP was therefore 1 August 2015. As a consequence of adopting FRS 102 and the 2015 FE HE SORP, a number of accounting policies have changed to comply with those standards.

An explanation of how the transition to FRS 102 and the 2016 HE FE SORP has affected the College's financial position, financial performance and cash flows, is set out below.

	Note	1 August 2014 £'000	31 July 2015 £'000
Financial position			
Total reserves under previous SORP		(1,869)	(4,252)
Employee leave accrual	a	(35)	(35)
Changes to measurement of net finance cost on defined benefit plans	b		
Total effect of transition to FRS 102 and 2015 FE HE SORP		(35)	(35)
Total reserves under 2015 FE HE SORP		(1,904)	(4,287)

26 Transition to FRS 102 and the 2015 FE HE SORP (continued)

	Note	Year ended 31 July £'000
Financial performance		
Deficit for the year after tax under previous SORP		(1,015)
Pension provision – actuarial loss	d	(1,080)
Changes to measurement of net finance cost on defined benefit plans	c	(288)
Total effect of transition to FRS 102 and 2015 FE HE SORP		(1,368)
Total comprehensive income for the year under 2015 FE HE SORP		(2,383)

a) Recognition of short term employment benefits

No provision for short term employment benefits such as holiday pay was made under the previous UK GAAP. Under FRS 102 the costs of short-term employee benefits are recognised as a liability and an expense. The annual leave year runs to 31st July each year for both teaching and non-teaching staff meaning that, at the reporting date, there was an average of 5 days unused leave for teaching staff and 4 days unused leave for non-teaching staff. In addition, certain non-teaching employees are entitled to carry forward up to 5 days of any unused holiday entitlement at the end of the leave year. The cost of any unused entitlement is recognised in the period in which the employee's services are received. An accrual of £35k was recognised at 31 July 2014, and at 31 July 2015. Following a re-measurement exercise in 2014/16, the movement on this provision of £6k has been charged to Comprehensive Income in the year ended 31 July 2016.

b) Change in recognition of defined benefit plan finance costs

The net pension finance cost recognised in the Income and Expenditure account for the year ended 31st July 2016 under the previous UK GAAP was the net of the expected return on pension plan assets and the interest on pension liabilities. FRS 102 requires the recognition in the Statement of Comprehensive Income, of a net interest cost, calculated by multiplying the net plan obligations by the market yield on high quality corporate bonds (the discount rate applied). The change has had no effect on net assets as the measurement of the net defined benefit plan obligation has not changed. Instead, the decrease in the surplus for the year has been mirrored by a reduction in the actuarial losses presented within Other Comprehensive Income.

26 Transition to FRS 102 and the 2015 FE HE SORP (continued)

c) Presentation of actuarial gains and losses within Total Comprehensive Income

Actuarial gains and losses on the College's defined benefit plans were previously presented in the Statement of Total Recognised Gains and Losses (STRGL), a separate statement to the Income and Expenditure account. All such gains and losses are now required under FRS 102 to be presented within the Statement of Comprehensive Income, as movements in Other Comprehensive Income.