

# Report and financial statements Accrington & Rossendale College

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**For the year ended 31 July 2017**

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## Members' Report

### A. NATURE, OBJECTIVES AND STRATEGIES

The members present their report and the audited financial statements for the year ended 31 July 2017.

#### 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 2017 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 following the Machinery of Government changes in July 2016, is regulated by the Secretary of State for Education. The members of the Governing body, who are trustees of the charity, are disclosed on pages 14 to 16.

In setting and reviewing the College's strategic objectives, the Governing Body has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. 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
- Links with Local Enterprise Partnerships (LEPs)

## Members' Report (continued)

### Implementation of strategic aims

In September 2016, the Corporation approved the Strategic Plan for 2016-17 and a series of performance indicators were agreed to monitor the successful implementation of the plan. These were assessed by the management team and the Corporation Board. Although some objectives were not achieved in full, mitigating actions were put in place to address this. The College made progress against most objectives and key achievements are detailed in the report.

In September 2017, the Corporation approved the updated Strategic Plan (2017-18), which included specific objectives for 2017/18 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:

- 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 of first choice for talented and innovative staff
- To secure financial stability

### Performance indicators

The College is committed to observing the importance of sector measures and indicators, and uses the FE Choices data available on the GOV.UK website 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 is required to complete the annual Finance Record for the Education and Skills Funding Agency (ESFA), which automatically generates a financial health grading. In 2016/17 the financial health grade was 'Inadequate'. The College has a financial plan to stabilise the College's financial health and the Strategic Plan addresses longer term structural change to secure financial stability.

## B. FINANCIAL POSITION

### Financial results

The College generated a deficit before actuarial gains in the year of £1,375,000 (2015/16 – deficit of £1,890,000). The College would have achieved a deficit of £930,000 if the effects of the FRS102 (28) pension adjustments had not been incorporated.

At 31 July 2017, the College had accumulated income and expenditure reserves of £1,493,000 excluding FRS102 Pension Reserve (2015/16 - £2,387,000) and cash balances of £898,000 (2015/16 – overdraft £42,000).

The College's pension reserve deficit reduced in year from £12,198,000 to £11,594,000.

## Members' Report (continued)

Tangible fixed asset additions during the year amounted to £164,000 (2015/16 - £1,474,000). This related to the standard annual investment in equipment and software.

The College has significant reliance on the Education and Skills Funding Agency, as its principal funding source, largely from recurrent grants. In 2016/17, these sources provided 73% of the College's total income (2015/16 – 73%). Total income from Higher Education provision, including grants, tuition fees and education contracts, accounts for £1.5m of the total overall income (2015/16 - £1.9m).

The College has one subsidiary company, ARC Enterprises Limited which remained dormant during 2016/17 and was dissolved in September 2017.

### 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 ESFA requirements. The College will maintain these controls to ensure safe practice.

### Cash flows

The cash balances as at 31 July 2017 were £898,000 (31 July 2016 – overdrawn balance £42k). Management of cash flow was supported during the year with Exceptional Support Funding (EFS) from the ESFA. Loan funding of £1,921,000 was provided during the year bringing total Exceptional Support Funding (EFS) to £2,247,000 (2015/16 - £326,000).

### 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 2016/17 amounted to £342,000 (2015/16 - £343,000). College borrowings, including EFS, as a percentage of turnover are currently at 72% (2015/16 - 50%) and without EFS are 53% (2015/16 - 48%) of turnover.

### Reserves Policy

The College has no formal Reserves Policy but recognises the importance of reserves in the financial stability of any organisation. It is recognised that the College reserves have depleted over recent years. The College's Strategic Plan objective to secure financial stability aims to limit any further reduction of reserves and to secure a merger to ensure that there are adequate

## Members' Report (continued)

reserves in the new organisation to support the College's core activities. As at the balance sheet date the Income and Expenditure reserve stands at £1,493,000 (2016: £2,387,000).

### C. CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

#### Financial Health

The College's financial health for 2016/17 is still graded as 'inadequate' by the ESFA (2016 – 'inadequate'), and this grading will not change in 2017/18. The College is still subject to a Financial Notice of Concern and has breached bank covenants for both loans in 2015/16 and 2016/17. It continues to work closely with the FE Commissioner, ESFA, Lloyds and Barclays to agree plans for improved financial health and all of these stakeholders remain supportive of the College's merger discussions. The banks have not imposed any financial penalties for breach of covenants, but have sought a charge over the assets of the College in relation to the loans, which is being progressed.

#### Student numbers

In 2016/17, the College delivered activity that has, overall, produced £8,886,000 in main allocation funding from the Education and Skills Funding Agency (£9,027,000 in 2015/16). This includes the following funding streams:

- Funding for 900 16-18 year old college based learners, which has decreased from 960 in 2015/16 with funding reducing from £4.5m to £4.2m.
- The number of college based adult students decreased from 2,785 in 2015/16 to 2,465 in 2016/17 with the associated income increasing from £3,031,000 to £3,253,000.
- Adult apprentices funding generated £502,000 in 2016/17 compared to £600,000 in the previous year.
- 16 to 18 year old apprenticeship funding earned £882,000 compared to £877,000 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 £1,867,000 in 2015/16 to £1,500,000 in 2016/17.

## Members' Report (continued)

### Student achievements

The headline achievement rate for 2016/17 is 88%, which is a significant improvement on the 2015/16 rate of 81%. The performance for adults continues to improve and is at 90% (2015/16 88%), and for 16-18 year olds the achievement rate has improved to 83% from 65% last year. For apprenticeship provision, overall achievement is at 72% which is an improvement on 2015/16 (70.6%) and is now just above the national average. The improvements are the result of the action plan the College has implemented during 2016/17 to address performance following lower achievement rates in 2015/16 and the outcome of the March 2016 Ofsted inspection.

### Curriculum developments

The College continues to collaborate with key stakeholders, including employers and community partners in planning a high quality, vocational offer, ensuring 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. Curriculum planning focusses on:

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

The College was inspected during 2015/16 and this resulted in a judgement of 'requires improvement'. The focus during 2016/17 was on quality improvement in order to achieve an Ofsted grade of 'good' or better at the next inspection. An action plan was implemented 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 to progress to further study or work destinations. Self-assessment for 2016/17 is indicating an improvement in quality and performance to 'good' and substantial progress has been noted during Ofsted Support and Challenge visits.

In 2016/17 the College continued 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. The achievement rates for adult provision are above the national average. This provision will continue to be available in 2017/18.

In line with Government policy the college continues to promote its apprenticeship offer. Work continues in 17/18 to expand our offer to better meet employer needs locally and to respond to the apprenticeship reform that has seen the introduction of the levy for larger employers and co-investment for smaller employers. There has been continued development and growth of Higher Level Apprenticeships (HLAs) throughout 2016/17 and preparation for changes to apprenticeship funding has also been a key focus, with the College strengthening its relationships with employers to ensure a smooth transition.

## Members' Report (continued)

The College continues to deliver prescribed and non-prescribed HE and has partnership arrangements in place with Buckinghamshire New University, Bolton University and Liverpool John Moores University. The College attained the Teaching Excellence Framework (TEF) Bronze award during 2016/17.

In line with the recommendation from the Area Based Review (ABR), the College had planned to merge with another local College during 2016/17, and although plans have yet to come to fruition, there has been some collaboration as a result of the preparation work that has had a positive impact and been a catalyst for review of some functions within the College. Marketing and Business Development, in particular, has been a key focus and significant work has been done to increase the College's profile in the local area. Early signs are that this is having a positive impact with a significant increase in traffic on the College's social media platforms.

### 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 2016 to 31 July 2017, the College paid all appropriate invoices within 30 days. Invoices in dispute were dealt with within 60 days. The College incurred no interest charges in respect of late payment for this period.

### Post-balance sheet events

There are no reportable post balance sheet events.

### Future developments

The College has restructured the Executive Team in preparation for merger, and the Principal left during the year. A strong Interim Principal with a good track record in FE and previous experience of the College is in place until merger arrangements are confirmed. In order to secure a merger for the College, an FE Commissioner led Structure and Prospects Appraisal (SPA) has now commenced and will be concluded during 2017/18, with an expectation that the College will finalise a merger during the year.



## Members' Report (continued)

### 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 250 (2015/16 - 278), of whom 121 (2015/16 – 142) 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 £200k annually, the majority of which is used to enhance our digital infrastructure, and constant internal remodelling of our buildings to fulfil the needs of the curriculum.

### E. PRINCIPAL RISKS AND UNCERTAINTIES

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 Executive 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 2016/17 were: -

- Achieve an Ofsted re-inspection and self-assessment judgement of at least 'good' by 2017 (improving to Outstanding by 2018)
- To achieve or exceed learner number and income targets for 2016/17
- To achieve the planned budget targets for 2016/17
- To secure the long-term sustainability of the College through merger with another FE College.

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. The College is demonstrating sufficient progress in respect of the first risk, and has self-assessed as 'good' for 2016/17, although has yet to have an Ofsted re-inspection to confirm this. Learner numbers targets were partially achieved, with particular success in adult provision, though the recruitment of 16-18 year olds continues to be of concern. Although the original budget was not achieved, the final deficit was minimised with robust action taken in year. The College continues to work towards a merger and is now part of an FE Commissioner led Structure and Prospects appraisal which aims to achieve this in 2017/18. The College continues to work closely with the ESFA, the FE Commissioner and additional professional support.

## Members' Report (continued)

### Government Funding

The College has considerable reliance on continued government funding through the further education sector funding bodies and through HEFCE. In 2016/17, 78% of the College's revenue was ultimately publicly funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

The College is aware of several issues which may impact on future funding, in particular apprenticeship reforms. The College, in conjunction with its key stakeholders, is developing a strategy for growth in response to this. It is recognised that the introduction of the apprenticeship levy will significantly affect that marketplace though the full implications are not yet known as government policy continues to develop.

This risk is mitigated in a number of ways:

- Funding is derived mainly through a number of direct contracts with only a small proportion derived through indirect contracts
- By ensuring the College is rigorous in delivering high quality education and training and improving outcomes
- Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies and employers/ employer groups
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding
- Regular dialogue with funding bodies
- Timely and quality submission of applications where public funding is now subject to public procurement or tender processes

### Tuition fee policy

Ministers have confirmed that the fee assumption remains at 50%. In line with the majority of other colleges, Accrington & Rossendale College will seek to increase tuition fees in accordance with the fee assumptions, but take account of market pricing. The risk for the College is that demand falls off as fees increase or that the assumed fee level cannot be charged reducing overall income levels for some provision. This will impact on the level of adult funding earned by the College.

This risk is mitigated in a number of ways:

- By ensuring the College is rigorous in delivering high quality education and training, thus ensuring value for money for students
- Close monitoring of the demand for courses as prices change
- Detailed analysis of course contribution levels to optimise prices charged

## Members' Report (continued)

### Maintain adequate funding of pension liabilities

The financial statements report the share of the Local Government Pension Scheme deficit on the College's balance sheet in line with the requirements of FRS 102. This risk is mitigated by an agreed deficit recovery plan with the Lancashire LGPS.

### Failure to maintain the financial viability of the College

The College's current financial health grade is classified as 'inadequate'. This is largely the consequence of historic low levels of cash reserves, declining recruitment, in particular that relating to 16-18 year olds, and relatively high levels of borrowing. This has resulted in a Financial Notice to Improve being issued by the FE Commissioner, breach of bank covenants for both loans in 2015/16 and 2016/17 and reliance on ESFA Exceptional Financial Support (EFS) to maintain working capital levels. In addition, the continuing challenge to the College's financial position remains the constraint on further education funding arising from the ongoing cuts in public sector spending whilst maintaining the student experience.

This risk is mitigated in a number of ways:

- Minimisation of operating deficits by rigorous budget setting procedures and sensitivity analysis Regular in year budget monitoring
- Robust financial controls
- Regular dialogue with key stakeholders including the FE Commissioner, the ESFA and the College's bankers, Barclays and Lloyds
- Exploration of structural change and potential merger in line with the Area Based Review and with the support of the ESFA and FE Commissioner

## 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);
- Partner Universities
- The local community;
- Other FE institutions and training providers;
- Trade unions and professional bodies.

## Members' Report (continued)

### 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.

We are committed to the active pursuit of an equality and diversity policy which addresses the need and right of everyone in college to be treated with respect and dignity, in an environment in which experience of a diversity of backgrounds 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 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 October 2017, 92.8% of College staff identified as being white, 4.8% staff identified as being from BAME groups and 2.4% identified as "other". The number of BAME staff increased by 0.6%, the 'other' staff by 0.8%, whilst the number of white staff reduced by 1.6%. Half of BAME staff (50%) are employed in support roles, with 8.4% of our teachers and assessors declaring their ethnicity as BAME or 'other'. Of the whole College management team, one member of staff declared BAME ethnicity.

The number of staff with a disability in October 2017 was 16.3% compared to 10.2% in January 2016. The disability of 6% of staff was not known. The number of staff with a disability employed

## Members' Report (continued)

by the College is still more than double the national average (6%) reported by the Education and Training Foundation in its 2015/16 report.

The gender profile of staff working at the College as at October 2017 was 62% female and 38% male. Compared to 59% female and 41% male in January 2016. When the data is analysed by the occupational group the breakdown shows our teaching staff with 44% male and 56% female, a small shift from the previous year when the split was almost 46% male and 54% female. This compares to national statistics for teaching staff which is 47% male and 53% female.

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, with females dominating in all support staff categories except technical staff. The whole college management team consists of 74% female and 26% male. This shows a 12 percentage point increase in female managers since the last report.

In October 2017, 91.2% of staff had declared their sexual orientation, a slight increase on the previous year's figures. Of the staff that declared their sexual orientation 88.8% identified as straight/heterosexual, 0.8% of staff identified as bisexual, 0.8% of staff identified as gay men and 0.8% of staff identified as lesbian / gay women.

Of the staff who declared their sexual orientation to be other than straight / heterosexual 67% were teachers or assessors and 33% were support staff.

Comparisons to national data relating to sexual orientation are difficult as only 60% 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. 2% of staff in the national data declared their sexual orientation to be other than straight or heterosexual (excluding those who preferred not to say).

The College is updating its gender pay gap reporting to comply with the Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017 and will publish the required information on the College website by the March 2018 deadline.

### 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 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.

## Members' Report (continued)

### Disclosure of information to auditors

The members who held office at the date of approval of this report confirm that, so far as they are 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 7 December 2017 and signed on its behalf by:**



**Brian Stephenson**

**Chair of Corporation**

## Key Management Personnel, Board of Governors and Professional advisers

### Key management personnel

Lynda Mason Interim 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 15-17 of these financial statements

Mr Andrew Armiger acted as Clerk to the Corporation from 1<sup>st</sup> August 2016 to 31<sup>st</sup> January 2017  
Mrs Nicola Tattersall acted as Clerk to the Corporation from 1<sup>st</sup> February to 31<sup>st</sup> July 2017

### 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 (Until December 2016)  
Sumner House  
Saint Thomas' Road  
Chorley  
Lancashire  
PR7 1HP

#### Bankers:

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

Barclays Commercial Bank  
7<sup>th</sup> 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 1<sup>st</sup> August 2016 to 31<sup>st</sup> July 2017 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 2017. 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 2016-17 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 2016/17
<u>Brian Stephenson</u>				
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	80%
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 2016/17
As Chair of Search and Governance Committee	-	1 Aug 2013	15 Oct 2019	66%
As Member of Scholarship Committee	-	1 Aug 2013	15 Oct 2019	100%
<u>Steve Ireland</u>				
As Independent Member	4	28 Sept 2014	27 Sept 2018	100%
As Vice Chair of Corporation	2	24 Sept 2015	24 Sept 2017	
As Chair of Curriculum and Quality Standards Committee	-	18 June 2013	27 Sept 2018	100%
As member of the Recovery Committee	-	11 Jan 2016	27 Sept 2018	100%
As Member of Search and Governance Committee	-	24 Sept 2013	27 Sept 2018	100%
As Member of Remuneration Committee	-	24 Sept 2013	24 Sept 2017	100%
<u>Dr Mike Lee</u>				
As Independent Member	1	16 Oct 2015	15 Oct 2016	40%
As Member of Curriculum and Quality Standards Committee		18 June 2013	15 Oct 2016	
As Member of Remuneration Committee	1	23 Sept 2015	23 Oct 2016	
		1 Aug 2010	15 Oct 2016	
As Member of Scholarship Committee	1	16 Oct 2015	15 Oct 2016	
<u>Rosemarie Andrews</u>				
As Independent Member	4	27 Jan 2016	26 Jan 2020	80%
As Chair of Audit Committee		14 June 2005	26 Jan 2020	100%
As member of Recovery Committee		11 Jan 2016	26 Jan 2020	80%
<u>Dr Ann-Marie Coyne</u>				
As Independent Member	4	30 Sept 2016	29 Sept 2020	60%
As Member of Curriculum and Quality Standards Committee		18 June 2013	29 Sept 2020	100%
As Member of Recovery Committee		11 Jan 2014	29 Sept 2020	60%
As Member of Search and Governance Committee	2	24 Sept 2015	29 Sept 2017	100%
<u>Stephanie Bridgeman</u>				
As Independent Member	4	24 Sept 2013	23 Sept 2017	100%
As Member of Audit Committee	-	24 Sept 2013	23 Sept 2017	100%
As Member of Remuneration Committee	2	24 Sept 2016	23 Sept 2018	
<u>Lynn Spencer</u>				
As Independent Member	4	10 Dec 2013	9 Dec 2017	70%
As Member of Curriculum and Quality Standards Committee		24 Sept 2015	9 Dec 2017	33%
Pilkington Scholarship Committee		30 Jan 2014	9 Dec 2018	
<u>Stephen Cox</u>				
As Independent Member	4	10 Dec 2013	9 Dec 2017	0%
Curriculum and Quality Standards Committee		10 Dec 2013	9 Dec 2017	33%
<u>Zia Shah</u>				
As Independent Member	4	26 Mar 2014	25 Mar 2018	20%
As Member of Resources Committee		13 May 2014	25 Mar 2018	0%
As Member of Recovery Committee		11 Jan 2016	25 Mar 2018	10%
<u>Louise Gaskell</u>				
As Independent Member	4	13 May 2014	12 May 2018	80%
As Member of Audit Committee		13 May 2014	12 May 2018	50%
As Member of Recovery Committee		11 Jan 2016	12 May 2018	70%

## 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 2016/17
<u>Dr Martyn Walker</u> As Independent Member As Member of Resources Committee	4	14 May 2015 14 May 2015	13 May 2019 13 May 2019	80% 100%
<u>Steven Hughes</u> As Independent Member As Member of Audit Committee	4	14 May 2015 14 May 2015	13 May 2019 13 May 2019	100% 50%
<u>Alison Cameron Brandwood</u> As Co-opted Member As Member of Curriculum and Quality Standards Committee		31 Mar 2016 31 Mar 2016	31 Dec 2016 31 Dec 2016	40%
<u>Sue Taylor – Principal</u> 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	95% 50% 100%  90%
<u>Lynda Mason – Interim Principal (31.01.2017)</u> As Member As Member of Resources Committee As Member of Recovery Committee		31 Jan 2017 31 Jan 2017 31 Jan 2017	As Interim Principal As Interim Principal As Interim Principal	50% 50%
<u>Tracy Landon – Staff Member</u> As Staff Member Curriculum and Quality Standards Committee	4 -	9 July 2013 9 July 2013	8 July 2017 8 July 2017	100% 100%
<u>Shirley Lynch – Staff Member</u> As Staff Member As Member of Resources Committee	4	24 Sept 2015 24 Sept 2015	23 Sept 2019 24 Sept 2019	80% 100%
<u>Kate Nuttall – Student Member HE</u> As Student Member	-	31 Mar 2016	Period as HE Student	80%
<u>Andy Armiger: Clerk to the Corporation</u>			31 Jan 2017	100%
<u>Nicola Tattersall: Clerk to the Corporation</u>		1 Feb 2017		100%

Sue Taylor, was appointed as Principal and Accounting Officer on 1<sup>st</sup> August 2013, after previously holding the post of Vice Principal (Curriculum) at the College. Ahead of the planned merger of the College and following the appointment of a Principal Designate of the proposed merged entity, Sue Taylor agreed redundancy terms with the Corporation. Following this, a Principal Designate for the proposed merged institution was appointed and supported by Lynda Mason, an external contractor, who led the day to day operation of the college until she was appointed as Interim Principal in June 2017, following the delay of the merger.

## Statement of Corporate Governance and Internal Control (continued)

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, Recovery, Curriculum and Quality Standards, Remuneration, Scholarships. Full minutes of all Corporation meetings except those deemed to be confidential are available from the Clerk to the Corporation, at: Accrington & Rossendale College, Broad Oak Road, Accrington, BB5 2AW, and are also available on the College website [www.accross.ac.uk](http://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.

## Statement of Corporate Governance and Internal Control (continued)

### Remuneration committee

Throughout the year ended 31 July 2017, 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 2017 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 Corporation.

The Audit Committee meets termly and provides a forum for reporting by the College's financial statement and regularity auditors, who have access to the Committee for independent discussion, without the presence of College management. The Internal Audit Plan and outcomes is also reported to this Committee. The arrangements for internal audit changed during 2016/17, approved by the Committee and reports from several external independent consultants, in areas such as quality, funding and health and safety, were considered. The Committee also receives and considers reports from the main FE funding bodies as they affect the College's business.

The reports from external independent consultants are mapped to the Risk Plan and this allows the Committee to monitor the systems of internal control, risk management and governance processes in accordance with an agreed plan of input.

Management is responsible for the implementation of agreed recommendations and progress is reported to the Audit Committee on a termly basis.

The Audit Committee also advises the Corporation on the appointment of 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.

## Statement of Corporate Governance and Internal Control (continued)

### *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 2017 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 2017 and up to the date of approval of the annual report and accounts. The Corporation reviews this process regularly.

### *The risk and control framework*

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

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

During 2016/17 Accrington & Rossendale College did not use an internal audit service, apart from to conduct follow up audits to conclude recommendations raised in the previous year. Instead, agreed professional services with specialisms to reflect the keys areas of risk have been commissioned. 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 agreed professional services are endorsed by the Corporation. At minimum annually, the Clerk to the Corporation collates the reports on outcomes from this work and provides 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.

## Statement of Corporate Governance and Internal Control (continued)

### *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 regular reports from external independent consultants, 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 November 2017 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2017 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2017.

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 2017 had a balance of £5,444,000, and a loan in place with Lloyds Bank plc with a balance of £864,000 outstanding at this date. The covenants on these facilities have been breached as at 31 July

## Statement of Corporate Governance and Internal Control (continued)

2017. The College has also received exceptional financial support of £2,247,000 from the Education and Skills Funding Agency during the 2015/16 and 2016/17 and received a commitment from the Education and Skills Funding Agency that they will provide a further £1,228,000 of funding in the period to March 2018.

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 the support of the FE Commissioner through a Structure and Prospects Appraisal (SPA), which if achieved, would most likely result in all trading activities of the College transferring to another college and 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 Education and 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 enter into an agreement to merge during 2017/18 and potentially 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 another college.

**Approved by order of the members of the Corporation on 7 December 2017 and signed on its behalf by:**



**Brian Stephenson**  
Chair



**Lynda Mason**  
Interim Principal and Accounting Officer

## Statement of regularity, propriety and compliance

The Corporation has considered its responsibility to notify the Education and Skills Funding Agency of material irregularity, impropriety and non-compliance with Education and Skills Funding Agency terms and conditions of funding, under the College's financial memorandum and funding agreement. As part of our consideration we have 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 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 Education and Skills Funding Agency.

**Approved by order of the members of the Corporation on 7 December 2017 and signed on its behalf by:**



**Brian Stephenson**  
Chair



**Lynda Mason**  
Interim Principal and Accounting Officer



## Statement of responsibilities of the 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 College's Financial Memorandum with the Education and Skills Funding Agency, 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 College Accounts Direction 2016 to 2017 issued by the Education and Skills Funding Agency, 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.

## Statement of responsibilities of the members of the Corporation (continued)

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 Education and Skills Funding Agency (ESFA) are used only in accordance with the Financial Memorandum with the ESFA and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the College's resources and expenditure, so that the benefits that should be derived from the application of public funds from the ESFA are not put at risk.

**Approved by order of the members of the Corporation on 7 December 2017 and signed on its behalf by:**



**Brian Stephenson**

**Chair**

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

## **Opinion**

We have audited the financial statements of Accrington & Rossendale College (the College) for the year ended 31 July 2017 which comprise the Statement of Comprehensive Income, the Statement of Changes in Reserves, the Balance Sheet, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102; The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2017 and of the College's deficit of income over expenditure for the year then ended; and
- have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice – Accounting for Further and Higher Education issued in March 2014.

## **Basis for opinion**

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

## **Emphasis of matter – Basis of preparation**

We draw attention to note 1 'Basis of preparation' to the financial statements, which describes the intention of the members of the Corporation to merge the College's operations with another college and dissolve the Corporation of the College; and as such financial statements have been prepared on a cessation basis. Our opinion is not modified in respect of this matter.

## **Who are we reporting to**

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.

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

### **Other information**

The Corporation is responsible for the other information. The other information comprises the information included in the Report and Financial Statements, set out on pages 3-61 other than the financial statements and our auditor's report thereon. The Corporation is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

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

### **Responsibilities of the Corporation for the financial statements**

As explained more fully in the Statement Responsibilities of the Corporation set out on pages 23-24, the College's Corporation is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

### **Auditor's responsibilities for the audit of the financial statements**

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

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

*Grant Thornton UK LLP*

Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

Manchester

Date 20/12/17

## Reporting accountant's assurance report on regularity

### **To the Corporation of Accrington & Rossendale College and Secretary of State for Education acting through the Department for Education ('the Department')**

In accordance with the terms of our engagement letter dated 16 October 2017 and further to the requirements of the financial memorandum and funding agreement with Education and Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that, in all material respects, the expenditure disbursed and income received by Accrington & Rossendale College during the period 1 August 2016 to 31 July 2017 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Post-16 Audit Code of Practice ('the Code') issued by the Department. In line 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 the Department has other assurance arrangements in place.

This report is made solely to the corporation of Accrington & Rossendale College, as a body, and the Department, 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 the Department 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 the Department, as a body, for our work, for this report, or for the conclusion we have formed.

### **Respective responsibilities of Accrington & Rossendale College and the reporting accountant**

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work which suggests that, in all material respects, expenditure disbursed and income received during the period 1 August 2016 to 31 July 2017 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

### **Approach**

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

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

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

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

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

The work undertaken to draw our conclusion includes:

- 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 2016 to 31 July 2017 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 21/12/17

## Statement of Comprehensive Income

	Notes	2017 £'000	2016 £'000
<b>INCOME</b>			
Funding body grants	2	9,689	9,698
Tuition fees and education contracts	3	2,176	2,929
Other grants and contracts	4	68	173
Other income	5	451	402
Investment income	6	-	5
<b>TOTAL INCOME</b>		<b>12,384</b>	<b>13,207</b>
<b>EXPENDITURE</b>			
Staff costs	7	8,346	9,483
Fundamental restructuring costs	7	296	298
Other operating costs	8	3,205	3,472
Depreciation	12	1,066	1,088
Onerous lease cost	10	-	-
Merger costs	10	198	52
Interest and other finance costs	9	645	688
<b>TOTAL EXPENDITURE</b>		<b>13,756</b>	<b>15,081</b>
<b>Deficit before other gains and losses</b>		<b>(1,372)</b>	<b>(1,874)</b>
Loss on disposal of assets		(2)	(15)
<b>Deficit before tax</b>		<b>(1,374)</b>	<b>(1,889)</b>
Taxation	11	(1)	(1)
<b>DEFICIT FOR THE YEAR</b>		<b>(1,375)</b>	<b>(1,890)</b>
Actuarial gain/(loss) in respect of pension scheme	20	1,049	(2,584)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>(326)</b>	<b>(4,474)</b>

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
<b>Balance at 1 August 2015</b>	(5,373)	1,086	<b>(4,287)</b>
Deficit from the income and expenditure account	(1,890)	-	<b>(1,890)</b>
Other comprehensive income	(2,584)	-	<b>(2,584)</b>
Transfers between revaluation and income and expenditure reserves	36	(36)	-
	<b>(4,438)</b>	<b>(36)</b>	<b>(4,474)</b>
<b>Balance at 31 July 2016</b>	<b>(9,811)</b>	<b>1,050</b>	<b>(8,761)</b>
Deficit from the income and expenditure account	(1,375)	-	<b>(1,375)</b>
Other comprehensive income	1,049	-	<b>1,049</b>
Transfers between revaluation and income and expenditure reserves	36	(36)	-
<b>Total comprehensive income for the year</b>	<b>(290)</b>	<b>(36)</b>	<b>(326)</b>
<b>Balance at 31 July 2017</b>	<b>(10,101)</b>	<b>1,014</b>	<b>(9,087)</b>

## Balance sheet

	Note	2017 £'000	2016 £'000
<b>Non current assets</b>			
Tangible Fixed Assets	12	20,662	21,569
Investments	13	-	-
		<u>20,662</u>	<u>21,569</u>
<b>Current assets</b>			
Stocks		21	24
Trade and other receivables	14	505	459
Cash and cash equivalents	19	898	-
Total current assets		<u>1,424</u>	<u>483</u>
<b>Creditors – amounts falling due within one year</b>	15	<u>(10,510)</u>	<u>(9,226)</u>
<b>Net current liabilities</b>		<u>(9,086)</u>	<u>(8,743)</u>
<b>Total assets less current liabilities</b>		11,576	12,826
Creditors – amounts failing due after more than one year	16	(8,985)	(9,299)
<b>Provisions</b>			
Defined benefit obligations	20	(11,594)	(12,198)
Other provisions	18	(84)	(90)
<b>TOTAL NET LIABILITIES</b>		<u>(9,087)</u>	<u>(8,761)</u>
Income and expenditure account excluding pension reserve		1,493	2,387
Pension reserve	20	<u>(11,594)</u>	<u>(12,198)</u>
Income and expenditure account including pension reserve		<u>(10,101)</u>	<u>(9,811)</u>
Revaluation reserve		1,014	1,050
<b>TOTAL DEFICIT</b>		<u>(9,087)</u>	<u>(8,761)</u>

The financial statements were approved and authorised for issue by the Corporation on 7 December 2017 and signed on their behalf by:

  
**B Stephenson**  
Chair

  
**L Mason**  
Interim Principal and Accounting Officer

The accompanying notes form part of these financial statements.

## Statement of Cash Flows

	Notes	2017 £'000	2016 £'000
<b>Cash flow from operating activities</b>			
Deficit for the year		(1,375)	(1,890)
<b>Adjustment for non-cash items</b>			
Depreciation		1,066	1,088
(Increase)/decrease in stocks		3	(7)
(Increase)/decrease in debtors		(46)	306
Increase/(decrease) in creditors due within one year		(301)	(419)
Increase/(decrease) in creditors due after one year		(283)	(369)
Increase/(decrease) in provisions		(6)	(93)
Pensions costs less contributions payable		445	366
Taxation		1	1
<b>Adjustment for investing or financing activities</b>			
Investment income		-	(5)
Interest payable		348	350
Taxation paid		(1)	(1)
Loss on sale of fixed assets		2	15
<b>Net cash flow from operating activities</b>		<u>(147)</u>	<u>(658)</u>
<b>Cash flows from investing activities</b>			
Proceeds from sale of fixed assets		3	6
Investment income		-	5
Payments made to acquire fixed assets		<u>(164)</u>	<u>(1,474)</u>
		<u>(161)</u>	<u>(1,463)</u>
<b>Cash flows from financing activities</b>			
Interest paid		(342)	(345)
Interest element of finance lease rental		(6)	(5)
New unsecured loans		1,921	1,326
Repayments of amounts borrowed		(297)	(245)
Capital element of finance lease rental		<u>(28)</u>	<u>121</u>
		<u>1,248</u>	<u>852</u>
<b>Increase/(decrease) in cash and cash equivalents in the year</b>		<u><b>940</b></u>	<u><b>(1,269)</b></u>
Cash and cash equivalents at beginning of the year	19	(42)	1,227
Cash and cash equivalents at end of the year	19	898	(42)

## Notes to the Accounts

### 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 2016 to 2017* and in accordance with Financial Reporting Standard 102 – “*The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland*” (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

#### Basis of accounting

The financial statements are prepared in accordance with the historical cost convention as modified by the use of previous 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 and was dissolved in September 2017. 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 2017 had a balance of £5,444,000, and a loan in place with Lloyds Bank plc with a balance of £864,000 outstanding at this date. The covenants on these facilities have been breached as at 31 July 2017. The College has also received exceptional financial support of £2,247,000 from the Education and Skills Funding Agency during the 2015/16 and 2016/17 and received a commitment from the Education and Skills Funding Agency that they will provide a further £1,228,000 of funding in the period to March 2018.

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 and is in the process of a FE Commissioner led Structure and Prospects Appraisal (SPA), which if achieved, would most likely result in all trading activities of the College transferring to another college and 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 Education and 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 intention to merge and the expectations that activity will transfer to another college on merger.

#### Recognition of income

##### *Revenue grant funding*

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the Adult Education Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end, and the results of any funding audits. 16-18 learner-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 conditions 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.

##### *Capital grant funding*

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

##### *Fee income*

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

##### *Investment income*

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

#### 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.

##### *Teachers' Pension Scheme (TPS)*

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

*Lancashire Local Government Pension Scheme (LGPS)*

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

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

*Short term employment benefits*

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

*Enhanced pensions*

The actual cost of any enhanced ongoing pension to a former member of staff is paid by the College annually. An estimate of the expected future 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 on 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 1<sup>st</sup> 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 around 2% 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

	2017 £'000	2016 £'000
<b>Recurrent grants</b>		
Education and Skills Funding Agency - adult	3,253	3,031
Education and Skills Funding Agency – 16-18	4,247	4,495
Education and Skills Funding Agency - apprenticeships	1,386	1,496
Higher Education Funding Council of England	229	238
<b>Specific grants</b>		
Education and Skills Funding Agency	193	120
Higher Education Funding Council of England	46	-
Releases of government capital grants	335	318
	<u>9,689</u>	<u>9,698</u>

## 3 Tuition fees and education contracts

	2017 £'000	2016 £'000
Adult education fees	92	164
Apprenticeship fees and contracts	3	-
Commercial course fees	125	121
Fees for FE loan supported courses	249	500
Fees for HE loan supported courses	1,219	1,567
Total tuition fees	<u>1,688</u>	<u>2,352</u>
Education contracts	<u>488</u>	<u>577</u>
	<u>2,176</u>	<u>2,929</u>

Included in the above amounts are tuition fees funded by bursaries of £15,963 (2015/16 £34,737).

4 Other grants and contracts

	2017 £'000	2016 £'000
Erasmus	45	59
UK-based charities	2	74
European Commission	-	12
Other grants and contracts	21	28
	<u>68</u>	<u>173</u>

5 Other income

	2017 £'000	2016 £'000
Other income generating activities:		
training restaurant	64	75
training salons	11	13
sports facilities	87	76
assessment services	54	-
other	12	14
Examination fees	37	48
Releases from deferred capital grants (non-funding body)	50	52
Other income	136	124
	<u>451</u>	<u>402</u>

6 Endowment and investment income

	2017 £'000	2016 £'000
Interest receivable	<u>-</u>	<u>5</u>

## 7 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:

	2017 No.	2016 No.
Teaching staff	121	142
Non-teaching staff	129	136
	<u>250</u>	<u>278</u>

### Staff costs for the above persons:

	2017 £'000	2016 £'000
Wages and salaries	6,434	7,297
Social security costs	528	509
Other pension costs (including FRS 102 charge of £151,000; 2016: charge of £29,000)	<u>1,250</u>	<u>1,238</u>
Payroll sub-total	8,212	9,044
Contracted out staffing services	<u>134</u>	<u>439</u>
	8,346	9,483
Fundamental restructuring costs – Contractual	296	237
- Non contractual	<u>-</u>	<u>61</u>
Total staff costs	<u>8,642</u>	<u>9,781</u>

Staff costs include £41,000 relating to merger preparation

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**

	2017 Number	2016 Number
The number of key management personnel including the Principal was:	4	3

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

Annual equivalent emoluments	Key management personnel		Other staff	
	2017	2016	2017	2016
	No.	No.	No.	No.
£60,001 to £70,000	-	-	-	-
£70,001 to £80,000	2	2	-	-
£80,001 to £90,000	-	-	-	-
£90,001 to £100,000	1	-	-	-
£100,001 to £110,000	1	1	-	-
£110,001 to £120,000	-	-	-	-
£120,001 to £130,000	-	-	-	-
£130,001 to £140,000	-	-	-	-
	<u>4</u>	<u>3</u>	<u>-</u>	<u>-</u>

7 Staff costs (continued)

Key management personnel compensation is made up as follows:

	2017	2016
	£'000	£'000
Salaries	204	259
Employers' National Insurance	25	30
Pension contributions	27	37
<b>Total key management personnel compensation</b>	<b>256</b>	<b>326</b>

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). The Principal and Accounting Officer postholder left during the year and an Interim Principal and Accounting Officer was appointed. The Interim Principal was appointed initially on a consultancy basis from 1 February 2017 and became a College employee on 1st June 2017. Their respective compensation was:

	2017	2016
	£'000	£'000
Salary (Sue Taylor - 1 August 2016 – 31 January 2017)	54	108
Pension contributions (Sue Taylor - 1 August 2016 – 31 January 2017)	9	18
Salary (Lynda Mason – 1 June 2017 – 31 July 2017)	12	
Pension contributions (Lynda Mason - 1 February 2017 – 31 July 2017)	-	
	<b>75</b>	<b>126</b>

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 outgoing Principal and Accounting Officer received a redundancy payment of £80,000 and further restructuring costs totalling £54,000 were incurred relating to key management personnel.

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



8 Other operating expenses

	2017 £'000	2016 £'000
Teaching costs	1,366	1,334
Non-teaching costs	1,277	1,656
Premises costs	562	482
	<u>3,205</u>	<u>3,472</u>

	2017 £'000	2016 £'000
<b>Other operating expenses include:</b>		
Auditors' remuneration		
- Financial Statements audit	21	21
- Internal audit	-	10
Other services provided by the financial statements auditors*	2	13
Payments to subcontractors	294	522
Non-cancellable leases on land and buildings	27	29
Hire of other assets	125	119

\* relates to corporation tax compliance services

9 Interest and other finance costs

	2017 £'000	2016 £'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	342	343
	<u>342</u>	<u>343</u>
On finance leases	6	5
Net interest on defined pension liability (note 20)	294	338
Interest on enhanced pension provision	3	2
	<u>645</u>	<u>688</u>

10 Exceptional items

	2017 £'000	2016 £'000
Merger costs	198	52
	<u>198</u>	<u>52</u>

These costs are the non-pay costs only related to merger preparation. Additional staffing costs have also been incurred and these are detailed in note 7

11 Taxation

	2017 £'000	2016 £'000
United Kingdom corporation tax	1	1
	<u>1</u>	<u>1</u>

12 Tangible fixed assets

	Land and buildings		Equipment	Total
	Freehold	Under Construction		
	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>				
At 1 August 2016	25,913	90	4,819	30,822
Additions	-	44	120	164
Transfers	-	(90)	90	-
Disposals	-	-	(123)	(123)
<b>At 31 July 2017</b>	<u>25,913</u>	<u>44</u>	<u>4,906</u>	<u>30,863</u>
<b>Depreciation</b>				
At 1 August 2016	6,323	-	2,930	9,253
Charge for year	680	-	386	1,066
Eliminated on disposal	-	-	(118)	(118)
<b>At 31 July 2017</b>	<u>7,003</u>	<u>-</u>	<u>3,198</u>	<u>10,201</u>
<b>Net book value</b>				
<b>At 31 July 2017</b>	<u>18,910</u>	<u>44</u>	<u>1,708</u>	<u>20,662</u>
At 31 July 2016	<u>19,590</u>	<u>90</u>	<u>1,889</u>	<u>21,569</u>

### 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 £9,263,000 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 88,482 (2015/16 - £115,551) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £27,069 (2015/16 - £25,353).

### 13 Non-current Investments

	2017 £	2016 £
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 2017 and 31 July 2016 and was dissolved on 29 August 2017.

At 31 July 2017 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 Trade and other receivables

	2017 £'000	2016 £'000
Amounts falling due within one year:		
Trade receivables	132	156
Prepayments and accrued income	244	173
Amounts owed by the Education and Skills Funding Agency	129	130
	<u>505</u>	<u>459</u>

**15 Creditors: amounts falling due within one year**

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Loans and overdrafts (note 17)	6,309	6,647
Obligations under finance leases	28	26
Trade payables	196	456
Corporation Tax	1	-
Other taxation and social security	139	161
Deferred income – government capital grants	341	373
Deferred income – government revenue grants	-	-
Skills Funding Agency Exceptional Financial Support loan	2,247	326
Accruals and deferred income	982	1,136
Amounts owed to the Education and Skills Funding Agency	267	101
	<u>10,510</u>	<u>9,226</u>

**16 Creditors: amounts falling due after one year**

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Loans and overdrafts (note 17)	3	4
Obligations under finance leases	64	94
Deferred income – government capital grants	8,918	9,201
	<u>8,985</u>	<u>9,299</u>

## 17 Maturity of debt

2017	2016
£'000	£'000

### (a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

In one year or less	6,309	6,647
Between one and two years	3	4
Between two and five years	-	-
In five years or more	-	-
	<u>6,312</u>	<u>6,651</u>

An unsecured bank loan with a fixed interest rate of 5.91% is repayable by instalments falling due between 1 August 2017 and 27 June 2033 totalling £5,443,977. A further unsecured bank loan with a variable interest rate (1.6% above LIBOR) is repayable by instalments falling due between 1 August 2017 and 15 January 2026 totalling £863,632. An interest free loan totalling £3,933 is repayable by instalments falling due between 1 August 2017 and 1 April 2020. The covenants on bank loan facilities have been breached at 31st July 2017.

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.

2017	2016
£'000	£'000

### (b) Finance leases

The net finance lease obligations to which the College is committed are:

In one year or less	28	27
Between one and two years	29	28
Between two and five years	35	66
In five years or more	-	-
	<u>92</u>	<u>121</u>

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 2016	88	2	90
Expenditure in the period	(6)	(2)	(8)
Additions in period	2	-	2
<b>At 31 July 2017</b>	<b>84</b>	<b>-</b>	<b>84</b>

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:

	2017	2016
Interest rate	2.3%	2.3%
Net interest rate	1.3%	1.3%

## 19 Cash and cash equivalents

	At 1 August 2016	Cash flows	Other changes	At 31 July 2017
	£'000	£'000	£'000	£'000
Cash and cash equivalents	-	898	-	898
Overdrafts	(42)	42	-	-
<b>Total</b>	<b>(42)</b>	<b>940</b>	<b>-</b>	<b>898</b>

## 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

	2017 £'000	2016 £'000
Teachers pension scheme: contribution paid	425	500
Local Government Pension Scheme:		
Contributions paid	719	713
FRS 102 (28) charge	<u>151</u>	<u>29</u>
Charge to Statement of Comprehensive Income	870	742
Enhanced pension charge to Statement of Comprehensive Income	<u>(1)</u>	<u>6</u>
<b>Total Pension Cost for Year within staff costs</b>	<b><u>1,294</u></b>	<b><u>1,248</u></b>

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2012 and of the LGPS 31 March 2016. Contributions amounting to £118,530 (2016; £133,150) were payable to the scheme at 31 July and are included within creditors.

### Teachers' Pension Scheme

The Teachers' Pension Scheme ("TPS") is a 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. Retirement and other pension benefits are paid by public funds provided by Parliament.

## 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 2014. 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. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from April 2019.

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

<https://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx>

### **Scheme Changes**

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

The key provisions of the reformed scheme include: a pension based on career average earning; an accrual rate of 1/57<sup>th</sup>; 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 commenced on 1 April 2015.

The pension costs paid to TPS in the year amounted to £425,028 (2016: £500,229).



## 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 2017 were £848,837 of which employer's contributions totalled £675,595 and employees' contributions totalled £173,242 (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 2017 by a qualified independent actuary.

	At 31 July 2017	At 31 July 2016
Rate of increase in salaries	3.70%	3.20%
Rate of increase for pensions	2.20%	1.80%
Discount rate for scheme liabilities	2.50%	2.50%
Inflation assumption (CPI)	2.20%	1.70%
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 2017	At 31 July 2016
<b>Retiring today</b>		
Males	22.6	23.00
Females	25.2	25.6
<b>Retiring in 20 years</b>		
Males	24.9	25.2
Females	27.9	27.9

## 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 2017 £'000	Fair Value at 31 July 2017 £'000	Long-term rate of return expected at 31 July 2016 £'000	Fair Value at 31 July 2016 £'000
Equities	43.9%	11,980	38.6%	9,681
Government Bonds	1.9%	518	-	-
Other Bonds	2.3%	628	2.5%	627
Property	10.4%	2,838	9.5%	2,383
Cash/Liquidity	4.6%	1,255	3.5%	878
Other	36.9%	10,069	45.9%	11,512
<b>Total fair value of plan assets</b>		<b>27,288</b>		<b>25,081</b>
<b>Actual return on plan assets</b>		<b>2,938</b>		<b>4,105</b>

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

	2017 £'000	2016 £'000
Fair value of plan assets	27,288	25,081
Present value of plan liabilities	(38,882)	(37,279)
<b>Net pensions liability</b>	<b>(11,594)</b>	<b>(12,198)</b>

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

	2017 £'000	2016 £'000
<b>Amounts included in staff costs (note 7)</b>		
Current service cost	800	718
Administration costs	14	12
Curtailment cost	56	12
Past service cost	-	-
<b>Total</b>	<b>870</b>	<b>742</b>

20 Defined benefit obligations (continued)

	2017 £,000	2016 £,000
<b>Amounts included in interest payable (note 9)</b>		
Net interest cost	294	338
	<b>294</b>	<b>338</b>
<b>Amount recognised in Other Comprehensive Income</b>		
Return on pension plan assets	1,706	3,308
Experience gain arising on defined benefit obligations	1,315	-
Changes in assumptions underlying the present value of plan	(1,972)	(5,892)
<b>Amount recognised in Other Comprehensive Income</b>	<b>1,049</b>	<b>(2,584)</b>

**Movement in net defined benefit liability during year**

	2017 £'000	2016 £'000
Net defined benefit liability in scheme at 1 August	(12,198)	(9,247)
Movement in year:		
Current service cost	(800)	(718)
Employer contributions	719	713
Curtailment loss	(56)	(12)
Administration expenses	(14)	(12)
Net interest on the defined benefit liability	(294)	(338)
Actuarial gain or loss	1,049	(2,584)
<b>Net defined benefit liability at 31 July</b>	<b>(11,594)</b>	<b>(12,198)</b>

**Asset and Liability Reconciliation**

	2017 £'000	2016 £'000
<b>Changes in the present value of defined benefit obligations</b>		
<b>Defined benefit obligations at start of period</b>	37,279	30,222
Current service cost	800	718
Interest cost	920	1,135
Contributions by Scheme participants	175	200
Experience (gains) losses on defined benefit obligations	(1,315)	-
Changes in financial assumptions	1,972	5,892
Estimated benefits paid	(1,005)	(900)
Past Service cost	-	-
Curtailements and settlements	56	12
<b>Defined benefit obligations at end of period</b>	<b>38,882</b>	<b>37,279</b>

20 Defined benefit obligations (continued)

	2017 £'000	2016 £'000
<b>Changes in fair value of plan assets</b>		
<b>Fair value of plan assets at start of period</b>	25,081	20,975
Interest on plan assets	626	797
Remeasurements	1,706	3,308
Administration expenses	(14)	(12)
Employer contributions	719	713
Contributions by Scheme participants	175	200
Estimated benefits paid	(1,005)	(900)
<b>Fair value of plan assets at end of period</b>	<b>27,288</b>	<b>25,081</b>

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:

	2017 £'000	2016 £'000
<b>Future minimum lease payments due</b>		
<b>Land and buildings</b>		
Not later than one year	22	26
Later than one year and not later than five years	24	46
Later than five years	-	-
	<u>46</u>	<u>72</u>
<b>Other</b>		
Not later than one year	86	125
Later than one year and not later than five years	29	115
Later than five years	-	-
	<u>115</u>	<u>240</u>

## 23 Contingent liabilities

There are no contingent liabilities at 31 July 2017 (2016: £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 (2016: None).

No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2016: 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. The Pennine Lancashire Education Trust was dissolved on 8 August 2017.

## 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.

	2017 £'000	2016 £'000
<b>Learner support funds</b>		
Funding body grants – bursary support	273	341
Funding body grants – discretionary learner support	-	181
	<u>273</u>	<u>522</u>
Disbursed to students	(231)	(447)
Administration costs	<u>(13)</u>	<u>(26)</u>
Balance unspent at 31 July	<u>29</u>	<u>49</u>

