Report and financial statements Accrington & Rossendale College

For the year ended 31 July 2018

Contents

Members' Report

OBJECTIVES AND STRATEGIES

The members present their report and the audited financial statements for the year ended 31 July 2018.

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.

Merger

Accrington & Rossendale College merged with Nelson & Colne College on 30 November 2018. On that date, all assets and liabilities of Accrington & Rossendale College transferred to the Corporation of Nelson & Colne College immediately prior to the Corporation of Accrington & Rossendale College being dissolved.

The trade and activities of Accrington and Rossendale College have continued in Nelson and Colne College from 30 November 2018.

Throughout this report, any references to 'Accrington and Rossendale College' or the 'College' relate to the legacy College Accrington and Rossendale College in the period until 30 November 2018 when it was dissolved and Nelson and Colne College ("the designated institute") for any time thereafter.

The terms 'Governing Body' and 'Corporation' are used interchangeably to refer to the Board of the legacy College and the designated institute.

These financial statements are in respect of Accrington and Rossendale College for the year ended 31 July 2018, however as the Corporation of the College has been dissolved, they have been approved by the Board of Nelson and Colne College on behalf of the College.

The College Vision and Mission Statement

The Governors reviewed the College's mission in September 2018 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
Following the merger, a review of the College's values, vision and mission is planned for 2019.

Resources

The College has a main campus in the middle of Accrington that has been enhanced over the last few years by the completion of the 3G Sports Pitch, Sports Hall and Pavilion and the Heartwood Centre. The College has £9.78 million of total assets less current liabilities and commercial debt of £6 million.

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 226 (2016/17 - 250), of whom 107 (2016/17 – 121) are teaching or delivery staff.

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The College enrolled approximately 5,150 students. The College's student population includes 626 16 to 18 year students, 574 apprentices, 234 higher education students and 2,480 adult learners.

Maintaining the College's reputation for quality and resources is essential for the College's success in attracting learners and developing positive external relationships.

Stakeholders
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;
- Health Trusts
- Lancashire Local Enterprise Partnership (LEP);
- Partner Universities
- The local community;
- Other FE institutions and training providers;
- Trade unions and professional bodies.

DEVELOPMENT AND PERFORMANCE

Financial results
The College generated a deficit before actuarial gains in the year of £1,903,000 (2016/17 – deficit of £1,375,000). Accounted for within this deficit are FRS102 (28) current service and net interest pension charges totalling £458,000 (2016/17 - £445,000). These charges arise as a result of an actuarial assessment of pension costs in line with FRS102 (28) and are non-cash items.

At 31 July 2018, the College had accumulated income and expenditure reserves of £84,000 excluding FRS102 Pension Reserve (2016/17 - £1,493,000) and cash balances of £781,000 (2016/17 – £898,000).

The College's pension reserve deficit reduced in year from £11,594,000 to £8,093,000.

Tangible fixed asset additions during the year amounted to £222,000 (2016/17 - £164,000). 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 2017/18, these sources provided 76% of the College's total income (2016/17 – 73%). Total income from Higher Education provision, including grants, tuition fees and education contracts, accounts for £1.4m of the total overall income (2016/17 - £1.5m).

The College's financial health for 2017/18 is still graded as 'inadequate' by the ESFA (2016/2017 – 'inadequate'), and as at 31 July 2018 it was still subject to a Financial Notice of Concern and had breached bank covenants in respect of both of its loans with Lloyds and Barclays each year since 2015/16. The banks had not imposed any financial penalties for

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breach of covenants, but had taken a charge over the assets of the College in relation to the loans. On merger with Nelson and Colne College, all outstanding loan debt with Lloyds and Barclays was settled in full by the ESFA, the legal charges were released and the Financial Notice of Concern was rescinded.

Developments

During the year, the College continued 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 2017/18 and this resulted in a judgement of 'Good'. The focus during 2017/18 was on further quality improvement in order to achieve an Ofsted grade of 'Outstanding' 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 2017/18 indicated further improvements in quality and performance as the College works towards Outstanding.

In 2017/18 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 2018/19.

In line with Government policy the College continues to promote its apprenticeship offer. Work continues in 2018/19 to expand the 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, with the College strengthening its relationships with employers to ensure a smooth transition. There has been continued development and growth of Higher Level Apprenticeships (HLAs) throughout 2017/18.

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 and had a good inspection result from QAA in May 2018.

Reserves

The College has accumulated reserves of £85,000 (2017: £1,493,000) and cash balances of £781,000.

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Sources of income

The College has significant reliance of the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2017/18 the FE and HE funding bodies provided 77% of the College's total income.

Student numbers

In 2017/18, the College delivered activity that has, overall, produced £8,023,000 in main allocation funding from the Education and Skills Funding Agency (£8,886,000 in 2016/17). This includes the following funding streams:

- Funding for 720 16-18 year old college based learners, which has decreased from 900 in 2016/17 with funding reducing from £4.2m to £3.7m. There were 626 actual 16-18 year old college learners recruited
- The number of college based adult students decreased from 2,465 in 2016/17 to 2,317 in 2017/18 with the associated income deceasing from £3,253,000 to £3,100,031.
- Adult apprentices funding generated £524,000 in 2017/18 compared to £502,000 in the previous year.
- 16 to 18 year old apprenticeship funding earned £823,000 compared to £882,000 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 £1,500,000 in 2016/17 to £1,448,000 in 2017/18.

FUTURE PROSPECTS

As part of Nelson and Colne College, the College is aiming for high quality, sustainability and growth and looking forward to renewed investment in its people, resources and the estate to benefit current and future learners.

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 that 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 and liquidity

The cash balances as at 31 July 2018 were £781,000 (31 July 2017 – £898,000). Management of cash flow was supported during the year with Exceptional Support Funding (EFS) from the ESFA. Loan funding of £1,228,000 was provided during the year bringing total Exceptional Support Funding (EFS) to £3,475,000 (2016/17 - £2,247,000).

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During the year the College continued 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 was for £1m over ten years with five year revolving terms.

Interest charges in 2017/18 amounted to £328,000 (2016/17 - £342,000). College borrowings, including EFS, as a percentage of turnover were 87% (2016/17 - 72%) and without EFS were 55% (2016/17 - 53%) of turnover.

The College's outstanding loans were settled in full by the ESFA on it merging with Nelson and Colne College on 30 November 2018.

Reserves
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 had depleted over recent years. As at the balance sheet date the Income and Expenditure reserve stands at £85,000 (2017: £1,493,000). Post the merger on 30 November 2018, Nelson and Colne College looks to continue to ensure that there are adequate reserves to support the College's core activities.

Going Concern
Accrington and Rossendale College was formally dissolved on 30 November 2018 and the Members of the Board of the Designated Institute do not consider it appropriate to adopt the going concern basis of preparation and accordingly have prepared these financial statements on a cessation basis.

The Members of the Board of the Designated Institute have reviewed the financial statements and made no adjustment to the measurement or disclosure of balances contained therein.

PRINCIPAL RISKS AND UNCERTAINTIES

Risk Management
The College has well developed strategies for managing risk and strives to embed risk management in all that it does. Risk management processes are designed to protect its assets, reputation and financial stability. The governing body has overall responsibility for risk management and its approach to managing risks and internal controls is explained in the Statement on Corporate Governance.

A risk register is maintained at the College level. 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.

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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 2017/18 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 2017/18
- To achieve the planned budget targets for 2017/18
- To secure the long-term sustainability of the College through merger with Nelson and Colne 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 has demonstrated excellent progress in respect of the first risk, and has been graded as 'good' by Ofsted for 2017/18. Learner numbers targets were partially achieved, with particular success in adult provision, although 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 merger with Nelson and Colne College was successfully concluded on 30 November 2018.

Government Funding
The College has considerable reliance on continued government funding through the further education sector funding bodies and through the OFS

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, has developed a strategy for growth in response to this. It is recognised that the introduction of the apprenticeship levy will significantly affect that marketplace although 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

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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

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.

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KEY 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.

Key performance Indicator	Measure/Target	Actual for 2017/18
OfSTED/ SAR judgment	Good with outstanding features	Good
Quality of Teaching, Learning & Assessment	Good	Good
Achievement Rates:		
16-19 Study Programmes	85%	86.7%
Adults	91%	90.9%
Apprenticeships Overall	75%	76.3%
Apprenticeships Timely	62%	72.5%
Maths All Ages Overall	85%	78.3%
English All Ages Overall	88%	82.8%
Retention Rates:		
16-19 Study Programmes	91%	92.9%
Adults	96%	95.4%
Apprenticeships	80%	78.4%
Attendance Rates All Ages	91%	88.5%
Stakeholder Feedback:		
Learners	90%	88%
Employers	90%	84%
Staff	85%	66.4%
Operating surplus/EBITDA as % of income	1.6%	-3.79%

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The College's financial health for 2017/18 is still graded as 'inadequate' by the ESFA (2016/2017 – 'inadequate'), and as at 31 July 2018 it was still subject to a Financial Notice of Concern and had breached bank covenants in respect of both of its loans with Lloyds and Barclays each year since 2015/16.. The banks had not imposed any financial penalties for breach of covenants, but had taken a charge over the assets of the College in relation to the loans. On merger with Nelson and Colne College, all outstanding loan debt with Lloyds and Barclays was settled in full by the ESFA, the legal charges were released and the Financial Notice of Concern was rescinded.

Student achievements

The headline achievement rate for 2017/18 is 90%, which is a further significant improvement on the 2016/17 rate of 88%. The performance for adults continues to improve and is at 90.9% (2016/17 90%), and for 16-18 year olds the achievement rate has improved to 86.7% from 83% last year. For apprenticeship provision, overall achievement is at 76%, which compares to 72% in 2016/17 and is just above the national average. The improvements are the result of the action plan the College has implemented during 2016/17 and 2017/18 resulting in an Ofsted Grade of 'Good' in January 2018.

Implementation of strategic aims

In September 2017, the Corporation approved the Strategic Plan for 2017-18 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.

Following the merger, the strategic aims of Nelson and Colne College ("the Designated Institute") going forward are:

- Securing the long term financial future
- Attracting increased, sustainable student numbers
- Ensuring learners enjoy outstanding teaching, progress and onwards progression to their next steps
- Achieving an improved trend in key curriculum performance data
- Through effective partnerships, seek out new opportunities to develop and grow the College.

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OTHER INFORMATION

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 were the trustees of the charity prior to dissolution and merger, are disclosed on pages 17 to 19.

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

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

- High quality teaching
- Widening participation and tackling social exclusion
- Excellent employment record for students
- Strong student support systems
- Links with employers, industry and commerce
- Links with Local Enterprise Partnerships (LEPs)

Equality

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

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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, 92.9% of College staff identified as being white, 5.2% staff identified as being from BAME groups and 1.9% identified as "other".

The number of staff with a disability in October 2017 was 15.8%. The disability of 6.7% of staff was not known. The number of staff with a disability employed by the College is still more than double the national average (6%) reported by the Education and Training Foundation in its 2016/17 report.

The gender profile of staff working at the College as at October 2017 was 60% female and 40% male. When the data is analysed by the occupational group the breakdown shows our teaching staff with 43% male and 57% 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 59% female staff and 41% male. This has remained fairly static over the last few years and still compares favorably 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 63% female and 37% male.

In October 2017, 90.9% of staff had declared their sexual orientation. Of the staff that declared their sexual orientation 89% identified as straight/heterosexual, 0.6% of staff identified as bisexual, 0.6% of staff identified as gay men and 0.6% of staff identified as lesbian / gay women. This compares to national statistics that show 82% of the workforce self-reporting as heterosexual. National statistics have a highly proportion of staff who 'prefer not to say' – 16% compared to the College at 9.1%.

The College has updated its gender pay gap reporting to comply with the Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017 and has published the required information on the College website by the March 2018 deadline (http://www.accross.ac.uk/content/uploads/2018/03/Gender-Pay-Gap-Report-2017.pdf).

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

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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.

Trade union facility time

The Trade Union (Facility Time Publication Requirements) Regulations 2017 require the college to publish information on facility time arrangements for trade union officials at the college

Numbers of employees who were relevant trade union officials during the relevant period	FTE employee number
3	2.55

Percentage of time	Number of employees
%	0
1-50%	3
51-99%	0
100%	0

Total cost of facility time	£15,525
Total pay bill	£7,667,000
Percentage of total pay bill spent on facility time	0.2%

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

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 2017 to 31 July 2018, the College met this target. Invoices in dispute were dealt with within 60 days. The College incurred no interest charges in respect of late payment for this period.

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EVENTS AFTER THE REPORTING PERIOD

Accrington & Rossendale College merged with Nelson & Colne College on 30th November 2018. On that date, all assets and liabilities of Accrington & Rossendale College transferred to the Corporation of Nelson & Colne College immediately prior to the Corporation of Accrington & Rossendale College being dissolved.

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 Board of Nelson and Colne College on 4 February 2019 and signed on its behalf by:

Rob Pheasey

Vice Chair of Corporation

Reference and administrative details

Key management personnel

Key management personnel are defined as members of the College Executive Management Team and were represented by the following during 2017/18:

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 to the date of dissolution is given on pages 17 to 19 of these financial statements.

Nicola Tattersall acted as Interim Clerk to the Corporation during this period.

Professional advisers

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

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

Barclays Commercial Bank (until 29 November 2018)
7th Floor
1 Marsden Street
Manchester
M2 1HW

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1st August 2017 to 31st July 2018 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 2018. 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 2017/18 the Board and its members continued to work towards compliance with the Code.

The Corporation

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

Name	Period of Current term of Office (years)	Date of Appointment	Term of Office Expiry Date	Attendance 2017/18
Brian Stephenson				
As Independent Member	4	16 Oct 2015	15 Oct 2019	83%
As Chair of Corporation	3	1 Aug 2016	1 Aug 2019	
As Chair of Recovery Committee		11 Jan 2016	15 Oct 2019	100%
As Chair of Remuneration	-	1 Aug 2013	15 Oct 2019	
Committee	-			
As Chair of Search and Governance	-			100%
Committee	-	1 Aug 2013	15 Oct 2019	
As Member of Scholarship				
Committee				

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 2017/18
Steve Ireland				
As Independent Member	4	28 Sept 2014	27 Sept 2022	100%
As Vice Chair of Corporation	2	24 Sept 2017	24 Sept 2019	
As Chair of Curriculum and Quality Standards Committee	-	18 June 2013	27 Sept 2022	100%
As member of the Recovery Committee	-	11 Jan 2016	27 Sept 2022	66%
As Member of Search and Governance Committee		24 Sept 2013	27 Sept 2022	100%
As Member of Remuneration Committee		24 Sept 2013	24 Sept 2022	
Rosemarie Andrews				
As Independent Member	4	27 Jan 2016	26 Jan 2020	83%
As Chair of Audit Committee		14 June 2005	26 Jan 2020	100%
As member of Recovery Committee		11 Jan 2016	26 Jan 2020	33%
Dr Ann-Marie Coyne				
As Independent Member	4	30 Sept 2016	29 Sept 2020	100%
As Member of Curriculum and Quality Standards Committee		18 June 2013	29 Sept 2020	66%
As Member of Recovery Committee		11 Jan 2014	29 Sept 2020	55%
Stephanie Bridgeman				
As Independent Member	4	24 Sept 2013	23 Sept 2022	83%
As Member of Audit Committee	-	24 Sept 2013	23 Sept 2022	100%
As Member of Remuneration Committee	2	24 Sept 2016	23 Sept 2018	
As Member of Search and Governance Committee	2	27 Sept 2017	26 Sept 2019	100%
Lynn Spencer				
As Independent Member	4	10 Dec 2013	9 Dec 2021	50%
As Member of Curriculum and Quality Standards Committee		24 Sept 2015	9 Dec 2021	66%
Pilkington Scholarship Committee		30 Jan 2014	9 Dec 2018	100%
Stephen Cox				
As Independent Member	4	10 Dec 2013	9 Dec 2017	0%
As Member of Curriculum and Quality Standards Committee		10 Dec 2013	9 Dec 2017	0%
Zia Shah				
As Independent Member	4	26 Mar 2014	25 Mar 2022	50%
As Member of Recovery Committee		11 Jan 2016	25 Mar 2022	22%
Louise Gaskell				
As Independent Member	4	13 May 2014	12 May 2022	83%
As Member of Audit Committee		13 May 2014	12 May 2022	66%
As Member of Recovery Committee		11 Jan 2016	12 May 2022	88%
Dr Martyn Walker				
As Independent Member	4	14 May 2015	13 May 2022	83%
Steven Hughes				
As Independent Member	4	14 May 2015	13 May 2019	33%
As Member of Audit Committee		14 May 2015	13 May 2019	66%
Lynda Mason – Interim Principal (31.01.2017)				
As Member Corporation Board		31 Jan 2017	As Interim Principal	100%
As Member of Recovery Committee		31 Jan 2017	As Interim Principal	66%

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 2017/18
Shirley Lynch – Staff Member As Staff Member	4	24 Sept 2015	23 Sept 2019	66%
Louise Gilligan – Staff Member As Staff Member	4	27 Oct 2017	26 Oct 2021	80%
Kate Nuttall – Student Member HE As Student Member	-	31 Mar 2016	Period as HE Student	66%

At the point of dissolution, the College merged with Nelson and Colne College and as such became the responsibility of the Corporation Board of Nelson and Colne College.

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

The Corporation was 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 met at least once each term.

The Corporation conducted its business through a number of committees. Each committee had 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: Nelson and Colne College, Scotland Road, Nelson, BB9 7YT.

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

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

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

Statement of Corporate Governance and Internal Control (continued)

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

Appointments to the Corporation

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

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

Remuneration Committee

Throughout the year ended 31 July 2018, the College's Remuneration Committee comprised four governors. The committee's responsibilities were 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 2018 are set out in note 7 to the financial statements.

Audit Committee

The Audit Committee comprised four governors and excluded the Principal and Chair. The Committee operated in accordance with written terms of reference approved by the Corporation.

The Audit Committee met termly and provided a forum for reporting by the College's financial statement and regularity auditors, who had access to the Committee for independent discussion, without the presence of College management. The Internal Audit Plan and outcomes was also reported to this Committee. The arrangements for internal audit changed during 2017/18, 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 received and considered reports from the main FE funding bodies as they affected the College's business.

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

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

The Audit Committee also advised the Corporation on the appointment of financial statements and regularity auditors and their remuneration for both audit and non-audit work.

Statement of Corporate Governance and Internal Control (continued)

Internal control

Scope of responsibility

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

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

The purpose of the system of internal control

The system of internal control was designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it could therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control was 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 had been in place in Accrington & Rossendale College for the year ended 31 July 2018 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Corporation had 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 was of the view that there was a formal ongoing process for identifying, evaluating and managing the College's significant risks that had been in place for the period ended 31 July 2018 and up to the date of dissolution. The Corporation reviewed this process regularly.

The risk and control framework

The system of internal control was 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 included:

- comprehensive budgeting systems with an annual budget, which was reviewed and agreed by the governing body
- regular reviews by the governing body of periodic and annual financial reports which indicated 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.

Statement of Corporate Governance and Internal Control (continued)

During 2017/18 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 were commissioned. This work was informed by an analysis of the risks to which the College was exposed, and annual internal audit plans were based on this analysis. The analysis of risks and the agreed professional services was endorsed by the Corporation. At minimum annually, the Clerk to the Corporation collated the reports on outcomes from this work and provided this to the governing body in line with the risk assurance framework, in order for them to form an opinion on the adequacy and effectiveness of the College's system of risk management controls and governance processes.

Review of effectiveness

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

- the work of the internal auditors;
- the work of the executive managers within the College who had 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 had 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 oversaw the work of the internal auditor, and a plan to address weaknesses and ensure continuous improvement of the system was in place.

The Principal and senior management team received reports setting out key performance and risk indicators and considered possible control issues brought to their attention by early warning mechanisms, which were embedded within the departments and reinforced by risk awareness training. The Principal and senior management team and the Audit Committee also received regular reports from external independent consultants, which included recommendations for improvement. The Audit Committee's role in this area was confined to a high level review of the arrangements for internal control. The Corporation's agenda included a regular item for consideration of risk and control and received reports thereon from the senior management team and the Audit Committee. The emphasis was on obtaining the relevant degree of assurance and not merely reporting by exception. At its November 2018 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2018 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2018.

Statement of Corporate Governance and Internal Control (continued)

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

Approved by order of the members of the Board of Nelson and Colne College on 4 February 2019 and signed on its behalf by:

Rob Pheasey
Vice Chair of Corporation

Amanda Melton
Accounting Officer

Governing Body's Statement on the College's regularity, propriety and compliance with Funding Body terms and conditions of funding

The Board of the Designated Institute 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 Board of the Designated Institute, 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 Board of Nelson and Colne College on 4 February 2019 and signed on its behalf by:

Rob Pheasey
Vice Chair of Corporation

Amanda Melton
Accounting Officer

Statement of responsibilities of the members of the Corporation

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

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

In preparing the financial statements the Board of the Designated Institute 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 Board of the Designated Institute 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 Board of the Designated Institute 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 in Corporation 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 Board of the Designated Institute is responsible for the maintenance and integrity of the College's website; 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 Board of the Designated Institute 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 Board of the Designated Institute 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 Board of the Designated Institute 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.

Accrington and Rossendale College was formally dissolved on 30 November 2018 and the members of the board do not consider it appropriate to adopt the going concern basis of preparation and accordingly have prepared these financial statements on a cessation basis.

Approved by order of the members of the Board of Nelson and Colne College on 4 February 2019 and signed on its behalf by:

Rob Pheasey
Vice Chair of Corporation

Independent auditor's report to the Board of Nelson and College, a Designated Institution in Further Education ("the Designated Institute")

Opinion

We have audited the financial statements of Accrington and Rossendale College (until 30 November 2018 a college Corporation, incorporated under the Further and Higher Education Act 1992 ("the Legacy College")) for the year ended 31 July 2018 which comprise Statement of Comprehensive income, Statement of Changes in Reserves, Balance Sheet, 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 Legacy College's affairs as at 31 July 2018 and of the Legacy 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 terms of our engagement letter dated 13 December 2018. 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 Legacy 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 to the financial statements which describes the basis of preparation of the financial statements. As described in that note, the Corporation of the Legacy College has dissolved following a merger with Nelson and Colne College on 30 November 2018. As such, the 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 Board of the Designated Institute, as a body, in accordance with our letter of engagement dated 13 December 2018. Our audit work has been undertaken so that we might state to the Board of the Designated Institute 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 Designated Institute and the Board of the Designated Institute as a body, for our audit work, for this report, or for the opinions we have formed.

Independent auditor's report to the Board of Nelson and College, a Designated Institution in Further Education ("the Designated Institute") (continued)

Other information

The Board of the Designated Institute is responsible for the other information. The other information comprises the information included in the report and financial statements, set out on pages 4 to 22 other than the financial statements and our auditor's report thereon. 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 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Legacy College; or
- the Legacy College 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 Board of the Designated Institute for the financial statements

As explained more fully in the Statement of Responsibilities of the Corporation members of the Board set out on page 25, the Board of the Designated Institute 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 Board of the Designated Institute 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 Board of the Designated Institute is responsible for assessing the Legacy 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 Board of the Designated Institute 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 Board of Nelson and College, a Designated Institution in Further Education ("the Designated Institute") (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. This description forms part of our auditor's report.

Grant Thornton UK LLP

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Manchester
Date 11 February 2019

Reporting accountant's assurance report on regularity

To the Board of the Designated Institute of Nelson and Colne College and Secretary of State for Education acting through the Education and Skills Funding Agency

In accordance with the terms of our engagement letter dated 13 December 2018 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 2017 to 31 July 2018 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 Board of the Designated institute of Nelson and Colne 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 Board of the Designated institute of Nelson and Colne 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 the Designated institute of Nelson and Colne College and the reporting accountant

The Board of the Designated institute of Nelson and Colne 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 2017 to 31 July 2018 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Reporting accountant's assurance report on regularity (continued)

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.

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 2017 to 31 July 2018 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
Statutory Auditor, Chartered Accountants
4 Hardman Square
Spinningfields
Manchester

Date

Statement of Comprehensive Income and Expenditure

	Notes	2018 £'000	2017 £'000
INCOME			
Funding body grants	2	8,753	9,689
Tuition fees and education contracts	3	2,080	2,176
Other grants and contracts	4	8	68
Other income	5	308	451
Investment income	6	-	-
TOTAL INCOME		11,149	12,384
EXPENDITURE			
Staff costs	7	8,004	8,346
Fundamental restructuring costs	7	52	296
Other operating costs	8	3,312	3,205
Depreciation	12	998	1,066
Merger costs	10	76	198
Interest and other finance costs	9	616	645
TOTAL EXPENDITURE		13,058	13,756
Deficit before other gains and losses		**(1,909)**	**(1,372)**
Profit/(loss) on disposal of assets		5	(2)
Deficit before tax		**(1,904)**	**(1,374)**
Taxation	11	1	(1)
DEFICIT FOR THE YEAR		**(1,903)**	**(1,375)**
Actuarial gain in respect of pension scheme	20	3,959	1,049
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**2,056**	**(326)**

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

Statement of Changes in Reserves

	Income and expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Balance at 1 August 2016	(9,811)	1,050	**(8,761)**
Deficit from the income and expenditure account	(1,375)	-	**(1,375)**
Other comprehensive income	1,049	-	**1,049**
Transfers between revaluation and income and expenditure reserves	36	(36)	-
	(290)	(36)	**(326)**
Balance at 31 July 2017	(10,101)	1,014	**(9,087)**
Deficit from the income and expenditure account	(1,903)	-	**(1,903)**
Other comprehensive income	3,959	-	**3,959**
Transfers between revaluation and income and expenditure reserves	36	(36)	-
Total comprehensive income for the year	2,092	(36)	**2,056**
Balance at 31 July 2018	(8,009)	978	**(7,031)**

Balance sheet

	Note	2018 £'000	2017 £'000
Non current assets			
Tangible Fixed Assets	12	19,884	20,662
Investments	13	-	-
		19,884	20,662
Current assets			
Stocks		17	21
Trade and other receivables	14	563	505
Cash and cash equivalents	19	781	898
Total current assets		1,361	1,424
Creditors – amounts falling due within one year	15	(11,464)	(10,510)
Net current liabilities		(10,103)	(9,086)
Total assets less current liabilities		9,781	11,576
Creditors – amounts failing due after more than one year	16	(8,639)	(8,985)
Provisions			
Defined benefit obligations	20	(8,093)	(11,594)
Other provisions	18	(80)	(84)
TOTAL NET LIABILITIES		(7,031)	(9,087)
Income and expenditure account excluding pension reserve		84	1,493
Pension reserve	20	(8,093)	(11,594)
Income and expenditure account including pension reserve		(8,009)	(10,101)
Revaluation reserve		978	1,014
TOTAL DEFICIT		(7,031)	(9,087)

The financial statements on pages 32 to 59 were approved and authorised for issue by the Board of the Designated Institute on 4 February 2019 and signed on their behalf by:

Rob Pheasey
Vice Chair of Corporation

Amanda Melton
Accounting Officer

Statement of Cash Flows

	Notes	2018 £'000	2017 £'000
Cash flow from operating activities			
Deficit for the year		(1,903)	(1,375)
Adjustment for non-cash items			
Depreciation	12	998	1,066
Decrease in stocks		4	3
Increase in debtors		(58)	(46)
Increase/(decrease) in creditors due within one year		26	(301)
Decrease in creditors due after one year		(315)	(283)
Decrease in provisions		(4)	(6)
Pensions costs less contributions	20	458	445
Taxation		(1)	1
Adjustment for investing or financing activities			
Investment income		-	-
Interest payable		334	348
Taxation paid		-	(1)
(Profit) / Loss on sale of fixed assets		(5)	2
Net cash flow from operating		(466)	(147)
Cash flows from investing activities			
Proceeds from sale of fixed assets		7	3
Investment income		-	-
Payments made to acquire fixed assets	12	(222)	(164)
		(215)	(161)
Cash flows from financing activities			
Interest paid	9	(328)	(342)
Interest element of finance lease	9	(3)	(6)
New unsecured loans		1,228	1,921
Repayments of amounts borrowed		(305)	(297)
Capital element of finance lease rental	17	(29)	(28)
		564	1,248
(Decrease)/increase in cash and cash equivalents in the year		**(117)**	**940**
Cash and cash equivalents at beginning of the year	19	898	(42)
Cash and cash equivalents at end of the year	19	781	898

Notes to the Accounts

1 Statement of accounting policies

The following accounting policies have been applied consistently, in so far as applicable given the basis of preparation adopted, in dealing with items which are considered material in relation to the financial statements.

Legal Status

The Corporation throughout the year ended 31 July 2018 was established under The Further and Higher Education Act 1992 for the purpose of conducting Accrington and Rossendale College. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

On 30 November 2018 the College Corporation was formally dissolved and the assets and liabilities transferred to a Designated Institution in Further Education known as Nelson and Colne College. The activities and operations of the legacy College are continuing within the Designated Institute.

Cessation Basis

Accrington and Rossendale College was formally dissolved on 30 November 2018 and the members of the board do not consider it appropriate to adopt the going concern basis of preparation and accordingly have prepared these financial statements on a cessation basis.

Basis of preparation

Notwithstanding the cessation basis of accounting, these financial statements have otherwise been prepared in accordance with the Statement of Recommended Practice: Accounting in Further and Higher Education 2015 (the 2015 FE HE SORP), the Accounts Direction for the 2016 to 2017 financial statements and in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard Applicable in the United Kingdom and Republic of Ireland" (FRS102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS102

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 on 27 August 2017. As such, consolidated financial statements have not been prepared.

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 also had in place a bank loan with Barclays Bank plc, which at 31 July 2018 had a balance of £5,232,000, and a loan in place with Lloyds Bank plc with a balance of £773,000 outstanding at this date. The covenants on these facilities had been breached as at 31 July 2018.

As consequence of the breach of financial covenants associated with both bank loans and subsequent default of the loan agreements, the banks had a contractual right to demand immediate repayment of the debt. Pending the dissolution and merger with Nelson and Colne, the banks did not seek 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.

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 and Expenditure.
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 Expenditure 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 or existing fixed assets

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

d) Equipment

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

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

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

Borrowing costs

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

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

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

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

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

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

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

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

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

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

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

The College is partially exempt in respect of Value Added Tax, so that it can only recover 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 and Expenditure 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

	2018	2017
	£'000	£'000
Recurrent grants		
Education and Skills Funding Agency – adult	3,100	3,253
Education and Skills Funding Agency – 16-18	3,548	4,247
Education and Skills Funding Agency - apprenticeships	1,390	1,386
Higher Education Funding Council of England	147	229
Specific grants		
Education and Skills Funding Agency	218	193
Higher Education Funding Council of England	34	46
Releases of government capital grants	316	335
	8,753	9,689

3 Tuition fees and education contracts

	2018	2017
	£'000	£'000
Adult education fees	124	92
Apprenticeship fees and contracts	13	3
Commercial course fees	47	125
Fees for FE loan supported courses	304	249
Fees for HE loan supported courses	1,192	1,219
Total tuition fees	1,680	1,688
Education contracts	400	488
	2,080	2,176

Included in the above amounts are tuition fees funded by bursaries of £28,964 (2016/17 £15,963).

4 Other grants and contracts

	2018	2017
	£'000	£'000
Erasmus	(20)	45
UK-based charities	13	2
European Commission	-	-
Other grants and contracts	15	21
	8	68

5 Other income

	2018	2017
	£'000	£'000
Other income generating activities:		
training restaurant	64	64
training salons	10	11
sports facilities	90	87
assessment services	-	54
other	14	12
Examination fees	35	37
Releases from deferred capital grants (non-funding body)	68	50
Other income	27	136
	308	451

6 Endowment and investment income

	2018	2017
	£'000	£'000
Interest receivable	-	-

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:

	2018	2017
	No.	No.
Teaching staff	107	121
Non-teaching staff	119	129
	226	250

Staff costs for the above persons:

	2018	2017
	£'000	£'000
Wages and salaries	6,112	6,434
Social security costs	516	528
Other pension costs (including FRS 102 charge of £176,000; 2017: charge of £151,000)	1,215	1,250
Payroll sub-total	7,843	8,212
Contracted out staffing services	161	134
	8,004	8,346
Fundamental restructuring costs Contractual	43	296
- Non contractual	9	-
Total staff costs	8,056	8,642

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 (Interim) 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

	2018	2017
	Number	Number
The number of key management personnel including the Principal was:	3	4

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** **2018**	2017	**Other staff** **2018**	2017
	No.	No.	No.	No.
£50,001 to £60,000	1	-	2	-
£60,001 to £70,000	-	-	-	-
£70,001 to £80,000	1	2	-	-
£80,001 to £90,000	1	-	-	-
£90,001 to £100,000	-	1	-	-
£100,001 to £110,000	-	1	-	-
£110,001 to £120,000	-	-	-	-
£120,001 to £130,000	-	-	-	-
£130,001 to £140,000	-	-	-	-
	3	4	**2**	-

7 Staff costs (continued)

Key management personnel compensation is made up as follows:

	2018	2017
	£'000	£'000
Salaries	218	204
Employers' National Insurance	27	25
Pension contributions	12	27
Total key management personnel compensation	257	256

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 Interim Principal and Accounting Officer (who is also the highest paid senior post holder). Their respective compensation was:

	2018	2017
	£'000	£'000
Salary (Principal - 1 August 2016 – 31 January 2017)	-	54
Pension contributions (Principal - 1 August 2016 – 31 January 2017)	-	9
Salary (Interim Principal – 1 June 2017 – 31 July 2018)	87	12
Pension contributions (Interim Principal - 1 February 2017 – 31 July 2018)	-	-
	87	75

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

The members of the Corporation of Accrington & Rossendale College (dissolved on 29 November 2018) other than the Interim 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

	2018	2017
	£'000	£'000
Teaching costs	1,363	1,366
Non-teaching costs	1,183	1,277
Premises costs	766	562
	3,312	3,205

	2018	2017
	£'000	£'000

Other operating expenses include:		
Auditors' remuneration		
- Financial Statements audit	23	21
- Internal audit	-	-
Other services provided by the financial statements auditors*	2	2
Payments to subcontractors	260	294
Non-cancellable leases on land and buildings	25	27
Hire of other assets	158	125

* relates to Corporation tax compliance services

9 Interest and other finance costs

	2018	2017
	£'000	£'000
On bank loans, overdrafts and other loans:		
Repayable within five years, not by instalments	-	-
Repayable within five years, by instalments	-	-
Repayable wholly or partly in more than five years	328	342
	328	342
On finance leases	3	6
Net interest on defined pension liability (note 20)	282	294
Interest on enhanced pension provision	3	3
	616	645

10 Exceptional items

	2018	2017
	£'000	£'000
Merger costs	76	198
	76	198

11 Taxation

	2018	2017
	£'000	£'000
United Kingdom Corporation tax	(1)	1

12 Tangible fixed assets

	Land and buildings		Equipment	Total
	Freehold	Under Construction		
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2017	25,913	44	4,906	30,863
Additions	-	-	222	222
Transfers	-	-	-	-
Disposals	-	-	(44)	(44)
At 31 July 2018	25,913	44	5,084	31,041
Depreciation				
At 1 August 2017	7,003	-	3,198	10,201
Charge for year	630	-	368	998
Eliminated on disposal	-	-	(42)	(42)
At 31 July 2018	7,633	-	3,524	11,157
Net book value				
At 31 July 2018	18,280	44	1,560	19,884
At 31 July 2017	18,910	44	1,708	20,662

12 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 in Corporation 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 £8,932,000 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 £60,734 (2016/17 - £88,482) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £27,748 (2016/17 - £27,069).

13 Non-current Investments

	2018	2017
	£	£
Investment in subsidiary company	-	2
Investment in Lancashire College Consortium Limited	1	1

At 31 July 2017 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 2018 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

	2018	2017
	£'000	£'000
Amounts falling due within one year:		
Trade receivables	72	132
Prepayments and accrued income	266	244
Amounts owed by the Education and Skills Funding Agency	225	129
	563	505

Creditors: amounts falling due within one year

	2018	2017
	£'000	£'000
Loans and overdrafts (note 17)	6,007	6,309
Obligations under finance leases	29	28
Trade payables	370	196
Corporation Tax	1	1
Other taxation and social security	152	139
Deferred income – government capital grants	326	341
Deferred income – government revenue grants	-	-
Skills Funding Agency Exceptional Financial Support loan	3,475	2,247
Accruals and deferred income	1,050	982
Amounts owed to the Education and Skills Funding Agency	54	267
	11,464	10,510

15 Creditors: amounts falling due after one year

	2018	2017
	£'000	£'000
Loans and overdrafts (note 17)	1	3
Obligations under finance leases	35	64
Deferred income – government capital grants	8,603	8,918
	8,639	8,985

16 Maturity of debt

	2018	2017
	£'000	£'000

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

In one year or less	6,007	6,309
Between one and two years	1	3
Between two and five years	-	-
In five years or more	-	-
	6,008	6,312

An unsecured bank loan with a fixed interest rate of 5.91% is repayable by instalments falling due between 1 August 2018 and 27 June 2033 totalling £5,232,478. A further unsecured bank loan with a variable interest rate (1.6% above LIBOR) is repayable by instalments falling due between 1 August 2018 and 15 January 2026 totalling £772,720. An interest free loan totalling £2,622 is repayable by instalments falling due between 1 August 2018 and 1 April 2020. The covenants on bank loan facilities have been breached at 31st July 2018.

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.

On dissolution of Accrington and Rossendale College on 30 November 2018, the bank loans referred to above were settled in full by the ESFA and did not novate to Nelson and Colne College

	2018	2017
	£'000	£'000
(b) Finance leases		
The net finance lease obligations to which the College is committed are:		
In one year or less	29	28
Between one and two years	30	29
Between two and five years	5	35
In five years or more	-	-
	64	92

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

18 Provisions

	Enhanced Pension
	£'000
At 1 August 2017	84
Expenditure in the period	(7)
Additions in period	3
At 31 July 2018	80

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:

	2018	2017
Interest rate	2.3%	2.3%
Net interest rate	1.3%	1.3%

19 Cash and cash equivalents

	At 1 August 2017	**Cash flows**	**Other changes**	**At 31 July 2018**
	£'000	**£'000**	**£'000**	**£'000**
Cash and cash equivalents	898	(117)	-	781
Overdrafts	-	-	-	-
Total	**898**	**(117)**	**-**	**781**

20 Defined benefit obligations

The College's employees belong to two principal post employment benefit plans: 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.

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

Total pension cost for the year

		2018		2017
		£'000		£'000
Teachers pension scheme: contribution paid		405		425
Local Government Pension Scheme:				
Contributions paid	636		719	
FRS 102 (28) charge	176		151	
Charge to Statement of Comprehensive Income and Expenditure		812		870
Enhanced pension charge to Statement of Comprehensive Income and Expenditure		-		(1)
Total Pension Cost for Year within staff costs		1,217		1,294

Contributions amounting to £113,089 (2017; £118,530) 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 colleges. Membership is automatic for full-time teachers and lecturers at eligible institutions. Teachers and lecturers are able to opt out of the TPS.

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

Under the definitions set out in FRS102 (28.11), the TPS is a multi-employer pension plan. The College is unable to identify its share of the underlying assets and liabilities of the plan.

20 Defined benefit obligations (continued)

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.

The valuation of the TPS is carried out in line with regulations made under the Public Service Pension Act 2013. Valuations credit the teachers' pension account with a real rate of return assuming funds are invested in notional investments that produce a 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. 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 (pension currently in payment and the estimated cost of future benefits) for service to the effective date of £191,500 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176,600 million, giving a notional past service deficit of £14,900 million;
- An employer cost cap of 10.9% on pensionable pay;
- The assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

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 at some point in 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

The pension costs paid to TPS in the year amounted to £405,213 (2017: £425,028).

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 2018 were £781,002 of which employer's contributions totalled £633,948 and employees' contributions totalled £147,054 (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 16.48% for employers and range from 7.4% to 11.7% for employees (banded, dependant on salary levels).

20 Defined benefit obligations (continued)

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 2018	At 31 July 2017
Rate of increase in salaries	3.70%	3.70%
Rate of increase for pensions	2.30%	2.20%
Discount rate for scheme liabilities	2.90%	2.50%
Inflation assumption (CPI)	2.20%	2.20%
Commutation of pensions to lump sums	50%	50%

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

	At 31 July 2018	At 31 July 2017
Retiring today		
Males	22.7	22.6
Females	25.4	25.2
Retiring in 20 years		
Males	25.0	24.9
Females	28.0	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 2018	Fair Value at 31 July 2018	Long-term rate of return expected at 31 July 2017	Fair Value at 31 July 2017
	£'000	£'000	£'000	£'000
Equities	43.9%	13,114	43.9%	11,980
Government Bonds	3.4%	1,016	1.9%	518
Other Bonds	0.6%	179	2.3%	628
Property	9.2%	2,749	10.4%	2,838
Cash/Liquidity	0.9%	269	4.6%	1,255
Other	42.0%	12,548	36.9%	10,069
Total fair value of plan assets		29,875		27,288
Actual return on plan assets		2,231		2,938

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

	2018	2017
	£'000	£'000
Fair value of plan assets	29,875	27,288
Present value of plan liabilities	(37,968)	(38,882)
Net pensions liability	(8,093)	(11,594)

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

	2018	2017
	£'000	£'000
Amounts included in staff costs (note 7)		
Current service cost	800	800
Administration costs	12	14
Curtailment cost	-	56
Past service cost	-	-
Total	**812**	**870**

20 Defined benefit obligations (continued)

	2018 £'000	2017 £'000
Amounts included in interest payable (note 9)		
Net interest cost	282	294
	282	**294**

Amount recognised in Other Comprehensive Income		
Return on pension plan assets	1,544	1,706
Experience gain arising on defined benefit obligations	-	1,315
Changes in assumptions underlying the present value of	2,415	(1,972)
Amount recognised in Other Comprehensive Income	**3,959**	**1,049**

Movement in net defined benefit liability during year

	2018 £'000	2017 £'000
Net defined benefit liability in scheme at 1 August	(11,594)	(12,198)
Movement in year:		
Current service cost	(800)	(800)
Employer contributions	636	719
Curtailment loss	-	(56)
Administration expenses	(12)	(14)
Net interest on the defined benefit liability	(282)	(294)
Actuarial gain or loss	3,959	1,049
Net defined benefit liability at 31 July	**(8,093)**	**(11,594)**

Asset and Liability Reconciliation

	2018 £'000	2017 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	38,882	37,279
Current service cost	800	800
Interest cost	969	920
Contributions by Scheme participants	149	175
Experience (gains) losses on defined benefit obligations	-	(1,315)
Changes in financial assumptions	(2,415)	1,972
Estimated benefits paid	(417)	(1,005)
Past Service cost	-	-
Curtailments and settlements	-	56
Defined benefit obligations at end of period	**37,968**	**38,882**

20 Defined benefit obligations (continued)

	2018	2017
	£'000	£'000
Changes in fair value of plan assets		
Fair value of plan assets at start of period	27,288	25,081
Interest on plan assets	687	626
Remeasurements	1,544	1,706
Administration expenses	(12)	(14)
Employer contributions	636	719
Contributions by Scheme participants	149	175
Estimated benefits paid	(417)	(1,005)
Fair value of plan assets at end of period	**29,875**	**27,288**

21 Events after the reporting period

Accrington & Rossendale College merged with Nelson & Colne College on 30 November 2018. On that date, all assets and liabilities of Accrington & Rossendale College transferred to the Corporation of Nelson & Colne College immediately prior to the Corporation of Accrington & Rossendale College being dissolved.

22 Lease obligations

At 31 July the College had minimum lease payments under non-cancellable operating

	2018	2017
	£'000	£'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	21	22
Later than one year and not later than five years	3	24
Later than five years	-	-
	24	46
Other		
Not later than one year	50	86
Later than one year and not later than five years	10	29
Later than five years	-	-
	60	115

23 Contingent liabilities

There are no contingent liabilities at 31 July 2018 (2017: £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 (2017: None).

No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2017: 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 and Expenditure. 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.

	2018	2017
	£'000	£'000
Learner support funds		
Funding body grants – bursary support	309	273
Funding body grants – discretionary learner support	-	-
	309	273
Disbursed to students	(242)	(231)
Administration costs	(13)	(13)
Balance unspent at 31 July	54	29