NELSON & COLNE COLLEGE

Report and Financial Statements for the year ended 31 July 2018

Key Management Personnel, Board of Governors and Professional advisers

Key management personnel

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

Amanda Melton - Principal and CEO; Accounting officer
David Rothwell - Deputy Principal
Alison Rushton – Vice Principal, Pre Advanced Curriculum and Apprenticeships
Anita Ghidotti – Executive Director of Human Resources
Paul Britton – Vice Principal, Sixth Form
Sam Mercer – Executive Director of Corporate Planning
Tracey Baron – Associate Principal, Lancashire Adult Learning

Board of Governors

A full list of Governors is given on pages 13-15 of these financial statements.

The Clerk to the Corporation during the period Mrs D Corcoran.

Professional advisers

Financial statements auditors and reporting accountants:

RSM UK Audit LLP
Bluebell House
Brian Johnson Way
Preston, PR2 5PE

Internal auditors:

BDO
3 Hardman Street
Spinningfields
Manchester, M3 3AT

Bankers:

Lloyds Bank
King Street
Manchester, M32 8AD

Solicitors:

Forbes Solicitors
Rutherford House
4 Wellington Street (St Johns)
Blackburn, BB1 8AD

Eversheds Sutherland
115 Colmore Row
Birmingham, B3 3AL

CONTENTS

Members' Report

NATURE, 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 Nelson & Colne College.

Mission

The College's mission, confirmed by the Corporation is as follows:

To deliver the highest quality, relevant, education and training to young people and adults in College, in community settings and in the workplace. To encourage and support all to overcome any barriers, to be ambitious and achieve.

Public benefit

Nelson & Colne College is an exempt charity under the Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Business, Innovation and Skills as Principal Regulator for all FE Corporations in England. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 13-15.

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 a range of identifiable public benefits through the advancement of education as outlined in this Member's report.

Implementation of strategic plan

In October 2017, the Corporation approved updated strategic plan aims for the 2017/18 academic year. These aims include property and financial matters. The Corporation monitors the performance of the College against these plans. The plans are reviewed and updated each year. The College's confirmed strategic targets for the period included:

- 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.
- Ensuring our offer is appropriate to the needs of learners and supports local, regional and national priorities.
- Providing a safe, supportive and inspiring environment for students.
- Ensuring our culture and organisational values are modelled by staff and benefit students.
- Through effective partnerships, seek out new opportunities to develop and grow the College.

Financial objectives

Maintaining a sound financial position and wellbeing continues to be a key strategic priority for the College to ensure that it:

- has an adequate level of reserves.
- is able to generate sufficient funds to provide for ongoing investment.
- retains the confidence of its funding bodies, bankers and other key stakeholders.

The College's primary financial targets outlined in the financial plan 2017-19 are to:

- maintain at least 'Good' financial health as assessed by the Education and Skills Funding Agency (ESFA).
- achieve a cash based operating surplus each year.
- ensure strong short term solvency.
- maintain an acceptable level of debt gearing.
- ensure compliance with financial covenants prescribed by lenders.

A range of performance indicators have been agreed to monitor the successful implementation of the policies.

Performance indicators

The College is committed to observing the importance of sector measures and indicators and continue to measure FE performance in terms of a range of indicators including:

- learner volumes (emphasis on 16-18 years FE students) and funding targets.
- teaching quality.
- qualification success rates and value added.
- learner satisfaction.
- employer satisfaction.
- learner destination and progression.
- financial wellbeing.

In 2017/18, recruitment of 16-18 FE learners was 1,850 (2016/17: 1,809) and ahead of the allocated, funded target for the year of 1,805. The overall actual funding value generated during the year for 16-18 FE provision was 101% of target. The number of adult FE learners recruited during 2017/18 was 1,469 this being an increase of 173 on the equivalent 2016/17 figure of 1,296. The actual funding value generated in respect of the overall Adult Education Budget for 2017/18 was 101% of the allocation for the year.

The College is required to complete the annual Finance Record for the Education and Skills Funding Agency. The Finance Record produces a financial health grading. The assessed current rating for 2017/18 of Outstanding is considered an acceptable outcome.

FINANCIAL POSITION

Financial results

The College generated a deficit before other gains and losses in the year of £317k (2016/17 – surplus of £952k), with total comprehensive income of £2,325k, (2016/17 – £1,317k). The College has accumulated income and expenditure reserves of £6,071k and cash and short term investment balances of £6,354k.

Tangible fixed asset additions during the year amounted to £762k (2016/17 - £906k). This was split between land and buildings costs of £203k and equipment purchased of £559k.

The College continues to have significant reliance on the Education and Skills Funding Agency for its principal funding source, largely from participation monies. In 2017/18 these funding bodies provided 89% of the College's total operating income (2016/17 – 90%).

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 as outlined in the financial regulations. The College has not had a requirement for short term borrowing for temporary revenue purposes during the period. All other borrowing requires the authorisation of the Corporation.

Cash flows and liquidity

At £897k (2016/17: £3,243k) although a significant reduction on the prior year, operating cash inflow for the period remained strong.

At the end of the 2017/18 financial year, accumulated cash balances and current asset investments (comprising short term money market deposits) were £6,354k (2016/17 - £6,468k). The College had no new borrowings during the year and, reflecting repayments of existing debt principal, outstanding borrowings stood at £2,518k (2016/17 - £2,698k). The size of the College's total borrowing and its approach to interest rates has been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cash flow. During the year this margin was comfortably exceeded.

Reserves policy

The College has no formal Reserves Policy but recognises the importance of reserves to the financial stability of an organisation, and ensures that there are adequate reserves to support the College's core activities. The College currently holds no restricted reserves. As at the balance sheet date the income and expenditure reserve stands at £6,071k (2016/17: £3,746k). It is the Corporation's intention to increase reserves going forward through the generation of annual operating surpluses.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

In 2017/18 the College has delivered activity that has produced £17,385k in funding body main allocation funding (2016/17: £17,401k). Inclusive of Adult Community Learning activity delivered via the Lancashire Adult Learning operation, the College had approximately 13,600 funded FE students during the year.

Student achievements

The College has had a successful year in 2017/18 with high grade achievements in A level studies closely reflecting the 2016 out-turn at 21.6%. This does represent a decrease in high grades from 2017, however considering that this is the first full year of linear A levels and the considerable changes, we are pleased with this achievement and with the vast majority of our students progressing onto University have secured their first choice.

Below is a table showing the A level grade results.

A Level Results	Total entries	% A - E	% A - C	% A - B	% A* - A
2018	**621**	**98.7%**	**78.9%**	**53.1%**	**21.6%**
2017	774	99.7%	87%	57%	24%
2016	698	99.9%	79%	52%	21%

Our vocational achievement rate is 99.6% which is considered an excellent outcome again for students and staff. In addition, value added which is the main progress in learning measure is an Alps score of 2 which is classed as outstanding.

We secured exceptional results in both English and Mathematics GCSE and in the progress students make over the length of time they are with the college studying these subjects. This is as a result of capacity building through investment in resource and the substantial and sustained improvements in teaching, learning and assessment that the team have made over the past three academic years. This includes a whole college focus on attendance in lessons, progress monitoring at each half term, reporting through the curriculum performance review panels and consistently rigorous intervention where appropriate.

The tables below demonstrate the high grade pass results and the progress scores.

GCSE 16-18 Result 2018	**Result % A* - C (9-4)**				
Subject	**Total entries**	**2018**	2017	*2016*	*2015*
English	**227**	**53%**	47%	*28%*	*13%*
Maths	**176**	**72%**	22%	*27%*	*27%*

GCSE Progress Scores (DFE performance tables)	*The 2018 progress scores are shadow data to be confirmed in January 2019*				
Subject	**2018 (tbc)**	2017	2016		
English	**0.69**	0.40	0.41		
Maths	**0.85**	0.81	0.96		

The College also have secured a further improvement in the headline all age all level achievement rates with a result of 94.2% compared to 93.9% in 2016/17. In 2016 the College was placed 2nd in the national league tables and was 0.1% behind the college placed first nationally. With this year's results we fully expect to be placed once again as one of the top performing colleges in the country. For 16-18 year olds, we were also 1st nationally last year, with an overall achievement rate of 93.2%, and have secured a 92.9% result in 2018. Naturally, we are delighted with these results and committed to maintaining this level of excellence going forward. Achievement for apprenticeships continues to be exceptionally high. In 2016 the College was placed 4th nationally overall with 81.7% for timely achievement all age all levels and early indications show that we will be very close to this figure again for 2017/18.

Curriculum developments

The College continues to maintain a relentless focus on maintaining and developing the quality of teaching and learning and the student experience. A key focus into 2018/19 and beyond is to ensure our curriculum offer delivers a range of courses that equips our students with the necessary qualifications, skills and knowledge to prepare them for their next steps and future careers where they can make a positive contribution to society. We have continued to invest in developing highly effective teaching teams and the middle leadership capacity in order to prepare for and meet the demands of the changing environment in further education.

We have undertaken some changes at Senior Leadership with the departure of Paul Britton who takes up the exciting challenge of Principal of a 6th Form College. We are very pleased to have appointed internal replacements, Morag Davis and Fionnuala Swann as Assistant Principals who with their combined skills and knowledge of the A level and advanced vocational curricula means that the College has the capacity to be fully prepared for current and future changes in the curriculum design and delivery. In terms of vocational education, we are gearing up for the introduction of the T levels where the emphasis will be on strong vocational design coupled with substantial work experience and a focus on positive destinations. We have secured capacity development funding into 2019/20 that will enable us to identify and embed industry leads in each of the vocational curriculum areas. We do recognise that there needs to be further investment in order to ensure our vocational teachers benefit from high quality 'back to the floor' work experience to maintain and build upon their existing expertise.

Going forward into 2018/19, we continue to meet the challenge that the 2 year linear A levels bring in terms of ensuring that we have robust advice and guidance at the start of programmes to ensure students understand and are fully prepared and make the right choices before embarking upon their two year programmes. We have learned, as have the vast majority of colleges, that strong pre-course advice and guidance is essential to preparing young people for a stretching two years of academic study. Most subjects continue to recruit well, though we have taken the difficult decision to withdraw A level Theatre Studies, due to there being too few students wanting to study this subject.

The introduction of the new standards in apprenticeships is not without its challenges. The impact of the new standards has meant a complete review of the delivery and monitoring systems to ensure that apprentices develop new skills that meet industry needs and can confidently apply these in the workplace. In addition, all assessment for learning practices equips apprentices with the knowledge to successfully achieve the newly introduced end point assessments. To address these changes, the trainer assessor roles have changed and this team have undertaken a considerable amount of staff development to support them. Going into 2018/19 the College's offer has significantly increased in size and includes higher level and degree apprenticeships.

Lancashire Adult Learning (LAL, our adult community learning brand) is now firmly established at Northlight in Brierfield. With the relocation into Pendle, LAL is now established as both a community venue serving the local community, schools and libraries and continues to deliver throughout Lancashire. The vast majority of courses are aimed at hard to reach adult learners, to engage them in learning and progress them into further learning and employment. As the College receives the second largest grant income for adult and community learning in the country, we are keen to ensure we reach a high volume of learners and demonstrate maximum impact. Earlier this year, we were pleased to receive a visit from the Minister for Skills, Anne Milton who came to see how we used the adult and community learning grant to best effect. She left with a clear understanding of how we demonstrate value for money and has since sent one of her DFE Adult Education Advisors on a 'fact finding' immersion visit.

Apart from teacher education, the College is relatively new to the HE market. There is a five year plan development plan in place to grow HE programmes including higher nationals, foundation degrees and degrees. The offer neatly dovetails into the apprenticeship strategy so that all HE programmes can be incorporated into the new apprenticeship standards. The HE focus is on the needs of the local economy and employers. This part of our provision will continue to be a key college focus moving into the next few years.

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 paid 76 per cent of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

Events after the end of the reporting period

Nelson & Colne College merged with Accrington & Rossendale 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.

Future prospects

The Corporation has approved an extensive strategic business case and implementation plan for the newly merged organisation which sets out the College's ambitions for future development, investment and growth through to July 2021. The plan sets out our mission, vision and values; along with our strategic priorities and the key actions we plan to undertake to support the achievement of our ambitions.

A range of updated key performance indicators (KPI's) have been identified; targets have been set for 2018/19 and ambitions have been identified for 2019-21 which will be reviewed and converted into targets on an annual basis.

Taking into account the current position and principal risks faced, the College believes it will be able to continue in operation and meet its liabilities in the future and is confident that it will remain a going concern until at least the scheduled end of this Parliament in 2022.

RESOURCES:

The College has various resources that it can deploy in pursuit of its strategic objectives.

Tangible resources include the enhanced main college site which has benefited from more than £23 million investment in buildings (newly constructed and refurbished) since 2007.

Financial

The College has c£12.6 million of net assets (including c£4.3 million pension liability) and long term debt of c£2.5 million.

People

The College employs 415 people (expressed as full time equivalents), of whom 223 are classified as teaching staff.

Reputation

The College has an outstanding reputation locally and nationally. Maintaining a quality brand is essential for the College's success at attracting students and external relationships.

PRINCIPAL RISKS AND UNCERTAINTIES:

The College has continued work during the year to maintain the system of internal control, including financial, operational and risk management which is designed to protect the College's assets and reputation.

Based on the strategic plan, the Senior Management Team undertakes a comprehensive review of the risks to which the College is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the College. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions. In addition to the annual review, the Senior Management Team will also consider any risks which may arise as a result of a new area of work being undertaken by the College.

A risk register is maintained at the College level which is reviewed at least annually by the Audit Committee and more frequently where necessary. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

Outlined below is a description of certain key risk factors that may affect the College. Not all the factors are within the College's control. Other factors besides those listed below may also adversely affect the College.

1 Government funding

The College has considerable reliance on continued government funding through the further education sector funding bodies. In 2017/18, approximately 89% of the College's revenue was ultimately public funded and this level of requirement is expected to continue. There are can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

The College is aware of several issues which may impact on future funding:

- Continued austerity and significant pressure on public finances will have a significant and sustained negative impact on the overall levels of funding available for the FE sector; the latest Budget (November 2018) fell some considerable way short of adequately addressing the concerns that have been raised.
- Institutional mergers arising out of and following the recent Area Based Review process is going to have a significant impact on the pattern and number of FE institutions in England between 2017 and 2020.
- Funding methodologies utilise a series of factors such as qualification aim funding values and success rates to calculate an amount of funding to be received for each learner. Such funding cannot be guaranteed though.
- The skills investment strategy underpins the development of future programmes and priorities for adult skills going forward. It is expected to result in continued funding reform including further delegation of funding and decision making to the local level via Combined Authorities and Local Enterprise Partnerships, extension of tuition fee loans and channelling of more funding via employers.
- New funding arrangements for Apprenticeships including the introduction of the Levy from May 2017 represent a further challenge for Colleges and a potential source of instability.
- Continuing policy priorities such as English and Maths conditionality will continue to place additional demands on Colleges.

This risk is mitigated in a number of ways:

- Funding is derived through a number of direct and indirect contractual arrangements.
- By ensuring the College is rigorous in delivering high quality education and training and continues to exploit opportunities to grow and secure added value.
- Considerable focus and investment is placed on maintaining and managing key relationships with funding bodies, other partners and employers.
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding.
- Maintaining close oversight of the College's financial position and contingency planning to respond to any reductions in available funding.

2 Tuition fee policy

The tuition fee assumption was retained at 50% in 2017/18. In line with many other colleges, Nelson & Colne College will continue to seek to align its approach to tuition fees to government policy. There is a continued risk for the College of demand falling off if fees increase particularly given the challenging current economic climate.

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.
- Robust credit control processes.
- Effective marketing and student advice / guidance arrangements.
- Close monitoring of the demand for courses as prices change.

3 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:

- Close monitoring of pension costs and by ensuring the ongoing financial performance and position of the College is sufficient to allow adequate budget provision to be made should costs increase further.

4 Merger with Accrington & Rossendale College

The College merged with Accrington & Rossendale College on 30th November 2018. The College recognises that mergers represent a risk to the organisations involved.

This risk has been mitigated in a number of ways:

- A thorough and extensive due diligence process has been independently carried out.
- The appointment of experienced project managers to oversee and support the merger planning and preparation process.
- Securing financial support from the ESFA via Restructuring Facility Grant.
- Successful execution of new, enhanced governance and senior leadership arrangements.
- Preparation of a detailed implementation plan against which performance will be regularly reported and scrutinised.

STAKEHOLDER RELATIONSHIPS

In line with other colleges and with universities, Nelson & Colne College has many stakeholders. These include:

- Students;
- Education sector funding bodies;
- FE Commissioner
- Staff;
- Local employers (with specific links);
- Local authorities;
- Local Enterprise Partnerships (LEPs);
- The local community;
- Other FE and HE institutions;
- Trade unions;
- Professional bodies.

The College recognises the importance of these relationships and engages in regular communication with them through the College Internet site and by meetings.

Equal opportunities

The College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, gender, sexual orientation, ability, religion or belief, class and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry. This policy is resourced, implemented and monitored on a planned basis. The College's Equality & Diversity Policy is published on the College's internet site.

The College publishes an Annual Equality 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. Equality impact assessments are also undertaken for existing policies and procedures on a prioritised basis.

The College considers all applications for employment from disabled persons, bearing in mind the aptitudes of the individuals concerned. All disabled applicants who meet the essential criteria for a post are shortlisted for interview. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues through making reasonable adjustments. The College's policy is to provide training, career development and opportunities for promotion which are, as far as possible, identical to those of non- disabled employees.

Disability statement

The College seeks to achieve the objectives set down in the Equality Act 2010:

- as part of the redevelopment of the buildings the College has installed new lifts and ramps etc. so that all of the facilities will allow access to people with a disability;
- there is a list of specialist equipment, such as audio aids, which the College can make available for use by students;
- the admissions policy for all students is described in the College charter. Appeals against a decision not to offer a place are dealt with under the complaints policy;
- the College has invested in the appointment of specialist lecturers to support students with learning difficulties and/or disabilities. There are a number of student support assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities;
- specialist programmes are described in programme information guides, and achievements and destinations are recorded and published in the standard College format;
- counselling and welfare services are described in the College charter.

Trade Union Facilities Report Introduction

The following report includes information required as part of our legal obligation to publish Trade Union Facility Time under the Trade Union (Facility Time Publication Requirements) Regulations 2017. The information below is for the "relevant period" from 1st April 2017 until 31st March 2018.

1. Relevant union officials

What was the total number of your employees who were relevant union officials during the relevant period?

Number of employees who were relevant trade union officials during the relevant period	FTE employee number
11	9.5

2. Percentage of time spent on facility time

How many of your employees who were relevant union officials employed during the relevant period spent a) 0%, b) 1%-50%, c) 51%-99% or d) 100% of their working hours on facility time?

Percentage of time	Number of employees
0%	0
1-50%	11
51-99%	0
100%	0

3. Percentage of pay bill spent on facility time

Provide the figures requested in the first column of the table below to determine the percentage of your total pay bill spent on paying employees who were relevant union officials for facility time during the relevant period.

The total cost of facility time	£13,350.57
The total pay bill	£14,245,000
The percentage of the total pay bill spent on facility time, calculated as: (total cost of facility time ÷ total pay bill) x 100	0.1%

4. Paid trade union activities

As a percentage of total paid facility time hours, how many hours were spent by employees who were relevant union officials during the relevant period on paid trade union activities?

Time spent on paid trade union activities as a percentage of total paid facility time hours calculated as: (total hours spent on paid trade union activities by relevant union officials during the relevant period ÷ total paid facility time hours) x 100	3%

Disclosure of information to auditors

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

Approved by order of the Members of the Corporation on 3 December 2018 and signed on its behalf by:

Stephen Barnes
Chair

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2017 to 31 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 Code of Good Governance for English Colleges ("the Code"); and
III. having due regard to the UK Corporate Governance Code 2016 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 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 The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted on 6 February 2017.

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

The Corporation

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

	Date of appointment	Term of office	Date of resignation	Status of appointment	Committee/s served	Corporation Attendance
Hadiqa Ayub	11/12/17	1 year	1/10/18	Student Member		60%
Mr S Barnes (Chair)	1/4/96 Re-appointed 27/11/2018	1 year		Independent Member	• Finance and Resources • Remuneration (Chair) • Search (Chair)	88%
Mrs S Bridgeman	30/11/18	2 years		Independent Member	• Audit	N/A
Mrs J Cleaver	20/10/14 Re-appointed 27/11/2018	1 year		Independent Member	• Quality and Curriculum	75%
Kendell Earl	11/12/17 Re-appointed 1/10/18	10 months		Student Member		63%

Mr S Hughes	30/11/18	2 years		Independent Member	• Finance and Resources	N/A
Cllr M Iqbal	12/12/16	4 years	11/06/18	Independent Member		100%
Mrs H Khan	2/7/14 Re-appointed 27/11/2018	1 year		Independent Member	• Remuneration • Search	63%
Mr K Moynes	9/2/15	4 years	21/2/18	Independent Member	• Quality and Curriculum	0%
Mrs A Melton (Principal)	5/3/12			Principal	• Adult Community Learning (ACL) Advisory Board • Finance and Resources • Quality and Curriculum • Search	100%
Mrs Z Ogden	12/12/16	4 years	1/10/18	Staff Member	• Adult Community Learning (ACL) Advisory Board	100%
Mr R Pheasey (Vice Chair)	1/2/05 Re-appointed 3/7/17	4 years		Independent Member	• Finance and Resources • Remuneration (Vice Chair) • Search (Vice Chair)	88%
Mr M Phelan	5/10/15 Re-appointed 27/11/2018	1 year		Independent Member	• Audit • Quality and Curriculum (Chair) • Adult Community Learning (ACL) Advisory Board (Vice Chair)	100%
Mrs C Pye	1/1/15	4 years		Staff Member	• Audit • Quality and Curriculum	75%
Mr N Rashid	21/10/13 Re-appointed 27/11/2018	1 year		Independent Member	• Audit (Vice Chair) • Quality and Curriculum (Vice Chair) • Search	88%
Ms E Schofield	18/4/18	1 year		Independent Member		40%
Mr A Siddique	3/10/16 Re-appointed 2/10/17	4 years		Independent Member		38%

Mr D Whatley	1/9/09 Re-appointed 3/7/17	4 years		Independent Member	• Audit (Chair)	50%
Mr P Wilkinson	28/6/16	4 years		Independent Member	• Adult Community Learning (ACL) Advisory Board (Chair) • Finance and Resources	88%
Mr B Fisher	1/12/18	13 months		Independent Member	• Finance and Resources	N/A
Mr T Webber MBE	1/12/18	13 months		Independent Member		N/A
The Clerk to the Corporation is Mrs D Corcoran						

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

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

The Corporation conducts its business through a number of Committees. Each Committee has terms of reference, which have been approved by the Corporation. These committees are the Adult Community Learning (ACL) Advisory Board, Audit, Finance and Resources, Quality and Curriculum, Remuneration and Search. Full minutes of all meetings, except those minutes deemed to be confidential by the Corporation, are available from the Clerk to the Corporation at:

Nelson & Colne College
Scotland Road
Nelson
Lancashire
BB9 7YT

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

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

Formal agendas, papers and reports are supplied to Governors in a timely manner, prior to Board meetings. Briefings are provided on an ad hoc basis.
The Corporation has a strong and independent non-executive element and no individual or group dominates its decision-making process. The Corporation considers that each of its non-executive members is independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

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

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search Committee, the composition of which is set out in the Members' report. The Committee is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required. Members of the Corporation are appointed for a term of office not exceeding four years.

Corporation performance

The Corporation carried out a self-assessment of its own performance for the year ended 31^{st} July 2018 and graded itself as 'outstanding' on the Ofsted scale.

Remuneration Committee

Throughout the year ending 31 July 2018 the College's Remuneration Committee comprised three Members of the Corporation. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Accounting Officer and other designated senior post-holders.

Details of remuneration for the year ended 31 July 2018 are set out in note 7 to the financial statements.

Audit Committee

The Audit Committee comprises four members of the Corporation (excluding the Accounting Officer and Chair) and one co-opted member, a qualified accountant. The Committee operates in accordance with written terms of reference approved by the Corporation.

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

The College's internal auditors review the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input and report their findings to management and the Audit Committee. Management is responsible for the implementation of agreed audit recommendations and internal audit undertakes periodic follow-up reviews to ensure such recommendations have been implemented.

The Audit Committee also advises the Corporation on the appointment of internal auditors and financial statements auditors and reporting accountants and their remuneration for audit and non-audit work as well as reporting annually to the Corporation.

Internal control

Scope of responsibility

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

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

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Nelson & Colne 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 has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2018 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

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

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

The College has an internal audit service, which operates in accordance with the requirements of the ESFA's Post 16 Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee.

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

Review of effectiveness

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

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

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

The Senior Leadership Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Senior Leadership Team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Senior Leadership Team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2018 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2018 by considering documentation from the Senior Leadership Team and Audit Committee, and taking account of events since 31 July 2018.

Based on the advice of the Audit Committee and the Accounting Officer, the Corporation is of the opinion that the College has an adequate and effective framework for governance, risk management and control, and has fulfilled 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*".

Going concern

After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

Approved by order of the Members of the Corporation on 3 December 2018 and signed on its behalf by:

Stephen Barnes
Chair

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

We confirm, on behalf of the Corporation, that after due enquiry, and to the best of our knowledge, we are able to identify any material irregular or improper use of funds by the College, or material non-compliance with the terms and conditions of funding under the College's financial memorandum.

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

Stephen Barnes
Chair
3 December 2018

Amanda Melton
Accounting Officer
3 December 2018

Statement of Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the College's Financial Memorandum with the ESFA, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the *2015 Statement of Recommended Practice – Accounting for Further and Higher Education* and with the *College Accounts Direction 2017 to 2018* issued by the ESFA, and which give a true and fair view of the state of affairs of the College and the result for that year and of the College's surplus of income over expenditure for that period.

In preparing the financial statements, the Corporation is required to:

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the College will continue in operation.

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

The Corporation is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the College, and which enable it to ensure that the financial statements are prepared in accordance with the relevant legislation of incorporation and other relevant accounting standards. It is responsible for taking steps that are reasonably open to it in order to safeguard the assets of the College and to prevent and detect fraud and other irregularities.

The maintenance and integrity of the College website is the responsibility of the Corporation of the College; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition, they are responsible for ensuring that funds from the ESFA are used only in accordance with the Financial Memorandum with the ESFA and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the College's resources and expenditure, so that the benefits that should be derived from the application of public funds from the ESFA are not put at risk.

Approved by order of the Members of the Corporation on 3 December 2018 and signed on its behalf by:

Stephen Barnes
Chair

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF NELSON & COLNE COLLEGE

Opinion

We have audited the financial statements of Nelson & Colne College (the "College") for the year ended 31 July 2018 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in reserves, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2018 and of the College's deficit of income over expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the governors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the governors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the college's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Report and Financial Statements other than the financial statements and our auditor's report thereon. The governors are responsible for the other information. Our opinion on the financial statements does not cover the other information and 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 2017 to 2018 issued by the Education and Skills Funding Agency requires us to report to you if, in our opinion:

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

Responsibilities of the Corporation of Nelson & Colne College

As explained more fully in the Statement of the Corporation's Responsibilities set out on page 20, the Corporation is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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 http://www.frc.org.uk/auditorsresponsibilities this description forms part of our auditor's report.

Use of our report

This report is made solely to the Corporation, as a body, in accordance with the Funding Agreement published by the Education and Skills Funding Agency and our engagement letter dated 9 July 2018. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are engaged to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK AUDIT LLP

Chartered Accountants

Bluebell House
Brian Johnson Way
Preston
PR2 5PE

Statement of comprehensive income and expenditure

	Notes	Year ended 31 July 2018	Year ended 31 July 2017
		£'000	£'000
INCOME			
Funding body grants	2	18,379	18,152
Tuition fees and education contracts	3	1,199	1,058
Other grants and contracts	4	127	285
Other income	5	501	600
Investment income	6	32	29
Total income		**20,238**	**20,124**
EXPENDITURE			
Staff costs	7	14,245	13,204
Fundamental restructuring costs	7	53	40
Other operating expenses	8	4,877	4,606
Depreciation	11	1,106	1,062
Interest and other finance costs	9	274	260
Total expenditure		**20,555**	**19,172**
(Deficit) / Surplus before other gains and losses		**(317)**	**952**
(Deficit) / Surplus before tax		**(317)**	**952**
Taxation	10	-	-
(Deficit) / Surplus for the year		**(317)**	**952**
Unrealised surplus on revaluation of assets		15	-
Actuarial gain in respect of pensions schemes	18,23	2,627	365
Total Comprehensive Income for the year		**2,325**	**1,317**
Represented by:			
Restricted comprehensive income		-	-
Unrestricted comprehensive income		2,325	1,317
		2,325	**1,317**

Statement of changes in reserves

	Income and expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
College			
Balance at 31st July 2016	2,429	5,726	8,155
Surplus from the income and expenditure account	952	-	952
Other comprehensive income	365	-	365
Total comprehensive income for the year	1,317	-	1,317
Balance at 31st July 2017	3,746	5,726	9,472
Deficit from the income and expenditure account	(317)	-	(317)
Other comprehensive income	2,627	774	3,507
Transfer between revaluation and income and expenditure reserves	15	(15)	-
Total comprehensive income for the year	2,325	759	3,084
Balance at 31st July 2018	6,071	6,485	12,556

Balance sheet as at 31 July 2018

	Notes	2018 £'000	2017 £'000
Non-current assets			
Tangible Fixed assets	11	24,755	24,325
Investments	12	171	171
		24,926	**24,496**
Current assets			
Trade and other receivables	13	478	344
Investments	14	5,000	4,000
Cash and cash equivalents	19	1,354	2,468
		6,832	**6,812**
Less: Creditors – amounts falling due within one year	15	(2,530)	(2,770)
Net current assets		**4,302**	**4,042**
Total assets less current liabilities		**29,228**	**28,538**
Creditors – amounts falling due after more than one year	16	(11,846)	(12,491)
Provisions			
Defined benefit obligations	18	(4,313)	(6,045)
Other provisions	18	(513)	(530)
Total net assets		**12,556**	**9,472**
Unrestricted Reserves			
Income and expenditure account		6,071	3,746
Revaluation reserve		6,485	5,726
Total unrestricted reserves		**12,556**	**9,472**

The financial statements on pages 23-45 approved and authorised for issue by the Corporation on 3rd December 2018 and were signed on its behalf on that date by:

Stephen Barnes
Chair

Amanda Melton
Accounting Officer

Statement of cash flows

	Notes	2018 £'000	2017 £'000
Cash flow from operating activities			
(Deficit) / surplus for the year		(317)	952
Adjustment for non-cash items			
Depreciation		1,106	1,062
(Increase) in debtors		(134)	(119)
(Decrease)/Increase in creditors due within one year		(249)	970
(Decrease) in creditors due after one year		(459)	(348)
(Decrease) in provisions		(16)	(21)
Pensions costs less contributions payable		894	672
Adjustment for investing or financing activities			
Investment income		(32)	(29)
Interest payable		104	104
Loss on sale of fixed assets		-	-
Net cash flow from operating activities		897	3,243
Cash flows from investing activities			
Investment income		32	29
Withdrawal of deposits		-	-
New deposits		(1,000)	(1,000)
Payments made to acquire fixed assets		(759)	(886)
		(1,727)	(1,857)
Cash flows from financing activities			
Interest paid		(104)	(104)
Repayments of amounts borrowed		(180)	(174)
		(284)	(278)
(Decrease)/Increase in cash and cash equivalents in the year		**(1,114)**	**1,108**
Cash and cash equivalents at beginning of the year	19	2,468	1,360
Cash and cash equivalents at end of the year	19	1,354	2,468

Notes to the accounts

Statement of accounting policies and estimation techniques

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

General information

Nelson and Colne College is a corporation established under the Further and Higher Education Act 1992 as an English General College of further education. The address of the College's Principal place of business is given on page 15.
The nature of the Colleges operations is set out in the members report.

Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2015* (the 2015 FE HE SORP), the *College Accounts Direction for 2017 to 2018* and in accordance with Financial Reporting Standard 102 – *"The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland"* (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention as modified by the revaluation of certain fixed assets. The financial statements are denominated in UK Pounds Sterling (£), also the functional currency of the College, with figures rounded to the nearest one thousand pounds unless otherwise stated.

Going concern

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

The College currently has c£2.5m of loans outstanding with bankers on terms negotiated in 2008. The terms of the existing agreement are for up to another 11 years. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

Accordingly the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

Recognition of income

Revenue grant funding

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the 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 underachievement 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 and is recognised when receivable.

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. Where part of a government grant is deferred, the deferred element is recognised as deferred income within creditors and allocated between creditors due within one year and creditors due after more than one year as appropriate.

Grants (including research grants) from non-government sources are recognised in income when the College is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the 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 model as permitted by FRS 102. Other, non-governmental, capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the Balance Sheet and released to income as conditions are met.

Fee income

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

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.

Agency arrangements

The College acts as an agent in the collection and payment of certain discretionary support funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure of the College where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

Accounting for post-employment benefits

Post-employment benefits to employees of the College are principally provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). 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 a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

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 changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets. 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 other comprehensive income.

Short term employment benefits

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

Enhanced pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by a college annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to the College's income in the year that the member of staff retires. In subsequent years a charge is made to provisions in the 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 / deemed cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation. The revaluation basis for these assets is depreciated replacement cost reflecting their being specialised properties.

Land and buildings

Freehold buildings are depreciated on a straight line basis over the expected useful economic life of their component parts to the College of between 15 and 80 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 25 and 80 years. Freehold land is not depreciated as it is considered to have an infinite useful life.

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.

Assets under construction

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs, incurred to 31 July. They are not depreciated until they are brought into use.

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets 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.

Equipment

Equipment costing less than £1,000 per individual item is recognised as expenditure in the period of acquisition. All other equipment is capitalised at cost.

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

- general equipment 7 years
- motor vehicles 5 years
- computer equipment 3 years
- furniture, fixtures and fittings 7 years

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the Statement of Comprehensive Income and Expenditure.

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. The College does not have any leasing agreements which transfer substantially all the benefits and risks of ownership of an asset and therefore would require treating as finance leases.

Investments

Listed investments held as non-current assets and current asset investments, which may include listed investments, are stated at fair value, with movements recognised in Comprehensive Income. Investments comprising unquoted equity instruments are measured at fair value, estimated using a valuation technique. Investment property is held at fair value.

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 478-488 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes. The College is partially exempt in respect of Value Added Tax, so that it can only recover approximately 3% 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.

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

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

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

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, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash- generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

- Tangible fixed assets

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

- Local Government Pension Scheme

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 23, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2018. 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

	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
Recurrent grants		
Education and Skills Funding Agency – 16-18	8,137	8,269
Education and Skills Funding Agency – Adult	7,610	7,511
Education and Skills Funding Agency - Apprentices	1,638	1,621
Higher Education Funding Council	134	199
Specific grants		
Education and Skills Funding Agency	480	177
Releases of government capital grants	380	375
Total	**18,379**	**18,152**

3 Tuition fees and education contracts

	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
Adult education fees	330	353
Fees for FE loan supported courses	223	210
Fees for HE loan supported courses	377	225
Total tuition fees	930	788
Education contracts	269	270
Total	**1,199**	**1,058**

4 Other grants and contracts

	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
Other grants and contracts	127	285
Total	**127**	**285**

5 Other income	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
Catering and residences	226	253
Non-government capital grants	99	99
Miscellaneous income	176	248
Total	**501**	**600**

6 Investment income	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
Other interest receivable	32	29
	32	**29**
Net return on pension scheme (note 23)	-	-
Total	**32**	**29**

7 Staff costs

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

	2018 No.	2017 No.
Teaching staff	223	211
Non-teaching staff	192	181
	415	**392**

Staff costs for the above persons	2018 £'000	2017 £'000
Wages and salaries	10,872	10,264
Social security costs	993	908
Other pension costs	2,278	1,962
Payroll sub total	**14,143**	**13,134**
Contracted out staffing services	102	70
	14,245	**13,204**
Fundamental restructuring costs – Contractual	53	40
- Non contractual	-	-
Total Staff costs	**14,298**	**13,244**

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 Leadership Team which comprises the Principal, Deputy Principal, Associate Principal (LAL), two Vice Principals and two Executive Directors. Staff costs include compensation paid to key management personnel for loss of office.

Emoluments of key management personnel, Accounting Officer and other higher paid staff

	2018	2017
	No.	No.
The number of key management personnel including the Accounting Officer was:	6	7

7 Staff costs continued

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

	Key management personnel		Other staff	
	2018	2017	2018	2017
	No.	No.	No.	No.
£60,001 to £70,000 p.a.	-	3	-	-
£70,001 to £80,000 p.a.	5	2	-	-
£80,001 to £90,000 p.a.	-	-	-	-
£120,001 to £130,000 p.a.	-	1	-	-
£140,001 to £150,000 p.a	1	-	-	-
	6	6	-	-

Included in key management emoluments in 2018 is nil (2017 - £14,000) in respect of leadership support services provided to and paid by Pendle Education Trust.

Key management personnel emoluments including pension contributions are made up as follows:

	2018	2017
	£'000	£'000
Salaries – gross of salary sacrifice and waivered emoluments	504	489
Benefits in kind	-	-
	504	489
Pension contributions	76	75
National Insurance	62	60
Total emoluments	**642**	**624**

There were no amounts due to key management personnel that were waived in the year. In common with all College employees, key management personnel benefit from the childcare salary sacrifice arrangements in place.

The above emoluments include amounts payable to the Accounting Officer (who is also the highest paid officer) of:

	2018	2017
	£'000	£'000
Salaries	135	126
Benefits in kind	-	-
	135	126
Pension contributions	22	21
National Insurance	17	16

The pension contributions in respect of the Accounting Officer and other key management personnel are in respect of employer's contributions to the Teacher's Pension Scheme and the Local Government Superannuation Scheme and are paid at the same rate as for other employees.

The members of the Corporation other than the Accounting Officer and the staff member did not receive any payment from the institution other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

8 Other operating expenses

	2018	2017
	£'000	£'000
Teaching departments	813	705
Teaching support services	504	447
Other support services	168	148
Administration and central services	1,231	989
Examination costs	470	447
Premises costs	1,216	1,413
Catering and residences	164	157
ESFA franchised provision	293	287
Other expenses	18	13
Total	**4,877**	**4,606**

Other operating expenses include:	**2018**	**2017**
	£'000	**£'000**
Auditors' remuneration:		
Financial statements audit	18	18
Internal audit	17	18
Other services provided by the financial statements auditor for PSA & FRS102 preparation	1	3
Hire of assets under operating leases	90	73

9 Interest and other finance costs

	2018	2017
	£'000	£'000
On bank loans, overdrafts and other loans:	104	104
	104	104
Net interest on defined pension liability (note 23)	170	156
Total	**274**	**260**

10 Taxation

The Corporation do not believe the College was liable for any corporation tax arising out of its activities during this period.

11 Tangible fixed assets

	Land and buildings	Equipment	Total
	£'000	£'000	£'000
Cost or valuation			
At 1 August 2017	25,122	4,388	29,510
Additions	203	559	762
Surplus on revaluation	774	-	774
Disposals	-	(101)	(101)
At 31 July 2018	**26,099**	**4,846**	**30,945**
Depreciation			
At 1 August 2017	1,769	3,416	5,185
Charge for the year	661	445	1,106
Elimination in respect of disposals	-	(101)	(101)
At 31 July 2018	**2,430**	**3,760**	**6,190**
Net book value at 31 July 2018	**23,669**	**1,086**	**24,755**
Net book value at 31 July 2017	23,353	972	24,325

Included within the £559k equipment additions figure above for the year ending 2018 is £69k, relating to software as intangible assets.

In 2016 land and buildings were valued, as at 31 July 2014, at depreciated replacement cost by Gerald Eve LLP, a firm of independent chartered surveyors.

If fixed assets had not been revalued before being deemed as cost on transition they would have been included at the following historical cost amounts:

	£'000
Cost	25,082
Aggregate depreciation based on cost	6,621
Net book value based on cost	18,461

12 Non-current investments

	2018 £'000	2017 £'000
Investments in associate companies	-	-
Investment property	171	171
Total	**171**	**171**

The College owns 8% of the issued share capital of The Lancashire Colleges Ltd, a company incorporated in Great Britain and registered in England and Wales. The principal business activity of the company is to advise and assist educational institutions in respect of funds and grants that may be available to them. This investment has not been consolidated in the College's financial statements.

A building within the College's portfolio continues to be used as an investment property and commercially let as a residential dwelling. The carrying value of £171,000 was derived from an initial professional valuation (open market value basis) adjusted for necessary remedial and improvement works undertaken by the College.

13 Debtors

	2018 £'000	2017 £'000
Amounts falling due within one year:		
Trade receivables	24	23
Prepayments and accrued income	454	321
Total	**478**	**344**

14 Current investments

	2018 £'000	2017 £'000
Short term deposits	5,000	4,000
Total	**5,000**	**4,000**

Deposits are held with banks and building societies operating in the London market and licensed by the Financial Conduct Authority with more than three months maturity at the balance sheet date. The interest rates for these deposits are fixed for the duration of the deposit at time of placement.

15 Creditors: amounts falling due within one year

	2018	2017
	£'000	£'000
Bank loans and overdrafts	186	180
Trade payables	441	498
Other taxation and social security	489	442
Accruals and deferred income	881	1,091
Deferred income - government capital grants	478	473
Amounts owed to the ESFA	55	86
Total	**2,530**	**2,770**

16 Creditors: amounts falling due after one year

	2018	2017
	£'000	£'000
Bank loans	2,332	2,518
Deferred income - government capital grants	9,514	9,973
Total	**11,846**	**12,491**

17 Maturity of debt

Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	2018	2017
	£'000	£'000
In one year or less	186	180
Between one and two years	192	186
Between two and five years	622	600
In five years or more	1,518	1,732
Total	**2,518**	**2,698**

Bank loans of £1,968k at a fixed interest rate of 4.71 per cent and £550k at base rate plus 0.45 per cent are repayable by quarterly instalments over a 20 years period ending in 2029.

18 Provisions

	Defined benefit obligations	Enhanced pensions	Total
	£'000	£'000	£'000
At 1 August 2017	6,045	530	6,575
Expenditure in the period	(664)	(34)	(698)
Actuarial gain	(2,626)	(1)	(2,627)
Additions in period	1,558	18	1,576
At 31 July 2018	**4,313**	**513**	**4,826**

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government Pension Scheme. Further details are given in Note 23.

The enhanced pension provision relates to the cost of staff who have already left the College. This provision has been recalculated in accordance with guidance issued by the funding bodies.

The principal assumptions for this calculation are:

	2018	2017
Price inflation	2.30%	2.30%
Discount rate	1.30%	1.30%

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	2,468	(1,114)	-	1,354
Total	**2,468**	**(1,114)**	**-**	**1,354**

20 Capital and other commitments

	College	
	2018	2017
	£'000	£'000
Commitments contracted for at 31 July	232	114

21 Lease obligations

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

	College	
	2018	**2017**
	£'000	**£'000**
Future minimum lease payments due		
Land and buildings		
Not later than one year	54	38
Later than one year and not later than five years	34	73
Later than five years	-	-
	89	111
Other		
Not later than one year	36	35
Later than one year and not later than five years	81	111
Later than five years	-	-
	117	146
Total lease payments due	**205**	**257**

22 Events after the reporting period

Nelson & Colne College merged with Accrington & Rossendale 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.

23 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.

Total pension cost for the year		**2018**		**2017**
		£000		**£000**
Teachers' Pension Scheme: contributions paid		902		671
Local Government Pension Scheme:				
Contributions paid	664		578	
FRS 102 (28) charge	724		516	
Charge to the Statement of Comprehensive Income		1388		1,094
Enhanced pension charge to Statement of Comprehensive Income		-		-
Total pension cost for year within staff costs		**2,290**		**1,765**

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.

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

The Teachers' pension budgeting and valuation account

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act 1972 and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act. Retirement and other pension benefits are paid by public funds provided by Parliament.

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

Valuation of the Teachers' pension scheme

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

- New employer contribution rates were set at 16.48% of pensionable pay (including administration fees of 0.08%).
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion.
- an employer cost cap of 10.9% of 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 of 16.48% was implemented in September 2015. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019. A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location:
https://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx

Scheme changes

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

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

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

Regulations giving effect to a reformed Teachers' Pension Scheme came into force on 1 April 2014 and the reformed scheme commenced on 1 April 2015. The pension costs paid to TPS in the year amounted to £902,000 (2017: £861,000).

FRS 102 (28)

Under the definitions set out in FRS 102 (28.11), the TPS is a multi-employer pension plan. The College is unable to identify its share of the underlying assets and liabilities of the plan. Accordingly, the College has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined-contribution plan. The College has set out above the information available on the plan and the implications for the College in terms of the anticipated contribution rates.

Local Government pension scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Lancashire County Council. The total contributions made for the year ended 31 July 2018 were £939,000, of which employer's contributions totalled £664,000 and employees' contributions totalled £275,000. The agreed contribution rates for future years are 14.0% for employers and range from 5.5% to 9.9% for employees, depending on salary.

Principal actuarial assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2018 by a qualified independent actuary.

	At 31 July 2018	At 31 July 2017
Rate of increase in salaries	3.6%	3.7%
Future pensions increases	2.2%	2.2%
Discount rate for scheme liabilities	2.9%	2.6%
Inflation assumption (CPI)	2.1%	2.2%
Commutation of pensions to lump sums	50%	50%

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

	At 31 July 2018	At 31 July 2017
	years	years
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

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	19,533	17,652
Present value of plan liabilities	(23,846)	(23,697)
Net pensions liability	**(4,313)**	**(6,045)**

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

	2018	2017
	£'000	£'000
Amounts included in staff costs		
Current service cost	1,388	1,094
Past service cost	-	-
Total	**1,388**	**1,094**
Amounts included in interest and other finance costs (note 9)		
Net interest cost	170	156
	170	**156**
Amount recognised in other comprehensive Income		
Return on pension plan assets	2,626	297
Experience gain arising on defined benefit obligations	-	66
Changes in assumptions underlying the present value of plan liabilities	-	-
Amount recognised in other comprehensive income	**2,626**	**363**

Movement in net defined benefit liability during year

	2018	2017
	£'000	£'000
Net defined benefit liability in scheme at 1 August	(6,045)	(5,736)
Movement in year:		
Current service cost	(1,388)	(1,094)
Employer contributions	664	578
Net interest on the defined benefit liability	(170)	(156)
Actuarial gain	2,626	363
Net defined benefit liability at 31 July	**(4,313)**	**(6,045)**

Asset and liability reconciliation

	2018 £'000	2017 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	23,697	21,649
Current service cost	1,388	1,094
Interest cost	613	540
Contributions by Scheme participants	275	243
Experience (gains) and losses on defined benefit obligations	-	(66)
Changes in financial assumptions	(1,639)	669
Estimated benefits paid	(488)	(432)
Past Service cost	-	-
Curtailments and settlements	-	-
Defined benefit obligations at end of period	**23,846**	**23,697**

Changes in fair value of plan assets

	2018 £'000	2017 £'000
Fair value of plan assets at start of period	17,652	15,913
Interest on plan assets	465	403
Return on plan assets	987	966
Employer contributions	664	578
Administration expenses	(22)	(19)
Contributions by Scheme participants	275	243
Estimated benefits paid	(488)	(432)
Fair value of plan assets at end of period	**19,533**	**17,652**

The current valuation does not reflect the expected increase in benefits and therefore liability as a result of Guaranteed Minimum Pension ('GMP') equalisation between men and women which is required as a result of the removal of the Additional State Pension. Methodologies for a long-term solution are still being investigated by the Government as set out in the published (January 2018) outcome of the Government Consultation 'Indexation and Equalisation of GMP in Public Sector Pensions Schemes' and therefore the expected impact cannot be reliably estimated and consequently no provision/liability has been recognised.

24 Related party transactions

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

The total expenses paid to or on behalf of the Governors during the year was £380; 1 governor (2017: £412; governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2017: None).

25 Amounts disbursed as agent

	2018	2017
	£'000	£'000
Funding body grant – ESFA discretionary learning support	-	-
Funding body grant – ESFA 24+ advanced learning loan	62	62
Funding body grant – ESFA 16-18 bursary	275	272
Funding body grant – ESFA 16-18 free meals	79	93
Funding body grant – ESFA 16-18 Vulnerable students bursaries	32	37
	448	464
Disbursed to students	(439)	(474)
Administration costs	(21)	(21)
Balance unspent as at 31 July, included in creditors	(12)	(31)

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.

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON REGULARITY TO THE CORPORATION OF NELSON & COLNE COLLEGE AND THE SECRETARY OF FOR EDUCATION ACTING THROUGH EDUCATION AND SKILLS FUNDING AGENCY

Conclusion

We have carried out an engagement, in accordance with the terms of our engagement letter dated 9 July 2018 and further to the requirements of the grant funding agreements and contracts with the Education and Skills Funding Agency (the "ESFA"), to obtain limited assurance about whether the expenditure disbursed and income received by Nelson & Colne College during the period 1 August 2017 to 31 July 2018 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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.

Basis for conclusion

The framework that has been applied is set out in the Post-16 Audit Code of Practice (the "ACoP") issued by the ESFA. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record (ILR) returns, for which the ESFA has other assurance arrangements in place.

We are independent of the Nelson & Colne College in accordance with the ethical requirements that are applicable to this engagement and we have fulfilled our ethical requirements in accordance with these requirements. We believe the assurance evidence we have obtained is sufficient to provide a basis for our conclusion

Responsibilities of Corporation of Nelson & Colne College for regularity

The Corporation of Nelson & Colne College is responsible, under the grant funding agreements and contracts with the ESFA and the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. The corporation of Nelson & Colne College is also responsible for preparing the Governing Body's Statement of Regularity, Propriety and Compliance.

Reporting accountant's responsibilities for reporting on regularity

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 ACoP.

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 the procedures performed vary in nature and timing from, and are less in extent than for a reasonable assurance engagement; consequently a limited assurance engagement 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.

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.

Our work included identification and assessment of the design and operational effectiveness of the controls, policies and procedures that have been implemented to ensure compliance with the framework of authorities including the specific requirements of the grant funding agreements and contracts with the ESFA and high level financial control areas where we identified a material irregularity is likely to arise. We undertook detailed testing, on a sample basis, on the identified areas where a material irregularity is likely to arise where such areas are in respect of controls, policies and procedures that apply to classes of transactions.

This work was integrated with our audit of the financial statements and evidence was also derived from the conduct of that audit to the extent it supports the regularity conclusion.

Use of our report

This report is made solely to the Corporation of Nelson & Colne College and the Secretary of State for Education acting through the ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the Corporation of Nelson & Colne College and the Secretary of State for Education acting through the ESFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation of Nelson & Colne College and the Secretary of State for Education acting through the ESFA for our work, for this report, or for the conclusion we have formed.

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