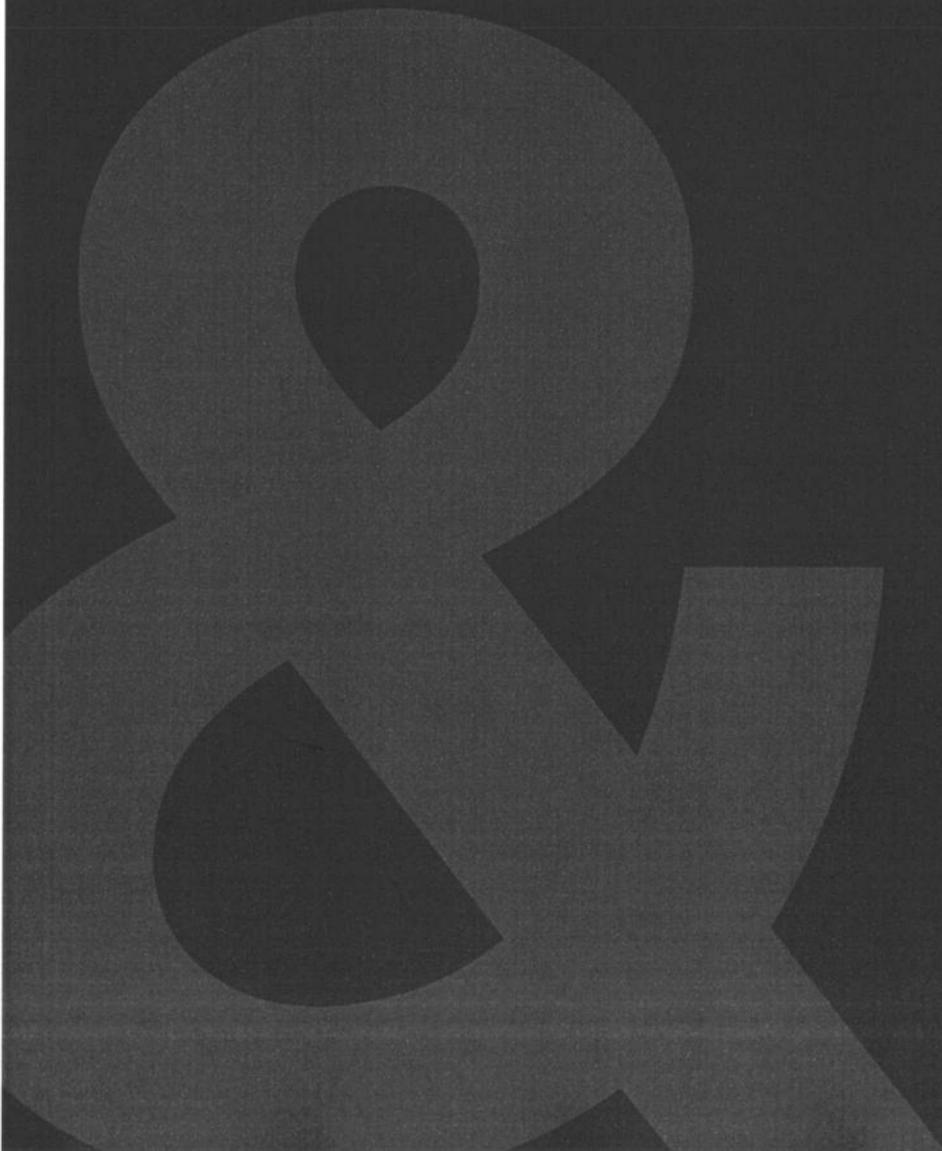


NELSON & COLNE  
COLLEGE

# Report and Financial Statements

For the year ended 31 July 2019



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

### **Key management personnel**

Key management personnel are defined as members of the Senior Leadership Team and were represented by the following in 2018/19:

Amanda Melton - Principal and CEO; Accounting officer  
David Rothwell - Deputy Principal Finance and Resources  
Tracey Baron – Deputy Principal Curriculum and Quality  
Alison Rushton – Vice Principal HE, Adult Learning and Apprenticeships  
Wendy Higgin – Vice Principal Learner Experience  
Sam Mercer – Assistant Principal Planning and Performance  
Claire Jarvis – Assistant Principal Finance and HR  
Fionnuala Swann – Assistant Principal Academic Curriculum  
Morag Davis – Assistant Principal Technical Curriculum

### **Board of Governors**

A full list of Governors is given on pages 15-18 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

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## Members' Report

### NATURE, OBJECTIVES AND STRATEGIES:

The members present their report and the audited financial statements for the year ended 31 July 2019.

#### Legal status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting Nelson & Colne College. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

#### Vision, mission and values

The College's vision, confirmed by the Corporation is that:

'We exist to create the extraordinary'

Our vision will be delivered by ensuring staff and students alike demonstrate the College's values which are:

- We get off our backsides
- We own it!
- We push with love
- We never stop at 'good enough'

#### 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 15-18

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

Nelson & Colne College merged with Accrington & Rossendale College on 30<sup>th</sup> November 2019. This was a 'Type B' merger whereby Accrington & Rossendale College's Corporation was dissolved and all of its assets and liabilities transferred to Nelson & Colne College.

The Corporation approved the College's merger implementation strategic plan and business case submission to the Education & Skills Funding Agency (ESFA) in November 2018. This provided for a number of key strategic aims for the remainder of the 2018/19 academic year including property and financial matters. The Corporation monitors the performance of the College against these planned aims. The College's confirmed strategic targets for the period included:

- Bringing the merged organisations together, commencing work on the co-creation of new values and cultural norms.

## Members' Report (continued)

- Completing an organisational redesign and restructure.
- Strengthening curriculum quality improvement and assurance.
- Progressing the implementation of the merger estates modernisation and rationalisation plan.
- Rationalising and harmonising key college policies and a range of business systems, processes and controls.
- Ensuring the curriculum offer is appropriate to the needs of learners and supports local, regional and national priorities.

### 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 2018-21 are to:

- maintain at least 'Good' financial health as assessed by the ESFA.
- deliver the merger business strategy and secure key outcomes agreed with the 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 2018/19, recruitment of 16-18 FE learners across the merged organisation was 2,423 (2017/18: 1,850) and slightly behind the allocated, funded target for the year of 2,451. The overall actual funding value generated during the year for 16-18 FE provision was 102.5% of allocation. The number of adult FE learners recruited during 2018/19 was 3,890 (2017/18: 1,469). The actual funding value generated in respect of the overall Adult Education Budget for 2018/19 was 99% 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 2018/19 of Good is considered an acceptable outcome.

## Members' Report (continued)

### FINANCIAL POSITION

#### Financial results

The College generated a deficit before other gains and losses in the year of £191k (2017/18 – deficit of £317k), with a total comprehensive income deficit of £1,838k, (2017/18 – surplus of £2,325k). The College has accumulated income and expenditure reserves of £4,233k and cash and short-term investment balances of £9,374k.

Tangible fixed asset additions during the year amounted to £2,357k (2017/18 - £762k). This was split between land and buildings costs of £732k, equipment purchased of £769k and assets in the course of construction of £856k.

The College continues to have significant reliance on the Education and Skills Funding Agency for its principal funding source, largely from participation monies. In 2018/19 these funding bodies provided 84% of the College's total operating income (2017/18 – 89%).

#### 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 £5,118k (2017/18: £897k) operating cash inflow for the period included £700k cash balance recognised on merger, and otherwise remained strong.

At the end of the 2018/19 financial year, accumulated cash balances and current asset investments (comprising short term money market deposits) were £9,374k (2017/18 - £6,354k). The College had no new borrowings during the year and, reflecting repayments of existing debt principal, outstanding borrowings stood at £2,331k (2017/18 - £2,518k). 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 £4,233k (2017/18: £6,071k). It is the Corporation's intention to increase reserves going forward through the generation of annual operating surpluses.

## Members' Report (continued)

### CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

#### Student numbers

In 2018/19 the College has delivered activity that has produced £22,702k in funding body main allocation funding (2017/18: £17,385k). Inclusive of Adult Community Learning activity delivered via the Lancashire Adult Learning operation, the College had approximately 16,000 funded FE students during the year.

#### Student achievements

We have had a successful year with high grade achievements in A level studies increasing to 24.6% and overall high grades increased to 58.5%. This is only the second full year of linear A levels so the continued increase in high grades is pleasing as is the sustained high pass rate especially considering the increase in A level entries. We continue to be pleased with this achievement as this enables the vast majority of our students to progress to University and their intended careers.

Below is a table showing the A level grade results.

A Level Results	Total entries	% A - E	% A - C	% A - B	% A* - A
2019	699	98.6%	79.8%	58.5%	24.6%
2018	621	98.7%	78.9%	53.1%	21.6%
2017	774	99.7%	87%	57%	24%

Our vocational courses, again the College has seen excellent achievement at 99.6%. In addition, value added which is the key progress in learning measure is an ALPs score of 2 for both academic and advanced vocational programmes which is classed as outstanding.

In 2018-19 we have very good results in GCSEs, particularly in mathematics across both campuses. Furthermore, across both campuses in English and mathematics, the progress students make over the length of time is exceptional. 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. This year we have also seen the College established as a Centre of Excellence for Maths. The strong foundations that had been built previously on the Nelson Campus have now been shared across the Accrington Campus. To that end the high grade achievement in English at the Accrington Campus was a little disappointing with a fall to 25.3%, however stable staffing in this area going forward is expected to show improvements next year.

## Members' Report (continued)

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

<b>GCSE 16-18 Result 2019</b>	<b>Result % A* - C (9-4)</b>			
<b>Subject</b>	<b>Total entries</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
English (Accrington)	<b>95</b>	<b>25.3%</b>	30.9%	21.7%
Maths (Accrington)	<b>77</b>	<b>67.1%</b>	22.8%	17.6%
English (Nelson)	<b>290</b>	<b>49.3%</b>	53%	47%
Maths (Nelson)	<b>202</b>	<b>62.4%</b>	72%	22%

<b>GCSE Progress Scores (DFE performance tables)</b>	<i>The 2019 progress scores are shadow data to be confirmed in January 2020</i>			
<b>Subject</b>	<b>2019 (tbc)</b>	<b>2018</b>	<b>2017</b>	
<b>English (Accrington)</b>	<b>0.6</b>	-0.35	-0.50	
<b>Maths (Accrington)</b>	<b>0.6</b>	-0.28	-0.40	
<b>English (Nelson)</b>	<b>1</b>	0.69	0.40	
<b>Maths (Nelson)</b>	<b>0.8</b>	0.85	0.81	

The overall headline achievement all age all levels has remained at a similar level for our Nelson site with an achievement rate of 92.3%. Our Accrington Campus has seen very pleasing year on year increase in achievement to 91.6%. Out-turn for both campuses is well above the national average of 85.9%. In addition, Lancashire Adult Learning has improved year on year for qualification achievement of 98.5%. With this year's results we fully expect to be placed once again as one of the top performing colleges in the country.

The picture is similar for 16-18 year olds, with an all levels achievement rate of 92.2% at Nelson and 85.1% at Accrington. Naturally, we are delighted with these results and committed to maintaining this level of excellence going forward. Achievement for apprenticeships which are yet to be confirmed demonstrates a dip in headline performance. The growth in volume of a particularly challenging sector, Health and Social Care has contributed to the dip in the headline timely achievement. Although timely achievement in this curriculum area is still above national average, it has dipped with 19-23 year olds at level 2; this has impacted upon the overall headline for the campus.

## Members' Report (continued)

### 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 in 2018/19 is to drive consistent quality and high expectations through the senior curriculum leads who are responsible for curriculum teams operating across all three sites. This enables senior leaders to have: a clear line of sight of the performance and quality across the newly merged organisations; a detailed understanding of the performance at each site. As a result, the high expectations and values in delivering a high quality learning experience are shared and reinforced across the newly merged College. In terms of the middle leadership team, the rapid restructure of the curriculum completed by December 2018 enables clarity of reporting lines for curriculum Heads of Division and Support Managers, curriculum managers. As a result, the Heads of Division are able to share practice and focus on co-creating improvements in curriculum development and the quality of provision.

Merging two colleges with different delivery patterns, similar and different curriculum offers, models of teaching practice, systems for monitoring quality and quality improvement presents an exciting challenge. During the spring and summer terms of 2018 the college leadership team have made significant changes that have impacted and will continue to impact upon the breadth and quality of the provision across the Group. These include:

- a review of the curriculum offer across the two campuses in line with the strategic aims and ensuring both communities have a high quality and relevant local offer.
- review of the curriculum offer for adult learners across the newly merged College and to begin to set the Adult Strategy for the whole college.
- termly curriculum performance reviews.
- joint learning walks and lesson observations across all levels and different types of provision.
- new policies and procedures to monitor and support the quality of the learner experience ready for full implementation in September 2019 including: Destinations Policy; Observation of Teaching and Learning; Monitoring Progress from Starting Points; Attendance Policy; Disciplinary Policy; English and Mathematics Policy.
- a common approach to gathering and acting upon learner feedback.
- introduction of 'Vital Signs' harmonised reports to enable close monitoring at campus and curriculum level.
- introduction of the 'whole college' focus to English and mathematics on the Accrington campus.
- introduction of the 'Exemplary Learning Environment' that promotes a shared understanding of all learning environments across both the Accrington and Nelson campuses.
- the introduction of a new Teaching and Learning Strategy in order to refocus professional development activities to ensure that our teachers and trainers benefit from and are equipped with current skills, knowledge and expertise.
- the introduction of the E-Learning Strategy to support e-learning development and merger of the virtual learning environments used previously by the two colleges.

With the merger, the new College has increased opportunity to develop the already established HE provision at Accrington. This can only further enhance the existing 5-year development plan to grow HE programmes including higher nationals, foundation degrees and degrees. The offer perfectly 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.

## Members' Report (continued)

### Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During the accounting period 1 August 2018 to 31 July 2019, the College paid 73 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

There are no significant post balance sheet date events to report.

### 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 2019/20 and ambitions have been identified for 2020/21 which will be reviewed and converted into targets on an annual basis.

The Corporation approved a financial plan in July 2019 which sets objectives for the period to 2021. 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.

### RESOURCES:

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

Tangible resources include the two main college sites at Nelson and Accrington which have benefited from more than £25 million investment in buildings (newly constructed and refurbished) since 2007.

### Financial

The College has c£10.7 million of net assets (2017/18: £12.6m), inclusive of a c£18.1 million pension liability (2017/18: £4.3m) and long term debt of c£2.3 million (2017/18: 2.5m).

### People

The College employs 556 people, expressed as full time equivalents (2017/18: 415), of whom 295 (2017/18: 223) are classified as teaching staff.

### Reputation

The College has an outstanding reputation locally and nationally. We were named as the FE College of the Year in the prestigious Educate North Awards 2019, with the judges stating that the College "has fantastic growth and excellent pass rates" and that we "provide strong Apprenticeships". 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 Leadership 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 Leadership Team will also consider any risks which may arise as a result of a new area of work being undertaken by the College. The governing body has overall responsibility for risk management and its approach to managing risks and internal controls is explained in the Statement on Corporate Governance.

A risk register is maintained at the College level 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 2018/19, approximately 84% of the College's revenue was ultimately public funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

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

- Significant pressure on public finances may have a significant and sustained negative impact on the overall levels of funding available for the FE sector. Additional funding announced in September 2019 for 16-18 FE education in 2020/21 by the Government was welcomed but fell considerably short of what FE Colleges and other providers have been campaigning for. The unknown outcome of the December 2019 general election and resolution of Brexit is a cause of additional current uncertainty.
- 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.

## Members' Report (continued)

- 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 2018/19. 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 Meeting pension cost commitments

The financial statements report the share of the Local Government Pension Scheme (LGPS) deficit on the College's balance sheet in line with the requirements of FRS 102. The Government has committed to continuing to pay Teachers Pension Scheme (TPS) grant funding until March 2021 following the significant increase in the employer contribution rate implemented in September 2019.

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 or dedicated grant funding be reduced / withdrawn.

### 4 Merger with Accrington & Rossendale College

The College recognises that the merger with Accrington & Rossendale College represents a significant risk to the financial wellbeing and quality of teaching and learning.

## Members' Report (continued)

This risk is mitigated in a number of ways:

- 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 is regularly reported and scrutinised.
- Strengthening quality assurance and improvement arrangements.

### 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 that 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 that are, as far as possible, identical to those of non-disabled employees.

## Members' Report (continued)

### 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 Facility Time

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 1<sup>st</sup> April 2018 until 31<sup>st</sup> March 2019.

Number of employees who were relevant trade union officials during the relevant period	FTE employee number
16	14.5

Percentage of time	Number of employees
0%	0
1-50%	16
51-99%	0
100%	0

The total cost of facility time	£17,884
The total pay bill	£18,223,000
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%

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	4%
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## Members' Report (continued)

### Disclosure of information to auditors

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

Approved by order of the Members of the Corporation on 9 December 2019 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 2018 to 31 July 2019 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 2019. 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
Mr S Barnes (Corporation Chair)	1/4/1996  Re-appointed 25/9/2019	4 years		Independent Governor	<ul style="list-style-type: none"> <li>Finance and Resources (Chair)</li> <li>Remuneration</li> <li>Search (Chair)</li> </ul>	83%
Mrs S Bridgeman	1/10/2018	2 years		Independent Governor	<ul style="list-style-type: none"> <li>Audit</li> </ul>	100%
Mr L Burton	7/2/2019	2 years		Staff Governor	<ul style="list-style-type: none"> <li>Quality and Curriculum</li> </ul>	100%

	Date of appointment	Term of office	Date of resignation	Status of appointment	Committee/s served	Corporation Attendance
Mrs J Cleaver	20/10/2014 Re-appointed 25 Sept 2019	4 years		Independent Governor	<ul style="list-style-type: none"> <li>Quality and Curriculum</li> </ul>	100%
Mrs H Duckworth	7/2/2019	2 years	15/7/2019	Staff Governor	<ul style="list-style-type: none"> <li>Finance and Resources</li> </ul>	100%
Mrs D Duffell	18/10/2019	1 year		Co-opted Committee Member	<ul style="list-style-type: none"> <li>ACL Advisory Board</li> </ul>	N/A
Mr B Fisher	1/12/2018	13 months		Independent Governor	<ul style="list-style-type: none"> <li>Finance and Resources</li> </ul>	100%
Mr T Gee	7/2/2019	2 years		Staff Governor	<ul style="list-style-type: none"> <li>ACL Advisory Board</li> </ul>	100%
Cllr G Gooch	18/10/2019	1 year		Co-opted Committee Member	<ul style="list-style-type: none"> <li>ACL Advisory Board</li> </ul>	N/A
Mr S Hughes	1/10/2018	2 years		Independent Governor	<ul style="list-style-type: none"> <li>Finance and Resources</li> </ul>	75%
Mrs H Khan	2/7/2014 Re-appointed 27/11/2018	1 year	15/7/2019	Independent Governor	<ul style="list-style-type: none"> <li>Remuneration</li> <li>Search</li> </ul>	Nil
Mr D Langton	25/9/2019	4 years		Co-opted Committee Member	<ul style="list-style-type: none"> <li>Audit</li> </ul>	N/A
Mr A McKnight	1/9/1994 Re-appointed 11/12/2017	4 years	3/6/2019	Co-opted Committee Member	<ul style="list-style-type: none"> <li>Audit</li> </ul>	N/A
Mrs A Melton (Principal)	5/3/2012			Principal	<ul style="list-style-type: none"> <li>ACL Advisory Board</li> <li>Quality and Curriculum</li> <li>Search</li> </ul>	100%
Mrs Z Ogden	12/12/2016	4 years	1/10/2018	Staff Governor	<ul style="list-style-type: none"> <li>ACL Advisory Board</li> </ul>	100%
Mr R Pheasey	1/2/2005 Re-appointed 3/7/2017	4 years		Independent Governor	<ul style="list-style-type: none"> <li>Finance and Resources</li> <li>Remuneration</li> <li>Search</li> </ul>	83%

	Date of appointment	Term of office	Date of resignation	Status of appointment	Committee/s served	Corporation Attendance
Mr M Phelan	5/10/2015 Re-appointed 25/9/2019	4 years		Independent Governor	<ul style="list-style-type: none"> <li>• ACL Advisory Board</li> <li>• Audit</li> <li>• Quality and Curriculum (Chair)</li> </ul>	100%
Mrs C Pye	1/1/2015	4 years	4/2/2019	Staff Governor	<ul style="list-style-type: none"> <li>• Audit</li> <li>• Quality and Curriculum</li> </ul>	100%
Mr N Rashid	21/10/2013 Re-appointed 25/9/2019	4 years		Independent Governor	<ul style="list-style-type: none"> <li>• Audit</li> <li>• Quality and Curriculum</li> <li>• Search</li> </ul>	100%
Ms E Schofield	18/4/2018 Re-appointed 13/5/2019	3 years		Independent Governor	<ul style="list-style-type: none"> <li>• Finance and Resources</li> <li>• Remuneration (Chair)</li> <li>• Search</li> </ul>	67%
Mr A Sethi	2/10/2017	1 year	17/10/2019	Co-opted Committee Member	<ul style="list-style-type: none"> <li>• ACL Advisory Board</li> </ul>	N/A
Mr A Siddique	3/10/2016 Re-appointed 2/10/2017	4 years	8/10/2019	Independent Governor		Nil
Mr D Whatley	1/9/2009 Re-appointed 3/7/2017	4 years		Independent Governor	<ul style="list-style-type: none"> <li>• Audit (Chair)</li> </ul>	50%
Mr T Webber MBE	1/12/2018	13 months		Independent Governor		100%
Mr P Wilkinson (Corporation Vice Chair)	28/6/2016	4 years		Independent Governor	<ul style="list-style-type: none"> <li>• ACL Advisory Board (Chair)</li> </ul>	100%
Miss H Ayub	11/12/2018	2 years	1/10/2019	Student Governor		Nil
Miss K Earl	11/12/2018	2 years	15/7/2019	Student Governor		33%
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 Committee, Finance and Resources Committee, Quality and Curriculum Committee, Remuneration Committee and Search Committee. 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 and 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<sup>st</sup> July 2019 and graded itself as 'outstanding' on the Ofsted scale.

## **Remuneration Committee**

Throughout the year ending 31 July 2019 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 2019 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 2019 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 2019 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 2019 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2019 by considering documentation from the Senior Leadership Team and Audit Committee, and taking account of events since 31 July 2019.

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 9 December 2019 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 grant funding agreement and contracts with ESFA. As part of our consideration we have had due regard to the requirements of the grant funding agreements and contracts with ESFA.

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 grant funding agreements and contracts with ESFA.

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*

9 December 2019

**Amanda Melton**  
*Accounting Officer*

9 December 2019



## 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 grant funding agreements and contracts with 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 ESFA's *College Accounts Direction and the UK's Generally Accepted Accounting Practice*, and which give a true and fair view of the state of affairs of the College and 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.

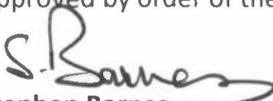
The Corporation is also required to prepare a Members Report which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College.

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 including the Further and Higher Education Act 1992 and Charities Act 2011, and 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 ESFA's grant funding agreements and contracts 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 9 December 2019 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 2019 which comprise the statement of comprehensive income and expenditure, 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 2019 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 2018 to 2019 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 22, 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

18/12/19.

## Statement of comprehensive income and expenditure

	Notes	Year ended 31 July 2019	Year ended 31 July 2018
		£'000	£'000
<b>INCOME</b>			
Funding body grants	2	25,706	18,379
Tuition fees and education contracts	3	2,700	1,199
Other grants and contracts	4	225	127
Other income	5	673	501
Investment income	6	50	32
<b>Total income</b>		<b>29,354</b>	<b>20,238</b>
<b>EXPENDITURE</b>			
Staff costs	7	19,603	14,245
Fundamental restructuring costs	7	768	53
Other operating expenses	8	6,651	4,877
Depreciation	11	2,137	1,106
Interest and other finance costs	9	386	274
<b>Total expenditure</b>		<b>29,545</b>	<b>20,555</b>
<b>Deficit before other gains and losses</b>		<b>(191)</b>	<b>(317)</b>
Loss on disposal of tangible fixed assets		(394)	-
Transfer of net assets arising on merger	26	3,864	-
<b>Surplus/(deficit) before tax</b>		<b>3,279</b>	<b>(317)</b>
Taxation	10	-	-
<b>Surplus/(deficit) for the year</b>		<b>3,279</b>	<b>(317)</b>
Unrealised surplus on revaluation of assets		15	15
Remeasurement of net defined benefit pension liability	18,23	(5,132)	2,627
<b>Total comprehensive Income for the year</b>		<b>(1,838)</b>	<b>2,325</b>
<b>Represented by:</b>			
Restricted comprehensive income		15	-
Unrestricted comprehensive income		(1,853)	2,325
		<b>(1,838)</b>	<b>2,325</b>

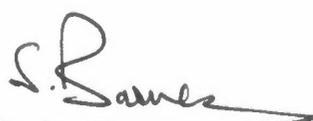
**Statement of changes in reserves**

	Income and expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
<b>College</b>			
<b>Balance at 1<sup>st</sup> August 2017</b>	<u>3,746</u>	<u>5,726</u>	<u>9,472</u>
Deficit for the year	(317)	-	(317)
Other comprehensive income	2,627	774	3,401
Transfer between revaluation and income and expenditure reserves	15	(15)	-
<b>Total comprehensive income for the year</b>	<u>2,325</u>	<u>759</u>	<u>3,084</u>
<b>Balance at 31st July 2018</b>	<u>6,071</u>	<u>6,485</u>	<u>12,556</u>
Surplus for the year	3,279	-	3,279
Other comprehensive income	(5,132)	-	(5,132)
Transfer between revaluation and income and expenditure reserves	15	(15)	-
<b>Total comprehensive income for the year</b>	<u>(1,838)</u>	<u>(15)</u>	<u>(1,853)</u>
<b>Balance at 31st July 2019</b>	<u>4,233</u>	<u>6,470</u>	<u>10,703</u>

**Balance sheet as at 31 July 2019**

	Notes	2019 £'000	2018 £'000
<b>Fixed assets</b>			
Tangible assets	11	44,860	24,755
Investments	12	171	171
		<u>45,031</u>	<u>24,926</u>
<b>Current assets</b>			
Trade and other receivables	13	1,718	478
Investments	14	6,000	5,000
Cash and cash equivalents	19	3,374	1,354
		<u>11,092</u>	<u>6,832</u>
<b>Less: Creditors – amounts falling due within one year</b>	15	(5,789)	(2,530)
<b>Net current assets</b>		<u>5,303</u>	<u>4,302</u>
<b>Total assets less current liabilities</b>		<b>50,334</b>	<b>29,228</b>
Creditors – amounts falling due after more than one year	16	(20,929)	(11,846)
<b>Provisions</b>			
Defined benefit obligations	18	(18,059)	(4,313)
Other provisions	18	(643)	(513)
<b>Total net assets</b>		<u>10,703</u>	<u>12,556</u>
<b>Unrestricted Reserves</b>			
Income and expenditure account		4,233	6,071
Revaluation reserve		6,470	6,485
<b>Total unrestricted reserves</b>		<u>10,703</u>	<u>12,556</u>

The financial statements on pages 27-52 approved and authorised for issue by the Corporation on 9 December 2019 and were signed on its behalf on that date by:

  
**Stephen Barnes**  
 Chair

  
**Amanda Melton**  
 Accounting Officer

**Statement of cash flows**

	Notes	2019 £'000	2018 £'000
<b>Cash flow from operating activities</b>			
Surplus/ (deficit) for the year		3,279	(317)
<b>Adjustment for non-cash items</b>			
Depreciation		2,137	1,106
Increase in debtors		(666)	(134)
Increase/ (decrease) in creditors due within one year		811	(249)
Increase/ (decrease) in creditors due after one year		820	(459)
Decrease in provisions		(28)	(16)
Pensions costs less contributions payable		1,487	894
<b>Adjustment for investing or financing activities</b>			
Investment income		(50)	(32)
Interest payable		99	104
Loss on sale of fixed assets		394	-
Assets acquired on merger net of cash		(3,165)	-
<b>Net cash flow from operating activities</b>		<u>5,118</u>	<u>897</u>
<b>Cash flows from investing activities</b>			
Proceeds from the sale of fixed assets		112	-
Investment income		50	32
Withdrawal of deposits		-	-
New deposits		(1,000)	(1,000)
Payments made to acquire fixed assets		(1,956)	(759)
		<u>(2,794)</u>	<u>(1,727)</u>
<b>Cash flows from financing activities</b>			
Interest paid		(96)	(104)
Interest element of finance lease rental payments		(3)	-
Repayments of amounts borrowed		(185)	(180)
Capital element of finance lease		(20)	-
		<u>(304)</u>	<u>(284)</u>
<b>Increase/ (decrease) in cash and cash equivalents in the year</b>		<u><b>2,020</b></u>	<u><b>(1,114)</b></u>
Cash and cash equivalents at beginning of the year	19	1,354	2,468
Cash and cash equivalents at end of the year	19	3,374	1,354

## Notes to the accounts

### 1 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 18.

The nature of the Colleges operations is set out in the members' report.

#### Basis of accounting

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 2018 to 2019* and in accordance with Financial Reporting Standard 102 – “*The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland*” (FRS 102) under the historical cost convention as modified by the revaluation of certain fixed assets. The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently applied to all the years presented, unless otherwise stated.

The financial statements are presented in sterling which is also the functional currency of the College.

Monetary amounts in these financial statements are rounded to the nearest whole £1,000, except where otherwise indicated.

#### 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£2.3m of loans outstanding with bankers on terms negotiated in 2008. The terms of the existing agreement are for up to another 10 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.

Levy-funded and ESFA funding for co-investment model apprenticeships income is measured in line with best estimates of the provision delivered in the year.

The recurrent grant from the OfS 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 for assets are accounted for under the accruals model. The grant income received or receivable will be recognised in income over the expected useful life of the asset, with any amount of asset-related grant that is deferred being recognised as deferred income. The deferred income is allocated between creditors due within one year and those due after more than one year. 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.

## **Retirement benefits**

Retirement benefits to employees of the College are principally provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS), which are multi-employer defined benefit plans.

### *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 the Government Actuary on the basis of valuations using a projected unit 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 scheme, with the amount charged to the statement of comprehensive income being the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

### *Lancashire Local Government Pension Scheme (LGPS)*

The LGPS is a funded scheme, and the assets of the scheme are held separately. Pension schemes are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. 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. The net interest cost on the net defined benefit liability/asset is charged to comprehensive income and included within finance costs. Re-measurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) 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.

## **Fixed asset investments**

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**

#### *Finance leased assets*

Leasing agreements which transfer to the Group substantially all the benefits and risks and rewards incidental to ownership of an asset are treated as finance leases. Assets held under finance leases are recognised initially at the fair value of the leased asset or, if lower, the present value of minimum lease payments as determined at inception of the lease. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Assets are depreciated over the shorter of the lease term and the estimated useful economic life of the asset and assessed for impairment losses in the same way as for owned assets.

#### *Operating leases*

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 2019. 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.

<b>2 Funding body grants</b>	<b>Year ended 31 July 2019 £'000</b>	<b>Year ended 31 July 2018 £'000</b>
<b>Recurrent grants</b>		
Education and Skills Funding Agency – 16-18	10,622	8,137
Education and Skills Funding Agency – Adult	9,586	7,610
Education and Skills Funding Agency - Apprentices	2,494	1,638
Office for Students	203	134
<b>Specific grants</b>		
Education and Skills Funding Agency	1,872	480
Releases of government capital grants	929	380
	<hr/>	<hr/>
<b>Total</b>	<b>25,706</b>	<b>18,379</b>
	<hr/>	<hr/>
<b>3 Tuition fees and education contracts</b>	<b>Year ended 31 July 2019 £'000</b>	<b>Year ended 31 July 2018 £'000</b>
Adult education fees	400	330
Apprenticeship fees and contracts	51	-
Fees for FE loan supported courses	396	223
Fees for HE loan supported courses	1,526	377
Total tuition fees	<hr/> 2,373	<hr/> 930
Education contracts	327	269
	<hr/>	<hr/>
<b>Total</b>	<b>2,700</b>	<b>1,199</b>
	<hr/>	<hr/>
<b>4 Other grants and contracts</b>	<b>Year ended 31 July 2019 £'000</b>	<b>Year ended 31 July 2018 £'000</b>
Other grants and contracts	225	127
	<hr/>	<hr/>
<b>Total</b>	<b>225</b>	<b>127</b>
	<hr/>	<hr/>

<b>5 Other income</b>	<b>Year ended 31 July 2019 £'000</b>	<b>Year ended 31 July 2018 £'000</b>
Catering and residences	251	226
Other income generating activities	94	-
Non-government capital grants	120	99
Miscellaneous income	208	176
<b>Total</b>	<b>673</b>	<b>501</b>

<b>6 Investment income</b>	<b>Year ended 31 July 2019 £'000</b>	<b>Year ended 31 July 2018 £'000</b>
Other interest receivable	50	32
Net return on pension scheme (note 23)	-	-
<b>Total</b>	<b>50</b>	<b>32</b>

**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:

	<b>2019 No.</b>	<b>2018 No.</b>
Teaching staff	295	223
Non-teaching staff	261	192
	<b>556</b>	<b>415</b>

**Staff costs for the above persons**

	<b>2019 £'000</b>	<b>2018 £'000</b>
Wages and salaries	14,621	10,872
Social security costs	1,347	993
Other pension costs	3,455	2,278
<b>Payroll sub total</b>	<b>19,423</b>	<b>14,143</b>
Contracted out staffing services	180	102
	<b>19,603</b>	<b>14,245</b>
Fundamental restructuring costs – Contractual	768	53
- Non contractual	-	-
<b>Total Staff costs</b>	<b>20,371</b>	<b>14,298</b>

## 7 Staff costs continued

### Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the Senior Leadership Team which comprises the Principal, two Deputy Principals, two Vice Principals and four Assistant Principals. 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

	2019 No.	2018 No.
The number of key management personnel including the Accounting Officer was:	<u>9</u>	<u>6</u>

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	
	2019 No.	2018 No.	2019 No.	2018 No.
£55,001 to £60,000 p.a.	2			
£60,001 to £65,000 p.a.	1	-	-	-
£65,001 to £70,000 p.a.	-			
£70,001 to £75,000 p.a.	2	3	-	-
£75,001 to £80,000 p.a.	1	2		
£80,001 to £85,000 p.a.	2	-	-	-
£130,001 to £135,000 p.a.	-	1	-	-
£135,001 to £140,000 p.a.	1	-	-	-
	<u>9</u>	<u>6</u>	<u>-</u>	<u>-</u>

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

	2019 £'000	2018 £'000
Salaries – gross of salary sacrifice and waived emoluments	652	504
Benefits in kind	-	-
	<u>652</u>	<u>504</u>
Pension contributions	102	76
National Insurance	80	62
	<u>834</u>	<u>642</u>

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.

## 7 Staff costs continued

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

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Salaries	140	135
Benefits in kind	-	-
	<u>140</u>	<u>135</u>
Pension contributions	23	22
National Insurance	<u>18</u>	<u>17</u>

The remuneration of the accounting officer for 2018-19 was determined on 12 November 2018 by the Corporation Board. The accounting officer was not involved in setting their remuneration. The factors taken into account by the Board in determining the accounting officer's remuneration for the year to 31 July 2019 included: previous increases; performance of the organisation; size and complexity of the organisation and AoC sector data on pay of accounting officers. Performance was measured by the achievement of the strategic objectives. A similar approach was used to determine the remuneration of other key management personnel.

The relationship between the accounting officer's emoluments, expressed as a multiple of all other employees based on full-time equivalents, is set out below for both basic salary and total remuneration.

	<b>2019</b>	<b>2018</b>
	<b>No.</b>	<b>No.</b>
Basic salary as a multiple of median basic salary of staff	5.7	5.4
Total remuneration as a multiple of median total remuneration of staff	5.7	5.4

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.

### Governors' remuneration

The Accounting Officer and the staff member only receive remuneration in respect of services they provide undertaking their roles of Principal and staff members under contracts of employment and not in respect of their roles as governors. The other members of the Corporation did not receive any payments from the college in respect of their roles as governors.

**8 Other operating expenses**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Teaching departments	1,354	813
Teaching support services	587	504
Other support services	190	168
Administration and central services	1,310	1,231
Examination costs	710	470
Premises costs	1,444	1,216
Catering and residences	174	164
ESFA franchised provision	539	293
Other expenses	11	18
Exceptional merger expenses	332	-
<b>Total</b>	<b><u>6,651</u></b>	<b><u>4,877</u></b>

**Other operating expenses include:**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Auditors' remuneration:		
Financial statements audit	19	18
Internal audit	16	17
Other services provided by the financial statements auditor for PSA & FRS102 preparation	20	1
Hire of assets under operating leases	<u>129</u>	<u>90</u>

**9 Interest and other finance costs**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
On bank loans, overdrafts and other loans:	<u>96</u>	<u>104</u>
	96	104
Interest on finance leases	3	
Net interest on defined pension liability (note 23)	<u>287</u>	<u>170</u>
<b>Total</b>	<b><u>386</u></b>	<b><u>274</u></b>

**10 Taxation**

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

**11 Tangible fixed assets**

	Land and buildings	Assets under Construction	Equipment	Total
	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>				
At 1 August 2018	26,081	68	4,796	30,945
Additions	732	857	769	2,358
Surplus on revaluation	-	-	-	-
Assets acquired on merger	18,820	-	1,570	20,390
Disposals	-	-	(571)	(571)
<b>At 31 July 2019</b>	<b>45,633</b>	<b>925</b>	<b>6,564</b>	<b>53,122</b>
<b>Depreciation</b>				
At 1 August 2018	2,430	-	3,760	6,190
Charge for the year	1,273	-	864	2,137
Elimination in respect of disposals	-	-	(65)	(65)
<b>At 31 July 2019</b>	<b>3,703</b>	<b>-</b>	<b>4,559</b>	<b>8,262</b>
<b>Net book value at 31 July 2019</b>	<b>41,930</b>	<b>925</b>	<b>2,006</b>	<b>44,860</b>
Net book value at 31 July 2018	23,601	68	1,086	24,755

Included within the £769k equipment additions figure above for the year ending 2019 is £66k, relating to software as intangible assets. The net book value of equipment includes an amount of £33,000 (2018 – nil) in respect of assets held under finance leases.

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

	<b>£'000</b>
Cost	48,032
Aggregate depreciation based on cost	8,918
<b>Net book value based on cost</b>	<b>39,114</b>

**12 Non-current investments**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Investments in associate companies	-	-
Investment property	171	171
	<hr/>	<hr/>
<b>Total</b>	<b>171</b>	<b>171</b>
	<hr/>	<hr/>

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**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Amounts falling due within one year:		
Trade receivables	86	24
Amounts owed from the ESFA	858	-
Prepayments and accrued income	774	454
	<hr/>	<hr/>
<b>Total</b>	<b>1,718</b>	<b>478</b>
	<hr/>	<hr/>

**14 Current investments**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Short term deposits	6,000	5,000
	<hr/>	<hr/>
<b>Total</b>	<b>6,000</b>	<b>5,000</b>
	<hr/>	<hr/>

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**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Bank loans and overdrafts	194	186
Obligations under finance leases	30	-
Trade payables	838	441
Fixed asset creditors	402	-
Other taxation and social security	689	489
Accruals and deferred income	2,386	881
Deferred income - government capital grants	1,181	478
Amounts owed to the ESFA	69	55
	<hr/>	<hr/>
<b>Total</b>	<b>5,789</b>	<b>2,530</b>

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

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Bank loans	2,140	2,332
Obligations under finance leases	5	-
Deferred income - government capital grants	18,784	9,514
	<hr/>	<hr/>
<b>Total</b>	<b>20,929</b>	<b>11,846</b>

**17 Maturity of debt****Bank loans and overdrafts**

Bank loans and overdrafts are repayable as follows:

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
In one year or less	192	186
Between one and two years	200	192
Between two and five years	634	622
In five years or more	1,305	1,518
	<hr/>	<hr/>
<b>Total</b>	<b>2,331</b>	<b>2,518</b>

Bank loans of £1,831k at a fixed interest rate of 4.71 per cent and £500k at base rate plus 0.45 per cent are repayable by quarterly instalments over a 20-year period ending in 2029.

**17 Maturity of debt continued****Finance leases**

The total future minimum lease payments are payable:

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
In one year or less	30	-
Between one and two years	5	-
Between two and five years	-	-
In five years or more	-	-
	<hr/>	<hr/>
<b>Total</b>	<b>35</b>	<b>-</b>

**18 Provisions**

	<b>Defined benefit obligations</b>	<b>Enhanced pensions</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 August 2018	4,313	513	4,826
Expenditure in the period	(1,265)	(42)	(1,307)
Actuarial loss	5,054	78	5,132
Additions in period	2,752	15	2,767
Movement due to merger	7,205	80	7,285
	<hr/>	<hr/>	<hr/>
<b>At 31 July 2019</b>	<b>18,059</b>	<b>644</b>	<b>18,703</b>

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:

	<b>2019</b>	<b>2018</b>
Price inflation	2.00%	2.30%
Discount rate	2.20%	1.30%

**19 Cash and cash equivalents**

	At 1 August 2018 £'000	Cash flows £'000	Other changes £'000	At 31 July 2019 £'000
Cash and cash equivalents	1,354	2,020	-	3,374
<b>Total</b>	<b>1,354</b>	<b>2,020</b>	<b>-</b>	<b>3,374</b>

**20 Capital and other commitments**

	College	
	2019 £'000	2018 £'000
Commitments contracted for at 31 July	437	232

**21 Lease obligations**

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

	College	
	2019 £'000	2018 £'000
<b>Future minimum lease payments due</b>		
<b>Land and buildings</b>		
Not later than one year	60	54
Later than one year and not later than five years	149	34
Later than five years	30	-
	<u>239</u>	<u>88</u>
<b>Other</b>		
Not later than one year	73	36
Later than one year and not later than five years	48	81
Later than five years	-	-
	<u>121</u>	<u>117</u>
<b>Total lease payments due</b>	<b><u>360</u></b>	<b><u>205</u></b>

## 22 Contingent Liabilities

The restructuring facility grant funding agreement with the ESFA allocates the College up to £7mn grant for drawdown during the period from merger up until 31 March 2020. Of this allocation, capital and revenue grant monies totalling £3.3mn are recognised within these 2018/19 financial statements. £3.5mn (50%) of the total monies available under the grant funding agreement is designated as being recoverable finance performance – related grant. Commencing during the financial year ending 31 July 2022 and then continuing each year thereafter until 31 July 2025, the financial performance of the College will be annually assessed to compare an actual Cash Flow Available for Debt Servicing (CFADS) measure against an agreed target. In the event that the College's performance is in excess of the target, 50% of the additional cash generated is to be paid to the ESFA as repayable grant. Accordingly, at this stage it isn't possible to determine the value or timescale of any liability which may crystallise subsequently.

On 30 November 2018, the College granted the Department for Education a legal charge over the land and buildings at the Accrington & Rossendale College, Broad Oak Campus.

## 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.

<b>Total pension cost for the year</b>	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Teachers' Pension Scheme: contributions paid	1,057	902
Local Government Pension Scheme:		
Contributions paid	1,265	664
FRS 102 (28) charge	1,200	724
Charge to the Statement of Comprehensive	2,245	1,388
Enhanced pension charge to Statement of	-	-
Comprehensive Income		
<b>Total pension cost for year within staff costs</b>	<b>3,522</b>	<b>2,290</b>

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2016 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' Pension Scheme Regulations 2014. 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. The TPS is a multi-employer pension plan and there is insufficient information to account for the scheme on as a defined benefit plan so it is accounted for as a defined contribution plan.

## Valuation of the Teachers' Pension Scheme

Not less than every four years the Government Actuary ("GA"), using normal actuarial principles, conducts a formal actuarial review of the TPS. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. The latest actuarial valuation was carried out as at 31 March 2016 and in accordance with The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 except it has been prepared following the Government's decision to pause the operation of the cost control mechanisms at the time when legal challenges were still pending.

The valuation report was published in April 2019. The key results of the valuation and subsequent consultation are:

- Total scheme liabilities for service (pensions currently payable and the estimated cost of future benefits) of £218 billion
- Value of notional assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) of £196 billion
- Notional past service deficit of £22 billion
- Discount rate is 2.4% in excess of CPI

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/9). DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2019-20 academic year.

{this disclosure will need to update as a result of how the matter proceeds} However, legal challenge to the 2015 public sector pension reforms could have a further impact on the scheme, which would have retrospective application.

The pension costs paid to TPS in the year amounted to £1,160,000 (2018: £902,000).

## 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 2019 were £1,639,000, of which employer's contributions totalled £1,265,000 and employees' contributions totalled £374,000. The agreed contribution rates for future years are 14.4% 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 2019 by a qualified independent actuary.

	At 31 July 2019	At 31 July 2018
Rate of increase in salaries	3.7%	3.6%
Future pensions increases	2.3%	2.2%
Discount rate for scheme liabilities	2.2%	2.9%
Inflation assumption (CPI)	2.2%	2.1%
Commutation of pensions to lump sums	50%	50%

**23 Defined benefit obligations continued**

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 2019	At 31 July 2018
	years	years
<i>Retiring today</i>		
Males	22.8	22.7
Females	25.5	25.4
<i>Retiring in 20 years</i>		
Males	25.1	25.0
Females	28.2	28.0

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

	2019	2018
	£'000	£'000
Fair value of plan assets	56,596	19,533
Present value of plan liabilities	(74,655)	(23,846)
<b>Net pensions liability</b>	<b>(18,059)</b>	<b>(4,313)</b>

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

	2019	2018
	£'000	£'000
<b>Amounts included in staff costs</b>		
Current service cost	1,724	1,388
Past service cost	627	-
Curtailement cost	114	-
<b>Total</b>	<b>2,465</b>	<b>1,388</b>
<b>Amounts included in interest and other finance costs (note 9)</b>		
Net interest cost	287	170
	<b>287</b>	<b>170</b>
<b>Amount recognised in other comprehensive Income</b>		
Return on pension plan assets	5,471	987
Experience gain arising on defined benefit obligations	-	-
Changes in assumptions underlying the present value of plan liabilities	(10,525)	1,639
<b>Amount recognised in other comprehensive income</b>	<b>(5,054)</b>	<b>2,626</b>

**23 Defined benefit obligations continued****Movement in net defined benefit liability during year**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Net defined benefit liability in scheme at 1 August	(4,313)	(6,045)
Movement in year:		
Current service cost	(1,724)	(1,388)
Employer contributions	1,265	664
Past service/ curtailment cost	(741)	-
Net interest on the defined benefit liability	(287)	(170)
Actuarial (loss)/ gain	(5,054)	2,626
Business Combinations	(7,205)	-
<b>Net defined benefit liability at 31 July</b>	<b><u>(18,059)</u></b>	<b><u>(4,313)</u></b>

**Asset and liability reconciliation**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
<b>Changes in the present value of defined benefit obligations</b>		
<b>Defined benefit obligations at start of period</b>	23,846	23,697
Current service cost	1,724	1,388
Interest cost	1,452	613
Contributions by Scheme participants	374	275
Actuarial (gains)/ losses	10,525	(1,639)
Benefits paid	(1,675)	(488)
Past Service cost	627	-
Curtailements and settlements	114	-
Business Combinations	37,668	-
<b>Defined benefit obligations at end of period</b>	<b><u>74,655</u></b>	<b><u>23,846</u></b>
<b>Changes in fair value of plan assets</b>		
<b>Fair value of plan assets at start of period</b>	19,533	17,652
Interest on plan assets	1,195	465
Actuarial gain	5,471	987
Employer contributions	1,265	664
Administration expenses	(30)	(22)
Contributions by Scheme participants	374	275
Estimated benefits paid	(1,675)	(488)
Business Combinations	30,463	-
<b>Fair value of plan assets at end of period</b>	<b><u>19,533</u></b>	<b><u>19,533</u></b>

**23 Defined benefit obligations continued**

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 £989; 4 governors (2018: £380, 1 governor). 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 (2018: None).

**25 Amounts disbursed as agent**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Funding body grant – ESFA 24+ advanced learning loan	151	62
Funding body grant – ESFA 16-18 bursary	349	275
Funding body grant – ESFA 16-18 free meals	153	79
Funding Body grant – Capacity and Delivery fund bursary	8	-
Funding body grant – ESFA 16-18 Vulnerable students bursaries	63	32
	<hr/>	<hr/>
	724	448
Disbursed to students	(625)	(439)
Administration costs	(27)	(21)
	<hr/>	<hr/>
Balance unspent as at 31 July, included in creditors	<u>72</u>	<u>(12)</u>

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.

**26 Merger with Accrington and Rossendale College**

On 30 November 2019 the college acquired the net assets of Accrington and Rossendale College for nil consideration through a 'type B' merger. The assets and liabilities acquired were as follows:

	<b>As stated in Accrington and Rossendale College accounts</b>	<b>Fair Value Adjustment</b>	<b>At 30 November 2018</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Fixed Assets	19,685	705	20,390
Stock	17	(17)	-
Trade and other receivables	563	-	563
Cash and cash equivalents	700	-	700
Creditors	(20,212)	9,708	(10,504)
Provision for liabilities	(80)	-	(80)
Defined benefit obligations	(7,205)	-	(7,205)
<b>Net gain</b>	<b>(6,532)</b>	<b>10,396</b>	<b>3,864</b>

The fair value adjustment to fixed assets constituted the difference between net book value and a valuation of Land and Buildings performed by a firm of chartered surveyors, Lambert Smith Hampton. The valuation was based on depreciated replacement cost.

The book value of stocks was written off based on an assessment of their economic value to the merged college.

The creditors book value reduced on settlement of bank loan debt balances and the write-off of Exceptional Financial Support loan balances by the ESFA on merger and the adjustment of capital grant funding balances and provisions relating to one of the buildings on the Accrington and Rossendale College estate which was deemed to have no economic value on merger.

**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**

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.

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 2018 to 31 July 2019 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 2018 to 31 July 2019 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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18/12/19.

