NELSON AND COLNE
COLLEGE

NELSON & COLNE COLLEGE

Report and Financial Statements
for the year ended 31 July 2017

Key Management Personnel, Board of Governors and Professional advisers

Key management personnel

Key management personnel are defined as members of the College Leadership Team and were represented by the following in 2016/17:

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

Board of Governors

A full list of Governors is given on pages 12-14 of these financial statements.

The Clerk to the Corporation during the period was Mr S Carlisle until 15th May 2017, and Mrs D Corcoran thereafter.

Professional advisers

Financial statements auditors and reporting accountants:

RSM UK Audit LLP
Bluebell House
Brian Johnson Way
Preston

Internal auditors:

BDO
3 Hardman Street
Spinningfields
Manchester

Bankers:

Lloyds Bank
King Street
Manchester

Solicitors:

Forbes Solicitors
Rutherford House
4 Wellington Street (St Johns)
Blackburn

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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 2017.

Legal status

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

Mission

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

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

Public Benefit

Nelson & Colne College is an exempt charity under the Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Business, Innovation and Skills as Principal Regulator for all FE Corporations in England. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 12 - 14.

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

In delivering its mission, the College provides a range of identifiable public benefits through the advancement of education as outlined in this Member's report.

Implementation of strategic plan

In October 2016, the Corporation approved updated strategic plan aims for the 2016/17 academic year. These aims include property and financial matters. The Corporation monitors the performance of the College against these plans. The plans are reviewed and updated each year. The College's confirmed strategic targets for the period included:

- Securing the long term financial future
- Attracting increased, sustainable student numbers
- Achieving an improved trend in key curriculum performance data
- Ensuring our offer is appropriate to the needs of learners and supports local and regional priorities
- Providing a safe, supportive and respectful environment for students
- Ensuring our culture and organisational values are modelled by staff and benefit students
- Seek out new opportunities to develop and grow the College.

Financial objectives

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

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

The College's primary financial targets outlined in the financial plan 2016-18 are to:

- maintain at least 'Good' financial health as assessed by the Education and Skills Funding Agency
- 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 2016/17, recruitment of 16-18 FE learners was 1,809 (2015/16: 1,797) slightly below the allocated, funded target for the year of 1,820. The overall actual funding value generated during the year for 16-18 FE provision was 103% of target. The number of adult FE learners recruited during 2015/16 was 1,296 this being an increase of 111 on the equivalent 2015/16 figure of 1,185. The actual funding value generated in respect of the overall Adult Education Budget for 2016/17 was 100% of the allocation received.

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 of Outstanding is considered an acceptable outcome.

FINANCIAL POSITION

Financial results

The College generated a surplus before other gains and losses in the year of £952k (2015/16 – deficit of £657k), with total comprehensive income of £1,317k, (2015/16 – deficit £2,125k). The College has accumulated income and expenditure reserves of £3,746k and cash and short term investment balances of £6,468k.

Tangible fixed asset additions during the year amounted to £906k (2015/16 - £1,698k). This was split between land and buildings costs of £538k and equipment purchased of £368k.

The College continues to have significant reliance on the Education and Skills Funding Agency for its principal funding source, largely from participation monies. In 2016/17 these funding bodies provided 90% of the College's total operating income (2015/16 – 87%).

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 £3,243k (2015/16: £1,802k) operating cash inflow for the period was strong.

At the end of the 2016/17 financial year, accumulated cash balances and current asset investments (comprising short term money market deposits) were £6,468k (2015/16 - £4,360k). The College had no new borrowings during the year and, reflecting repayments of existing debt principal, outstanding borrowings stood at £2,698k (2015/16 - £2,872k). 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 in 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 £3,746k (2015/16: £2,429k). It is the Corporation's intention to increase reserves going forward through the generation of annual operating surpluses.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

In 2016/17 the College has delivered activity that has produced £17,401k in funding body main allocation funding (2015/16: £10,386k). Inclusive of Adult Community Learning activity delivered via the Lancashire Adult Learning operation, the College had approximately 14,300 funded FE students during the year.

Student achievements

We have once again improved the high grades achieved by our students and at a time where many were undertaking examinations at the end of two years of study. Below is a table showing the A2 success rates; in addition to the improving performance, it is worth taking note of the increase in entries over the last five years.

A Level Results	Total entries	% A - E	% A - C	% A - B	% A* - A
2017	**774**	**99.7%**	**87%**	**57%**	**24%**
2016	698	99.9%	79%	52%	21%
2015	521	100%	81%	52%	24%
2014	595	100%	76%	49%	20%

Our vocational achievement rate is 100% which is considered a fantastic outcome again for students and staff.

Our GCSE results were also very strong in 2017. In particular, our English team delivered an astonishing 52% 16-18 year old grade C pass rate for those students previously with a D grade. Last year this figure was 28% and the previous year 13%. There has been a total overhaul of resources and strategy to deliver this improvement. In maths, the overall % of 16-18 year old students achieving a C dropped by 1% to 26%. We have done much work to strengthen the maths delivery team and strategy, as with English, and we expect this to bear fruit next year. Our result in maths will still place us significantly above the national average for resit maths, which last year was 20%.

Nelson & Colne College Financial Statements for the year ended 31 July 2017

GCSE 16-18	Result % A* - C				
Subject	**Total entries**	**2017**	**2017 R1***	*2016*	*2015*
English	**354**	**47%**	**52%**	*28%*	*13%*
Maths	**287**	**22%**	**26%**	*27%*	*27%*
Science	**4**	**0%**	**n/a**	*20%*	*11%*
Total	**645**	**35%**		***27%***	***18%***
*R1 = comparison to 2016 as includes only students who already had a D, instead of D or E.					

GCSE all age	Result % A* - C				
Subject	**Total entries**	**2017**	*2016*	*2015*	
English	**401**	**51%**	*31%*	*16%*	
Maths	**325**	**27%**	*37%*	*32%*	
Science	**13**	**46%**	*57%*	*31%*	
Total	**739**	**40%**	***34%***	***23%***	

We have secured a further improvement in the headline all age all level achievement rates with a result of 93.9%; with an equivalent result for 2016 of 93.2%, the College placed 1st in the national league tables. For 16-18 year olds, we were also 1st nationally last year, with an overall achievement rate of 91.7%, and have secured a 93.1% result in 2017. Naturally, we are delighted with these results and committed to maintaining this level of excellence going forward.

Curriculum developments

Graded 'Outstanding' by Ofsted since 2005, the College's continues to maintain a relentless focus on maintaining and developing the quality of teaching and learning and the student experience. A key focus this year and into 2017/18 remains to strengthen GCSE provision in English and Maths as we wish to further improve the success of our students in these subjects. We have continued to invest in developing effective teaching teams and strategies to support learners who have previously failed to reach the required standard in these subjects at school and combined our GSCE and functional skills teams to provide greater flexibility for students transferring between qualification aims.

In 2017/18 we have further developed our A Level provision with the introduction of the final two year reformed A levels. The introduction of these two year linear A Levels means that there are less students taking a fourth subject in their first year and so inevitably some of the peripheral subjects have lost out. This is despite a small increase in the overall number of students taking A Levels at the College. Most subjects continue to recruit well, though we have taken the difficult decision to withdraw A level Theatre Studies and Geology due to there being too few students wanting to study this subject.

The College's career ethos continues to embed as we focus study programmes outcomes on the acquisition of higher level places at universities, or job and Apprenticeships, rather than qualifications alone. We have undertaken some reorganisation of the leadership in the Skills Academy and have strengthened our work related support for students and their opportunity to experience the world of work first hand. Our Level 2 Ambitions programme has received much interest from Department for Education officials who have been to examine our offer, as it aligns to their own vision.

In line with Government policy, the College continues to strengthen delivery of Apprenticeships and has taken advantage of incentives offered locally and nationally to grow this area markedly in 2016/17 with plans to expand further in 2017/18. This aspiration has been boosted by a successful bid to deliver Apprenticeships to Lancashire County Council (LCC) employees using their levy funding. The College bid for the maximum allowed 5 lots and secured them all this representing the majority of their apprenticeship needs across the county.

The five lots won are:

1. Social Care (four frameworks, two standards)
2. Leadership & Management (two standards)
3. Business Admin (four frameworks, one standard)
4. Schools Non-teaching (four frameworks)
5. Catering (two frameworks)

The largest area of delivery here by far will be focussed on LCC schools non-teaching staff as they have under their control over 500 schools and with a total workforce of 23,000. This will have resource implications as we need to deliver across the whole of Lancashire, and we are currently developing detailed plans to secure the resources needed to successfully deliver, including new subcontractors.

Lancashire Adult Learning (our adult learning brand) has, from September 2017, now occupied its new base at 'Northlight' in Brierfield. The College aims to continue to recruit in large volumes and deliver across the whole of Lancashire across a number of key themes in order to have the maximum impact on the lives of Lancashire adult residents.

Having secured directly funded status from HEFCE for 2016/17, we will continue to develop our Higher Education offer this coming year in support of local need and also the national Industrial Strategy and requirement for level 4 and 5 STEM skills.

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During the accounting period 1 August 2016 to 31 July 2017, the College paid 82 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

At their meeting in October 2017, the Corporation approved an updated three year strategic plan setting out the College's ambitions for future development and growth through to July 2020. 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 2017/18 and ambitions have been identified for 2018/19 and 2019/20 which will be reviewed and converted into targets on an annual basis.

The College looks to continue to build on growth in recent years across the full range of cohorts and priority areas including 16-18 study programmes, Apprenticeships and Higher Education. Building on the success of the transfer into the College of Lancashire Ault Learning in 2016/17, similar opportunities for further structural expansion will be actively considered. Effective partnership working and external stakeholder engagement will remain a key strategic priority going forward.

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

RESOURCES:

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

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

Financial

The College has c£9.5 million of net assets (including c£6 million pension liability) and long term debt of c£2.6 million.

People

The College employs 392 people (expressed as full time equivalents), of whom 211 are classified as teaching staff.

Reputation

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

PRINCIPAL RISKS AND UNCERTAINTIES:

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

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

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

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

1 Government funding

The College has considerable reliance on continued government funding through the further education sector funding bodies. In 2016/17, approximately 90% of the College's revenue was ultimately public funded and this level of requirement is expected to continue. There are can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

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

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

This risk is mitigated in a number of ways:

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

2 Tuition fee policy

The tuition fee assumption was retained at 50% in 2016/17. In line with many other colleges, Nelson & Colne College will continue to seek to align its approach to tuition fees to government policy. There is a continued risk for the College of demand falling off if fees increase particularly given the challenging current economic climate.

This risk is mitigated in a number of ways:

- By ensuring the College is rigorous in delivering high quality education and training, thus ensuring value for money for students.
- Robust credit control processes.
- Effective marketing and student advice / guidance arrangements.
- Close monitoring of the demand for courses as prices change.

3 Maintain adequate funding of pension liabilities

The financial statements report the share of the Local Government Pension Scheme deficit on the College's balance sheet in line with the requirements of FRS 102.

This risk is mitigated by:

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

4 Demographic trends

Consistent with the national picture, local pupil number data indicates that the 16-18 year old population within the College's catchment area declining in size by 10-15% between 2009 and 2018. This still represents some risk for the College of reduced levels of student recruitment and participation and a consequential loss of funding.

This risk is mitigated by:

- By ensuring the College maintains an outstanding reputation underpinned by high quality outcomes and qualification success rates.
- Continued investment in student recruitment activities including schools liaison, admissions and marketing and provision of financial assistance for students towards transport and other costs.

STAKEHOLDER RELATIONSHIPS

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

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

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

Equal opportunities

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

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

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

Disability statement

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

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

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 11 December 2017 and signed on its behalf by:

S. Barnes

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 2016 to 31 July 2017 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

I. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
II. in full accordance with the guidance to Colleges from the Association of Colleges in The 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 2017. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of 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 C Baker	24/3/14 Re-appointed 24/3/15	4 years	9/3/17	Independent Member	• Quality and Curriculum	66%
Mr S Barnes (Chair)	1/4/96 Re-appointed 1/10/14	4 years		Independent Member	• Remuneration (Chair) • Search (Chair)	100%

Mrs J Cleaver	20/10/14	4 years		Independent Member	• Quality and Curriculum	66%
Mr Joshua Connor	6/2/17	To the end July 2017	31/7/2017	Student Member		66%
Mrs D Corcoran	3/10/16	4 years	15/5/17	Independent Member	• LAL Quality and Curriculum	100%
Mrs D Duffell	2/12/16	1 year	1/10/2017	Co-opted Member	• LAL Quality and Curriculum	N/A
Cllr G Gooch	2/10/17	1 year		Co-opted Member	• LAL Quality and Curriculum	N/A
Cllr M Iqbal	12/12/16	4 years		Independent Member		50%
Mrs H Khan	2/7/14 Re-appointed 5/10/15	3 years		Independent Member	• Remuneration • Search	50%
Mr A McKnight	1/9/94 Re-appointed 11/12/17	4 years		Co-opted Member	• Audit	N/A
Cllr T Martin	2/12/16	1 year	1/10/2017	Co-opted Member	• LAL Quality and Curriculum	N/A
Mrs A Melton (Principal)	5/3/12			Principal	• LAL Quality and Curriculum • Quality and Curriculum • Search	100%
Mr H Ali Minhas	6/2/17	To the end July 2017	31/7/2017	Student Member		33%
Mr K Moynes	9/2/15	4 years		Independent Member	• Quality and Curriculum	33%
Mrs Z Ogden	12/12/16	4 years		Staff Member	• LAL Quality and Curriculum	80%
Mr R Pheasey (Vice Chair)	1/2/05 Re-appointed 3/7/17	4 years		Independent Member	• Remuneration (Vice Chair) • Search (Vice Chair)	100%
Mr M Phelan	5/10/15	3 years		Independent Member	• Audit • Quality and Curriculum (Chair) • LAL Quality and Curriculum (Vice Chair)	100%

Mrs C Pye	1/1/15	4 years		Staff Member	• Audit • Quality and Curriculum	100%
Mr N Rashid	21/10/13 Re-appointed 20/10/14	4 years		Independent Member	• Audit (Vice Chair) • Quality and Curriculum • Search	100%
Mr A Sethi	2/10/17	1 year		Co-opted Member	• LAL Quality and Curriculum	N/A
Mr A Siddique	3/10/16 Re-appointed 2/10/17	4 years		Independent Member		66%
Mr D Whatley	1/9/09 Re-appointed 3/7/17	4 years		Independent Member	• Audit (Chair)	66%
Mr P Wilkinson	28/6/16	4 years		Independent Member	• LAL Quality and Curriculum (Chair)	100%
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 Audit, Quality and Curriculum, Lancashire Adult Learning (LAL) Quality and Curriculum, Remuneration and Search. Full minutes of all meetings, except those minutes deemed to be confidential by the Corporation, are available from the Clerk to the Corporation at:

Nelson & Colne College
Scotland Road
Nelson
Lancashire
BB9 7YT

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

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

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

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

Appointments to the Corporation

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

Corporation Performance

The Corporation carried out a self-assessment of its own performance for the year ended 31st July 2017 and graded itself as 'outstanding' on the Ofsted scale.

Remuneration Committee

Throughout the year ending 31 July 2017 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 2017 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 2017 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2017 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 2017 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2017 by considering documentation from the Senior Leadership Team and Audit Committee, and taking account of events since 31 July 2017.

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 11 December 2017 and signed on its behalf by:

Stephen Barnes
Chair

Amanda Melton
Accounting Officer

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

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

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

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

Stephen Barnes
Chair
11 December 2017

Amanda Melton
Accounting Officer
11 December 2017

Statement of Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the College's Financial Memorandum with the ESFA, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the *2015 Statement of Recommended Practice – Accounting for Further and Higher Education* and with the *College Accounts Direction 2016 to 2017* issued by the ESFA, and which give a true and fair view of the state of affairs of the College and the result for that year and of the College's surplus of income over expenditure for that period.

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

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

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

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

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

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

Approved by order of the Members of the Corporation on 11 December 2017 and signed on its behalf by:

S. Barnes

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 2017 which comprise the college statement of comprehensive income, the college balance sheet, the college statement of changes in reserves, the college 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 (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" as set out in our engagement letter dated 20 November 2017.

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2017 and of the College's surplus 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 governors are responsible for the 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. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Post-16 Audit Code of Practice 2016 to 2017 issued by the Department for Education 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 19, 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.

This report is made solely to the Corporation, as a body, in accordance with the Financial Memorandum published by the Education and Skills Funding Agency and our engagement letter dated 20 November 2017. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are required under our engagement letter dated 20 November 2017 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

RSM UK AUDIT LLP
Chartered Accountants
Bluebell House, Brian Johnson Way
Preston, PR2 5PE

Date 13/12/17

Statement of Comprehensive Income and Expenditure

	Notes	Year ended 31 July 2017	Year ended 31 July 2016
		£'000	£'000
INCOME			
Funding body grants	2	18,152	10,835
Tuition fees and education contracts	3	1,058	858
Other grants and contracts	4	285	56
Other income	5	600	724
Investment income	6	29	39
Total income		**20,124**	**12,512**
EXPENDITURE			
Staff costs	7	13,204	8,817
Fundamental restructuring costs	7	40	52
Other operating expenses	8	4,606	2,996
Depreciation	11	1,062	1,037
Interest and other finance costs	9	260	267
Total expenditure		**19,172**	**13,168**
Surplus / (deficit) before other gains and losses		**952**	**(657)**
Loss on disposal of assets	11	-	-
Surplus / (deficit) before tax		**952**	**(657)**
Taxation	10	-	-
Surplus / (deficit) for the year		**952**	**(657)**
Unrealised surplus on revaluation of assets		-	-
Actuarial gain / (loss) in respect of pensions schemes	18,23	365	(1,468)
Total Comprehensive Income for the year		**1,317**	**(2,125)**
Represented by:			
Restricted comprehensive income		**-**	**-**
Unrestricted comprehensive income		**1,317**	**(2,125)**
		1,317	**(2,125)**

Statement of Changes in Reserves

	Income and expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
College			
Restated Balance at 1st August 2015	4,554	5,726	10,280
Deficit from the income and expenditure account	(657)	-	(657)
Other comprehensive income	(1,468)	-	(1,468)
Total comprehensive income for the year	(2,125)		(2,125)
Balance at 31st July 2016	2,429	5,726	8,155
Surplus from the income and expenditure account	952		952
Other comprehensive income	365		365
Total comprehensive income for the year	1,317	-	1,317
Balance at 31st July 2017	3,746	5,726	9,472

Balance sheet as at 31 July 2017

	Notes	2017 £'000	2016 £'000
Non-current assets			
Tangible Fixed assets	11	24,325	24,481
Investments	12	171	171
		24,496	**24,652**
Current assets			
Trade and other receivables	13	344	328
Investments	14	4,000	3,000
Cash and cash equivalents	19	2,468	1,360
		6,812	**4,688**
Less: Creditors – amounts falling due within one year	15	(2,770)	(1,831)
Net current assets		**4,042**	**2,857**
Total assets less current liabilities		**28,538**	**27,509**
Creditors – amounts falling due after more than one year	16	(12,491)	(13,065)
Provisions			
Defined benefit obligations	18	(6,045)	(5,736)
Other provisions	18	(530)	(553)
Total net assets		**9,472**	**8,155**
Unrestricted Reserves			
Income and expenditure account		3,746	2,429
Revaluation reserve		5,726	5,726
Total unrestricted reserves		**9,472**	**8,155**

The financial statements on pages 22-44 were approved and authorised for issue by the Corporation on 11th December 2017 and were signed on its behalf on that date by:

Stephen Barnes
Chair

Amanda Melton
Accounting Officer

Statement of Cash Flows

	Notes	2017 £'000	2016 £'000
Cash flow from operating activities			
Surplus/(deficit) for the year		952	(657)
Adjustment for non-cash items			
Depreciation		1,062	1,037
(Increase)/decrease in debtors		(119)	480
Increase/(decrease) in creditors due within one year		970	80
Increase/(decrease in creditors due after one year		(348)	458
Increase/(decrease) in provisions		(21)	(22)
Pensions costs less contributions payable		672	350
Adjustment for investing or financing activities			
Investment income		(29)	(39)
Interest payable		104	115
Loss on sale of fixed assets		-	-
Net cash flow from operating activities		3,243	1,802
Cash flows from investing activities			
Investment income		29	39
Withdrawal of deposits		-	600
New deposits		(1,000)	-
Payments made to acquire fixed assets		(886)	(1,960)
		(1,857)	(1,321)
Cash flows from financing activities			
Interest paid		(104)	(115)
Repayments of amounts borrowed		(174)	(169)
		(278)	(284)
Increase in cash and cash equivalents in the year		**1,108**	**197**
Cash and cash equivalents at beginning of the year	19	1,360	1,163
Cash and cash equivalents at end of the year	19	2,468	1,360

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.

Basis of preparation

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

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

Basis of accounting

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

Going concern

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

The College currently has £2.7m of loans outstanding with bankers on terms negotiated in 2008. The terms of the existing agreement are for up to another 12 years. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

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

Recognition of income

Revenue grant funding

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any underachievement for the Adult Education Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments and is recognised when receivable.

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

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

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

Capital grant funding

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual model as permitted by FRS 102. Other, non-governmental, capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the Balance Sheet and released to income as conditions are met.

Fee income

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

Investment income

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

Agency arrangements

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

Accounting for post-employment benefits

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

Teachers' Pension Scheme (TPS)

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method.

The TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

Lancashire Local Government Pension Scheme (LGPS)

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

Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in interest and other finance costs.

Actuarial gains and losses are recognised immediately in other comprehensive income.

Short term Employment benefits

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

Enhanced Pensions

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

Non-current Assets - Tangible fixed assets

Tangible fixed assets are stated at cost / deemed cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation. The revaluation basis for these assets is depreciated replacement cost reflecting their being specialised properties.

Land and buildings

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

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

Assets under construction

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

Subsequent expenditure on existing fixed assets

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

Equipment

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

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

- general equipment 7 years
- motor vehicles 5 years

- computer equipment 3 years
- furniture, fixtures and fittings 7 years

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

Borrowing costs

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

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term. The College does not have any leasing agreements which transfer substantially all the benefits and risks of ownership of an asset and therefore would require treating as finance leases.

Investments

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

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 2017. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2 Funding body grants

	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
Recurrent grants		
Education and Skills Funding Agency – 16-18	8,269	7,426
Education and Skills Funding Agency – Adult	7,511	1,550
Education and Skills Funding Agency - Apprentices	1,621	1,410
Higher Education Funding Council	199	-
Specific grants		
Education and Skills Funding Agency	177	77
Releases of government capital grants	375	372
Total	**18,152**	**10,835**

3 Tuition fees and education contracts

	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
Adult education fees	353	340
Fees for FE loan supported courses	210	163
Fees for HE loan supported courses	225	133
Total tuition fees	788	636
Education contracts	270	222
Total	**1,058**	**858**

4 Other grants and contracts

	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
Other grants and contracts	285	56
Total	**285**	**56**

5 Other income

	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
Catering and residences	253	305
Non-government capital grants	99	99
Miscellaneous income	248	320
Total	**600**	**724**

6 Investment income

	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
Other interest receivable	29	39
	29	**39**
Net return on pension scheme (note 23)	-	-
Total	**29**	**39**

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:

	2017	2016
	No.	No.
Teaching staff	211	158
Non-teaching staff	181	128
	392	**286**

Staff costs for the above persons

	2017	2016
	£'000	£'000
Wages and salaries	10,264	7,001
Social security costs	908	520
Other pension costs	1,962	1,187
Payroll sub total	**13,134**	**8,708**
Contracted out staffing services	70	109
	13,204	**8,817**
Fundamental restructuring costs – Contractual	40	52
- Non contractual	-	-
Total Staff costs	**13,244**	**8,869**

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the Senior Leadership Team which comprises the Principal, Deputy Principal, Associate Principal (LAL), two Vice Principals and two Executive Directors. Staff costs include compensation paid to key management personnel for loss of office.

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

	2017	2016
	No.	No.
The number of key management personnel including the Accounting Officer was:	7	8

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	
	2017	2016	2017	2016
	No.	No.	No.	No.
£60,001 to £70,000 p.a.	3	2	-	-
£70,001 to £80,000 p.a. (i)	2	2	-	-
£80,001 to £90,000 p.a. (i)	-	1	-	-
£120,001 to £130,000 p.a. (i)	1	1	-	-
	6	**6**	**-**	**-**

(i) Included in key management emoluments in 2017 is £14,000 (2016 - £54,000) in respect of leadership support services provided to and paid by Pendle Education Trust and nil in 2017 (2016 - £134,000) of leadership support services paid for by Lancashire County Council.

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

	2017	2016
	£'000	£'000
Salaries – gross of salary sacrifice and waivered emoluments	489	554
Benefits in kind	-	-
	489	554
Pension contributions	75	79
National Insurance	60	57
Total emoluments	**624**	**690**

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

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

	2017	2016
	£'000	£'000
Salaries	126	126
Benefits in kind	-	-
	126	126
Pension contributions	21	19
National Insurance	16	13

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

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

8 Other operating expenses

	2017	2016
	£'000	£'000
Teaching departments	705	515
Teaching support services	447	281
Other support services	148	113
Administration and central services	989	653
Examination costs	447	452
Premises costs	1,413	679
Catering and residences	157	187
ESFA franchised provision	287	105
Other expenses	13	11
Total	**4,606**	**2,996**

Other operating expenses include:	**2017**	**2016**
	£'000	£'000
Auditors' remuneration:		
Financial statements audit	18	15
Internal audit	18	12
Other services provided by the financial statements auditor for PSA & FRS102 preparation	3	5
Hire of assets under operating leases	73	59

9 Interest and other finance costs

	2017	2016
	£'000	£'000
On bank loans, overdrafts and other loans:	104	115
	104	115
Net interest on defined pension liability (note 23)	156	152
Total	**260**	**267**

10 Taxation

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

11 Tangible fixed assets

	Land and buildings	Equipment	Total
	£'000	£'000	£'000
Cost or valuation			
At 1 August 2016	24,584	4,020	28,604
Additions	538	368	906
Disposals	-	-	-
At 31 July 2017	**25,122**	**4,388**	**29,510**
Depreciation			
At 1 August 2016	1,144	2,979	4,123
Charge for the year	625	437	1,062
Elimination in respect of disposals	-	-	-
At 31 July 2017	**1,769**	**3,416**	**5,185**
Net book value at 31 July 2017	**23,353**	**972**	**24,325**
Net book value at 31 July 2016	23,440	1,041	24,481

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. Included within the freehold land and buildings net book value are assets under the course of construction totalling £190,745 in respect of capital adaptations at Northlight, Brierfield to facilitate the move of the Lancashire Adult Learning operation.

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

	£'000
Cost	24,320
Aggregate depreciation based on cost	5,313
Net book value based on cost	19,007

12 Non-current investments

	2017	2016
	£'000	£'000
Investments in associate companies	-	-
Investment property	171	171
Total	**171**	**171**

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

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

13 Debtors

	2017 £'000	2016 £'000
Amounts falling due within one year:		
Trade receivables	23	152
Prepayments and accrued income	321	130
Capital grant debtors	-	46
Total	**344**	**328**

14 Current investments

	2017 £'000	2016 £'000
Short term deposits	4,000	3,000
Total	**4,000**	**3,000**

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

15 Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Bank loans and overdrafts	180	174
Trade payables	498	272
Other taxation and social security	442	319
Accruals and deferred income	1,091	454
Deferred income - government capital grants	473	462
Amounts owed to the ESFA	86	150
Total	**2,770**	**1,831**

16 Creditors: amounts falling due after one year

	2017 £'000	2016 £'000
Bank loans	2,518	2,698
Deferred income - government capital grants	9,973	10,367
Total	**12,491**	**13,065**

17 Maturity of debt

Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	2017 £'000	2016 £'000
In one year or less	180	174
Between one and two years	186	180
Between two and five years	600	579
In five years or more	1,732	1,939
Total	**2,698**	**2,872**

Bank loans of £2,098k at a fixed interest rate of 4.71 per cent and £600k at base rate plus 0.45 per cent are repayable by quarterly instalments over a 20 years period ending in 2029.

18 Provisions

	Defined benefit obligations £'000	Enhanced pensions £'000	Total £'000
At 1 August 2016	5,736	553	6,289
Expenditure in the period	(578)	(34)	(612)
Actuarial gain	(363)	(2)	(365)
Additions in period	1,250	13	1,263
At 31 July 2017	**6,045**	**530**	**6,575**

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:

	2017	2016
Price inflation	2.30%	2.30%
Discount rate	1.30%	1.30%

19 Cash and cash equivalents

	At 1 August 2016	Cash flows	Other changes	At 31 July 2017
	£'000	£'000	£'000	£'000
Cash and cash equivalents	1,360	1,108	-	2,468
Total	**1,360**	**1,108**	**-**	**2,468**

20 Capital and other commitments

	College	
	2017	2016
	£'000	£'000
Commitments contracted for at 31 July	114	148

21 Lease obligations

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

	College	
	2017	2016
	£'000	£'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	38	39
Later than one year and not later than five years	73	12
Later than five years	-	-
	111	51
Other		
Not later than one year	35	20
Later than one year and not later than five years	111	129
Later than five years	-	16
	146	165
Total lease payments due	**257**	**216**

22 Events after the reporting period

There are no events after the reporting period.

23 Defined benefit obligations

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

Total pension cost for the year		**2017**		**2016**
		£000		**£000**
Teachers' Pension Scheme: contributions paid		671		574
Local Government Pension Scheme:				
Contributions paid	578		450	
FRS 102 (28) charge	516		198	
Charge to the Statement of Comprehensive Income		1,094		648
Enhanced pension charge to Statement of Comprehensive Income		-		-
Total Pension Cost for Year within staff costs		**1,765**		**1,222**

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

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations 2010, and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities. In addition, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and, from 1 January 2007, automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

The Teachers' Pension Budgeting and Valuation Account

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

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

Valuation of the Teachers' Pension Scheme

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

- New employer contribution rates were set at 16.48% of pensionable pay (including administration fees of 0.08%).

- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion.
- an employer cost cap of 10.9% of pensionable pay.
- the assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

The new employer contribution rate for the TPS of 16.48% was implemented in September 2015. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019. A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location:
https://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx

Scheme Changes

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

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

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

Regulations giving effect to a reformed Teachers' Pension Scheme came into force on 1 April 2014 and the reformed scheme commenced on 1 April 2015. The pension costs paid to TPS in the year amounted to £861,000 (2016: £574,000).

FRS 102 (28)

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

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Lancashire County Council. The total contributions made for the year ended 31 July 2017 were £821,000, of which employer's contributions totalled £578,000 and employees' contributions totalled £243,000. The agreed contribution rates for future years are 14% 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 2017 by a qualified independent actuary.

	At 31 July 2017	**At 31 July 2016**
Rate of increase in salaries	3.7%	3.2%
Future pensions increases	2.2%	1.8%
Discount rate for scheme liabilities	2.6%	2.5%
Inflation assumption (CPI)	2.2%	1.7%
Commutation of pensions to lump sums	50%	50%

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

	At 31 July 2017	**At 31 July 2016**
	years	years
Retiring today		
Males	22.6	23.0
Females	25.2	25.6
Retiring in 20 years		
Males	24.9	25.2
Females	27.9	27.9

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

	2017	**2016**
	£'000	**£'000**
Fair value of plan assets	17,652	15,913
Present value of plan liabilities	(23,697)	(21,649)
Net pensions liability	**(6,045)**	**(5,736)**

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

	2017	**2016**
	£'000	**£'000**
Amounts included in staff costs		
Current service cost	1,094	648
Past service cost	-	-
Total	1,094	**648**
Amounts included in interest and other finance costs (note 9)		
Net interest cost	156	152
	156	**152**
Amount recognised in Other Comprehensive Income		
Return on pension plan assets	297	(1,428)
Experience gain arising on defined benefit obligations	66	-
Changes in assumptions underlying the present value of plan liabilities	-	-
Amount recognised in Other Comprehensive Income	**363**	**(1,428)**

Movement in net defined benefit liability during year

	2017	2016
	£'000	£'000
Net defined benefit liability in scheme at 1 August	(5,736)	(3,958)
Movement in year:		
Current service cost	(1,094)	(648)
Employer contributions	578	450
Net interest on the defined benefit liability	(156)	(152)
Actuarial gain or (loss)	363	(1,428)
Net defined benefit liability at 31 July	**(6,045)**	**(5,736)**

Asset and Liability Reconciliation

	2017	2016
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	21,649	17,013
Current service cost	1,094	648
Interest cost	540	643
Contributions by Scheme participants	243	181
Experience (gains) and losses on defined benefit obligations	(66)	-
Changes in financial assumptions	669	3,508
Estimated benefits paid	(432)	(344)
Past Service cost	-	-
Curtailments and settlements	-	-
Defined benefit obligations at end of period	**23,697**	**21,649**
Changes in fair value of plan assets		
Fair value of plan assets at start of period	15,913	13,055
Interest on plan assets	403	502
Return on plan assets	966	2,080
Employer contributions	578	450
Administration expenses	(19)	(11)
Contributions by Scheme participants	243	181
Estimated benefits paid	(432)	(344)
Fair value of plan assets at end of period	**17,652**	**15,913**

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 £412; 1 governor (2016: £400; governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2016: None).

25 Amounts disbursed as agent

	2017	2016
	£'000	£'000
Funding body grant – ESFA discretionary learning support	-	160
Funding body grant – ESFA 24+ advanced learning loan	62	58
Funding body grant – ESFA 16-18 bursary	272	294
Funding body grant – ESFA 16-18 free meals	93	73
Funding body grant – ESFA 16-18 Vulnerable students bursaries	37	44
	464	629
Disbursed to students	(474)	(535)
Administration costs	(21)	(26)
Balance unspent as at 31 July, included in creditors	(31)	68

Funding body grants are available solely for students. In the majority of instances, the College only acts as a paying agent. In these circumstances, the grants and related disbursements are therefore excluded from the Statement of Comprehensive Income.

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

Conclusion

We have carried out an engagement, in accordance with the terms of our engagement letter dated 20 November 2017 and further to the requirements of the financial memorandum with the Education and Skills Funding Agency, to obtain limited assurance about whether the expenditure disbursed and income received by Nelson & Colne College during the period from 1 August 2016 to 31 July 2017 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

In the course of our work nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period from 1 August 2016 to 31 July 2017 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Basis for conclusion

The framework that has been applied is set out in the Post-16 Audit Code of Practice 2016 to 2017 issued by the Department for Education. 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 Education and Skills Funding Agency 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 Education and Skills Funding Agency financial memorandum 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 Post-16 Audit Code of Practice 2016 to 2017.

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 2016 to 31 July 2017 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

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 financial memorandum with the Education and Skills Funding Agency 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.

This report is made solely to the Corporation of Nelson & Colne College and the Secretary of State for Education acting through the Department for Education 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 Department for Education 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 Department for Education for our work, for this report, or for the conclusion we have formed.

RSM UK Audit LLP

RSM UK AUDIT LLP 13/12/17.
Chartered Accountants
Bluebell House, Brian Johnson Way
Preston, PR2 5PE