



Strategic Report and Financial Statements

For the year ended 31 July 2020



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Reference and Administrative Details

Key management personnel

Key management personnel are defined as members of the Senior Leadership Team and were represented by the following in 2019/20:

Amanda Melton - Principal and CEO; Accounting officer
David Rothwell - Deputy Principal, Finance and Resources
Tracey Baron – Deputy Principal, Curriculum and Quality
Alison Rushton – Vice Principal, Adult Learning and Apprenticeships
Wendy Higgin – Vice Principal, Learner Experience (resigned December 2019)
Sam Mercer – Assistant Principal, Planning and Performance
Claire Jarvis – Assistant Principal, Finance and HR
Fionnuala Swann – Assistant Principal, Academic Curriculum
Morag Davis – Assistant Principal, Technical Curriculum

Board of Governors

A full list of Governors is given on pages 16-18 of these financial statements.
The Director of Governance during the period Mrs D Corcoran.

Professional advisers

Financial statements auditors and reporting accountants:

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

Internal auditors:

BDO
3 Hardman Street
Spinningfields
Manchester, M3 3AT

Bankers:

Lloyds Bank
King Street
Manchester, M3 2AD

Solicitors:

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

Eversheds Sutherland
115 Colmore Row
Birmingham, B3 3AL

Strategic Report

NATURE, OBJECTIVES AND STRATEGIES:

The members present their report and the audited financial statements for the year ended 31 July 2020.

Legal status

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

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 16-18

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

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

Vision, mission and values

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

'We exist to create the extraordinary'

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

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

Implementation of strategic plan

Following the merger of Nelson & Colne College with Accrington & Rossendale College in November 2018, the Corporation confirmed four strategic aims for implementation across the newly merged organisation during 2019-21:

- To deliver relevant, impactful high quality curriculum
- To build a strong culture and reputation
- To continue to be financially secure and maintain capacity for ongoing investment
- To create extraordinary learning and working environments

A number of strategic priorities have been agreed in respect of each of these aims and associated targets and key performance indicators have been established. At its meeting in July 2020, the Corporation reviewed progress during the year in and reaffirmed the priorities for 2020-21 having regard to the ongoing impact of

Strategic Report (continued)

the COVID-19 pandemic on the College's operations. A range of targets and key performance indicators are in operation to provide for ongoing monitoring.

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 2019-21 are to:

- maintain at least 'Good' financial health as assessed by the ESFA.
- deliver the merger business strategy and secure key outcomes agreed with the ESFA.
- achieve a cash based operating surplus each year.
- ensure strong short term solvency.
- maintain an acceptable level of debt gearing.
- ensure compliance with financial covenants prescribed by lenders.

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

Performance indicators

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

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

In 2019/20, recruitment of 16-18 FE learners across the merged organisation was 2,313 (2018/19: 2,423) and therefore below the allocated, funded target for the year of 2,469. The overall actual funding value generated during the year for 16-18 FE provision was 99% of allocation. The number of adult FE learners recruited during 2019/20 was 2,250 (2018/19: 3,890). The actual funding value generated in respect of the overall Adult Education Budget for 2019/20 was 79% of the allocation for the year reflecting the significantly adverse impact on operations arising from the COVID-19 lockdown from March 2020.

The College is required to complete the annual Finance Record for the Education and Skills Funding Agency. The Finance Record produces a financial health grading. The assessed current rating for 2019/20 of Good is considered an acceptable outcome.

Strategic Report (continued)

FINANCIAL POSITION

Financial results

The College generated a deficit before other gains and losses in the year of £1,319k (2018/19 – deficit of £191k), with a total comprehensive income deficit of £12,736k, (2018/19 – deficit of £1,838k).

Income during the year was reduced by approximately £400k as a result of the COVID-19 pandemic impact in areas such as apprenticeship recruitment and delivery and commercial income generation. As detailed in note 4 to the financial statements, the College made limited use of Coronavirus Job Retention Scheme (CJRS) in respect of specific employment roles in accordance with ESFA policy. This combined with other cost savings arising as a result of a curtailment of activity during lockdown served to offset the overall income loss.

Tangible fixed asset additions during the year amounted to £3,393k (2018/19 - £2,357k). This was split between land and buildings costs of £2,003k (net of assets in the course of construction) and equipment purchased of £1,390k.

The College continues to have significant reliance on the Education and Skills Funding Agency for its principal funding source, largely from participation monies. In 2019/20 these funding bodies provided 82% of the College's total operating income (2018/19 – 84%).

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 £4,508k (2018/19: £5,118k) operating cash inflow for the period remained strong.

At the end of the 2019/20 financial year, accumulated cash balances and current asset investments (comprising short term money market deposits) were £10,157k (2018/19 - £9,374k). The College had no new borrowings during the year and, reflecting repayments of existing debt principal, outstanding borrowings stood at £2,139k (2018/19 - £2,331k). The size of the College's total borrowing and its approach to interest rates has been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cash flow. During the year, this margin was comfortably exceeded.

Reserves policy

The College has no formal Reserves Policy but recognises the importance of reserves to the financial stability of an organisation, and ensures that there are adequate reserves to support the College's core activities. The College currently holds no restricted reserves. As at the balance sheet date adjusted for the effect of FRS102 defined benefit pension scheme obligation, the College has an accumulated income and expenditure reserve of £22,665k (2018/19: £22,292k). It is the Corporation's intention to increase reserves going forward through the generation of annual operating surpluses.

Strategic Report (continued)

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

In 2019/20 the College has delivered activity that has produced £24,717k in funding body main allocation funding (2018/19: £22,702k). Inclusive of Adult Community Learning activity delivered via the Lancashire Adult Learning operation, the College had approximately 13,000 funded FE students during the year (2018/19: 16,000); this number being adversely affected as a result of the COVID-19 lockdown.

Student achievements

Student achievement for young people shows a continued high rate for all learners across all qualifications. This is testament to the determination and commitment of teachers to ensure that our learners had the best opportunity to attain their learning goals in the face of a challenging year. The table below demonstrates consistently high achievement rates against the national average.

2017/18	2018-19	2019-20	Nat. Ave <i>(NART GFE)</i>
89.4%	93.3%	93.1%	86.7%

In terms of adult learners, our achievement rate has dipped compared to previous years. This has been largely down to the impact of Covid for two reasons: a large proportion of adult learners on community based courses who were digitally disadvantaged, were unable to complete their end examinations; adult learners on professional accountancy courses were affected by awarding body constraints as regards taking their examination.

Adult achievement rates are summarised in the table below.

2017/18	2018-19	2019-20	Nat. Ave <i>(NART GFE)</i>
92.6%	95.3%	92.7%	89.9%

Predicted achievement for Apprenticeships provision which are yet to be confirmed, indicate a dip in headline performance. The growth in volume of a particularly challenging sector, Health and Social Care has contributed to the dip in the headline achievement. In addition, the impact of Covid on the furloughing of employees has impacted upon the opportunity for them to complete their apprenticeships. It is useful to note, that the performance measure of 'timely achievement' will decrease with the advent of the new Apprenticeship Standards that rely upon an End Point Assessment (EPA) or examination. Going forward we will measure performance of timely achievement against frameworks and overall achievement against Standards.

Strategic Report (continued)

We have had another exceptional year with high grade achievements in A level studies increasing to 36.4% and overall high grades increased to 68.8%. This is the third full year of linear A levels so the continued increase in high grades is pleasing as is the sustained high pass rate especially considering the large volume of A level entries. As a result of the impact of Covid-19 and the cancellation of external examinations, A level students were awarded their Centre Assessed Grade (CAG) unless their awarding body calculated grade was higher. Our results this year are outstanding and a significant improvement on the calculated grades first released.

We continue to be pleased with this achievement as this enables the vast majority of our students to progress to University and their intended careers. The table below shows the A level grade results for 2019/20 compared to previous years.

A Level Results	Total entries	% A - E	% A - C	% A - B	% A* - A
2020	641	100%	91.2%	68.8%	36.4%
2019	699	98.6%	79.8%	58.5%	24.6%
2018	621	98.7%	78.9%	53.1%	21.6%
2017	774	99.7%	87%	57%	24%

Once again high grade passes in GCSE English and Maths are excellent, particularly taking into account the starting points of learners when commencing studies at the college. The progress they make over time is exceptional, particularly in Maths across both main campuses. This performance reflects continued investment and capacity building and substantial and sustained improvements in teaching, learning and assessment that the team have made over the past three academic years. This includes a whole college focus on attendance in lessons, progress monitoring at each half term, reporting through the curriculum performance review panels and consistently rigorous intervention where appropriate. The strong foundations that had been built previously on the Nelson Campus have now been shared across the Accrington Campus. High Grade achievement in English at both campuses has improved significantly from 2018-19 and Maths High Grade achievements remains strong at both Accrington and Nelson with a further increase in high grades at Nelson.

Strategic Report (continued)

The tables below demonstrate the high grade pass results.

GCSE Results 2020	High Grade Pass (9-4)			
Subject	Entries 2020	2018	2019	2020
English (Accrington)	121	30.9%	25.3%	42%
Maths (Accrington)	72	22.8%	67.1%	71%
English (Nelson)	283	53.0%	49.3%	61%
Maths (Nelson)	182	72.0%	62.4%	70%

Progress scores for English and Maths in 2019/20 are currently being calculated.

Curriculum Developments

The College continues to maintain a relentless focus on maintaining and developing the quality of teaching and learning and the student experience. A central activity for 2019-20 has been further embedding 'BE Phenomenal' professional development for our teachers and trainer/assessors that reflects the latest evidence based research in pedagogical practices and which is now a key focus of Ofsted's new Education Inspection Framework. This has been brought more sharply into view since the Covid-19 lockdown with the purpose of ensuring all curriculum facing staff have the means and capability to be able to continue to engage learners and maintain an outstanding learning experience and is set to continue throughout 2020-21.

Building on the work carried out post-merger to establish a single vision with high expectations and consistently high quality across the College, senior curriculum leads work across the 3 main sites with the additional introduction of 'Centre Principal' roles at the Nelson and Accrington sites. This has further supported the sharing of values and establishing the 'NCC' culture across the College Group. In terms of the middle leadership, throughout 2019-20 academic year, the whole of the curriculum leadership team has met weekly with a focus on quality. For some of our recently 'merged' Heads of Division this has proved helpful with introducing them to a 'through the lens' focus on quality, looking as a group at various quality reports, for example, attendance, retention and lesson observation reports. In addition, the weekly meetings have provided a platform for sharing good practice and co-creating improvements in curriculum development.

With the advent of Covid-19 in early Spring and the subsequent lockdown, curriculum teams radically reformed and reshaped the delivery of programmes. The significant switch has been from a wholly classroom taught or face to face delivery model to a wholly taught on-line delivery. This has been a huge undertaking by all staff at the College both student facing and back office support. All staff at the College can only be commended for their swiftness and flexibility in responding to the emergency; their primary concern has been to minimise the impact on our learners. We have learned a great deal and much of it has been positive in terms of how future delivery can be developed to respond more flexibly to needs of students.

Strategic Report (continued)

Notwithstanding Covid-19, we continue to forge ahead with curriculum and quality developments most notably:

- Further developing our Adult Strategy. The Strategy reflects the Augar Report in terms of introducing an adult skills and retraining offer that meets the local and regional employment need; as a College we are well positioned to provide a wide ranging and comprehensive offer from initial engagement and stepping stone qualifications through to higher education. The curriculum leadership team have carried out a 'routes to progression' mapping exercise that has enabled the College to better 'package existing offers' and identify gaps that can be further developed.
- The introduction of a new curriculum offer at level 3: Law Justice and Protective Services. This level 3 offer is a combined academic/vocational route for learners progressing to higher education. It provides an excellent springboard for young people into social services, probationary, law related professions, and policing.
- The introduction of an overarching Quality Strategy that signposts all related activities on how the College applies quality assurance and quality improvement practices across the Group. This provides a useful reference document for Governors, newly appointed staff to the College and external visitors.
- A re-design of the annual quality assurance cycle in preparation for 2020-21. As a result of the introduction of the Education Inspection Framework, we have taken the decision to place more emphasis on 'deep dive' quality assurance activities.
- Forensic examination of curriculum areas more closely reflects what would happen as part of an Ofsted inspection. As a result, our curriculum teams will be better prepared for any external quality assurance activities that will take place in 2020-21.
- The changes in level 3 vocational qualifications include the introduction of rigorous, examined 'RQF' qualifications. In 2019-20 curriculum teams have carried out a significant shift in programme design and delivery to prepare learners for assessment under examination conditions.
- The transformation of the level 2 study programme to a holistic study programme that spans all curriculum areas with a common core of skills and a focus on supporting progress to level 3. The newly introduced skills matrix forms the basis of the programme with all learners assessed carefully against a set of skills, behaviours and knowledge aligned to a specific pathway.
- The introduction of two new pathways on Access to Higher Education: Business and Computing. These pathways form part of the Adult Strategy providing adults with the opportunity to retrain and move on to the College's undergraduate offer in Business and Computing or progress to another HE Institution.
- Strengthening the College's relationship with Liverpool John Moore University. This enables the College greater flexibilities around validation of HNCs and HND programmes and the introduction of new Foundation Degrees.
- In Apprenticeships, we continue to phase in Apprenticeship Standards which will eventually fully replace previous Frameworks.

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 2019 to 31 July 2020, the College paid 53 per cent of its invoices within 30 days; the COVID-19 lockdown had a significant adverse impact on the timeliness of payment processing during second half of the reporting period. The College incurred no interest charges in respect of late payment for this period.

Strategic Report (continued)

Events after the end of the reporting period

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

Future prospects

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

A range of updated key performance indicators (KPI's) have been identified and targets have been set for 2020/21.

The Corporation approved a financial plan in July 2020 and reset financial objectives for the period to 2021; reflective of the ongoing impact of, and uncertainty arising from, the COVID-19 pandemic. After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

RESOURCES:

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

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

Financial

The College has c£29.1 million of net assets (2018/19: £28.8m), after adjusting for FRS 102 defined benefit pension obligations and long term debt of c£2.1 million (2018/19: 2.3m).

People

The College employs 735 people, expressed as average headcount (2018/19: 709), of whom 334 (2018/19: 309) are classified as teaching staff.

Reputation

The College has an outstanding reputation locally and nationally. We were named as the FE College of the Year in the prestigious Educate North Awards 2019, with the judges stating that the College "has fantastic growth and excellent pass rates" and that we "provide strong Apprenticeships". Maintaining a quality brand is essential for the College's success at attracting students and external relationships.

PRINCIPAL RISKS AND UNCERTAINTIES:

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

Strategic Report (continued)

Based on the strategic plan, the Senior Leadership Team undertakes a comprehensive review of the risks to which the College is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the College. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions. In addition to the annual review, the Senior Leadership Team will also consider any risks which may arise as a result of a new area of work being undertaken by the College. The governing body has overall responsibility for risk management and its approach to managing risks and internal controls is explained in the Statement on Corporate Governance.

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

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

1 Government funding

The College has considerable reliance on continued government funding through the further education sector funding bodies. In 2019/20, approximately 84% of the College's revenue was ultimately public funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

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

- The huge financial impact of COVID-19 on government borrowing levels and consequential effect over the medium term on public finances. In the shorter term, government restrictions introduced to help combat transmission of COVID-19 continue to significantly affect the College's ability to deliver education and training in the community and to employers thereby putting income at risk.
- The ongoing uncertainty of the Brexit impact on the public finances.
- Significant pressure on public finances may have a significant and sustained negative impact on the overall levels of funding available for the FE sector. Additional funding announced in September 2019 for 16-18 FE education in 2020/21 by the Government was welcomed but fell considerably short of what FE Colleges and other providers have been campaigning for.
- 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.
- Continuing policy priorities such as English and Maths conditionality will continue to place additional demands on Colleges.

Strategic Report (continued)

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 seek opportunities to grow and secure added value.
- Investment in new technologies and staff training and development to strengthen capacity to deliver high quality teaching and learning remotely.
- 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 2019/20. 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 particularly given the challenging current economic climate and the impact of COVID-19.

This risk is mitigated in a number of ways:

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

3 Meeting pension cost commitments

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

This risk is mitigated by:

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

4 Merger with Accrington & Rossendale College

The College recognises that the merger with Accrington & Rossendale College in November 2018 represents a significant risk to the financial wellbeing and quality of teaching and learning over the medium term.

This risk is mitigated in a number of ways:

- Securing financial support from the ESFA via Restructuring Facility Grant.

Strategic Report (continued)

- Successful execution of new, enhanced governance and senior leadership arrangements.
- Preparation of a detailed implementation plan against which performance is regularly reported and scrutinised.
- Strengthening quality assurance and improvement arrangements.
- Marketing and brand strategy in support of a student recruitment drive.

STAKEHOLDER RELATIONSHIPS

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

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

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

Equal opportunities

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

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

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

Strategic Report (continued)

Disability statement

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

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

Trade Union Facility Time

The following report includes information required as part of our legal obligation to publish Trade Union Facility Time under the Trade Union (Facility Time Publication Requirements) Regulations 2017. The information below is for the “relevant period” from 1st April 2019 until 31st March 2020.

Number of employees who were relevant trade union officials during the relevant period	FTE employee number
11	9.6

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

The total cost of facility time	£18,556
The total pay bill	£20,772,000
The percentage of the total pay bill spent on facility time, calculated as: (total cost of facility time ÷ total pay bill) x 100	0.1%

Time spent on paid trade union activities as a percentage of total paid facility time hours calculated as: (total hours spent on paid trade union activities by relevant union officials during the relevant period ÷ total paid facility time hours) x 100	0%
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Strategic Report (continued)

Disclosure of information to auditors

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

Approved by order of the Members of the Corporation on 14 December 2020 and signed on its behalf by:



Stephen Barnes
Chair

Governance Statement

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 2019 to 31 July 2020 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 2020. 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.

Members of 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 2019/20
Mr S Barnes (Corporation Chair)	1/4/1996 Re-appointed 25/9/2019	4 years		Independent Governor	<ul style="list-style-type: none"> • Remuneration • Search (Chair) 	100%
Mrs S Bridgeman	1/10/2018	4 years		Independent Governor	<ul style="list-style-type: none"> • Audit 	100%

	Date of appointment	Term of office	Date of resignation	Status of appointment	Committee/s served	Corporation Attendance 2019/20
	Re-appointed 19/10/2020					
Mr L Burton	7/2/2019	2 years		Staff Governor	• Quality and Standards	86%
Mrs J Cleaver	20/10/2014 Re-appointed 25/9/2019	4 years		Independent Governor	• Quality and Standards	100%
Mr W Cook	1/9/2019	2 years		Staff Governor		86%
Mr B Fisher	1/12/2018 Re-appointed 9/12/2019	4 years	11/2/2020	Independent Governor		0%
Mr T Gee	7/2/2019	2 years		Staff Governor		100%
Mr S Hughes	1/10/2018	2 years	24/2/2020	Independent Governor		0%
Mr N Hart	1/7/2020	1 year		Independent Governor		33%
Mr Z Khan	1/7/2020	1 year		Independent Governor		66%
Ms W Khatun	9/12/2019	End July 2020		Student Governor		75%
Mrs A Melton CBE (Principal)	5/3/2012			Principal	• Quality and Standards • Search	100%
Mr U Muhammad	19/10/2000	End July 2021		Student Governor		100%
Mr R Pheasey	1/2/2005 Re-appointed 3/7/2017	4 years		Independent Governor	• Remuneration • Search	58%
Mr M Phelan	5/10/2015 Re-appointed 25/9/2019	4 years		Independent Governor	• Audit • Quality and Standards (Chair)	100%

	Date of appointment	Term of office	Date of resignation	Status of appointment	Committee/s served	Corporation Attendance 2019/20
Mr N Rashid	21/10/2013 Re-appointed 25/9/2019	4 years		Independent Governor	<ul style="list-style-type: none"> • Audit • Quality and Standards • Search 	100%
Ms E Schofield	18/4/2018 Re-appointed 13/5/2019	3 years		Independent Governor	<ul style="list-style-type: none"> • Remuneration (Chair) • Search 	100%
Mrs L Sedgley	19/10/2020	1 year		Independent Governor	<ul style="list-style-type: none"> • Audit 	100%
Ms A Shand	3/2/2020	End July 2020		Student Governor		66%
Mrs J Turner	1/7/2020	1 year		Independent Governor	<ul style="list-style-type: none"> • Quality and Standards 	100%
Mr D Whatley	1/9/2009 Re-appointed 3/7/2017	4 years		Independent Governor	<ul style="list-style-type: none"> • Audit (Chair) 	100%
Mr T Webber MBE	1/12/2018 Re-appointed 9/12/2019	3 years		Independent Governor		0%
Mr P Wilkinson (Corporation Vice Chair)	28/6/2016 Re-appointed 5/5/2020	4 years		Independent Governor	<ul style="list-style-type: none"> • Quality and Standards • Remuneration • Search 	100%
The Director of Governance is Mrs D Corcoran						

The governance framework

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. In 2019/20 these committees are the Adult Community Learning (ACL) Advisory Board, Audit Committee, Finance and Resources Committee, Quality and Curriculum Committee, Remuneration Committee and Search Committee. An additional Covid-19 Governance and Leadership Group was also established in March 2020. This fixed life group is attended by the Corporation's Chair, Vice Chair and Director of Governance, and supports the Corporation's oversight and scrutiny of the College's approach and response to Covid-19.

Following a governance review in June 2020, the Corporation has reduced its number of Committees, with the ACL Advisory Board and Finance and Resources Committee no longer meeting in the new academic year of 2020/21. More frequent Board of Corporation meetings have been introduced, and Quality and Curriculum Committee re-focused to be Quality and Standards. These changes further strengthen the Board's strategic focus and direct oversight in key areas.

Full minutes of all Board meetings, except those minutes deemed to be confidential by the Corporation, are available on the Group's website. Committee minutes are also available on request, by contacting the Director of Governance at:

Nelson and Colne College
Scotland Road
Nelson
Lancashire
BB9 7YT

The Director of Governance 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 Director of Governance, who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Director of Governance 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 2020 and graded itself as 'outstanding' on the Ofsted scale.

Remuneration Committee

Throughout the year ending 31 July 2020 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. The College has adopted the AOC's Senior Staff Remuneration Code and complies with all requirements.

Details of remuneration for the year ended 31 July 2020 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 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 and Colne College for the year ended 31 July 2020 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 2020 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.

Risks faced by the Corporation

The senior leadership team are responsible to the Corporation for the achievement of the College's strategic objectives and are aware of the role that the risk management process plays in the achievement of those objectives. The senior leadership team act as the college risk management group and formally review the risks faced by the College on a regular basis ensuring that risks identified are recorded on a College risk register. Risks are evaluated and categorised according to a scoring system which has regard to the potential impact of the risk and the likelihood of it occurring. Systematic consideration is given to the actions and / or controls needed to address the risks and the early warning mechanisms in place to draw prompt attention to any remedial issues arising requiring further action. The Audit Committee receive and consider a risk management report at each meeting and the Board of Governors specifically consider the most significant of the College's identified risks on a termly basis.

Control weaknesses identified

During 2019/20, an internal control weakness was identified in relation to the recording of Apprenticeship achievement data, and notified to the ESFA. Independent assurance from RSM was received on causes and actions needed to strengthen controls, all of which are being progressed. The Audit Committee is satisfied that the actions taken are sufficient to address the control weakness.

Responsibilities under funding agreements

In line with the college's annual funding agreement with ESFA, the Board of Governors delegates responsibility for ensuring compliance to the accounting officer. The accounting officer is responsible for advising the governing body in writing if any action of policy under consideration by the Board of Governors is incompatible with the Department's conditions of funding. There were no written reports in the 2019-20 financial year.

Statement from the Audit Committee

The Audit Committee has advised the Board of Governors that the Corporation has an effective framework for governance and risk management in place. The Audit Committee believes the Corporation has effective internal controls in place.

The specific areas of work undertaken by the Audit Committee in 2019/20 and up to the date of the approval of the financial statements include:

- advising the Corporation on the scope and objectives of the work of the Financial Statements Auditor and the internal audit service and establishing that they adhere to relevant professional standards
- considering and advising the Board of Corporation on the Audit Strategy and Annual Internal Audit Plans for the internal audit service
- advising the Corporation on Internal Audit Reports, and on any control issues included in the Management Letters of the Financial Statements Auditor (including their work on regularity) or other third party assurance reports and Management's responses to these
- monitoring, within an agreed timescale, the implementation of recommendations relating to Internal Audit Reports, the Financial Statements Auditor's Management Letter and other third party assurance reports
- monitoring the effectiveness of the Internal Audit Service and Financial Statements Auditor through measures and indicators agreed with Management
- producing an Annual Report for the Board of Corporation and Accounting Officer, including a summary of the work undertaken by the Committee during the year, the Committee's view of its own effectiveness and the Committee's advice on the effectiveness of the College's risk management, control and governance processes, and any significant matters arising from the work of the Internal Audit Service, the Financial Statements Auditor or other third party assurance received

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 2020 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2020 by considering documentation from the Senior Leadership Team and Audit Committee, and taking account of events since 31 July 2020.

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 14 December 2020 and signed on its behalf by:



Stephen Barnes
Chair



Amanda Melton
Accounting Officer

Statement of Regularity, Propriety and Compliance

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

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

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



Stephen Barnes
Chair

14 December 2020



Amanda Melton
Accounting Officer

14 December 2020

Statement of Responsibilities of the Members of the Corporation

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

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

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

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- assess whether the Corporation is a going concern, noting the key supporting assumptions, qualifications or mitigating actions, as appropriate (which must be consistent with other disclosures in the accounts and auditor's report)
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the College will continue in operation.

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

The Corporation is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the College, and which enable it to ensure that the financial statements are prepared in accordance with the relevant legislation including the Further and Higher Education Act 1992 and Charities Act 2011, and relevant accounting standards. It is responsible for taking steps that are reasonably open to it in order to safeguard the assets of the College and to prevent and detect fraud and other irregularities.

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

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition, they are responsible for ensuring that funds from the ESFA are used only in accordance with ESFA's grant funding agreements and contracts and any other conditions that may be prescribed from time to time.

Members of the Corporation must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the College's resources and expenditure, so that the benefits that should be derived from the application of public funds from the ESFA and other public bodies are not put at risk.

Approved by order of the Members of the Corporation on 14 December 2020 and signed on its behalf by:



Stephen Barnes
Chair

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

We have audited the financial statements of Nelson & Colne College (the 'College') for the year ended 31 July 2020 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, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2020 and of the College's deficit of income over expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the Report and Financial Statements other than the financial statements and our auditor's report thereon. The governors are responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinion on other matters prescribed by the Office for Students' Accounts Direction

In our opinion, in all material respects:

- funds from whatever source administered by the college for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the Office for Students, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and Department for Education have been applied in accordance with the relevant terms and conditions; and
- the requirements of the Office for Students' accounts direction for the relevant year's financial statements have been met.

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 2019 to 2020 issued by the Education and Skills Funding Agency requires us to report to you if, in our opinion:

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

Responsibilities of the Governing Body of Nelson & Colne College

As explained more fully in the Statement of the Governing Body's Responsibilities set out on pages 25 to 26, the Governing Body 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 Governing Body 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 Governing Body 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 Governing Body either intend to liquidate the College or to cease operations, or have no realistic alternative but to do so.

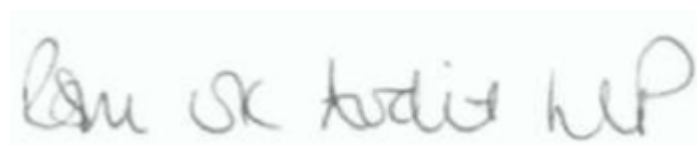
Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

This report is made solely to the Governing Body, as a body, in accordance with the Funding Agreement published by the Education and Skills Funding Agency and our engagement letter dated 27 October 2020. Our audit work has been undertaken so that we might state to the Governing Body, as a body, those matters we are engaged to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Governing Body, as a body, for our audit work, for this report, or for the opinions we have formed.

A handwritten signature in dark ink, appearing to read 'RSM UK Audit LLP', is displayed on a light blue background.**RSM UK AUDIT LLP**

Chartered Accountants

Bluebell House
Brian Johnson Way
Preston
PR2 5PE

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

We have carried out an engagement, in accordance with the terms of our engagement letter dated 27 October 2020 and further to the requirements of the grant funding agreements and contracts with the Education and Skills Funding Agency (the "ESFA"), to obtain limited assurance about whether the expenditure disbursed and income received by Nelson & Colne College during the period 1 August 2019 to 31 July 2020 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2019 to 31 July 2020 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Basis for conclusion

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

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

Responsibilities of Governing Body of Nelson & Colne College for regularity

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

Reporting accountant's responsibilities for reporting on regularity

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the ACoP.

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity. A limited assurance engagement is more limited in scope than a reasonable assurance engagement and the procedures performed vary in nature and timing from, and are less in extent than for a reasonable

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

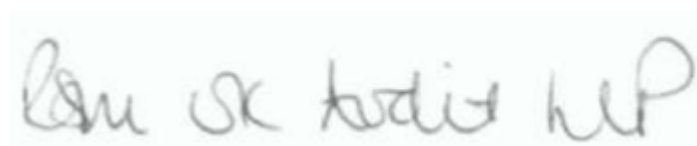
We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2019 to 31 July 2020 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

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

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

Use of our report

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



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

Statement of comprehensive income and expenditure

	Notes	Year ended 31 July 2020	Year ended 31 July 2019
		£'000	£'000
INCOME			
Funding body grants	2	27,874	25,706
Tuition fees and education contracts	3	3,038	2,700
Other grants and contracts	4	276	225
Other income	5	493	673
Investment income	6	45	50
Total income		31,726	29,354
EXPENDITURE			
Staff costs	7	22,107	19,603
Fundamental restructuring costs	7	166	768
Other operating expenses	8	7,595	6,651
Depreciation	11	2,669	2,137
Interest and other finance costs	9	508	386
Total expenditure		33,045	29,545
Deficit before other gains and losses		(1,319)	(191)
Loss on disposal of tangible fixed assets		(4)	(394)
Transfer of net assets arising on merger		-	3,864
(Deficit)/surplus before tax		(1,323)	3,279
Taxation	10	-	-
(Deficit)/surplus for the year		(1,323)	3,279
Unrealised surplus on revaluation of assets		15	15
Actuarial loss in respect of pension schemes	18,23	(11,428)	(5,132)
Total comprehensive Income for the year		(12,736)	(1,838)
Represented by:			
Restricted comprehensive income		15	15
Unrestricted comprehensive income		(12,751)	(1,853)
		(12,736)	(1,838)

Statement of changes in reserves

	Income and expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
College			
Balance at 1st August 2018	<u>6,071</u>	<u>6,485</u>	<u>12,556</u>
Surplus for the year	3,279	-	3,279
Other comprehensive income	(5,132)	-	(5,132)
Transfer between revaluation and income and expenditure reserves	15	(15)	-
Total comprehensive income for the year	<u>(1,838)</u>	<u>(15)</u>	<u>(1,853)</u>
Balance at 31st July 2019	<u>4,233</u>	<u>6,470</u>	<u>10,703</u>
Deficit for the year	(1,323)	-	(1,323)
Other comprehensive income	(11,428)	-	(11,428)
Transfer between revaluation and income and expenditure reserves	15	(15)	-
Total comprehensive income for the year	<u>(12,736)</u>	<u>(15)</u>	<u>(12,751)</u>
Balance at 31st July 2020	<u>(8,503)</u>	<u>6,455</u>	<u>(2,048)</u>

Balance sheet as at 31 July 2020

	Notes	2020 £'000	2019 £'000
Fixed assets			
Tangible assets	11	45,568	44,860
Investments	12	171	171
		45,739	45,031
Current assets			
Trade and other receivables	13	1,008	1,718
Investments	14	5,000	6,000
Cash and cash equivalents	19	5,157	3,374
		11,165	11,092
Less: Creditors – amounts falling due within one year	15	(5,461)	(5,789)
Net current assets		5,704	5,303
Total assets less current liabilities		51,443	50,334
Creditors – amounts falling due after more than one year	16	(21,636)	(20,929)
Provisions			
Defined benefit obligations	18	(31,168)	(18,059)
Other provisions	18	(687)	(643)
Total net (liabilities) / assets		(2,048)	10,703
Unrestricted Reserves			
Income and expenditure account		(8,503)	4,233
Revaluation reserve		6,455	6,470
Total unrestricted reserves		(2,048)	10,703

The financial statements on pages 32-57 approved and authorised for issue by the Corporation on 14 December 2020 and were signed on its behalf on that date by:



Stephen Barnes
Chair



Amanda Melton
Accounting Officer

Statement of cash flows

	Notes	2020 £'000	2019 £'000
Cash flow from operating activities			
(Deficit)/surplus for the year		(1,323)	3,279
Adjustment for non-cash items			
Depreciation		2,669	2,137
Decrease/(increase) in debtors		710	(666)
(Decrease)/increase in creditors due within one year		(232)	811
Increase in creditors due after one year		913	820
Decrease in provisions		(30)	(28)
Pensions costs less contributions payable		1,754	1,487
Adjustment for investing or financing activities			
Investment income		(45)	(50)
Interest payable		88	99
Loss on sale of fixed assets		4	394
Assets acquired on merger net of cash		-	(3,165)
Net cash flow from operating activities		<u>4,508</u>	<u>5,118</u>
Cash flows from investing activities			
Proceeds from the sale of fixed assets		12	112
Investment income		45	50
Withdrawal of deposits		1,000	-
New deposits		-	(1,000)
Payments made to acquire fixed assets		(3,465)	(1,956)
		<u>(2,408)</u>	<u>(2,794)</u>
Cash flows from financing activities			
Interest paid		(88)	(96)
Interest element of finance lease rental payments		-	(3)
Repayments of amounts borrowed		(194)	(185)
Capital element of finance lease		(35)	(20)
		<u>(317)</u>	<u>(304)</u>
Increase in cash and cash equivalents in the year		<u>1,783</u>	<u>2,020</u>
Cash and cash equivalents at beginning of the year	19	3,374	1,354
Cash and cash equivalents at end of the year	19	5,157	3,374

Notes to the Financial Statements

1 Statement of accounting policies and estimation techniques

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

General information

Nelson and Colne College is a corporation established under the Further and Higher Education Act 1992 as an English General College of further education. The address of the College's Principal place of business is given on page 19.

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

Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2019* (the 2019 FE HE SORP), the *College Accounts Direction for 2019 to 2020* and *Regulatory Advice 9: Accounts Direction issued by the Office for Students* and in accordance with Financial Reporting Standard 102 – “*The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland*” (FRS 102) under the historical cost convention as modified by the revaluation of certain fixed assets. The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

Basis of accounting

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

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

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

Going concern

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

The College currently has c£2.1m of loans outstanding with bankers on terms negotiated in 2008. The terms of the existing agreement are for up to another 10 years. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

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

Recognition of income

Revenue grant funding

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best

estimates for the period of what is receivable and depend on the particular income stream involved. 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.

Adult Education Budget ('AEB') grant funding income recognised is a best estimate of the amount receivable in accordance with the annual main funding guidance published by the ESFA and either determined as part of the reconciliation process or by separate agreement between the college and the ESFA at the reporting period end date. Any subsequent agreement to determination of the AEB funding after the reporting end date which is not provided for in the main funding guidance is not reflected in the income recognised.

16-18 funding is not subject to reconciliation and is therefore not subject to any contract adjustments and is recognised when receivable.

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

The recurrent grant from the Office for Students ('OfS') represents the funding allocations attributable to the current financial year and is recognised when received or receivable.

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 from non-government sources, including grants related to assets, are recognised in income when the performance related conditions have been met and the grant will be received. 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 FRS102. The deferred income is allocated between creditors due within one year and those due after more than one year. Other, non-governmental, capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the Balance Sheet and released to income as conditions are met.

Fee income

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

Investment income

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

Agency arrangements

The College acts as an agent in the collection and payment of certain discretionary support funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the

income and expenditure of the College where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

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 the 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 and the assets of the scheme are held separately. Pension schemes are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs.

The net interest on the net defined benefit liability/asset is charged to comprehensive income and recognised in interest and other finance costs.

Re-measurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in other comprehensive income.

Short term employment benefits

Short term employment benefits such as salaries and compensated absences (holiday pay) are recognised as an expense in the year in which the employees render service to the College. The cost of any unused holiday entitlement the College expects to pay in future periods is recognised in the period the employees' services are rendered.

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 comprehensive 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.

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 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.

Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

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 and annual rents are charged to comprehensive income on a straight-line basis over the lease term.

Leasing agreements which transfer to the Group substantially all the benefits and risks and rewards incidental to ownership of an asset are treated as finance leases. Assets held under finance leases are recognised initially at the fair value of the leased asset or, if lower, the present value of minimum lease payments as determined at inception of the lease. The corresponding liability to the lessor is included in the balance sheet as an obligation under finance leases. Assets held under finance leases are included in tangible fixed assets and are depreciated and assessed for impairment losses in the same way as owned assets. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

Investments

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

Cash and cash equivalents

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

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

Financial liabilities and equity

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

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

Taxation

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478-488 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The College is partially exempt in respect of Value Added Tax, so that it can only recover approximately 3% of the VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

Provisions and contingent liabilities

Provisions are recognised when

- the College has a present legal or constructive obligation as a result of a past event
- it is probable that a transfer of economic benefit will be required to settle the obligation, and
- a reliable estimate can be made of the amount of the obligation.

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

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

Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, management have made the following judgements:

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the College's tangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash- generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

- Tangible fixed assets

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

- Local Government Pension Scheme

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 23, will impact the carrying amount of the pension liability. The actuary has used a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 to value the pensions liability at 31 July 2020. 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 2020 £'000	Year ended 31 July 2019 £'000
Recurrent grants		
Education and Skills Funding Agency – 16-18	11,489	10,622
Education and Skills Funding Agency – Adult	10,368	9,586
Education and Skills Funding Agency - Apprentices	2,861	2,494
Office for Students - HE	215	203
Specific grants		
Education and Skills Funding Agency	786	1,872
Teacher Pension Scheme contribution grant	540	-
Releases of government capital grants	1,615	929
Total	27,874	25,706

3 Tuition fees and education contracts

	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
Adult education fee income from non-qualifying courses	301	400
Apprenticeship fee income from non-qualifying courses	37	51
Fee income from non-qualifying FE loan supported courses	436	396
Fee income from HE taught awards	2,084	1,526
Total tuition fees	2,858	2,373
Education contracts	180	327
Total	3,038	2,700

4 Other grants and contracts

	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
Other grant income	98	225
Coronavirus Job Retention Scheme grant	178	-
Total	276	225

The Corporation furloughed 64 staff members in various roles including cleaning and custodial, reprographics, sports centre, refectory, events and projects, under the government's Coronavirus Job Retention Scheme. The funding received of £178,000 relates to staff costs which are included within the staff costs note (note 7).

5 Other income

	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
Catering and residences	203	251
Other income generating activities	97	94
Non-government capital grants	121	120
Miscellaneous income	72	208
Total	493	673

6 Investment income

	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
Other interest receivable	45	50
	45	50
Net return on pension scheme (note 23)	-	-
Total	45	50

7 Staff costs

The average number of persons (including key management personnel) employed by the College during the year, expressed as average headcount and calculated on a monthly basis, was:

	2020 No.	2019 No.
Teaching staff	334	309
Non-teaching staff	401	400
	735	709

Staff costs for the above persons

	2020 £'000	2019 £'000
Wages and salaries	15,925	14,621
Social security costs	1,453	1,347
Other pension costs	4,425	3,455
Payroll sub total	21,803	19,423
Contracted out staffing services	304	180
	22,107	19,603
Fundamental restructuring costs – Contractual	166	768
- Non contractual	-	-
Total Staff costs	22,273	20,371

7 Staff costs (continued)

Key management personnel

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

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

	2020 No.	2019 No.
The number of key management personnel including the Accounting Officer was:	9	9

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	
	2020 No.	2019 No.	2020 No.	2019 No.
£55,001 to £60,000 p.a.	-	2	-	-
£60,001 to £65,000 p.a.	3	1	-	-
£65,001 to £70,000 p.a.	-	-	-	-
£70,001 to £75,000 p.a.	1	2	-	-
£75,001 to £80,000 p.a.	2	1	-	-
£80,001 to £85,000 p.a.	-	2	-	-
£85,001 to £90,000 p.a.	2	-	-	-
£140,001 to £145,000 p.a.	1	1	-	-
	9	9	-	-

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

	2020 £'000	2019 £'000
Salaries – gross of salary sacrifice and waived emoluments	681	652
Benefits in kind	-	-
	681	652
Pension contributions	134	102
National Insurance	84	80
	899	834

In the year to 31 July 2020, there were no amounts due to key management personnel that were waived in the year. In common with all College employees, key management personnel benefit from the childcare salary sacrifice arrangements in place.

7 Staff costs (continued)

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

	2020 £'000	2019 £'000
Salaries	144	140
Benefits in kind	-	-
	<hr/>	<hr/>
	144	140
	<hr/>	<hr/>
Pension contributions	33	23
National Insurance	19	18
	<hr/>	<hr/>

The remuneration of the Accounting Officer for 2019-20 was determined on 26 November 2019 by the Corporation Board. The Accounting Officer was not involved in setting their remuneration. The factors taken into account by the Board in determining the accounting officer's remuneration for the year to 31 July 2020 included: previous increases; performance of the organisation; size and complexity of the organisation and AoC sector data on pay of accounting officers. Performance was measured by the achievement of the strategic objectives. A similar approach was used to determine the remuneration of other key management personnel.

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

	2020 No.	2019 No.
Basic salary as a multiple of median basic salary of staff	5.7	5.7
Total remuneration as a multiple of median total remuneration of staff	5.7	5.7

Compensation for loss of office paid to former key management personnel

	2020 £'000	2019 £'000
Compensation paid to one former postholder	54	-

The severance payment was approved by the Accounting Officer.

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.

7 Staff costs (continued)

Governors' remuneration

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

The total expenses paid to or on behalf of the Governors during the year was £576; 1 governor (2019: £989, 4 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.

8 Other operating expenses

	2020	2019
	£'000	£'000
Teaching departments	1,241	1,354
Teaching support services	601	587
Other support services	186	190
Administration and central services	1,579	1,310
Examination costs	807	710
Premises costs	1,967	1,444
Catering and residences	161	174
ESFA franchised provision	676	539
Other expenses	13	11
Exceptional merger expenses	364	332
Total	7,595	6,651

Other operating expenses include:	2020	2019
	£'000	£'000
Auditors' remuneration:		
Financial statements audit	27	19
Internal audit	18	16
Other services provided by the financial statements auditor for PSA support, grant claim certification and apprenticeship data review.	17	20
Hire of assets under operating leases	147	129

9 Interest and other finance costs

	2020	2019
	£'000	£'000
On bank loans, overdrafts and other loans:	88	96
	<u>88</u>	<u>96</u>
Interest on finance leases	-	3
Net interest on defined pension liability (note 23)	<u>420</u>	<u>287</u>
Total	<u>508</u>	<u>386</u>

10 Taxation

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

11 Tangible fixed assets

	Land and buildings	Assets under Construction	Equipment	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2019	45,633	925	6,564	53,122
Additions	2,928	(925)	1,390	3,393
Surplus on revaluation	-	-	-	-
Disposals	-	-	(32)	(32)
At 31 July 2020	<u>48,561</u>	<u>-</u>	<u>7,922</u>	<u>56,483</u>
Depreciation				
At 1 August 2019	3,703	-	4,559	8,262
Charge for the year	1,563	-	1,106	2,669
Elimination in respect of disposals	-	-	(16)	(16)
At 31 July 2020	<u>5,266</u>	<u>-</u>	<u>5,649</u>	<u>10,915</u>
Net book value at 31 July 2020	<u>43,295</u>	<u>-</u>	<u>2,273</u>	<u>45,568</u>
Net book value at 31 July 2019	<u>41,930</u>	<u>925</u>	<u>2,006</u>	<u>44,860</u>

Included within the £1,390k equipment additions figure above for the year ending 2020 is £8k, relating to software as intangible assets. The net book value of equipment includes an amount of nil (2019 – £33k) in respect of assets held under finance leases.

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

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

	£'000
Cost	51,425
Aggregate depreciation based on cost	11,554
Net book value based on cost	<u>39,871</u>

12 Non-current investments

	2020	2019
	£'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 Trade and other receivables

	2020	2019
	£'000	£'000
Amounts falling due within one year:		
Trade receivables	101	86
Amounts owed by the ESFA	173	858
Prepayments and accrued income	734	774
Total	1,008	1,718

14 Current investments

	2020	2019
	£'000	£'000
Short term deposits	5,000	6,000
Total	5,000	6,000

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

	2020	2019
	£'000	£'000
Bank loans and overdrafts	200	194
Obligations under finance leases	-	30
Trade payables	436	838
Fixed asset creditors	330	402
Other taxation and social security	730	689
Accruals and deferred income	1,788	2,386
Deferred income - government capital grants	1,819	1,181
Amounts owed to the ESFA	158	69
Total	5,461	5,789

16 Creditors: amounts falling due after one year

	2020	2019
	£'000	£'000
Bank loans	1,939	2,140
Obligations under finance leases	-	5
Deferred income - government capital grants	19,697	18,784
Total	21,636	20,929

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

Bank loans and overdrafts are repayable as follows:

	2020	2019
	£'000	£'000
In one year or less	200	192
Between one and two years	207	200
Between two and five years	667	634
In five years or more	1,065	1,305
Total	2,139	2,331

Bank loans of £1,689k at a fixed interest rate of 4.71 per cent and £450k at base rate plus 0.45 per cent are repayable by quarterly instalments over a 20 year period ending in 2029.

17 Maturity of debt continued**Finance leases**

The total future minimum lease payments are payable:

	2020	2019
	£'000	£'000
In one year or less	-	30
Between one and two years	-	5
Between two and five years	-	-
In five years or more	-	-
	<hr/>	<hr/>
	<hr/>	<hr/>

18 Provisions

	Defined benefit obligations	Enhanced pensions	Total
	£'000	£'000	£'000
At 1 August 2019	18,059	644	18,703
Expenditure in the period	(1,336)	(43)	(1,379)
Actuarial loss	11,355	73	11,428
Additions in period	<hr/> 3,090	<hr/> 13	<hr/> 3,103
At 31 July 2020	<hr/> 31,168	<hr/> 687	<hr/> 31,855

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:

	2020	2019
Price inflation	1.30%	2.00%
Discount rate	2.20%	2.20%

19 Cash and cash equivalents

	At 1 August £'000	Cash flows £'000	Other changes £'000	At 31 July 2020 £'000
Cash and cash equivalents	3,374	1,783	-	5,157
Total	3,374	1,783	-	5,157

20 Capital and other commitments

	College	
	2020 £'000	2019 £'000
Commitments contracted for at 31 July	128	437

21 Lease obligations

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

	College	
	2020 £'000	2019 £'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	56	60
Later than one year and not later than five years	123	149
Later than five years	-	30
	<u>179</u>	<u>239</u>
Other		
Not later than one year	63	73
Later than one year and not later than five years	120	48
Later than five years	-	-
	<u>183</u>	<u>121</u>
Total lease payments due	362	360

22 Contingent Liabilities

A restructuring facility grant funding agreement with the ESFA allocated the College up to £6.5mn grant for drawdown during the period from merger up until 31 March 2020. Of this allocation, capital and revenue grant monies totalling £3.2mn are recognised within these 2019/20 financial statements, in addition to £3.3mn recognised in the two prior years. £3.5mn of the total monies available under the grant funding agreement is designated as being recoverable finance performance – related grant. Commencing during the financial year ending 31 July 2022 and then continuing each year thereafter until 31 July 2025, the financial performance of the College will be annually assessed to compare an actual Cash Flow Available for Debt Servicing (CFADS) measure against an agreed target. In the event that the College's performance is in excess of the target, 50% of the additional cash generated is to be paid to the ESFA as repayable grant. Accordingly, at this stage it isn't possible to determine the value or timescale of any liability which may crystallise subsequently.

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

23 Defined benefit obligations

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

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2016 and of the LGPS 31 March 2019.

Total pension cost for the year	2020	2019
	£000	£000
Teachers' Pension Scheme: contributions paid	1,755	1,057
Local Government Pension Scheme:		
Contributions paid	1,336	1,265
FRS 102 (28) charge	1,334	1,200
Charge to the Statement of Comprehensive	2,670	2,465
Enhanced pension charge to Statement of	-	-
Comprehensive Income		
Total pension cost for year within staff costs	4,425	3,522

Teachers' pension scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools, colleges and other educational establishments. Membership is automatic for teachers and lecturers at eligible institutions. Teachers and lecturers are able to opt out of the TPS.

23 Defined benefit obligations (continued)

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

Under the definitions set out in 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.

Valuation of the Teachers' Pension Scheme

The valuation of the TPS is carried out in line with regulations made under the Public Service Pension Act 2013. Valuations credit the teachers' pension account with a real rate of return assuming funds are invested in notional investments that produce a real rate of return.

The latest actuarial valuation was carried out as at 31 March 2016. The valuation report was published by the Department for Education (the Department) in April 2019. The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £196 billion giving a notional past service deficit of £22 billion. The discount rate is 2.4% in excess of CPI.

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/9). DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2020/21 academic year.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website.

The pension costs paid to TPS in the year amounted to £1,872,000 (2019: £1,160,000).

Local Government pension scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Lancashire County Council. The total contributions made for the year ended 31 July 2020 were £1,733,000, of which employer's contributions totalled £1,336,000 and employees' contributions totalled £397,000. The agreed contribution rates for future years are 17.2% 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 2019 updated to 31 July 2020 by a qualified independent actuary.

	At 31 July 2020	At 31 July 2019
Rate of increase in salaries	3.8%	3.7%
Future pensions increases	2.4%	2.3%
Discount rate for scheme liabilities	1.6%	2.2%
Inflation assumption (CPI)	2.3%	2.2%
Commutation of pensions to lump sums	50%	50%

23 Defined benefit obligations (continued)

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

	At 31 July 2020	At 31 July 2019
	years	years
<i>Retiring today</i>		
Males	22.6	22.8
Females	25.0	25.5
<i>Retiring in 20 years</i>		
Males	23.8	25.1
Females	26.8	28.2

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

	2020	2019
	£'000	£'000
Fair value of plan assets	56,858	56,596
Present value of plan liabilities	(88,026)	(74,655)
Net pensions liability	(31,168)	(18,059)

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

	2020	2019
	£'000	£'000
Current service cost	2,311	1,724
Past service cost	201	627
Curtailment cost	158	114
Total	2,670	2,465
Amounts included in interest and other finance costs (note 9)		
Net interest cost	420	287
	420	287
Amount recognised in other comprehensive income		
Return on pension plan assets	(1,939)	5,471
Experience gain arising on defined benefit obligations	(2,363)	-
Changes in assumptions underlying the present value of plan liabilities	(7,053)	(10,525)
Amount recognised in other comprehensive income	(11,355)	(5,054)

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

	2020	2019
	£'000	£'000
Net defined benefit liability in scheme at 1 August	(18,059)	(4,313)
Movement in year:		
Current service cost	(2,311)	(1,724)
Employer contributions	1,336	1,265
Past service/ curtailment cost	(359)	(741)
Net interest on the defined benefit liability	(420)	(287)
Actuarial loss	(11,355)	(5,054)
Business Combinations	-	(7,205)
	<hr/>	<hr/>
Net defined benefit liability at 31 July	(31,168)	(18,059)
	<hr/>	<hr/>

Asset and liability reconciliation

	2020	2019
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	74,655	23,846
Current service cost	2,311	1,724
Interest cost	1,638	1,452
Contributions by Scheme participants	397	374
Actuarial losses	9,416	10,525
Benefits paid	(750)	(1,675)
Past Service cost	201	627
Curtailments and settlements	158	114
Business Combinations	-	37,668
	<hr/>	<hr/>
Defined benefit obligations at end of period	88,026	74,655
	<hr/>	<hr/>
Changes in fair value of plan assets		
Fair value of plan assets at start of period	56,596	19,533
Interest on plan assets	1,256	1,195
Actuarial (loss)/gain	(1,939)	5,471
Employer contributions	1,336	1,265
Administration expenses	(38)	(30)
Contributions by Scheme participants	397	374
Estimated benefits paid	(750)	(1,675)
Business Combinations	-	30,463
	<hr/>	<hr/>
Fair value of plan assets at end of period	56,858	56,596
	<hr/>	<hr/>

23 Defined benefit obligations (continued)

The current valuation reflects a provision for the expected increase in benefits and therefore liability as a result of Guaranteed Minimum Pension ('GMP') equalisation between men and women which is required as a result of the removal of the Additional State Pension. These are included in past service costs.

24 Related party transactions

Transactions with governors and other key management personnel are detailed below:

- Concept 4 Creative Ltd is an organisation in which a governor has declared controlling interest as managing director and significant shareholder: the College incurred expenditure of £56,419 (2019 - £10,908) and earned income of £0 (2019 - £0).
- Globe Enterprises Ltd is an organisation in which a governor has declared controlling interest as director and significant shareholder: the College incurred expenditure of £34,285 (2019 - £20,365) and earned income of £0 (2019 - £0)

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 £576; 1 governor (2019: £989, 4 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 (2019: £0).

25 Amounts disbursed as agent

	2020	2019
	£'000	£'000
Funding body grant – ESFA 24+ advanced learning loan	187	151
Funding body grant – ESFA 16-18 bursary	439	349
Funding body grant – ESFA 16-18 free meals	123	153
Funding Body grant – Capacity and Delivery fund bursary	21	8
Funding body grant – ESFA 16-18 Vulnerable students bursaries	46	63
	<hr/> 816	<hr/> 724
Disbursed to students	(629)	(625)
Administration costs	(29)	(27)
	<hr/>	<hr/>
Balance unspent as at 31 July, included in creditors	<hr/> 158	<hr/> 72

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

26 Access and participation expenditure

	2020
	£'000
Access investment	40
Retention and Success	112
Hardship	19
Supporting Progression	19
	<hr/>
Total access and participation expenditure	<hr/> 190

The College's access and participation plan is available on the College's website at

<https://www.nelson.ac.uk/wp-content/uploads/2018/10/NCC-2019-20-Access-and-Participation-Plan-WEB.pdf>