

Blackpool and The Fylde College

Report and Financial Statements for the year ended 31 July 2019

Key management personnel, Board members and professional advisers

Key management personnel

Key management personnel are defined as Blackpool and The Fylde College (B&FC) Executive Team and were represented by the following in 2018/19:

		From	To
Bev Robinson	CEO and Principal; Accounting Officer	1/8/18	31/7/19
Robby Ryan	Chief Operating Officer	1/8/18	31/7/19
Cheryl Dunn	Vice-Principal for HE and Student Enhancement	1/8/18	31/7/19
Simon Hughes	Vice-Principal for Quality and Curriculum	1/8/18	31/7/19

Board of Governors

A full list of Board Members is given on page 16 of these financial statements.

PDH Advisory Ltd acted as Clerk to the Board from 1st August 2018 to 31st July 2019.

Professional advisers

Financial statements auditor and reporting accountant:

KPMG LLP
1 St Peters Square
Manchester
M2 3AE

Internal auditor:

TIAA Ltd
Artillery House
Fort Fareham
Newgate Lane
Fareham
PO14 1AH

Bankers:

Santander UK plc
298 Deansgate
Manchester
M3 4HH

Solicitors:

Eversheds LLP
70 Great Bridgewater Street
Manchester
M1 5ES

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Strategic Report

NATURE, OBJECTIVES AND STRATEGIES:

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

Legal status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting Blackpool and The Fylde College (B&FC). It is an exempt charity for the purposes of part 3 of the Charities Act 2011.

Mission

Inspirational learning creating outstanding futures.

Public Benefit

B&FC is an exempt charity under Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education. The members of the Governing Body, who we normally refer to as the Board, act as trustees of the exempt charity and are listed on page 16.

In setting and reviewing B&FC's strategic objectives, the Board 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, B&FC provides the following identifiable public benefits through the investment in and delivery of education:

- High quality, meaningful learning opportunities aligned to the needs of the economy
- Widening participation and promoting social inclusion
- Inspiring students to achieve their full potential
- Strong track record of student progression into sustainable employment
- Strong relationships with employers, industry and commerce, thus contributing to economic wellbeing

The delivery of public benefit is covered throughout the Operating and Financial Review.

Implementation of Strategic Plan

The Strategic Plan is the main strategic planning document for B&FC and was updated in March 2019 for the period 2019 to 2022. This reflects a number of strategies such as the Higher Education Strategy and the Property Strategy together with maintaining and enhancing both the quality of learning and the financial position of B&FC in the face of the real term reduction in Government investment in further education in this period. In addition, B&FC plans to continue to invest in learning

through the development of its employees, learning resources and the property strategy for the benefit of its students, employers and the regional and national economy.

Key Strategic Goals

- To ensure student success and deliver outstanding return on education investment by remaining in the top 10% for education performance.
- To meet local, regional and national skills priorities through an innovative and highly responsive curriculum offer, further cementing our place as a national leader in technical and professional education and training.
- To support economic growth by working with employers and other stakeholders to co-create programmes which meet current and future education and workforce needs.
- To raise aspiration for all, ensuring high levels of attainment across our diverse portfolio and encouraging progression to fulfilling, high value careers.
- To retain the financial stability to invest in inspiring education and learning that empowers students to reach their full potential.
- To continue to invest in people and partnerships that create an enabling foundation to deliver high quality education, training and skills for students.

A series of performance indicators have been agreed to monitor the successful implementation of the objectives.

Performance Indicators

B&FC is committed to observing the importance of sector measures and indicators including performance relating to both quality and finance. Examples include:

- Customer satisfaction
- Student achievement
- Student attendance
- Student retention
- Student assessment
- Student progress
- Student onward progression
- Digital learning
- Delivery of the agreed surplus forecast
- ESFA Financial strength
- Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)

Financial objectives

B&FC aims to retain robust financial stability and generate surpluses to invest in future improvements whilst at all times ensuring it receives value for money. In order to achieve this it has the following objectives:

- To achieve a minimum of Good financial status as defined by the ESFA
- To generate an EBITDA surplus of at least 10% for future investment
- To ensure borrowings not more than 20% of income
- To have a positive cash flow from operations
- To maintain the short term liquidity of B&FC

- To fund continued capital investment to support learning
- To improve the efficiency of processes

B&FC is required to complete the annual Finance Record for the Education and Skills Funding Agency (ESFA). The Finance Record produces a financial health grading. As contractually agreed B&FC's £8m revolving credit facility was converted to a £5.9m fixed loan in 2019 following the repayment of £2.1m. B&FC's financial health grading remained Outstanding.

FINANCIAL POSITION

Financial results

B&FC generated a surplus before other gains and losses in the year of £0.8m, (2017/18 – surplus of £0.1m). This includes £2.5m of FRS102 related pension costs. The total comprehensive income was £(6.9)m, (2017/18 - £9.0m) which includes £1.2m write down relating to the decision to sell the Ansdell site and £6.5m of actuarial loss in respect of B&FC's defined benefit pension schemes.

B&FC has accumulated reserves of £44.4m (2017/18 £51.3m) with the year on year decrease being caused by a £6.5m loss related to an actuarial revaluation of B&FC's defined benefit pension scheme and £1.2m write off related to the decision to sell the Ansdell site. Cash balances, including fixed term deposits, were £10.4m (2017/18 £10.7m).

Tangible fixed asset additions during the year amounted to £3.0m split between land and buildings development of £1.9m and equipment purchased of £1.1m. This was mainly Fleetwood Halls of Residence and on-going mechanical and electrical (M&E) improvements across multiple sites.

B&FC has some reliance on the education sector funding bodies as a principal funding source, mainly from recurrent grants via the Education and Skills Funding Agency. This reliance has been decreasing over the past three years and is well below the sector average as B&FC continues to grow its diversified income streams. In 2018/19, the funding bodies provided 48% of B&FC's total income versus a General Further Education College average of 78% in 2017/18.

Treasury policies and objectives

Treasury management includes the management of B&FC'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.

B&FC's Treasury Management Policy is contained within the Financial Policies and Procedures. Any borrowing requires the authorisation of the Board.

B&FC has 2 loans, both with Santander.

- A 2012 £6m fixed loan repayable by May 2022 with an outstanding balance of £2.3m.

- A £8m revolving credit facility which converted to a £5.9m fixed loan in July 2019 repayable by June 2031, with an outstanding balance of £5.7m.

Cash flows and liquidity

At £5.9m, (2017/18 £4.3m) net cash flow from operating activities was strong. The B&FC Board Strategic Management Team receive cash flow forecasts as part of the finance standing agenda item. This assures transparency of financial data, particularly the generation and application of cash.

The size of B&FC's total borrowing and its approach to interest rates has been calculated to ensure a sound cushion between the total cost of servicing debt and operating cash flow. During the year this margin was comfortably exceeded.

Reserves Policy

B&FC chooses not to have a formal Reserves Policy but recognises the importance of reserves in the financial stability of any organisation, and ensures that there are adequate reserves to support its core activities. B&FC's reserves include £52k held as restricted reserves. As at the balance sheet date, the Income and Expenditure Reserve stands at £44.4m (2018: £51.3m). It is the Board's intention to increase reserves over the life of the strategic plan through the generation of annual operating surpluses.

CURRENT AND FUTURE DEVELOPMENT

Student numbers

In 2018/19, B&FC has delivered activity that has produced £25.7m in public funding body main allocation funding versus £24.1m in 2017/18. B&FC had approximately 15,300 students of whom 8,800 were either part or wholly publicly funded.

Student Achievements

Students continue to prosper with B&FC remaining in the top 3% of all general further education colleges in England for student achievement in further education programmes for the last 5 consecutive years. B&FC's students' performance on their Level 3 Study Programmes, as determined by their Value Added score for Applied General qualifications, places B&FC in the top 5 general further education colleges in England. According to the most recent Destination of Leavers from Higher Education (DLHE) data 74.3% of B&FC's students progressed into highly skilled work or further study, up 7.9% on the previous year, and the average B&FC graduate salary is £25.5k compared to national average of £20.5k, this is a great testament to the continued hard work and dedication of all B&FC colleagues and students.

B&FC had a successful year in 2018/19 with a number of notable achievements and successes. B&FC also continued its proactive approach to curriculum developments to ensure its provision continues to meet the needs of the community and contributes

to the economic growth of the nation by providing industry with the skilled workforce it needs. New provision is developed and existing provision is further enhanced in line with labour market intelligence, Lancashire LEP priorities, the Industrial Strategy and employer and industry needs.

Some of the notable achievements in 2018/19 include:

- The DfE invited providers to apply to run T levels beginning with the first wave of three pathways from 2020. Following a competitive process, B&FC was successful and is part of the pilot to deliver the first three pathways from 2020. Additionally, B&FC has been approved to deliver the second wave of T levels in 2021.
- The launch of The Tourism Academy in partnership with a number of key industry employers on the Fylde coast to ensure the curriculum delivers employees with the requisite skills
- B&FC students continue to be highly successful in competition work including bakery, young chef and hairdressing
- Successful participation and completion of student community projects including Art and Design, Creative Media and Construction.
- Fleetwood Nautical Campus became one of only four Women In Maritime Charter companies through Maritime UK for their work with the Women in Maritime initiative. There were also the largest number of female graduates at Summer 2019 graduation.
- Work began on new Fleetwood Nautical Campus halls of residence which are planned to open in September 2019
- Students from Project Management and Computing programmes presented their research findings at the British Undergraduate Research Conference.
- Build Up, which retrains the long term unemployed, placed more than 6,000 retrained students into employment.
- B&FC graduates earn 9% higher than the country's average graduate starting salary.

B&FC's curriculum developments continue to have a relentless focus on education, training and skills development which enables our students to secure sustainable employment and enriching careers. The co-creation of curriculum with employers is helping to drive the development of the key skills needed to fuel greater productivity and to enable social mobility. A parallel focus on re-skilling and up-skilling is similarly enabling those currently unemployed or underemployed, those re-entering the workforce or those wishing to change career direction to develop their skills base to generate personal, social and economic benefit.

B&FC demonstrates its commitment to the Environmental and Sustainability agenda through energy efficiency and water usage targets, ongoing programmes to embed Education for Sustainable Development through teaching and learning and events which engage with employees and students as an integral part of student enrichment and staff and student wellbeing.

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 satisfactory 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%. During the accounting period 1 August 2018 to 31 July 2019, B&FC paid 97% of its compliant payments within 30 days (97% in 17/18). B&FC incurred no interest charges in respect of late payment for this period.

Future prospects

B&FC continues to explore new opportunities in its curriculum, facilities and services as the funding, regularity and economic environment changes. B&FC also aims to increase operational effectiveness through an ongoing programme of key process efficiency review.

B&FC Property Strategy

The 2010-2020 Property Strategy has served B&FC well for the past nine years informing the strategic phased development of the estate with over £58m of investment in selective new builds, refurbishments, services infrastructure upgrades, public realm improvements and rationalisation.

An update to the property strategy covering the period from 2019-2024 was agreed by the Board in June 2019. The revised document recognises the need to focus on those aspects of education and training which are required to drive the economy, deliver a skilled workforce for industry and secure employment and vibrant career opportunities for students.

The development of the property strategy is an evolving and iterative process taking into account changing needs and circumstances and providing transparency in the prioritisation and selection of strategic capital investments which places learning opportunity aligned to the needs of the economy as a central pillar of what B&FC does. Included in the Property Strategy are projects involving:

- Consolidation and maintenance of the premises to ensure they are raised to, and stay in, the A and B categories for condition
- Completion of the existing property strategy namely
 - Construction Skills Centre, Sports Centre and refurbishment works
 - Bispham landscape upgrade
 - Fleetwood outstations services and minor refurbishment
- An alignment of property to the Internet of Things
- Continued drive for a sustainable and cost effective estate

The significant elements of the strategy delivered in 2018/19 were:

- Gateway campus complete refurbishment
- Majority of Fleetwood Nautical Halls of Residence completed
- Ansdell site closed and sale process started
- Sale of Carr Head land progressed

RESOURCES:

Financial

B&FC has £44.4m of net assets after including a £23.4m pension liability, an increase from £14.4m in 2017/18 due to a change in actuarial assumptions. B&FC continues to increase its net cashflow from operating activities and reduce its borrowings as a percentage of income from its already low position.

People

B&FC employed 872 full time equivalent staff to 31st July 2019, of whom 442 were teaching staff.

Reputation

B&FC has an excellent reputation locally and nationally for co-creating learning programmes with employers, quality, learning and teaching and student outcomes are consistently high. For example:

- B&FC has been in the top 3% of all general further education colleges in England for student achievement in further education programmes for the last 5 consecutive years.
- B&FC students' performance on their Level 3 Study Programmes, as determined by their Value Added score for Applied General qualifications, places B&FC in the top 12% of general further education colleges in England when measured against the DfE published progress bands for 2018 (forecast outturn)
- According to the most recent Destination of Leavers from Higher Education (DLHE) data, 74.3% of our students progressed into highly skilled work or further study, up 7.9% on the previous year. B&FC graduates earn 9% higher than the country's average graduate starting salary.
- ESFA Financial Health scores as Outstanding and is forecast to do so for the foreseeable future

In addition to being Ofsted Outstanding, B&FC has two commendations from its most recent Quality Assurance Agency (QAA) review of its higher education provision. B&FC was also awarded the highest 'Gold' rating in the Teaching Excellence Framework (TEF), when the panel judged that B&FC delivers consistently outstanding teaching, learning and outcomes for its students, noting that it is of the highest quality found in the UK.

Principal Risks and Uncertainties:

B&FC has undertaken further work during the year to develop and embed the system of internal control, including financial, operational and risk management, which is designed to protect B&FC's assets and reputation.

Based on the strategic plan, B&FC undertakes a comprehensive review of the risks to which it is exposed. It identifies systems and procedures, including specific preventive actions, which should mitigate any potential impact on B&FC. The internal controls are then implemented and the subsequent year's appraisal will review their

effectiveness. Consideration is also given to any risks which may arise as a result of a new area of work being undertaken by B&FC.

A risk register is maintained at College level and reviewed throughout the year by the Audit Committee, the Board and the Strategic Management Team. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on B&FC and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system. This is supported by a risk management training programme to raise awareness of risk throughout B&FC and a risk appetite analysis.

Outlined below is a description of two of the principal risk factors that may affect B&FC. Not all the factors are within B&FC's control. Other factors besides those listed below may also adversely affect B&FC and are contained within B&FC's risk register.

1. Public funding

B&FC retains some reliance on the education sector funding bodies for its funding. This reliance has been decreasing over the past three years and is well below the sector average. B&FC continues to diversify income streams to reduce this further. In 2018/19, the Government funding bodies provided 48% of B&FC's total income. 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.

B&FC is aware of several issues which may impact on future funding:

- The economic implications of Brexit and the policy responses of the Government leadership team are not yet apparent
- The post Article 50 impact on EU student demand remains unclear
- The Apprenticeship Levy launched in May 2017 and saw employers commissioning providers directly for Apprenticeship training. The rate of expenditure of levy funds that employers may choose is unclear

2. Maintain adequate funding of pension liabilities

The financial statements report the share of the Local Government Pension Scheme deficit on B&FC's balance sheet in line with the requirements of FRS 102. Fixed deficit cash contributions may worsen in future in light of the Supreme Court's recent decision to refuse permission for the Government to appeal in a case of national interest. The Teachers' Pension Scheme remains under-funded and contributions will increase in future and these will largely materialise as an increased employer contribution.

Many external factors present a degree of risk to B&FC and mitigations are in place to address these risks.

STAKEHOLDER RELATIONSHIPS

In line with other colleges and universities, B&FC has many stakeholders. These include:

- Students
- Employees
- A range of employers, both local and national
- Education sector funding bodies and regulators
- Local authorities
- Lancashire Local Enterprise Partnership (LEP)
- The local communities across the Fylde
- Professional bodies
- Other educational and training organisations such as FE colleges, schools, universities and training providers
- Local politicians
- Trade unions
- Banks

B&FC recognises the importance of these relationships and actively engages in regular communication with stakeholders.

B&FC considers good communication with students and staff to be fundamental to its success. There are two student representatives on the Board and three cross-college Student Forums each year. Students are invited to give feedback through enrolment, induction, via email, at talkback and online customer satisfaction surveys as well as being encouraged to engage with student representative elections and student union activities such as societies, volunteering and enrichment opportunities.

B&FC publishes a weekly e-bulletin to employees and encourages staff involvement through regular team meetings, membership of formal committees, working groups and an employee suggestion scheme. Employees are elected to the Staff Representation Group which is held six times a year and employees influence items such as employee surveys, communications and improvements to B&FC. Manager and employee portals promote further knowledge sharing, communication and engagement through self-service online facilities. The Principal and Chief Executive holds monthly employee forums. Formal representation of employees is through recognised trade unions and employees also elect two colleagues to serve on the Board. All employees are informed of the overall strategic direction of B&FC in annual and mid-year briefings by the Principal and Chief Executive.

Equal Opportunities

B&FC is a nationally respected provider in respect of its Equality and Diversity. The commitment to Widening Participation and monitoring of student progress remains outstanding and continues to support all, regardless of age, ethnicity or background. B&FC's current processes and procedures are mature and highly effective with future-focussed activities fully aligned to the wider social mobility agenda and working further towards predictive analytics in this field.

B&FC has a duty to comply with statutory equality and diversity obligations, legislation and guidance, plus inspections/ audits and guidance based on research, including but not restricted to:

- Ofsted EIF (July 2019 for implementation from Sept 2019)
- Office for Students Access and Participation Plan – Widening participation and equality of opportunity for disadvantaged students' requirements
- The Equality Act 2010, including all updates relating to the 9 areas of protected characteristics: These are age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, and sexual orientation
- National research and guidance from NEON, Association of Colleges, Stonewall, National association of disability officers, national association of managers of student services, and various other networks we belong to and accreditations in place
- Local and regional input, local authority, Lancashire constabulary, social care and other local

As a fully inclusive learning organisation, B&FC strives to not only meet, but in many cases exceed the three duties of the Equality Act 2010. The duties are to:

1. Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act
2. Advance equality of opportunity between people who share a protected characteristic and those who do not
3. Foster good relations between people who share a protected characteristic and those who do not

In doing this, B&FC consistently develops and demonstrates outstanding practice in the area of equality, diversity and British values, widening participation and inclusivity, which recognises and responds to the needs of the community it serves.

Equality Statement

B&FC's Equality Statement is published on its website as required by the Equality Act 2010. Within the statement are the published objectives for the current period:

Objective 1 – To continue to identify, prioritise, address and reduce any significant gaps in retention, achievement, progression and destination, between groups of learners – in year and at year end by putting in place appropriate Equality and Diversity Impact Measures (EDIMS).

Objective 2 – To further develop and promote a socially inclusive and accessible College for the recruitment of staff and students, by in-year and end of year analysis and targeting of potentially disadvantaged and under-represented groups. This includes care leavers, carers, people estranged from their families, people undergoing gender reassignment, people with disabilities, or other groups who have been identified by ourselves or external organisations as local or national priority groups.

Objective 3 – To ensure that equality, diversity and British Values continue to be fully and explicitly developed within the curriculum and that all discrimination, bullying or

harassment is challenged appropriately. This will be evidenced and documented via quality processes including lesson observations, learner walks, meetings and student input and feedback mechanisms. To ensure that development and support are available for staff so that they are able to take an active part in the above.

Objective 4 – To work with employers, the local community and nationally to raise further the College profile as a leader in the field of equality and diversity, by means of accreditations, awards and external recognition as appropriate, for inclusion, removal of potential barriers to access and to learning, and addressing disadvantage.

B&FC respects and values differences in age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation. These are the identified protected characteristics of the Equality Duty, as specified in the Equality Act 2010.

B&FC demonstrates this by:

- Taking steps to meet the needs of people from protected groups where these are different from the needs of other people
- Encouraging people from protected groups to participate in public life or in other activities where their participation is disproportionately low
- Removing or minimising disadvantages incurred by people due to their protected characteristics

Acting on any gaps identified by performance data whilst on programme, and providing both immediate action where possible and future planning to bridge or eliminate those gaps.

Disclosure of information to auditor

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 B&FC's auditor is 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 B&FC's auditor is aware of that information.

Approved by order of the members of the Board on 3 Dec 2019 and signed on its behalf by:

A Cavill
Chair of the Board



Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of B&FC to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2018 to 31 July 2019 and up to the date of approval of the annual report and financial statements.

B&FC endeavours to conduct its business:

1. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
2. having due regard to the UK Corporate Governance Code ("the Code") insofar as it is applicable to the further education sector

B&FC is committed to exhibiting best practice in all aspects of corporate governance. It has not adopted and therefore does not apply the UK Corporate Governance Code. However, it has reported on its Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code it considers to be relevant to the further education sector and best practice.

The Board 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.

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

The Board

The individuals who served on the Board during the year are shown in the table below, along with information on their term of office and attendance at meetings. Where individuals also sat on committees, this is shown in the table below.

Name	Category of membership	Date first appointed	Term ends/resigned	Attendance 2018/19	Committee membership as at year end			
					A	Q	R	S
Alan Cavill (Chair)	Independent	15/12/2013	14/12/2020	100%			✓	✓
Jane Cole	Independent	11/12/2018	10/12/2019 ^(*)	67%				
Neil Farley	Independent	06/07/2015	04/07/2019	75%		✓		✓
Kenny Gilmour	Independent	07/07/2015	06/07/2023	89%	✓			
Colleen Hickson	Staff	22/09/2015	21/09/2023	89%				
Kieran Hunter	Student	23/10/2018	31/08/2020	57%				
Heather Knight	Independent	01/03/2018	28/02/2022	78%		✓		
Judith Mills	Independent	21/01/2014	20/01/2022	89%	✓			✓
Lorraine Moffat	Independent	25/09/2012	24/09/2020	78%	✓			✓
Anne Parmley	Independent	12/03/2013	11/03/2021	89%		✓	✓	
Joanne Shepherd	Staff	01/11/2018	31/10/2019 ^(*)	100%				
Bev Robinson OBE	Principal	29/04/2013	Ex-officio	100%				✓
Kate Shane	Independent	06/05/2014	05/05/2022	56%			✓	
Harrison Thornborough	Student	23/10/2018	29/08/2019 ^(**)	71%				
Steve Williams	Independent	29/01/2019	28/01/2020 ^(*)	50%				

A: Audit Committee | Q: Quality and Standards Committee | R: Remuneration Committee | S: Search Committee

^(*) Where a single asterisk is shown, this indicates that the individual was appointed for an Induction Year in accordance with Standing Orders. This is standard practice for all Independent Member and Staff Member appointments. Towards the end of this period, the Board will consider the individual's performance in post and will consider whether to appoint the individual for the remainder of their first term of office, which may be up to four years from the date of initial appointment.

^(**) Where a double asterisk is shown, this indicates that the individual resigned part-way through their term of office. In the case of Harrison Thornborough, this was because he no longer met the criteria to be a Student Member.

During 2018-19, the Chair of the Board was Alan Cavill. The Board has also retained two Vice-Chairs, Neil Farley and Anne Parmley, to deputise for the Chair in his absence. Neil Farley's term of office came to an end towards the end of the financial

year, the Board will consider the matter of his replacement as Vice-Chair early in 2019/20.

The Company Secretary maintains a register of financial and other interests of members of the Board. The register is available for inspection in person or on request.

The Board is responsible for bringing independent judgement to bear on issues of strategy, performance, resources and standards of conduct. It is provided with regular and timely information on the overall financial performance of B&FC together with other information such as performance against funding targets, proposed capital expenditure, quality matters and staff-related matters such as health and safety and environmental matters. The Board meets formally at least eight times each year, as well as setting aside additional time for strategic workshops or planning sessions as necessary.

The Board is supported by four committees:

- Audit Committee;
- Quality and Standards Committee;
- Remuneration Committee; and
- Search Committee

Minutes of all meetings, except those deemed to be confidential, are published on B&FC's website and are available to view by contacting the Company Secretary at the following address:

Company Secretary
Blackpool and The Fylde College
Ashfield Road
Blackpool FY2 0HB

Members of the Board are able to take independent professional advice in furtherance of their duties at B&FC's expense. They also have full access to the Company Secretary, who is also the Clerk to the Corporation and is responsible to the Board for ensuring that all applicable procedures and regulations are complied with.

Formal agendas and reports are supplied to members of the Board in a timely manner, in accordance with timescales set out in the Board's core governance documents. Additional briefings are also provided where necessary.

The Board has a strong and independent non-executive element and no individual or group dominates its decision-making process. The Board's independent members are independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgment.

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

Appointments to the Board

Any new appointments to the Board are matters for the Board as a whole. The Search Committee, which consists of five members of the Board, is responsible for the selection and nomination of any new member for the Board's consideration. The Company Secretary is responsible for ensuring that appropriate training is provided as required.

Independent and staff members of the Board are initially appointed for a one-year term following which, if all is satisfactory, the term can be extended up to a four-year term from the date of appointment.

The Board's Standing Orders provide that the maximum cumulative term of office for any staff or independent member of the Board is eight years unless, in the case of an independent member, they go on to become Chair in which case they may serve a further eight years in that role. The Chair must retire from the Board following their term as Chair.

Student members of the Board are appointed for one-year terms of office, but may be re-elected provided they continue to satisfy the eligibility criteria to become a student member.

Board performance

The Board undertakes a self-assessment exercise each year, and this year the exercise took the form of an extended session at its April 2019 meeting. A feedback session was facilitated by the Company Secretary and the results were reported to the Board for completeness.

Remuneration Committee

Throughout the year ended 31 July 2019, the Remuneration Committee comprised three independent members of the Board. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Accounting Officer and other senior post holders.

Details of remuneration for the year ended 31 July 2019 are set out in notes 7 to 8 to the financial statements.

B&FC aims to ensure that key management personnel are remunerated at an appropriate level, taking into account relevant market conditions. The table below sets out the component parts of B&FC's remuneration package for executives, which are all intended to help promote the long-term success of B&FC and to retain high calibre executives:

Element of pay	How operated	Maximum opportunity	Description of performance metrics	Changes from previous year
Base salary	As determined by the Remuneration Committee (for Senior Post Holders) or by the Resourcing Panel (for other executives)	There is no prescribed maximum annual increase	Individually set at the start of the year	No change
Benefits	The Remuneration Committee has the option to provide additional benefits, such as additional annual leave, either as well as or in lieu of pay awards	There is no formal maximum	N/A	No change
Pension	B&FC operates the standards Local Government Pension Scheme (LGPS) or Teachers' Pension Scheme (TPS) for all employees, including senior postholders.	As per standard LGPS or TPS pension schemes.	N/A	No change
Pension Exchange	If set criteria are met, senior post holders have the opportunity to participate in a pension exchange scheme, in order to reflect the changes both of the market and reductions to the pension tax threshold.	Initially 10% of annual salary, subject to periodic review.	There is a requirement for individuals to apply to the Remuneration Committee and to demonstrate their eligibility as per the policy and procedure.	No change
Annual proactive medical screening (taxable benefit)	Executives are able to receive an annual proactive medical screening if they wish to do so	One screening per year	N/A	New optional taxable benefit for 2018/19

During the year, one Senior Post Holder (2017/18: one Senior Post Holder) also benefited from salary sacrifice arrangements relating to childcare vouchers which is available to all B&FC colleagues.

It is the role of the Remuneration Committee to make recommendations to the Board in respect of the remuneration of Senior Post Holders, including the Principal and Chief Executive. In formulating its recommendation, the Committee has regard to the following:

- submissions from each Senior Post Holder on their performance over the previous year;
- feedback from their line manager on their performance;
- a review of completed appraisal paperwork, including performance against objectives
- AoC annual salary survey; and
- benchmarking data from the ESFA accounts database for the previous financial year

The Remuneration Committee also acts as a sounding board for the Principal and Chief Executive in relation to the remuneration of those executives who are not Senior Post Holders.

In reaching its recommendations, the Remuneration Committee took account of B&FC's strong quality performance and its excellent financial position when compared with the wider sector. It also noted the exceptional leadership provided by the Principal and Chief Executive and the national profile that she rightly enjoys.

One previous key management person received emoluments in a project consultancy role for 4 days during 2018/19.

Audit Committee

The Audit Committee comprises three independent members of the Board together with a co-opted specialist with expertise in finance and audit matters. In line with best practice, the Principal and Chief Executive and the Chair are not members of the Committee. The Committee operates in accordance with written terms of reference approved by the Board which conform to the provisions of the Audit Code of Practice for the sector. The Committee's purpose is to advise the Board on the adequacy and effectiveness of the Board's systems of internal control and its arrangements for risk management, control and governance processes.

The Audit Committee meets three times per year and provides a forum for reporting by the Board's internal and external auditors. The Committee holds at least one meeting per year with the internal and external auditors privately, i.e. without B&FC management being present. The Committee also receives and considers reports from the main FE funding bodies as they affect the Board's business.

The internal auditor reviews 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 to the Audit Committee. Management is responsible for the implementation of agreed audit recommendations and the internal auditors undertake periodic follow-up reviews to ensure that recommendations have been implemented.

The Audit Committee also advises the Board on the appointment of internal and external auditors and the remuneration for both audit and non-audit work, as well as reporting to the Board.

Internal control

Scope of responsibility

The Board is ultimately responsible for B&FC'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 Accounting Officer is responsible for maintaining a sound system of internal control that supports the achievement of B&FC's policies, aims and objectives, whilst safeguarding the public funds and assets for which they are personally responsible, in accordance with the responsibilities assigned to them in the Financial Memorandum between B&FC and the funding bodies. She is also responsible for reporting to the Board any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of B&FC's 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 B&FC for the year ended 31 July 2019 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Board, with the assistance of its Audit Committee, has reviewed the key risks to which B&FC is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Board is of the view that there is a formal ongoing process for identifying, evaluating and managing B&FC's significant risks that has been in place for the period ending 31 July 2019 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Board.

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 governing body
- regular reviews by the governing body of periodic and annual financial reports which indicate financial performance against budget and forecasts
- setting targets to measure financial and other performance
- clearly defined capital investment control guidelines
- the adoption of formal project management disciplines, where appropriate

B&FC chooses to purchase 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 B&FC 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 Board on the recommendation of the Audit Committee. The Internal Auditor provides the Audit Committee and Board with a report on internal audit activity in B&FC.

Review of effectiveness

As Accounting Officer, the Principal and Chief Executive 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 auditor
- the work of the executive managers within B&FC who have responsibility for the development and maintenance of the internal control framework
- comments made by B&FC's financial statements and regularity auditor 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 Strategic Management Team receives and contributes to 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 curriculum and service areas and are reinforced by risk awareness training. The senior management 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 Board's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its September 2019 meeting, the Board carried out the annual assessment for the year ended 31 July 2019 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2018.

Based on the advice of the Audit Committee and the Accounting Officer, the Board is of the opinion that B&FC has an appropriate 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 due consideration, the Board considers that B&FC has adequate resources to continue in operational existence for the foreseeable future. B&FC continues to develop diversified income streams, effectively control costs, improve quality and generate strong operating cash flows. For this reason, it continues to adopt the going concern basis in preparing these financial statements.

Approved by order of the Board on 3 Dec 2019 and signed on its behalf by:



A Cavill
Chair of the Board



B Robinson OBE
Accounting Officer

Statement of Regularity, Propriety and Compliance

The Board has considered its responsibility to notify the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with ESFA terms and conditions of funding, under the Financial Memorandum in place between B&FC and the ESFA. As part of our consideration we have had due regard to the requirements of the Financial Memorandum.

We confirm, on behalf of the Board, that after due consideration, and to the best of our knowledge, we are able to identify any material irregular or improper use of funds by B&FC, or material non-compliance with the ESFA terms and conditions of funding under B&FCs Financial Memorandum.

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



A Cavill
Chair of the Board

Date 3 December 2019



B Robinson OBE
Accounting Officer

Date 3 December 2019

Statement of Responsibilities of the Members of the Board

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

Within the terms and conditions of B&FC's grant funding agreements and contracts with the ESFA, the Board, through its Accounting Officer, is required to prepare financial statements and an operating and financial review for each financial year in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education and with the College Accounts Direction 2018 to 2019 issued by the ESFA, and which give a true and fair view of the state of affairs of the College and the result for that year.

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

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The Board is also required to prepare a Strategic Report which describes what it is trying to do and how it is going about it, including information about the legal and administrative status of B&FC.

The Board is responsible for keeping adequate accounting records which disclose with reasonable accuracy, at any time, the financial position of B&FC, and which enable it to ensure that the financial statements are prepared in accordance with the relevant legislation of incorporation and other relevant accounting standards. It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for taking steps that are reasonably open to it in order to safeguard the assets of B&FC and to prevent and detect fraud and other irregularities.

The maintenance and integrity of the B&FC website is the responsibility of the Board of B&FC; 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 Board are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from the ESFA are used only in accordance with the ESFA's grant funding agreements and contracts and any other conditions that may be

prescribed from time to time. Members of the Board 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 Board are responsible for securing economical, efficient and effective management of the B&FC's resources and expenditure, so that the benefits that should be derived from the application of public funds from the ESFA are not put at risk.

Approved by order of the members of the Board on ~~3 Dec 2019~~ and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'A Cavill', written in a cursive style.

A Cavill
Chair of the Board

Independent Auditor Report to the Board of Blackpool and The Fylde College Opinion

We have audited the financial statements of Blackpool and The Fylde College (B&FC) for the year ended 31 July 2019 which comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, Balance Sheet, Statement of Cash Flows and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of B&FC's affairs as at 31 July 2019, and of B&FC's income and expenditure, gains and losses, changes in reserves, and cash flows, for the year then ended; and
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, and with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of B&FC in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and B&FC's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing B&FC's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going Concern

The Board has prepared the financial statements on the going concern basis as they do not intend to liquidate B&FC or to cease its operations, and as they have concluded that B&FC's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant

doubt over the B&FC's ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Board's conclusions, we considered the inherent risks to B&FC's business model, including the impact of Brexit, and analysed how those risks might affect the B&FC's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that B&FC will continue in operation.

Other information

The Board is responsible for the other information, which comprises the Strategic Report and the Board's Statement of Corporate Governance and Internal Control. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

Matters on which we are required to report by exception

Under the Post-16 Audit Code of Practice 2018 to 2019 (Feb 2019) issued by the Education and Skills Funding Agency we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by B&FC; or
- B&FC's financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

The Boards responsibilities

As explained more fully in their statement set out on page 24, the Board is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing B&FC'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 it either intends to liquidate B&FC or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Board, in accordance with Article 21 of B&FC's Articles of Government. Our audit work has been undertaken so that we might state to the Board those matters we are required to state to them in an auditor report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than B&FC and the Board for our audit work, for this report, or for the opinions we have formed.



Robert Jones
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE

18th December 2019.

Reporting Accountant's report on Regularity to The Board of Blackpool and The Fylde College and the Secretary of State for Education acting through the Education and Skills Funding Agency. (ESFA)

In accordance with the terms of our engagement letter dated 13 February 2017 and further to the requirements and conditions of funding in ESFA grant funding agreements and contracts, or those of any other public funder, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by B&FC during the period 01 August 2018 to 31 July 2019 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Post-16 Audit Code of Practice 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.

This report is made solely to the board of B&FC and the ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the board of B&FC and 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 board of B&FC and the ESFA for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of B&FC and the reporting accountant

The board of B&FC is responsible, under 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.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Post-16 Audit Code of Practice. 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 01 August 2018 to 31 July 2019 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Post-16 Audit Code of Practice issued by ESFA. We performed a limited assurance engagement as defined in that framework.

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity.

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

Our engagement includes examination, on a test basis, of evidence relevant to the regularity of B&FC's income and expenditure.

The work undertaken to draw our conclusion included:

- Documenting the framework of authorities which govern the activities of the College;
- Undertaking a risk assessment based on our understanding of the general control environment and any weaknesses in internal controls identified by our audit of the financial statements;
- Reviewing the self-assessment questionnaire which supports the representations included in the Chair of Governors and Accounting Officer's statement on regularity, propriety and compliance with the framework of authorities;
- Testing transactions with related parties;
- Confirming through enquiry and sample testing that the College has complied with its procurement policies and that these policies comply with delegated authorities; and
- Reviewing any evidence of impropriety resulting from our work and determining whether it was significant enough to be referred to in our regularity report.

This list is not exhaustive and we performed additional procedures designed to provide us with sufficient appropriate evidence to express a limited assurance conclusion on regularity consistent with the requirements of the Post-16 Audit Code of Practice.

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2018 to 31 July 2019 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



Robert Jones
For and on behalf of KPMG LLP, Reporting Accountant
1 St Peter's Square
Manchester
M2 3AE

18th December 2019.

Statements of Comprehensive Income

	Note	Year Ended 2019	Year Ended 2018
		£'000	£'000
INCOME			
Funding body grants	2	25,660	24,071
Tuition fees and education contracts	3	17,428	18,513
Other grants and contracts	4	1,342	1,348
Other income	5	8,501	8,886
Investment income	6	94	16
Total income		53,025	52,834
EXPENDITURE			
Staff costs	8	32,975	34,273
Fundamental restructuring costs	8	225	120
Other operating expenses	9	13,792	13,099
Depreciation	12	4,418	4,540
Interest and other finance costs	10	805	751
Total expenditure		52,215	52,783
Surplus before other gains and losses		810	51
Loss on disposal of assets	12	(1,200)	-
Surplus before tax		(390)	51
Taxation	11	(22)	(14)
Surplus for the year		(412)	37
Actuarial loss in respect of pensions schemes	25	(6,480)	8,970
Total Comprehensive Income for the year		(6,892)	9,007

Statement of Changes in Reserves

	Income and expenditure account	Restricted reserve	Total
	£'000	£'000	£'000
Balance at 31st July 2018	51,209	52	51,261
Surplus from the income and expenditure account	(412)	-	(412)
Other comprehensive income	(6,480)	-	(6,480)
Total comprehensive Income for the Year	(6,892)	-	(6,892)
Balance at 31st July 2019	44,317	52	44,369

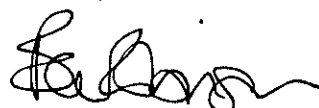
Balance sheet as at 31 July

	Notes	Year Ended 2019	Year Ended 2018
		£'000	£'000
Non current assets			
Tangible Fixed assets	12	90,680	93,325
Investments	13	50	50
		<u>90,730</u>	<u>93,375</u>
Current assets			
Stocks		4	5
Trade and other receivables	14	2,762	2,279
Investments	15	-	2,100
Cash and cash equivalents	20	10,424	8,575
		<u>13,190</u>	<u>12,959</u>
Less: Creditors – amounts falling due within one year	16	(6,210)	(8,563)
		<u>6,980</u>	<u>4,396</u>
Net current assets		<u>6,980</u>	<u>4,396</u>
Total assets less current liabilities		<u>97,710</u>	<u>97,771</u>
Creditors – amounts falling due after more than one year	17	(29,572)	(31,700)
Provisions			
Defined benefit obligations	19	(23,369)	(14,444)
Other provisions	19	(400)	(366)
		<u>44,369</u>	<u>51,261</u>
Total net assets		<u>44,369</u>	<u>51,261</u>
Restricted reserves – endowment fund			
		52	52
Unrestricted Reserves			
		51,209	42,202
Income and expenditure account		(6,892)	9,007
		<u>44,369</u>	<u>51,261</u>
Total reserves		<u>44,369</u>	<u>51,261</u>

The financial statements on pages 32 to 55 were approved and authorised for issue by the Board on 3 Dec 2019 and were signed on its behalf on that date by:



A Cavill
Chair of the Board



B Robinson OBE
Accounting Officer

Statement of Cash Flows

	2019	2018
	£'000	£'000
Cash flow from operating activities		
Surplus/(Deficit) for the year	(412)	37
Adjustment for non-cash items		
Depreciation	5,618	4,540
(Increase)/decrease in stocks	1	(1)
(Increase)/decrease in debtors	(483)	(45)
Increase/(decrease) in creditors due within one year	(304)	(1,355)
Increase/(decrease) in creditors due after one year	(1,350)	(1,466)
Increase/(decrease) in provisions	8,959	(6,620)
Pensions costs less contributions payable	(6,480)	8,970
Taxation	22	14
Adjustment for investing or financing activities		
Investment income	(94)	(16)
Interest payable	419	220
Taxation paid	(14)	(14)
	<hr/>	<hr/>
Net cash flow from operating activities	5,882	4,264
	<hr/>	<hr/>
Cash flows from investing activities		
Investment income	94	16
New deposits	-	(2,100)
Withdrawal of deposits	2,100	-
Deferred capital grant received	270	1,428
Payments made to acquire fixed assets	(2,973)	(3,557)
	<hr/>	<hr/>
	(509)	(4,213)
	<hr/>	<hr/>
Cash flows from financing activities		
Interest paid	(412)	(204)
Interest element of finance lease rental payments	(7)	(16)
New unsecured loans	-	8,000
Repayments of amounts borrowed	(3,050)	(2,250)
Capital element of finance lease rental payments	(55)	(98)
	<hr/>	<hr/>
	(3,524)	5,432
	<hr/>	<hr/>
Increase / (decrease) in cash and cash equivalents in the year	1,849	5,483
	<hr/>	<hr/>
Cash and cash equivalents at beginning of the year	20 8,575	3,092
Cash and cash equivalents at end of the year	20 10,424	8,575

Notes to the Accounts

1. Statement of accounting policies

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

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2015 (the 2015 FE HE SORP), the College Accounts Direction for 2018 to 2019 and in accordance with Financial Reporting Standard 102 – "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102). B&FC is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

The financial statements are represented in sterling which is also the functional currency of B&FC. Monetary amounts in these financial statements are rounded to the nearest whole £1,000, except where otherwise indicated.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention as modified by the use of previous valuations as deemed cost at transition for certain non-current assets.

Going concern

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

B&FC currently has two borrowing facilities with Santander. The first is a 2012 £6m fixed loan of which £2.3m is outstanding and loan repayments are scheduled until May 2022. The second is a 2015 £8m revolving credit facility which as of July 2019 was converted to £5.9m fixed loan and will be repaid by 2031. B&FC's forecasts and financial projections indicate that it will be able to operate very comfortably within this existing facility and covenants for the foreseeable future.

Accordingly B&FC has an 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

Grants – Government and non-government

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

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

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

Capital Grant Funding

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful economic life of the asset, under the accrual method as permitted by FRS 102. Other capital grants are recognised in income when B&FC is entitled to the funds subject to any performance related conditions being met.

Other 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.

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

Accounting for post-employment benefits

Post-employment benefits to employees of B&FC 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 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.

Local Government Pension Scheme (LGPS)

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

Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in interest and other finance costs.

Actuarial gains and losses are recognised immediately in other actuarial gains and losses.

Short term Employment benefits

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

Enhanced Pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by a college annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to B&FC's income in the year that the member of staff retires.

In subsequent years a charge is made to provisions in the balance sheet using the enhanced pension spread sheet provided by the funding bodies.

Non-current Assets - Tangible fixed assets

Tangible fixed assets are stated at deemed cost less accumulated depreciation and accumulated impairment losses.

Land and buildings

Freehold and Leasehold buildings plus major refurbishments and adaptations are depreciated over their expected useful economic life to B&FC (up to 40 years). Freehold land is not depreciated as it is considered to have an infinite useful life.

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred income account within creditors, and are released to the income and expenditure account over the expected useful economic life of the related asset on a systematic basis consistent with the depreciation policy. The deferred income is allocated between creditors due within one year and those due after more than one year.

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

On adoption of FRS 102, B&FC followed the transitional provision to retain the book value of land and buildings, which were re-valued in 2015, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

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.

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:

- | | |
|--|----------|
| • Heavy equipment | 10 years |
| • IT equipment (from August'18) and general equipment | 5 years |
| • Motor vehicles | 4 years |
| • IT equipment (to July'18) and furniture, fixtures and fittings | 3 years |

From August 2018 all IT fixed assets have been purchased with a 5 year warranty and are therefore depreciated over 5 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.

Where equipment is acquired with the aid of specific grants, it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related equipment.

Some assets purchased with the aid of capital funding which would not normally be considered for capitalisation, are capitalised and fully depreciated in the year of purchase to comply with funding guidance.

Borrowing costs

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

Leased assets

Operating Leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term to the Statement of Comprehensive Income and Expenditure. Any lease premiums or incentives relating to leases signed after 1st August 2014 are spread over the minimum lease term. B&FC has taken advantage of the transitional exemptions in FRS 102 and has retained the policy of spreading lease premiums and incentives to the date of the first market rent review for leases signed before 1st August 2014.

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

Finance Leases

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Assets held under finance leases are included in tangible fixed assets and depreciated 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, which may include listed investments, are stated at fair value, with movements recognised in Comprehensive Income. Investments comprising unquoted equity instruments are measured at fair value, estimated using a valuation technique.

Inventories

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

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 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 B&FC 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.

Foreign currency translation

Transactions denominated in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated

at the rates of exchange ruling at the end of the financial period with all resulting exchange differences being taken to income or expenditure in the period in which they arise.

Taxation

B&FC is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, B&FC 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.

B&FC is partially exempt in respect of Value Added Tax, so that in 2018/19 it could only recover 0.95% 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

- B&FC 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.

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

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

Agency arrangements

B&FC acts as an agent in the collection and payment of discretionary support funds. Related payments received from the funding bodies and subsequent disbursements to students are included both in the income and expenditure of B&FC except 5% of the grant received, which is available to B&FC to cover administration costs relating to the grant.

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 B&FC 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 B&FC'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 25, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2019. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2	Funding body grants	2019	2018
		£'000	£'000
	Recurrent grants		
	Education and Skills Funding Agency - adult	5,734	4,894
	Education and Skills Funding Agency – 16-18	13,194	13,675
	Education and Skills Funding Agency – apprenticeships	3,842	2,327
	Office for Students	1,837	1,995
	Specific grants		
	Education and Skills Funding Agency	365	365
	Releases of government capital grants	277	274
	OfS grant	411	541
	Total	25,660	24,071
3	Tuition fees and education contracts	2019	2018
		£'000	£'000
	Total tuition fees	17,064	18,020
	Education contracts	364	493
	Total	17,428	18,513
4	Other grants and contracts	2019	2018
		£'000	£'000
	Total other grants and contracts	1,342	1,348
5	Other income	2019	2018
		£'000	£'000
	Catering and residences	1,638	1,845
	Other income generating activities	5,196	5,745
	Exam Fees	23	182
	Miscellaneous income	1,644	1,114
	Total	8,501	8,886

6	Investment Income	2019	2018
		£'000	£'000
	Other interest receivable	94	16
	Total	94	16

7 Staff numbers

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

	2019	2018
	No.	No.
Teaching staff	442	459
Non-teaching staff	430	473
	872	932

8 Staff costs for the above persons

	2019	2018
	£'000	£'000
Wages and salaries	25,080	26,115
Social security costs	2,272	2,330
Other pension costs	5,448	5,283
Payroll sub total	32,800	33,728
Contracted out staffing services	175	545
	32,975	34,273
Fundamental restructuring costs – contractual	225	120
Total Staff costs	33,200	34,393

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of B&FC and are represented by B&FC's Executive team as follows:

2018/19

Bev Robinson	Principal and Chief Executive Officer; Accounting Officer
Robby Ryan	Chief Operating Officer
Cheryl Dunn	Vice-Principal for HE and Student Enhancement
Simon Hughes	Vice-Principal for Quality and Curriculum

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

	2019	2018
	No.	No.
The number of key management personnel including the Accounting Officer was:	4	5

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

	Key management personnel		Other staff	
	2019 No.	2018 No.	2019 No.	2018 No.
£60,001 to £65,000 pa.	-	-	4	4
£65,001 to £70,000 pa.	-	-	2	4
£70,001 to £75,000 pa.	-	-	9	6
£80,001 to £85,000 pa.	-	-	1	1
£85,001 to £90,000 pa.	-	2	-	-
£90,000 to £95,000 pa.	1	-	-	-
£95,001 to £100,000 pa.	1	-	-	-
£100,001 to £105,000 pa.	-	1	-	-
£110,000 to £115,000 pa.	-	1	-	-
£115,001 to £120,000 pa.	1	-	-	-
£165,001 to £170,000 pa.	1	1	-	-
	<u>4</u>	<u>5</u>	<u>16</u>	<u>15</u>

2019 figures represent the annualised emoluments, including benefits in kind. This table includes three leavers, two starters and one maternity leave all of whom did not receive their full pay for 18/19.

Key management personnel remunerations are made up as follows:

	2019 £'000	2018 £'000
Salaries	459	506
Benefits in kind	4	4
National Insurance	59	65
	<u>522</u>	<u>575</u>
Total		
Pension contributions	69	79
Total emoluments	<u>591</u>	<u>654</u>

There were no amounts due to key management personnel that were waived in the year, nor any salary sacrifice arrangements in place. The above emoluments include amounts payable to the Accounting Officer (who is also the highest paid key management employee) of:

	2019 £'000	2018 £'000
Salaries	165	165
Pension Exchange	2	-
Benefits in kind	1	1
National Insurance	22	22
	<u>190</u>	<u>188</u>
Pension contributions	23	26
Total emoluments	<u>213</u>	<u>214</u>

The remuneration package of key management personnel, including the Principal and Chief Executive, is subject to annual review by the Remuneration Committee of the governing body who use benchmarking information to provide objective guidance.

The Principal and Chief Executive reports to the Chair of Governing Council, who undertakes an annual review of her performance against the college's overall objectives using both qualitative and quantitative measures of performance.

Relationship of Principal/Chief Executive pay and remuneration expressed as a multiple:

	2019	2018
	£'000	£'000
Principal and CEO's basic salary as a multiple of the median of all staff	6.6	6.7
Principal and CEO's total remuneration as a multiple of the median of all staff	6.0	6.2

Compensation for loss of office paid to former key management employee	2019	2018
	£'000	£'000
Compensation paid to former employee	0	4

Blackpool and The Fylde College Trade Union Facility Publication Requirements

The Trade Union (Facility Time Publication Requirements) Regulations 2017 came into force on 1 April 2017. Public sector employers must now publish this information annually covering the 12 month period beginning 1 April 2018 to 31 March 2019.

Facility time is time off taken by a union official that is permitted by the institution in order to carry out trade union duties.

B&FC figures

Table 1 - Relevant trade union officials

Number of employees who were trade union officials during the relevant period	Full time equivalent employee number
5	4.2

Table 2 - Percentage of time spent on facility time

Percentage of time spent on facility time	Number of employees
0-50%	5

Table 3 - Percentage of pay bill spent on facility time

Total cost of facility time	£6,028
Total pay bill	£29,913,659
% of pay bill spent on facility time	0.02%

Table 4 - Paid trade union activities

Paid trade union activities as a percentage of paid facility time	0%
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9 Other Operating Expenses	2019	2018
	£'000	£'000
Teaching costs	5,385	6,038
Non-teaching costs	5,705	4,689
Premises costs	2,702	2,372
Total	13,792	13,099

Surplus before taxation is stated after charging:	2019	2018
	£'000	£'000
Auditors' remuneration:		
Financial statements audit*	34	33
Internal audit**	18	19
Other services provided by the financial statement auditor - Teachers' Pension Scheme Audit – KPMG	1	1
Hire of assets under operating leases	81	81

* Includes £33,597 in respect of the College (2017/18 £32,618)

** includes £17,650 in respect of the College (2017/18 £18,900)

10 Interest and other finance costs	2019	2018
	£'000	£'000
On bank loans, overdrafts and other loans:	412	205
On finance leases	7	16
Net interest in defined pension liability (note 25)	386	530
Total	805	751

11 Taxation	2019	2018
Current Tax	£'000	£'000
United Kingdom corporation tax at 20% per cent	22	14
Total	22	14

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12 Tangible fixed assets	Land and buildings		Equipment	Assets in the course of construction	Total
	Freehold	Long Leasehold			
	£'000	£'000	£'000	£000	£'000
Cost or valuation					
At 1 August 2018	99,609	21	18,842	-	118,472
Additions and reallocations	1,120	-	1,129	724	2,973
Disposals	-	-	15	-	15
At 31 July 2019	100,729	21	19,986	724	121,460
Depreciation					
At 1 August 2018	10,065	7	15,075	-	25,147
Charge for the year	2,973	2	1,443	-	4,418
Write down of assets held for sale	1,200	-	-	-	1,200
Elimination in respect of disposals	-	-	15	-	15
At 31 July 2019	14,238	9	16,533	-	30,780
Net book value at 31 July 2019	86,491	12	3,453	724	90,680
Net book value at 31 July 2018	89,544	14	3,767	-	93,325

For the purpose of FRS102 Land and buildings were valued in July 2016 as at 1st August 2014 by M.Connolly (BSc, FRICS) from Eckersley a firm of independent chartered surveyors. The index based valuation was adopted as deemed cost and subsequent additions and disposals applied.

The £15,000 equipment disposals have zero net book value and relate to the sale of two end of life vehicles.

13 Non-current investments	2019	2018
	£'000	£'000
Investment in Lancashire Colleges Consortium Ltd (7% owned)	-	-
Investment in NCOOG	-	-
Other non-current asset investments – endowment funds	50	50
Total	50	50

B&FC owns 7% of the issued share capital of Lancashire Colleges Consortium Ltd, a company limited by guarantee incorporated 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. The investment is carried at cost.

B&FC is an associate of NCOOG, a company limited company by guarantee incorporated in England and Wales. The principal business of the company is to provide post-secondary and first degree level higher education. The investment is carried at cost.

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14 Trade debtors and other receivables	2019	2018
	£'000	£'000
Amounts falling due within one year:		
Trade receivables	1,098	1,338
Prepayments and accrued income	1,487	941
Amounts owed by the ESFA	177	-
Total	<u>2,762</u>	<u>2,279</u>

15 Current Investments	2019	2018
	£'000	£'000
Amounts falling due within one year:		
Fixed 12 month deposit	-	2,100
Total	<u>-</u>	<u>2,100</u>

At the end of 2018/19 B&FC had no current investments.

16 Creditors: amount falling due within one year	2019	2018
	£'000	£'000
Bank loans and overdrafts	1,050	3,050
Obligations under finance leases	-	55
Payments Received on account	359	240
Trade Creditors	1395	422
Other taxation and social security	266	891
Accruals and deferred income	2,078	2,495
Deferred income - government capital grants	1,062	1,015
Amounts owed to the ESFA	-	395
Total	<u>6,210</u>	<u>8,563</u>

17 Creditors: amounts falling due after one year	2019	2018
	£'000	£'000
Bank loans	6,900	7,950
Deferred income - government capital grants	22,610	23,442
Amounts owed to the ESFA	62	308
Total	<u>29,572</u>	<u>31,700</u>

18 Maturity of debt

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:	2019	2018
	£'000	£'000
In one year or less	1,050	3,050
Between one and two years	1,050	1,050
Between two and five years	1,650	2,400
In five years or more	4,200	4,500
Total	<u>7,950</u>	<u>11,000</u>

B&FC borrowings are comprised of 2 unsecured fixed rate bank loans:

1. £6m Santander loan fixed in 2012, repayable by instalments between May 2012 and May 2022.
2. £8m Santander revolving credit facility agreed in 2015, contracted fix by July 2019:
 - a. £4m fixed June 2018 repayable by July 2031
 - b. £1.9m fixed July 2019 also repayable by July 2031.

(b) Finance leases

The net finance lease obligations to which the institution is committed are:

	2019	2018
	£'000	£'000
In one year or less	-	55
Between two and five years	-	-
Total	<u>-</u>	<u>55</u>

19 Provisions	Defined Benefit LGPS £'000	Defined Benefit EPP £'000	Other £000's	Total £'000
At 1 August 2018	13,355	1,089	366	14,810
Expenditure in the period	(1,844)	(89)	-	(1,933)
Additions in period	10,679	179	34	10,892
At 31 July 2019	<u>22,190</u>	<u>1,179</u>	<u>400</u>	<u>23,769</u>

The enhanced pension provision relates to the cost of staff who have already left B&FC's employ and commitments for reorganisation costs from which B&FC cannot reasonably withdraw at the balance sheet date. This provision has been recalculated in accordance with guidance issued by the funding bodies.

The principal assumptions for this calculation are:

	2019	2018
Price inflation	2.20%	2.30%
Discount rate	2.00%	1.30%

20 Cash and cash equivalents	At 1 August 2018 £'000	Cash flows £'000	At 31 July 2019 £'000
Cash and cash equivalents	8,575	1,849	10,424
Total	<u>8,575</u>	<u>1,849</u>	<u>10,424</u>

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Financial Instruments	2019	2018
	£'000	£'000
Financial assets		
Debt instruments measured at amortised cost	2,586	2,279
Financial Liabilities		
Financial liabilities measured at amortised cost	35,337	38,975

21 Capital and other commitments	2019	2018
	£'000	£'000
Commitments contracted for at 31 July	1,200	510

22 Lease obligations

At 31 July, B&FC had minimum lease payments under non-cancellable operating leases as follows:

	2019	2018
	£'000	£'000
Future minimum lease payments due		
Not later than one year	-	32
	-	32

23 Contingencies

B&FC holds no contingent liabilities

24 Events after the reporting period

There are no events after the reporting period

25 Defined benefit obligations

B&FC's employees belong to two principal post-employment benefit plans: the Teachers' Pension Scheme England and Wales (TPS); and the Lancashire County 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 2016. The result of the latest TPS valuation resulted in the decision that employer contributions would rise from 16.48% to 23.6% from September 2019. The Department of Education has stated it will fund the extra TPS contributions in 19/20 with the Chancellor subsequently stating his September 2019 spending plans that they would also be funded for 20/21.

Total pension cost for the year	2019	2018
	£000	£000
Teachers' Pension Scheme: contributions paid	1,614	1,617
Local Government Pension Scheme:		
Contributions paid	1,844	1,992
FRS 102 (28) charge	2,075	1,825
Charge to the Statement of Comprehensive Income	3,919	3,817
Enhanced pension charge to Statement of Comprehensive Income	130	(107)
Total Pension Cost for Year	5,663	5,327

Contributions amounting to £340,000 (2017/18 £402,000) were payable to the schemes at 31st July and are included within creditors.

Teachers' Pension Scheme

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

The Teachers' Pension Budgeting and Valuation Account

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

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

Valuation of the Teachers' Pension Scheme

The latest actuarial review of the TPS was carried out as at 31 March 2016 with the key results as follows:

- New employer contribution rates increase from 16.48% to 23.6% of pensionable pay (including administration fees of 0.08%) from September 2019;
- ESFA will be funding the extra employer contributions in 2019;
- In his September spending review Sajid David, the Chancellor, announced further funding to cover the extra TPS funding in 20/21.
- total scheme liabilities for service to the effective date of £218.1 billion, and notional assets of £196.1 billion, giving a notional past service deficit of £22 billion;
- an employer cost cap of 10.9% of pensionable pay.

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

Scheme Changes

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

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

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

Regulations giving effect to a reformed Teachers' Pension Scheme came into force on 1 April 2014 and the reformed scheme commenced on 1 April 2015.

The pension costs paid to TPS in the year amounted to £1,613,953 (2017/18: £1,616,562).

FRS 102 (28)

Under the definitions set out in FRS 102 (28.11), the TPS is a multi-employer pension plan. B&FC is unable to identify its share of the underlying assets and liabilities of the plan.

Accordingly, B&FC 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. B&FC has set out above the information available on the plan and the implications for B&FC in terms of the anticipated contribution rates.

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Lancashire County Pension Fund. The total contributions made for the year ended 31 July 2019 were £2,559k, of which employer's contributions totalled £1,844k and employees' contributions totalled £715k. The agreed contribution rates for 19/20 is 14.4% plus a fixed deficit contribution of £207,100 for employers and range from 5.5% to 12.5% for employees, depending on salary.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2019 by a qualified independent actuary.

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

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

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

B&FC's share of the assets in the plan at the balance sheet date and the expected rates of return were:

	Fair Value at 31 July 2019 £'000	Fair Value at 31 July 2018 £'000
Equities	38,151	30,208
Bonds	1,277	2,339
Property	7,024	6,330
Cash/Liquidity	1,437	619
Other	31,926	29,312
Total fair value of plan assets	79,815	68,808
Actual return on plan assets	<u>10,261</u>	<u>5,135</u>

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

	2019 £'000	2018 £'000
Fair value of plan assets	79,815	68,808
Present value of plan liabilities	(101,729)	(81,895)
Present value of unfunded liabilities	(276)	(268)
Net pensions liability (Note 19)	<u>(22,190)</u>	<u>(13,355)</u>

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

	2019 £'000	2018 £'000
Amounts included in staff costs		
Current service cost	3,205	3,817
Employer Contributions	(1,844)	(1,992)
Administration Expenses	788	145
Total	<u>2,149</u>	<u>1,970</u>

Amounts included in investment cost		
Net interest cost	(361)	(489)
	<u>(361)</u>	<u>(489)</u>
Amount recognised in Other Comprehensive Income		
Return on pension plan assets	8,254	3,492
Changes in assumptions underlying the present value of plan liabilities	(14,579)	5,413
Amount recognised in Other Comprehensive Income	<u>(6,325)</u>	<u>8,905</u>
Movement in net defined benefit (liability)/asset during year	2019	2018
	£'000	£'000
Net defined benefit (liability)/asset in scheme at 1 August	(13,355)	(19,801)
Movement in year:		
Current service cost	(3,205)	(3,817)
Employer contributions	1,844	1,992
Administration expenses	(788)	(145)
Net interest on the defined (liability)/asset	(361)	(489)
Actuarial gain or loss / re measurement	(6,325)	8,905
Net defined benefit (liability)/asset at 31 July	<u>(22,190)</u>	<u>(13,355)</u>
Asset and Liability Reconciliation	2019	2018
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	82,163	82,547
Current service cost	3,205	3,817
Interest cost	2,368	2,133
Contributions by Scheme participants	715	754
Changes in financial assumptions	14,579	(5,413)
Benefits/transfers paid	(1,757)	(1,760)
Past Service cost	714	-
Curtailement and Settlements	18	85
Defined benefit obligations at end of period	<u>102,005</u>	<u>82,163</u>
Changes in fair value of plan assets	2019	2018
	£'000	£'000
Fair value of plan assets at start of period	68,808	62,746
Interest on plan assets	2,007	1,644
Return on plan assets	8,254	3,492
Administration expenses	(56)	(60)
Employer contributions	1,844	1,992
Contributions by Scheme participants	715	754
Estimated benefits paid	(1,757)	(1,760)
Fair value of plan assets at end of period	<u>79,815</u>	<u>68,808</u>

These accounts show a past service cost of £230 million in respect of the McCloud / Sergeant judgment which ruled that the transitional protection for some members of public service schemes implemented when they were reformed constituted age discrimination. This provision is just under 2% of the total scheme liability as at 31 March 2019. The calculation of adjustment to past service costs, £7 billion, arising from the outcome of the Court of Appeal judgment is based on a number of key assumptions including:

- the form of remedy adopted
- how the remedy will be implemented
- which members will be affected by the remedy
- the earning assumptions
- the withdrawal assumption

The other financial and demographic assumptions adopted to calculate the past service cost are the same as those used to calculate the overall scheme liability. Adopting different assumptions, or making other adjustments to reflect behavioural changes stemming from the judgment, would be expected to change the disclosed past service cost. Similarly, allowing for variations in individual members' future service or salary progression is expected to produce higher costs. The past service cost is particularly sensitive to the difference between assumed long term general pay growth and the CPI. If the long term salary growth assumptions were 0.5% pa lower, then the past service cost disclosed here would be expected to reduce by 50% and conversely a 0.5% pa increase would increase the estimated cost by 65%.

26 Related Party Transactions

Owing to the nature of B&FC's operations and the composition of the Board 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 may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with B&FC's financial regulations and normal procurement procedures.

There were no expenses paid to or on behalf of the Board members during the year (2017: None). This would represent travel and subsistence expenses and other out of pocket expenses incurred in attending Board meetings and charity events in their official capacity.

No Board member has received any remuneration or waived payments from B&FC during the year (2017/18: None).

Blackpool Borough Council - Employer of A Cavill and J Mills

During the year B&FC received £339,107 (2017/18: £952,724). There was £49,776 outstanding at year end (2017/18: £99,868). Purchase transactions totalling £15,659 (2017/18: £66,055) took place. There was £2,160 outstanding at the year end (2017/18: £1,050).

Force Technology Ltd – Employer of S Williams

During the year B&FC received £0 (2017/18: £0). There was no balance outstanding at year end. (2017/18: £0). No purchase transactions occurred (2017/18: £0). There was no outstanding balance at the year end (2017/18: £0).

Blackpool Transport Ltd – Employer of J Cole

During the year B&FC received £24,121 (2017/18: £0). There was £0 outstanding at year end. (2017/18: £0). Purchase transactions totalling £497,961 (2017/18: £445,207) took place. There was £52,605 outstanding at the year end (2017/18: £57,377).

Fylde Coast Medical Services – Employer of L Moffat

During the year B&FC received £0 (2017/18: £0). There was no balance outstanding at year end. (2017/18: £0). No purchase transactions occurred (2017/18: £0). There was no outstanding balance at the year end (2017/18: £0).

Lancaster University – Employer of H Knight

During the year B&FC received £0 (2017/18: £850). There was no balance outstanding at year end (2017/18: £0). Purchase transactions totalling £1,393,191 took place (2017/18: £1,341,975). There was no outstanding balance at the year end (2017/18: £0).

Merlin Entertainments – Employer of K Shane

During the year B&FC received £0 (2017/18: £0). There was no balance outstanding at year end. (2017/18: £0). No purchase transactions occurred (2017/18: £0). There was no outstanding balance at the year end (2017/18: £0).

PDS Medical Ltd – Employer of L Moffat

During the year B&FC received £0 (2017/18: £0). There was no balance outstanding at year end. (2017/18: £0). No purchase transactions occurred (2017/18: £0). There was no outstanding balance at the year end (2017/18: £0).

Victrex – Employer of K Gilmour

During the year B&FC received £23,215 (2017/18: £66,644). There was no balance outstanding at year end. (2017/18: £0). No purchase transactions occurred (2017/18: £0). There was no outstanding balance at the year end (2017/18: £0).

Westinghouse Employer of N Farley

During the year B&FC received £147,077 (2017/18: £273,250). There was no balance outstanding at year end. (2017/18: £0). No purchase transactions occurred (2017/18: £0). There was no outstanding balance at the year end (2017/18: £0).

NCOOG – an associate of B&FC

During the year B&FC received £0 (2017/18: £0). There was no balance outstanding at year end. (2017/18: £0). No purchase transactions occurred (2017/18: £0). There was no outstanding balance at the year end (2017/18: £0).

27 Amounts disbursed as agent	2019	2018
Learner support funds	£'000	£'000
Funding body grants – bursary support	341	382
Disbursed to students	(215)	(263)
Administration costs	(23)	(47)
Balance unspent as at 31 July, included in creditors	103	72

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

