

Blackpool and The Fylde College

Report and Financial Statements for the year ended 31 July 2018

Key management personnel, Corporation 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 2017/18:

| | | From | To |
|--------------|---|-------------|-----------|
| Bev Robinson | CEO and Principal; Accounting Officer | 1/8/17 | 31/7/18 |
| Robby Ryan | Chief Operating Officer | 1/8/17 | 31/7/18 |
| Cheryl Dunn | Vice-Principal for HE and Student Enhancement | 1/8/17 | 31/7/18 |
| Simon Hughes | Vice-Principal for Quality and Curriculum | 1/8/17 | 31/7/18 |
| Tim Lemon | Executive Director of Commercial Strategy | 14/8/17 | 9/3/18 |

Board of Governors

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

PDH Advisory Ltd acted as Clerk to the Board from 1st August 2017 to 31st July 2018.

Professional advisers

Financial statements auditors and reporting accountants:

KPMG LLP
1 St Peters Square
Manchester
M2 3AE

Internal auditors:

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 Bridgwater Street
Manchester
M1 5ES

CONTENTS

| | Page number |
|---|-------------|
| Strategic Report | 4 |
| Statement of Corporate Governance and Internal Control | 15 |
| Statement of Regularity, Propriety and Compliance | 23 |
| Statement of Responsibilities of the Members of the Board | 24 |
| Independent Auditor's Report to the Board of Blackpool and The Fylde College | 26 |
| Reporting Accountant's Assurance Report on Regularity | 28 |
| Statement of Comprehensive Income | 30 |
| Statement of Changes in Reserves | 31 |
| Balance Sheets as at 31 July | 32 |
| Statement of Cash Flows | 33 |
| Notes to the Accounts | 34 |

Strategic Report

NATURE, OBJECTIVES AND STRATEGIES:

The members present their report and the audited financial statements for the year ended 31 July 2018.

Legal status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting 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
- Widening participation and promoting social inclusion
- Inspiring students to achieve their full potential
- Strong track record of progression into sustainable employment
- Strong relationships with employers, industry and commerce

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 2018 for the period 2018 to 2021. 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 funding. 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 strength 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:

- Student achievement
- Student attendance
- Student retention
- Student assessment
- Student progression
- Customer satisfaction
- 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 strength 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 remain below 25% 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 revolving credit facility was converted to a fixed loan in June 2018 with the result that cash balances increased and the current ratio improved. B&FC's financial health grading has increased to Outstanding.

FINANCIAL POSITION

Financial results

B&FC generated a surplus before other gains and losses in the year of £0.1m, (2016/17 – surplus of £1.6m). This includes £2.4m of FRS102 related pension costs. The total comprehensive income was £9.0m, (2016/17 - £5.0m) which includes £9m of actuarial gains in respect of B&FC's defined benefit pension schemes.

B&FC has accumulated reserves of £51.3m (2016/17 £42.2m) with the year on year increase being largely caused by a £9m gain related to an actuarial revaluation of B&FC's defined benefit pension schemes. Cash balances, including fixed term deposits, were £10.7m (2016/17 £3.1m).

Tangible fixed asset additions during the year amounted to £3.5m split between land and buildings development of £1.6m and equipment purchased of £1.9m. This was mainly 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 2017/18, the funding bodies provided 46% of B&FC's total income, versus 48% in 2016/17 and a General Further Education average of 78% in 2016/17.

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 has a separate Treasury Management Policy contained within the Financial Policies and Procedures. Any borrowing requires the authorisation of the Corporation Board.

During the year £8m revolving credit facility ended and B&FC fixed £4m until 2031. The remaining £4m was borrowed for 12 months prior to a further planned fix of £1.9m in July 2019. £2.1m was subsequently placed on a 12 month deposit with Santander.

Cash flows and liquidity

At £4.3m, (2016/17 £6.6m) 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 reasonable cushion between the total cost of servicing debt and operating cash flow. During the year this margin was comfortably exceeded.

Reserves Policy

B&FC has no 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 £51k held as restricted reserves. As at the balance sheet date, the Income and Expenditure Reserve stands at £51.3m (2017: £42.2m). 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 2017/18, B&FC has delivered activity that has produced £24.1m in public funding body main allocation funding versus £25.2m in 2016/17. B&FC had approximately 15,500 students of which 8,700 were either part or wholly publicly funded.

Student Achievements

Students continue to prosper at B&FC. B&FC has consistently been in the top 10 best performing large general further education colleges in England, for student achievement in further education programmes for the past 4 years. B&FC's student's 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. In the 2017/18 National Student Survey (NSS), B&FC scored in the top quartile nationally within the categories of Learning Opportunities, Assessment and Feedback and Academic Support. According to the most recent Destination of Leavers from Higher Education (DLHE) data, 9 out of 10 of our students progressed into highly skilled work or further study and average B&FC graduate salary is £24k compared to national average of £21.5k. This is a great testament to the continued hard work and dedication of staff.

College Achievements and Curriculum Development

B&FC had a successful year in 2017/18 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 2017/18 include:

- The launch of the Fylde Coast Health and Social Care Career Academy in partnership with the local hospital trust and Blackpool Council, bringing together more than 30 employers and agencies to sit on the HSCCA steering group to ensure the curriculum delivers employees with the requisite skills.
- Science students' achievements were nationally recognised with one student being named as National Student of the Year and a further two students receiving a Highly Commended award from BTEC.
- Through a competitive selection process, B&FC was amongst the first of 54 post 16 providers to be chosen to deliver the new technical qualifications called T Levels in construction, digital and education and childcare.
- B&FC's students actively participated in a range of community based projects such as B&FC's Engineering students assisting in the restoration of the ageing sails of the historic windmill at Marsh Mill and Construction students restoring the seating in the Blackpool's heritage trams and the Changi gate at Layton memorial arboretum.
- One of B&FC's apprentices being named as a runner-up in the national Apprentice of the Year category at the AoC Awards in November 2017.
- Fashion students' designs being commissioned by an international costume company.
- Students from Project Management and Computing programmes presenting their research findings at the British Undergraduate Research Conference at the University of Sheffield.
- Leadership and Management programmes continuing to be highly valued by industry with Manchester United becoming one of the latest employer partners.
- Wigan Council choosing B&FC as their partner of choice for both Project Management together with Leadership and Management.
- The re-accreditation of B&FC's STEM assured status, demonstrating the strength and depth of our expertise in Science, Technology, Engineering and Mathematics that meets the needs of industry and employers.
- Achieving more than double B&FC's target to place one hundred apprentices in one hundred days as part of the National Apprenticeship Week.
- The expansion and enhancement of the firefighting training centre was completed and delivered full year activity from August 2017.

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 opened Lancashire Energy HQ at the Blackpool Airport Enterprise Zone which continues to attract employers keen to develop future employees with the specialist

skills that they need. For instance, B&FC has created working partnerships with Spirit Energy, Ideal Boilers and Atlas Copco.

B&FC, Blackpool Council and Lancaster University formalised their strong working relationship with the formation of a new strategic alliance. The alliance between education and local authority leaders is wide ranging and will contribute to the economic growth of the greater Blackpool area.

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. Quarterly reports on progress are produced for the Strategic Management Committee and a half yearly and an annual report are presented to the Corporation Board.

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 2017 to 31 July 2018, B&FC paid 97% of its compliant payments within 30 days (97% in 16/17). B&FC incurred no interest charges in respect of late payment for this period.

Future prospects

- A £1.6m refurbishment of the Gateway Campus was completed during the summer. This forms part of B&FC's property strategy and contributes to the ongoing commitment to invest in learning.
- Planning has begun on a £1.5m Halls of Residence at Fleetwood to meet the expected increase for Maritime training. Construction will commence on site early in the new year and is due for completion in May 2019.
- B&FC continues to manage its resources and costs effectively and flexibly to maintain strong surplus and cash flow in order to continue investment in high quality learning facilities and industry standard equipment.

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 contribution and operational effectiveness through an on-going programme of key process efficiency review.

B&FC Property Strategy

The 2010-2020 Property Strategy has served B&FC well for the past 8 years informing the strategic phased development of the estate with over £56m 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 2018-2021 was agreed by the Board in June 2018. The new 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.

The significant elements of the strategy delivered in 2017/18 were:

- Lancashire Energy HQ (LEHQ), on Blackpool's Enterprise Zone
- A new Marine Engineering Centre was built on Fleetwood Nautical Campus in 17/18 achieving BREEAM 'Excellent' standard
- Mechanical and electrical upgrades to a number of buildings at Bispham Campus and the University Centre were completed to improve efficiency and reduce the risk of service failure.

RESOURCES:

Financial

B&FC has £51.3m of net assets after including a £13.4m pension liability, a decrease from £19.8m in 2016/17 due to a change in actuarial assumptions. B&FC continues to generate positive operating cash and borrowings as a percentage of income continue to be low.

People

B&FC employed 936 full time equivalent staff to 31st July 2018, of whom 548 are 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's student's 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.
- In the 2017/18 National Student Survey (NSS), B&FC scored in the top quartile nationally within the categories of Learning Opportunities, Assessment and Feedback and Academic Support.

- According to the most recent Destination of Leavers from Higher Education (DLHE) data, 9 out of 10 of B&FC's students progressed into highly skilled work or further study.

In addition to being Ofsted Outstanding, B&FC has 2 QAA commendations and, in June 2017, was one of only 14 colleges nationally to be awarded Teaching Excellence Framework (TEF) Gold status.

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.

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 2017/18, the Government funding bodies provided 46% 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. This has decreased following several changes to the scheme's actuarial assumptions. The Teachers' Pension Scheme remains in deficit and it is likely that contributions will increase in future and that this 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
- Education sector funding bodies
- A range of employers, both local and national
- Local authorities
- Lancashire Local Enterprise Partnership (LEP)
- The local community
- Other educational and training organisations such as universities, schools, training providers and FE colleges
- Professional bodies
- Banks
- Trade unions
- Local politicians

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 have also been launched promoting 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 direction of B&FC in annual and mid-year briefings by the Principal and Chief Executive.

Equal Opportunities

As a fully inclusive learning organisation, B&FC strives to not only meet, but 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 period 2016-20:

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 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 (including physical or mental impairment), gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, gender, and sexual orientation. These are the identified protected characteristics of the Equality Duty, as specified in the Equality Act 2010.

B&FC shows this by:

- Removing or minimising disadvantages incurred by people due to their protected characteristics;
- 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.

Disclosure of information to auditors

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

Approved by order of the members of the Board on 11 Dec 2018... and signed on its behalf by:



A Cavill
Chair of Governors

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 2017 to 31 July 2018 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 | Appointed/ reappointed | Term ends/ resigned | Attendance 2017/18 | Committee membership as at year end | | | |
|---------------------|------------------------|---------------------------|------------------------|-----------------------|--|---|---|---|
| | | | | | A | Q | R | S |
| Alan Cavill (Chair) | Independent | 15/12/2013 | 13/12/2021 | 100% | | | ✓ | ✓ |
| Helen Broughton MBE | Independent | 07/03/2016 | 31/07/2018 | 75% | | ✓ | ✓ | |
| Neil Farley | Independent | 06/07/2015 | 04/07/2019 | 75% | | ✓ | | ✓ |
| Kenny Gilmour | Independent | 07/07/2015 | 06/07/2019 | 87.5% | ✓ | | | |
| Peter Greenall | Staff | 18/11/2015 | 31/07/2018 | 50% | | | | |
| Colleen Hickson | Staff | 22/09/2015 | 21/09/2019 | 87.5% | | | | |
| Heather Knight | Independent | 01/03/2018 | 28/02/2019 | 100% | | | | |
| Judith Mills | Independent | 21/01/2014 | 20/01/2022 | 100% | ✓ | | | ✓ |
| Lorraine Moffat | Independent | 26/09/2016 | 24/09/2020 | 87.5% | ✓ | | | ✓ |
| Anne Parmley | Independent | 13/03/2017 | 11/03/2021 | 87.5% | | ✓ | ✓ | |
| Bev Robinson OBE | Principal | 29/04/2013 | Ex-officio | 100% | | | | ✓ |
| Kate Shane | Independent | 06/05/2014 | 05/05/2022 | 50% | | | | |
| Kirsty-Ann Smith | Student | 01/09/2017 | 31/08/2018 | 12.5% | | | | |
| Aaron Winstanley | Student | 01/09/2017 | 31/08/2018 | 50% | | | | |

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

During 2017-18, 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.

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 judgment 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 the results of the 2017-18 assessment were reported to the Board at its meeting on 25 September 2018. The self-assessment took the form of a questionnaire which was circulated to the Board in post at the time of circulation. It covered 8 key areas:

- Personal review
- Committee membership and performance
- Board culture in general
- Training and development
- Board performance
- Chair's performance
- Succession and personal ambitions
- Continuous improvements

Feedback from the self-assessment has been used to inform the training provided to governors. For example, a briefing on trustees' duties has been provided.

Remuneration Committee

Throughout the year ended 31 July 2018, 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 2018 are set out in notes 7 to 8 to the financial statements.

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 auditors review the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input and report their findings to management and 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 2018 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 2018 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 Auditors provide 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 auditors
- 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 auditors 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 2018 meeting, the Board carried out the annual assessment for the year ended 31 July 2018 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2017.

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,

generate strong operating cash flows and retains an £8m unsecured funding facility agreed to support further re-investment. For this reason, it continues to adopt the going concern basis in preparing these financial statements.

Approved by order of the Board on ~~11 Dec 2018~~ and signed on its behalf by:



A Cavill
Chair of Governors



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 Governors

Date 11/12/2018



B Robinson OBE
Accounting Officer

Date 11/12/18

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 Financial Memorandum with the ESFA, the Board, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education and with the College Accounts Direction 2017 to 2018 issued by ESFA, and which give a true and fair view of the state of affairs of B&FC 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 Financial Memorandum with the ESFA 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 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 ~~11 Dec 2018~~ and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'A Cavill', written over a horizontal line.

A Cavill

Chair of Governors

Independent Auditors 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 2018 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 2018, 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.

Going concern

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 twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information

The Corporation 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 2017 to 2018 (March 2018) 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's 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 the College'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's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than B&FC and the Board for our audit work, for this report, or for the opinions we have formed.

Amanda Latham 12/12/18
Amanda Latham
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE

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 of the financial memorandum with the ESFA 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 1 August 2017 to 31 July 2018 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 Blackpool and The Fylde College 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 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 1 August 2017 to 31 July 2018 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Post-16 Audit Code of Practice issued by the Education Skills Funding Agency. 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 B&FC;
- 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 B&FC 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 2017 to 31 July 2018 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Amanda Latham 12/12/18

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

Statements of Comprehensive Income

| | Note | Year Ended 2018 | Year Ended 2017 |
|--|------|--------------------|--------------------|
| | | £'000 | £'000 |
| INCOME | | | |
| Funding body grants | 2 | 24,071 | 25,167 |
| Tuition fees and education contracts | 3 | 18,513 | 17,627 |
| Other grants and contracts | 4 | 1,348 | 1,130 |
| Other income | 5 | 8,886 | 8,954 |
| Investment income | 6 | 16 | 13 |
| Total income | | 52,834 | 52,891 |
| EXPENDITURE | | | |
| Staff costs | 8 | 34,273 | 33,330 |
| Fundamental restructuring costs | 8 | 120 | 229 |
| Other operating expenses | 9 | 13,099 | 13,043 |
| Depreciation | 12 | 4,540 | 3,919 |
| Interest and other finance costs | 10 | 751 | 791 |
| Total expenditure | | 52,783 | 51,312 |
| Surplus before tax | | 51 | 1,578 |
| Taxation | 11 | (14) | (14) |
| Surplus for the year | | 37 | 1,564 |
| Actuarial gain in respect of pensions schemes | 25 | 8,970 | 3,466 |
| Total Comprehensive Income for the year | | 9,007 | 5,030 |

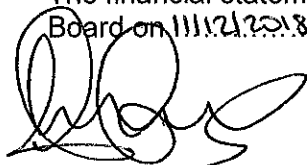
Statement of Changes in Reserves

| | Income and expenditure account | Restricted reserve | Total |
|---|--------------------------------------|-----------------------|--------|
| | £'000 | £'000 | £'000 |
| Balance at 31st July 2017 | 42,202 | 52 | 42,254 |
| Surplus from the income and expenditure account | 37 | - | 37 |
| Other comprehensive income | 8,970 | - | 8,970 |
| Total comprehensive Income for the Year | 9,007 | - | 9,007 |
| Balance at 31st July 2018 | 51,209 | 52 | 51,261 |

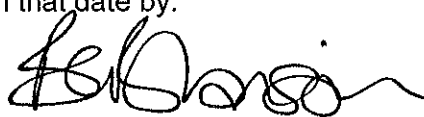
Balance sheets as at 31 July

| | Notes | Year Ended 2018 | Year Ended 2017 |
|--|-------|--------------------|--------------------|
| | | £'000 | £'000 |
| Non current assets | | | |
| Tangible Fixed assets | 12 | 93,325 | 94,308 |
| Investments | 13 | 50 | 51 |
| | | <u>93,375</u> | <u>94,359</u> |
| Current assets | | | |
| Stocks | | 5 | 4 |
| Trade and other receivables | 14 | 2,279 | 2,234 |
| Investments | 15 | 2,100 | - |
| Cash and cash equivalents | 20 | 8,575 | 3,092 |
| | | <u>12,959</u> | <u>5,330</u> |
| Less: Creditors – amounts falling due within one year | 16 | (8,563) | (9,162) |
| | | <u>4,396</u> | <u>(3,832)</u> |
| Total assets less current liabilities | | 97,771 | 90,527 |
| Creditors – amounts falling due after more than one year | 17 | (31,700) | (26,843) |
| Provisions | | | |
| Defined benefit obligations | 19 | (14,444) | (19,801) |
| Other provisions | 19 | (366) | (1,630) |
| | | <u>51,261</u> | <u>42,254</u> |
| Total net assets | | 51,261 | 42,254 |
| Restricted reserves – endowment fund | | 52 | 52 |
| Unrestricted Reserves | | 42,202 | 37,172 |
| Income and expenditure account | | 9,007 | 5,030 |
| | | <u>51,261</u> | <u>42,254</u> |
| Total reserves | | 51,261 | 42,254 |

The financial statements on pages 30 to 54 were approved and authorised for issue by the Board on 11/12/2018 and were signed on its behalf on that date by:



A Cavill
Chair of Governors



B Robinson OBE
Accounting Officer

Statement of Cash Flows

| | 2018 £'000 | 2017 £'000 |
|---|----------------|----------------|
| Cash flow from operating activities | | |
| Surplus/(Deficit) for the year | 38 | 1,564 |
| Adjustment for non-cash items | | |
| Depreciation | 4,540 | 3,919 |
| (Increase)/decrease in stocks | (1) | - |
| (Increase)/decrease in debtors | (45) | 526 |
| Increase/(decrease) in creditors due within one year | (1,356) | (1,659) |
| Increase/(decrease) in creditors due after one year | (1,466) | (445) |
| Increase/(decrease) in provisions | (6,620) | (1,041) |
| Pensions costs less contributions payable | 8,970 | 3,466 |
| Taxation | 14 | 14 |
| Adjustment for investing or financing activities | | |
| Investment income | (16) | (13) |
| Interest payable | 220 | 240 |
| Taxation paid | (14) | (14) |
| Net cash flow from operating activities | <u>4,264</u> | <u>6,559</u> |
| Cash flows from investing activities | | |
| Investment income | 16 | 13 |
| New deposits | (2,100) | - |
| Deferred capital grant received | 1,428 | 5,872 |
| Payments made to acquire fixed assets | (3,557) | (11,555) |
| | <u>(4,213)</u> | <u>(5,670)</u> |
| Cash flows from financing activities | | |
| Interest paid | (204) | (228) |
| Interest element of finance lease rental payments | (16) | (12) |
| New unsecured loans | 8,000 | 1,500 |
| Repayments of amounts borrowed | (2,250) | (3,802) |
| Capital element of finance lease rental payments | (98) | (98) |
| | <u>5,432</u> | <u>(2,640)</u> |
| Increase / (decrease) in cash and cash equivalents in the year | <u>5,483</u> | <u>(1,751)</u> |
| Cash and cash equivalents at beginning of the year | 20 | 3,092 |
| Cash and cash equivalents at end of the year | 20 | 8,575 |
| | 3,092 | 3,092 |

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 2016 to 2017 and in accordance with Financial Reporting Standard 102 – “The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland” (FRS 102). 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 £3m is outstanding and loan repayments are scheduled until May 2022. The second was a 2015 £8m revolving credit facility of which £4m was fixed in July 2018 and a further min £1.9m will fix in July 2019. Both £5.9m fixed loans 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 HEFCE, now 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
- General Equipment 5 years
- Motor vehicles 4 years
- Computer equipment 3 years
- Furniture, fixtures and fittings 3 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 2017/18 it could only recover 0.94% 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 excluded from both 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 2018. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Blackpool and The Fylde College
Financial Statements for the year ended 31 July 2018

| | | | |
|----------|---|---------------|---------------|
| 2 | Funding body grants | 2018 | 2017 |
| | | £'000 | £'000 |
| | Recurrent grants | | |
| | Education and Skills Funding Agency - adult | 4,894 | 5,150 |
| | Education and Skills Funding Agency – 16-18 | 13,675 | 13,960 |
| | Education and Skills Funding Agency – apprenticeships | 2,327 | 2,716 |
| | Higher Education Funding Council | 1,995 | 2,461 |
| | Specific grants | | |
| | Education and Skills Funding Agency | 365 | 321 |
| | Releases of government capital grants | 274 | 95 |
| | HE grant | 541 | 464 |
| | Total | 24,071 | 25,167 |
| | | <hr/> | <hr/> |
| 3 | Tuition fees and education contracts | 2018 | 2017 |
| | | £'000 | £'000 |
| | Total tuition fees | 18,020 | 17,044 |
| | Education contracts | 493 | 583 |
| | Total | 18,513 | 17,627 |
| | | <hr/> | <hr/> |
| 4 | Other grants and contracts | 2018 | 2017 |
| | | £'000 | £'000 |
| | Other grants and contracts | 1,348 | 1,130 |
| | Total | 1,348 | 1,130 |
| | | <hr/> | <hr/> |
| 5 | Other income | 2018 | 2017 |
| | | £'000 | £'000 |
| | Catering and residences | 1,845 | 1,795 |
| | Other income generating activities | 5,745 | 6,245 |
| | Exam Fees | 182 | 181 |
| | Miscellaneous income | 1,114 | 733 |
| | Total | 8,886 | 8,954 |
| | | <hr/> | <hr/> |
| 6 | Investment Income | 2018 | 2017 |
| | | £'000 | £'000 |
| | Other interest receivable | 16 | 13 |
| | Total | 16 | 13 |
| | | <hr/> | <hr/> |

7 Staff costs

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

| | 2018 | 2017 |
|--------------------|-------------|-------------|
| | No. | No. |
| Teaching staff | 548 | 522 |
| Non-teaching staff | 388 | 416 |
| | 936 | 938 |

8 Staff costs for the above persons

| | 2018 | 2017 |
|---|---------------|---------------|
| | £'000 | £'000 |
| Wages and salaries | 26,115 | 25,837 |
| Social security costs | 2,330 | 2,166 |
| Other pension costs | 5,283 | 4,852 |
| Payroll sub total | 33,728 | 32,855 |
| Contracted out staffing services | 545 | 475 |
| | 34,273 | 33,330 |
| Fundamental restructuring costs – contractual | 120 | 229 |
| Total Staff costs | 34,393 | 33,559 |

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:

2017/18

| | |
|--------------|---|
| 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 |
| Tim Lemon | Executive Director of Commercial Strategy |

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

| | 2018 | 2017 |
|--|-------------|-------------|
| | No. | No. |
| The number of key management personnel including the Accounting Officer was: | 5 | 4 |
| | 5 | 4 |

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:

Blackpool and The Fylde College
Financial Statements for the year ended 31 July 2018

| | Key management personnel | | Other staff | |
|--------------------------|--------------------------|----------|-------------|-----------|
| | 2018 | 2017 | 2018 | 2017 |
| | No. | No. | No. | No. |
| £60,001 to £70,000 pa. | - | - | 8 | 7 |
| £70,001 to £80,000 pa. | - | - | 7 | 4 |
| £80,001 to £90,000 pa. | 2 | 2 | - | - |
| £90,001 to £100,000 pa. | - | 2 | - | - |
| £100,001 to £110,000 pa. | 2 | 2 | - | - |
| £150,000 to £160,000 pa. | 1 | 1 | - | - |
| | <u>5</u> | <u>7</u> | <u>15</u> | <u>11</u> |

2018 key management personnel figures represent the annualised emoluments of all 5 role holders throughout 2017/18.

Key management personnel emoluments are made up as follows:

| | 2018 £'000 | 2017 £'000 |
|--|---------------|---------------|
| Salaries – gross of salary sacrifice and waived emoluments | 506 | 593 |
| Benefits in kind | 4 | 5 |
| National Insurance | 65 | 68 |
| | <u>575</u> | <u>666</u> |
| Pension contributions | 79 | 81 |
| Total emoluments | <u>654</u> | <u>747</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:

| | 2018 £'000 | 2017 £'000 |
|---|-----------------------|-----------------------|
| Salaries | 165 | 156 |
| Benefits in kind | 1 | 1 |
| | <u>166</u> | <u>157</u> |
| Pension contributions | 26 | 26 |
| | <u>26</u> | <u>26</u> |
| Compensation for loss of office paid to former key management employee | 2018 £'000 | 2017 £'000 |
| Compensation paid to former employee | <u>4</u> | <u>-</u> |

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 2017 to 31 March 2018. B&FC's return can be found on page 54.

| 9 Other Operating Expenses | 2018 | 2017 |
|-----------------------------------|---------------|---------------|
| | £'000 | £'000 |
| Teaching costs | 6,038 | 5,943 |
| Non-teaching costs | 4,689 | 4,650 |
| Premises costs | 2,372 | 2,450 |
| Total | 13,099 | 13,043 |

| Surplus before taxation is stated after charging: | 2018 | 2017 |
|---|--------------|--------------|
| | £'000 | £'000 |
| Auditors' remuneration: | | |
| Financial statements audit* | 33 | 32 |
| Internal audit** | 19 | 31 |
| Other services provided by the financial statement auditor - Teachers' Pension Scheme Audit – KPMG | 1 | 1 |
| Hire of assets under operating leases | 81 | 137 |

* Includes £32,618 in respect of the College (2016/17 £31,668)

** includes £18,900 in respect of the College (2016/17 £30,740)

| 10 Interest and other finance costs | 2018 | 2017 |
|---|--------------|--------------|
| | £'000 | £'000 |
| On bank loans, overdrafts and other loans: | | |
| On finance leases | 205 | 228 |
| On finance leases | 16 | 12 |
| Net interest in defined pension liability (note 25) | 530 | 551 |
| Total | 751 | 791 |

| 11 Taxation | 2018 | 2017 |
|--|--------------|--------------|
| Current Tax | £'000 | £'000 |
| United Kingdom corporation tax at 20% per cent | 14 | 14 |
| Total | 14 | 14 |

Blackpool and The Fylde College
Financial Statements for the year ended 31 July 2018

| 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 2017 | 88,471 | 21 | 16,936 | 9,499 | 114,927 |
| Additions and reallocations | 1,639 | - | 1,918 | - | 3,557 |
| Disposals | - | - | (12) | - | (12) |
| Reallocation of Assets | 9,499 | - | - | (9,499) | - |
| At 31 July 2018 | 99,609 | 21 | 18,842 | - | 118,472 |
| Depreciation | | | | | |
| At 1 August 2017 | 7,127 | 6 | 13,486 | - | 20,619 |
| Charge for the year | 2,938 | 1 | 1,601 | - | 4,540 |
| Elimination in respect of disposals | - | - | (12) | - | (12) |
| At 31 July 2018 | 10,065 | 7 | 15,075 | - | 25,147 |
| Net book value at 31 July 2018 | 89,544 | 14 | 3,767 | - | 93,325 |
| Net book value at 31 July 2017 | 81,344 | 15 | 3,450 | 9,499 | 94,308 |

The net book value of equipment includes an amount of £40,000 (2016/17 – £152,000) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £112,000 (2016/17 – £98,000).

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 £12,000 equipment disposals have zero net book value and relate to the sale of two end of life vehicles.

| 13 Non-current investments | 2018 | 2017 |
|---|-----------|-----------|
| | £'000 | £'000 |
| Investment in Lancashire Colleges Consortium Ltd (7% owned) | - | - |
| Investment in NCOOG | - | - |
| Other non-current asset investments – endowment funds | 50 | 51 |
| Total | 50 | 51 |

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.

Blackpool and The Fylde College
Financial Statements for the year ended 31 July 2018

| 14 Trade debtors and other receivables | 2018 | 2017 |
|---|---------------------|---------------------|
| Amounts falling due within one year: | £'000 | £'000 |
| Trade receivables | 1,338 | 1,364 |
| Prepayments and accrued income | 941 | 870 |
| Total | <u>2,279</u> | <u>2,234</u> |

| 15 Current Investments | 2018 | 2017 |
|--------------------------------------|---------------------|---------------------|
| Amounts falling due within one year: | £'000 | £'000 |
| Fixed 12 month deposit | 2.100 | 2.100 |
| Total | <u>2,100</u> | <u>2,100</u> |

During 2017/18, a 12 month fixed deposit of £2.1m was placed with Santander.

| 16 Creditors: amount falling due within one year | 2018 | 2017 |
|---|---------------------|---------------------|
| | £'000 | £'000 |
| Bank loans and overdrafts | 3,050 | 2,250 |
| Obligations under finance leases | 55 | 98 |
| Payments Received on account | 240 | 1,265 |
| Trade Creditors | 422 | 624 |
| Other taxation and social security | 891 | 857 |
| Accruals and deferred income | 2,495 | 2,976 |
| Deferred income - government capital grants | 1,015 | 1,092 |
| Amounts owed to the ESFA | 395 | - |
| Total | <u>8,563</u> | <u>9,162</u> |

| 17 Creditors: amounts falling due after one year | 2018 | 2017 |
|---|----------------------|----------------------|
| | £'000 | £'000 |
| Bank loans | 7,950 | 3,000 |
| Obligations under finance leases | - | 54 |
| Deferred income - government capital grants | 23,442 | 23,117 |
| Amounts owed to the ESFA | 308 | 672 |
| Total | <u>31,700</u> | <u>26,843</u> |

18 Maturity of debt

(a) Bank loans and overdrafts

| | | |
|---|---------------|--------------|
| Bank loans and overdrafts are repayable as follows: | 2018 | 2017 |
| | £'000 | £'000 |
| In one year or less | 3,050 | 2,250 |
| Between one and two years | 1,050 | 750 |
| Between two and five years | 2,400 | 2,250 |
| In five years or more | 4,500 | - |
| Total | 11,000 | 5,250 |

B&FC borrowings are comprised of an unsecured fixed rate bank loan of £6m repayable by instalments between May 2012 and May 2022. £4m of an unsecured £8m revolving credit facility was fixed in June 2018 repayable by July 2031 with the £4m balance being drawn on a variable rate for 12 months pending a £1.9m fix in July 2019, also to be repaid by July 2031.

(b) Finance leases

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

| | | |
|----------------------------|--------------|--------------|
| | 2018 | 2017 |
| | £'000 | £'000 |
| In one year or less | 55 | 98 |
| Between two and five years | - | 54 |
| Total | 55 | 152 |

Finance lease obligations are secured on the assets to which they relate.

| | | | | |
|---------------------------|---|--|-------------------------|------------------------|
| 19 Provisions | Defined Benefit LGPS £'000 | Defined Benefit EPP £'000 | Other £000's | Total £'000 |
| At 1 August 2017 | 19,801 | 1,199 | 431 | 21,431 |
| Expenditure in the period | (1,992) | (85) | (90) | (2,167) |
| Additions in period | (4,454) | (25) | 25 | (4,454) |
| At 31 July 2018 | 13,355 | 1,089 | 366 | 14,810 |

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:

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

Blackpool and The Fylde College
Financial Statements for the year ended 31 July 2018

| 20 Cash and cash equivalents | At 1 August 2017 £'000 | Cash flows £'000 | At 31 July 2018 £'000 |
|------------------------------|------------------------------|---------------------|-----------------------------|
| Cash and cash equivalents | 3,092 | 5,483 | 8,575 |
| Total | 3,092 | 5,483 | 8,575 |

| Financial Instruments | 2018 £'000 | 2017 £'000 |
|--|---------------|---------------|
| Financial assets | | |
| Debt instruments measured at amortised cost | 2,279 | 2,234 |
| Financial Liabilities | | |
| Financial liabilities measured at amortised cost | 38,975 | 35,599 |

| 21 Capital and other commitments | 2018 £'000 | 2017 £'000 |
|---------------------------------------|---------------|---------------|
| Commitments contracted for at 31 July | 510 | 1,529 |

22 Lease obligations

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

| | 2018 £'000 | 2017 £'000 |
|--|---------------|---------------|
| Future minimum lease payments due | | |
| Not later than one year | 32 | 81 |
| | <u>32</u> | <u>81</u> |

23 Contingencies

Blackpool and The Fylde College 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 results of the latest TPS audit have not yet been released and therefore the actuarial calculations for the purpose of FRS102 reporting are still based on 2012 assumptions.

| Total pension cost for the year | 2018 | 2017 |
|--|--------------|--------------|
| | £000 | £000 |
| Teachers' Pension Scheme: contributions paid | 1,617 | 1,670 |
| Local Government Pension Scheme: | | |
| Contributions paid | 1,992 | 1,833 |
| FRS 102 (28) charge | 1,825 | 1,475 |
| Charge to the Statement of Comprehensive Income | 3,817 | 3,308 |
| Enhanced pension charge to Statement of Comprehensive Income | (107) | (94) |
| Total Pension Cost for Year | 5,327 | 4,884 |

Contributions amounting to £402,000 (2016/17 £425,000) 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 yet to be published. The previous valuation was based on the scheme as at March 2012 with the valuation report being published by the Department for Education (the Department) on 9 June 2014. The key results of the 2014 valuation was:

- New employer contribution rates were set at 16.48% of pensionable pay (including administration fees of 0.08%);
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- an employer cost cap of 10.9% of pensionable pay.

The employer contribution rate for the TPS was last updated in September 2015.

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 £1,616,562 (2016/17: £1,669,501).

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 2018 were £2,746,000, of which employer's contributions totalled £1,992,000 and employees' contributions totalled £754,000. The agreed contribution rates for future years are 14.4% plus a fixed deficit contribution of £599,000 from 2017/18 to 2019/20 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 2018 by a qualified independent actuary.

| | At 31 July 2018 | At 31 July 2017 |
|--------------------------------------|--------------------|--------------------|
| Rate of increase in salaries | 3.3% | 3.7% |
| Future pensions increases | 2.2% | 2.2% |
| Discount rate | 2.9% | 2.6% |
| Inflation assumption (CPI) | 2.1% | 2.2% |
| Commutation of pensions to lump sums | 50% | 50% |

Blackpool and The Fylde College
Financial Statements for the year ended 31 July 2018

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

| | At 31 July 2018 | At 31 July 2017 |
|-----------------------------|--------------------|--------------------|
| | Years | Years |
| <i>Retiring today</i> | | |
| Males | 22.7 | 22.6 |
| Females | 25.4 | 25.2 |
| <i>Retiring in 20 years</i> | | |
| Males | 25.0 | 24.9 |
| Females | 28.0 | 27.9 |

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 2018 £'000 | Fair Value at 31 July 2017 £'000 |
|--|--|--|
| Equities | 30,208 | 27,546 |
| Bonds | 2,339 | 1,192 |
| Property | 6,330 | 6,526 |
| Cash/Liquidity | 619 | 2,886 |
| Other | 29,312 | 24,596 |
| Total fair value of plan assets | 68,808 | 62,746 |
| Actual return on plan assets | <u>5,135</u> | <u>6,710</u> |

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

| | 2018 £'000 | 2017 £'000 |
|---|------------------------|------------------------|
| Fair value of plan assets | 68,808 | 62,746 |
| Present value of plan liabilities | (81,895) | (82,254) |
| Present value of unfunded liabilities | (268) | (293) |
| Net pensions liability (Note 19) | <u>(13,355)</u> | <u>(19,801)</u> |

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

| | 2018 £'000 | 2017 £'000 |
|--|---------------------|---------------------|
| Amounts included in staff costs | | |
| Current service cost | 3,817 | 3,308 |
| Employer Contributions | (1,992) | (1,833) |
| Administration Expenses | 145 | 57 |
| Total | <u>1,970</u> | <u>1,532</u> |
| Amounts included in investment cost | | |
| Net interest cost | (489) | (506) |
| | <u>(489)</u> | <u>(506)</u> |

Amount recognised in Other Comprehensive Income

| | | |
|---|--------------|--------------|
| Return on pension plan assets | 3,492 | 3,415 |
| Changes in assumptions underlying the present value of plan liabilities | 5,413 | 1 |
| Amount recognised in Other Comprehensive Income | 8,905 | 3,416 |

Movement in net defined benefit (liability)/asset during year

| | 2018 | 2017 |
|---|-----------------|-----------------|
| | £'000 | £'000 |
| Net defined benefit (liability)/asset in scheme at 1 August | (19,801) | (21,179) |
| Movement in year: | | |
| Current service cost | (3,817) | (3,308) |
| Employer contributions | 1,992 | 1,833 |
| Administration expenses | (145) | (57) |
| Net interest on the defined (liability)/asset | (489) | (506) |
| Actuarial gain or loss / re measurement | 8,905 | 3,416 |
| Net defined benefit (liability)/asset at 31 July | (13,355) | (19,801) |

Asset and Liability Reconciliation

| | 2018 | 2017 |
|--|---------------|---------------|
| | £'000 | £'000 |
| Changes in the present value of defined benefit obligations | | |
| Defined benefit obligations at start of period | 82,547 | 77,516 |
| Current service cost | 3,817 | 3,308 |
| Interest cost | 2,133 | 1,935 |
| Contributions by Scheme participants | 754 | 725 |
| Changes in financial assumptions | (5,413) | (1) |
| Benefits/transfers paid | (1,760) | (936) |
| Past Service cost | 85 | - |
| Defined benefit obligations at end of period | 82,163 | 82,547 |

Changes in fair value of plan assets

| | 2018 | 2017 |
|---|---------------|---------------|
| | £'000 | £'000 |
| Fair value of plan assets at start of period | 62,746 | 56,337 |
| Interest on plan assets | 1,644 | 1,429 |
| Return on plan assets | 3,492 | 3,415 |
| Administration expenses | (60) | (57) |
| Employer contributions | 1,992 | 1,833 |
| Contributions by Scheme participants | 754 | 725 |
| Estimated benefits paid | (1,760) | (936) |
| Fair value of plan assets at end of period | 68,808 | 62,746 |

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 (2016: None).

Blackpool Borough Council - Employer of A Cavill and J Mills

During the year B&FC received £952,724 (2016/17: £155,646). There was £99,868 outstanding at year end (2016/17: £0). Purchase transactions totalling £66,055 (2016/17: £74,282) took place. There was £1,050 outstanding at the year end (2016/17: £0).

Merlin Entertainments – Employer of K Shane

During the year B&FC received £0 (2016/17: £396). There was a balance of £0 outstanding at year end. (2016/17: £99). No purchase transactions occurred (2016/17: £0). There was no outstanding balance at the year end (2016/17: £0).

Victrex – Employer of K Gilmour

During the year B&FC received £66,644 (2016/17: £16,985). There was no balance outstanding at year end. (2016/17: £0). No purchase transactions occurred (2016/17: £0). There was no outstanding balance at the year end (2016/17: £0).

Westinghouse Employer of N Farley

During the year B&FC received £273,250 (2016/17: £161,193). There was no balance outstanding at year end. (2016/17: £0). No purchase transactions occurred (2016/17: £0). There was no outstanding balance at the year end (2016/17: £0).

Danbro Accounting Ltd – Employer of H Broughton MBE

During the year B&FC received £15,438 (2016/17: £790). There was no balance outstanding at year end. (2016/17: £0). No purchase transactions occurred (2016/17: £0). There was no outstanding balance at the yearend (2016/17: £0).

Lancaster University – Employer of H Knight

During the year B&FC received £850 (2016/17: £22,660). There was no balance outstanding at year end (2016/17: £0). Purchase transactions totalling £1,341,975 took place (2016/17: £1,242,706). There was no outstanding balance at the year end (2016/17: £0).

Willow Fruit Farm – J Mills owner

During the year B&FC received £0 (2016/17: £0). There was no balance outstanding at year end. (2016/17: £0). Purchase transactions totalling £164 (2016/17: £0) took place. There was no outstanding balance at the year end (2016/17: £0).

Fylde Coast Medical Services – Employer of L Moffat

During the year B&FC received £0 (2016/17: £0). There was no balance outstanding at year end. (2016/17: £0). No purchase transactions occurred (2016/17: £0). There was no outstanding balance at the year end (2016/17: £0).

NCOOG – an associate of B&FC

During the year B&FC received £0 (2016/17: £0). There was no balance outstanding at year end. (2016/17: £0). No purchase transactions occurred (2016/17: £0). There was no outstanding balance at the year end (2016/17: £0).

| 27 Amounts disbursed as agent | 2017 | 2016 |
|--|--------------|--------------|
| Learner support funds | £'000 | £'000 |
| Funding body grants – bursary support | 382 | 375 |
| Disbursed to students | (263) | (263) |
| Administration costs | (47) | (46) |
| Balance unspent as at 31 July, included in creditors | 72 | 66 |

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.

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 2017 to 31 March 2018.

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 relevant trade union officials during the relevant period | Full time equivalent employee number |
|--|--------------------------------------|
| 4 | 3.5 |

Table 2 - Percentage of time spent on facility time

| Percentage of time spent on facility time | Number of employees |
|---|---------------------|
| 0-50% | 4 |

Table 3 - Percentage of pay bill spent on facility time

| | |
|--------------------------------------|-------------|
| Total cost of facility time | £7,746 |
| Total pay bill | £34,393,000 |
| % of pay bill spent on facility time | 0.023% |

Table 4 - Paid trade union activities

| | |
|---|------|
| Paid trade union activities as a percentage of paid facility time | 100% |
|---|------|