Blackpool and The Fylde College

Report and Financial Statements
for the year ended 31 July 2016

Key Management Personnel, Board of Governors and Professional advisers

Key management personnel

Key management personnel are defined as members of the College Executive Team and were represented by the following in 2015/16:

Bev Robinson	CEO and Principal; Accounting Officer
Catherine Hill	Deputy Principal
Daryl Platt	Executive Director of Commercial Development
Alastair Milloy	Vice Principal Finance & Planning

Board of Governors

A full list of Governors is given on page 17 of these financial statements.
Mr P Howard acted as Clerk to the Corporation throughout the period.

Professional advisers

Financial statements auditors and reporting accountants:

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

Internal auditors:
Grant Thornton UK LLP
4 Hardman Square
Spinningfields
Manchester
M3 3EB

Bankers:
Santander UK plc
298 Deansgate
Manchester
M3 4HH

Solicitors:
Eversheds LLP
70 Great Bridgwater Street
Manchester
M1 5ES

CONTENTS

Strategic Report

NATURE, OBJECTIVES AND STRATEGIES:

The members present their report and the audited financial statements for the year ended 31 July 2016.

Legal status

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

Mission

Governors adopted the following mission statement in 2013/14:

Inspirational learning creating outstanding futures

Public Benefit

Blackpool and The Fylde College is an exempt charity under Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Business, Innovation and Skills as Principal Regulator for all FE Corporations in England. The members of the Governing Body, who we normally refer to as the Board, act as trustees of the charity and are listed on page 17.

In setting and reviewing the College'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 be demonstrated, explicitly, that their aims are for the public benefit.

In delivering its mission, the College provides the following identifiable public benefits through the investment in and delivery of education:

- High quality learning opportunities
- Widening participation and tackling social exclusion
- 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 Blackpool and The Fylde College for the period 2014/15 to 2017/18. 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 the College in the face of reduced Government funding. In addition the College plans to continue to invest in learning through staffing, resources and the property strategy for the benefit of its students, employers and the regional and national economy.

Key Strategic Goals

The College has also established six key strategic goals to inform planning:

- To be in the upper decile for Further and Higher Education for success, customer satisfaction, progression and destination
- To drive an innovative, creative and inspirational curriculum that shapes and responds to local, regional and national priorities
- To work in partnership with employers, industries and organisations to drive economic growth through the development of future focused skills
- To raise attainment, aspiration and progression for young people and adults to secure sustained employment opportunities
- To provide an inspirational learning environment through ongoing investment in our staff, students and facilities
- To maintain financial stability to support learning and future growth

Financial objectives

The College 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
- To generate an EBITDA surplus of at least 10% for future investment
- To ensure borrowings remain below 20% of income
- To have a positive cash flow from operations
- To maintain the short term liquidity of the college via the operation of the drawdown facility
- To fund continued capital investment
- To improve process efficiencies

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

Performance Indicators

The College is committed to observing the importance of sector measures and indicators including performance relating to:

- Student achievement rates
- Student Attendance
- Student Retention
- Student Progression
- Customer satisfaction
- E-learning and student assessment
- Delivery of the agreed surplus forecast

The College is required to complete the annual Finance Record for the Skills Funding Agency. The Finance Record produces a financial health grading. The current rating of Good is arguably misleading. The reported cash balances reduced the calculated rating during 2015/16, during this period the College maintained an £8m unsecured revolving credit facility to fund the property strategy. Only £3m of this facility was utilised by the end of 15/16 and consequently an underlying rate of Outstanding arguably more accurately reflects Blackpool and The Fylde College's financial strength.

FINANCIAL POSITION

Financial results

The College generated a surplus before other gains and losses in the year of £2.7m (2014/15 – surplus of £2m), with total comprehensive income of £(2.4m), (2014/15 - £(0.1)m). The difference between surplus and comprehensive income in both years reflects the application of revised actuarial assumptions relating to the College's defined benefit pension schemes.

The College has accumulated reserves of £37.2m (2014/15 £39.6m) the year on year reduction being caused by a £5.1m loss related to an actuarial revaluation of the College's defined benefit pension schemes. Cash balances (including short term deposits) have increased to £4.8m (2014/15 £2.3m). The College agreed an £8m revolving credit facility but prudently chose not to incur interest charges by drawing down unrequired funds in 15/16. The College wishes to continue to accumulate reserves and cash balances in order to support reinvestment in learning.

Tangible fixed asset additions during the year amounted to £11.2m. This was split between land and buildings development of £8.7m and equipment purchased of £2.5m. This was mainly the final costs relating to the Advanced Technology Centre, expansion and improvement of the fire training facilities at the Fleetwood Offshore Survival Centre, completion of a dedicated Marine Engineering Centre and on-going mechanical and electrical (M&E) improvements across multiple sites.

The College has reliance on the education sector funding bodies as a principal funding source, mainly from recurrent grants via the Education Funding Agency and the Skills Funding Agency. This reliance has been decreasing over the past three years and is well below the sector average, the College continues to grow its diversified income streams. In 2015/16 the funding bodies provided 48% of the College's total income (versus 51% in 2014/15 and a General Further Education average of 80% in 2014/15).

Treasury policies and objectives

Treasury management includes the management of the College's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

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

As of 31 July 2016 the College had no funds placed in short term deposit accounts and had drawn down £3m from the £8m revolving credit facility.

Cash flows and liquidity

At £8.7m (2014/15 £6.6m) net cash flow from operating activities was strong. The net cash flow included utilisation of £3m of the revolving credit facility.

The College Executive and Board receives cash flow forecasts as part of the finance standing agenda item so that they understand the generation and application of cash in the College's activities.

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

CURRENT AND FUTURE DEVELOPMENT

Student numbers

In 2015/16 the College has delivered activity that has produced £25.1m in funding body main allocation funding (2014/15 £25.8m). The College had approximately 6,765 funded and 10,650 non-funded students.

Student achievements

Students continue to prosper at the College. Success rates have kept the College in the top 2 of General and Further Education Colleges nationally for the past two years and, while it is too early to confirm success rates for 2015/16, early indications are that this position will be maintained with a further improvement in success particularly for 16-18 year olds.

College Achievements and Curriculum Development

The College had a particularly successful year in 2015/16 with a number of notable achievements and successes. The College also continued its proactive approach to curriculum developments to ensure its provision continues to meet the needs of the community and contribute 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 and future developments such as a Lancashire Combined Authority.

The College was pleased to be positioned at the top of the Skills Funding Agency (SFA) success rate league table for the second year running. This was a great testament to the continued hard work and dedication of staff following on from the Outstanding Ofsted inspection in October 2013 and highly commended QAA review of May 2013.

During 2015/16 the College has achieved multiple acknowledgements, including:

- Receiving the Queens Anniversary Prize for Higher and Further Education 2015
- Membership to the Chartered Institute for Further Education, one of only 3 inaugural members
- Accreditation to the British Computing Society and the Chartered Institute for IT.
- TES Awards 2016 finalists for FE College of the Year, Training Provider of the Year and FE Outstanding Use of Technology
- The Autism Education Trust (AET) awarded Student Support and Wellbeing the official title of 'The AET North West Regional Training Hub for Post 16'
- The Access team achieved the Bronze Award from Blackpool Hear by Rights Making and Impact Scheme; this is for support and guidance for young people with additional needs
- In World Skills (UK heats) Hair, Beauty and Related Therapies students were awarded a first place in Advanced Nail Enhancements and a second place in Advanced Nail Art
- Access and Continuing Education students achieved two awards for the Ability Counts football. AoC Sport North West Ability Counts League (Group 1) winners and ECFA Ability Counts National Knockout Cup winners
- A Maritime student from Fleetwood Nautical campus again won the Cadet of the Year. This means students from Fleetwood have won this prestigious award 7 out of the 8 years it has been running
- The Public Service team in the School of Hospitality, Tourism and Sport was awarded "Platinum Status" by the RAF for engagement and recruitment

In line with our HE Strategy, the College continues to review the HE curriculum to ensure alignment with local, regional and national priorities: 'Through the continuous development of our highly responsive, employment and future-focussed curriculum, to enable students to develop the essential knowledge and skills which will prepare them for future success in work and life'.

The College's curriculum developments have had a relentless focus on education, training and skills which enable our students to secure sustainable employment and career outcomes.
As the largest national provider of College based HE STEM (HEFCE), key curriculum development includes the further development of degree apprenticeships with Nuclear Engineering being validated for delivery from September 2016. There has been significant work on revalidations in the College's sports curriculum, together with revalidations in the Creative Arts area, Engineering and Computing.

The College's computing degrees have been accredited by the British Computing Society. Blackpool and The Fylde College is the first HE in FE College to achieve this accreditation for our students.

Apprenticeship and workplace learning has continued to exceed target numbers and the College is pleased to have been involved in a number of Trailblazer developments, which have included the College's first degree apprenticeship, in partnership with BAE Systems. Similarly we have seen significant growth in higher apprenticeships for Project Management.

The College has increased the number of students studying GCSE English and Mathematics for 16-18 year olds while functional skills continues to provide an effective stepping stone to GCSE level.

Payment performance
The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received.
The target set by the Treasury for payment to suppliers within 30 days is 95%. During the accounting period 1 August 2015 to 31 July 2016, the College paid 93% of its compliant supplier invoices within 30 days (95.5% in 14/15). The College incurred no interest charges in respect of late payment for this period.

Events after the end of the reporting period
There are no significant post balance sheet events.

Future prospects

- In September 2016 the College was informed that it had been successful in its bid for Foundation Degree Awarding Powers making Blackpool and The Fylde College only the sixth college in the country to be awarded such powers.
- Lancashire Energy HQ campus, which is supported by the Lancashire Local Enterprise Partnership, is under construction and is scheduled to open September 2017.
- The expansion and improvement of the fire training facilities at the Fleetwood Offshore Survival Centre was completed in the second half of 2015/16 and will be delivering full year activity from August 2017.

- The construction of a dedicated Marine Engineering Centre was completed in 2015/16 and it opened in September 2016.
- Lytham Sixth Form College completed its first year. This is a partnership with Lytham St Anne's Technology and Performing Arts College (LSAT&PAC). Lytham Sixth Form College operates at the College's Ansdell site offering 16-18 year olds the opportunity to study Level three programmes that gain entrance to the highest achieving universities and graduate careers. This is the only dedicated sixth form college facility in south Fylde.

The College continues to explore new opportunities in its curriculum, facilities and services as the funding, regularity and economic environment changes.
The College also aims to significantly increase contribution and operational effectiveness through an on-going programme of key process efficiency review.

The College's Property Strategy
The 2010-2020 property strategy has served the College well for the past 5 years informing the strategic phased development of the Estate with over £33m 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 2016-2021 was agreed by the Board in March 2016. 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 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 the learner at the heart of all we do.

The significant elements of the strategy delivered and commenced in 2015/16 were:

- Advanced Technology Centre (ATC) new build at the Bispham campus was opened in September 2015.
- The Wyre Building was demolished and a new car park built replacing the spaces lost with the building of the ATC.
- Mechanical and electrical upgrades to a number of buildings at Bispham campus and the University Centre were completed on time and to budget to improve efficiency and reduce risk of services failure.
- A new Marine Engineering Centre was built on Fleetwood Nautical Campus, the building is on target to achieve BREEAM 'Excellent' standard.
- The fire training facilities at the Fleetwood Offshore Survival Centre were further developed and expanded to include new workrooms, an additional fire square and gallery training facilities.
- Lancashire Energy HQ is currently being built on Blackpool's Enterprise Zone and is due for completion and operation from September 2017.

RESOURCES:

Financial

The College has £37.2m of net assets after including a £22.5m pension liability (an increase from £16.2m in 2014/15 due to a change in actuarial assumptions) and a £5.9m Land and Buildings asset revaluation applied from 1st August 2014 (as per FRS102 requirements). The college continues to generate considerable operating cash and borrowings as a % of income continue to be low.

People

The College employed 932 full time equivalents as at 31st July 2016, of whom 538 are teaching staff.

Reputation

The College has an excellent reputation locally and nationally for quality, learning and teaching, particularly STEM at levels 3-6. Maintaining a quality brand is essential for the College's success at attracting students and building external relationships.

PRINCIPAL RISKS AND UNCERTAINTIES:

The College 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 the College's assets and reputation.

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

A risk register is maintained at College level and reviewed throughout the year by the Audit Committee and more frequently where necessary. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.
This is supported by a risk management training programme to raise awareness of risk throughout the College.
Outlined below is a description of principal risk factors that may affect the College. Not all the factors are within the College's control. Other factors besides those listed below may also adversely affect the College and are contained within the College's Risk Register.

1 Public funding

The College retains a reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. This reliance has been decreasing over the past three years and is well below the sector average. The College continues to diversify income streams to reduce this further. In 2015/16 the funding bodies provided 48% of the College'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.

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

- The economic implications of Brexit and the policy responses of the new government leadership team are not yet apparent. The Autumn statement in November/December 2016 will be the first formal indication of any subsequent change to future economic and funding policy.
- The post Article 50 impact on EU student demand is currently unclear.
- An element of HEFCE's allocation to the college via the Student Opportunity Allowance is under review. This was £1.6m in 15/16. A reduction would require a fundamental review of the college's widening participation activity.
- The Local Government Pension scheme is currently undergoing the 3 yearly actuarial review. A reduction in base interest rates following the Brexit referendum and an apparent indication that LGPS may be seeking to accelerate deficit reduction from 19 to 16 years may result in an increase to the fixed employers deficit contribution.
- The Apprenticeship Levy is currently scheduled to launch in April 2017 and will see employers commissioning providers directly for Apprenticeship training. The process could well adversely impact cash flow as funding is sourced from both Skills Funding Agency and employers.
- The government has allowed HE providers already charging £9,000 pa to start increasing higher education tuition fees by up to 2.8% inflation starting September 2017. The College currently charges higher education tuition fees of up to £7,500 pa.
- The College will be formally entering the Strategic Area Review from September 2016.

2 Maintain adequate funding of pension liabilities

The financial statements report the share of the Local Government Pension Scheme deficit on the College's balance sheet in line with the requirements of FRS 102. This has increased considerably following several changes to the scheme's actuarial assumptions.
Many external factors present a degree of risk to the College and mitigations are in place to address these risks.

STAKEHOLDER RELATIONSHIPS

In line with other colleges and with universities, Blackpool and The Fylde College has many stakeholders. These include:

- Students
- Education sector funding bodies
- Staff
- A range of employers, both local and national
- Local authorities
- Lancashire 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

The College recognises the importance of these relationships and actively engages in regular communication with stakeholders.

The College 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 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.

The College publishes a weekly e-bulletin to staff and encourages staff involvement through regular team meetings, membership of formal committees, working groups and a staff suggestion scheme. The CEO and Principal also holds monthly staff forums. Formal representation of staff is through recognised trade unions and staff also elects two colleagues to the Governing Body. All staff are informed of the overall direction of the College in annual and mid year briefings by the CEO and Principal.

Equality Opportunities

Blackpool and The Fylde College is an inclusive learning organisation where staff and students are treated with respect and dignity and where everyone has a fair opportunity to fulfil their potential. The College strives to not only meet but exceed the duties of the Equality Act 2010. In doing so, we endeavour to develop an approach to equality and diversity that recognises and responds to the needs of all the communities we serve, whilst also achieving our internal objectives relating to equality and diversity for both students and staff.

Our Equality and Diversity Statement

At Blackpool and The Fylde College we are committed to equality and diversity in all our activities for everyone who learns and works in the college community.

How We Show Our Commitment

At the College we all have a responsibility for upholding the College values and as a community we:

- Embed equality, diversity and British values into all of our provision and quality systems and processes. We ensure equality and diversity is a part of the lesson observation process to evidence the embedding within curriculum.
- Employ a dedicated Equality, Diversity and Wellbeing Co-ordinator who provides specialist support and training across College and across all protected characteristics. This role provides support for those with faith and none, including

overseeing and monitoring the use of the contemplation facilities on each main site.

- Provide funding and quality data for analysis in year and at year end. This allows the College to operate timely and effective Equality and Diversity Impact Measures (EDIMS) covering recruitment, retention, achievement and success for disadvantaged and underperforming students, and those with potential barriers to sign-up, attendance or success. The College chooses to invest in the role of Higher Education Learning Mentors to support HE students and those transitioning into and between levels of HE. This includes Flying Start and Flying Further programmes for pre-entry and progressing HE students, to support the widening participation agenda and target potential under achievement.
- Make available exam access agreements wherever appropriate, to ensure potential disadvantage is mitigated for all students. Personal Mitigating Circumstance provision is also in place for HE students. Additional assistance and support is provided for looked after children and care leavers and there is close liaison with carers, including, but not exclusively young carers, as well as those disadvantaged on financial grounds or other grounds.
- Include equality and diversity Impact Assessments on all new policies and procedures.
- Ensure staff are equipped to recognise diversity and challenge discrimination, including induction training for all new staff.
- Retain membership of networks, and external organisations, locally, regionally and nationally, including Stonewall, Navajo and Pride, and have gained local and national recognition and Awards recently from Neon, Carers association, Autism Education Trust.
- Investigate any allegations of discrimination or bullying and harassment sensitively and with appropriate support.

Equality and diversity is embedded throughout the College and was strongly evidenced in the November 2013 OFSTED Inspection report, and continues to be so, meeting the requirements new Common Inspection Framework in place from 2015-16, as well as QAA and other Quality frameworks, recommendations and guidance.

Disability Statement

The College also seeks to meet or exceed the duties of the Equality Act 2010 in respect of the provision and support for prospective students with learning difficulties, disabilities and health issues:

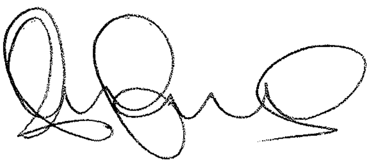
- There is a large specialist team of experienced staff to support all our students be that further, higher or workplace students. Student Support and Wellbeing provide 1:1 and group support in and out of the classroom environment and in the workplace for a wide range of learning difficulties and disabilities.
- Technology and software is available for the support of those who require materials to be presented in alternative formats. On line availability of referral for those with wellbeing needs and mental health support – in and out of standard college hours of availability. College counselling is available on request.

- There are strong relationships between the College and the appropriate local authorities and all local high and special schools, so that transition planning into college for students needing education and health care plans and those requiring high needs support is available and as smooth as possible.
- The College works with DisabledGo specifically for the online publication of accessibility information and for 2016/17 there is the availability of internal College mapping via Google Earth which will benefit all students and potential visitors, new staff and new students to College to provide accessibility information. This will also assist in offering familiarisation of the new environment to ensure as smooth a transition as possible – especially for those who find such change and new environments difficult.

Disclosure of information to auditors

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

Approved by order of the members of the Corporation on 6 December 2016 and signed on its behalf by:



A Cavill
Chair

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1st August 2015 to 31st July 2016 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);

ii. having due regard to the UK Corporate Governance Code ("the Code") insofar as it is applicable to the further education sector

The College is committed to exhibiting best practice in all aspects of corporate governance. We have not adopted and therefore do not apply the UK Corporate Governance Code. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the further education sector and best practice.

The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times.

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

The Corporation Board

The individuals who served on the Corporation 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 2015/16	Committee membership as at year end			
					A	Q	R	S
Alan Cavill (Chair)	Independent	15/12/2013	14/12/2016	75%			✓	✓
Jordan Braithwaite	Student	01/09/2015	30/11/2015	0%				
Helen Broughton MBE	Independent	07/03/2016	06/03/2020	100%	✓	✓	✓	
Steve Crowther	Independent	09/12/2012	08/12/2016	62.5%				
Neil Farley	Independent	07/07/2015	06/07/2019	75%		✓		✓
Paul Graves	Independent	25/09/2013	23/06/2016	71.4%	■			
Peter Greenall	Staff	19/11/2015	18/11/2019	100%				
Kenny Gilmour	Independent	08/07/2015	07/07/2019	87.5%				
Owen Harries	Student	22/09/2016	31/07/2016	12.5%				
Peter Lloyd	Independent	07/05/2014	06/05/2018	100%		✓		
Colleen McLaughlin	Staff	22/09/2015	21/09/2019	75%				
Judith Mills	Independent	22/01/2014	21/01/2018	87.5%	✓			✓
Lorraine Moffat	Independent	26/09/2016	25/09/2020	87.5%	✓			✓
Anne Parmley	Independent	13/03/2013	12/03/2017	100%		✓	✓	
Bev Robinson	Principal	29/04/2013	Ex-officio	100%				✓
Kate Shane	Independent	07/05/2014	06/05/2018	42.9%				
Linda Smith	Staff	19/11/2011	18/11/2015	50%		■		

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

■: *The individual had been a member of the Committee but ceased to be before the end of the year*

During 2015-16, the Chair of the Corporation Board was Alan Cavill. The Corporation has also appointed 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 Corporation Board. The register is available for inspection in person or on request.

The Corporation Board is responsible for bringing independent judgement to bear on issues of strategy, performance, resources and standards of conduct. It is provided with regular and timely information on the overall financial performance of the College, 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 Corporation Board meets formally eight times each year, as well as setting aside additional time for strategic workshops or planning sessions as necessary.

The Corporation 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 the College'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 Corporation Board are able to take independent professional advice in furtherance of their duties at the College'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. The appointment, evaluation and removal of the Company Secretary are matters for the Corporation as a whole.

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

The Corporation Board has a strong and independent non-executive element and no individual or group dominates its decision-making process. The Corporation 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 Corporation and Accounting Officer are separate.

Appointments to the Corporation

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

Independent and staff members of the Corporation 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 Corporation's Standing Orders provide that the maximum cumulative term of office for any staff or independent member of the Corporation 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 Corporation 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.

Corporation performance

The Corporation Board undertakes a self-assessment exercise each year, and the results of the 2015-16 assessment were reported to the Board at its meeting on 3 November 2015. The self-assessment took the form of a questionnaire which was circulated to all governors in post at the time of circulation. It covered 8 key areas:

- Personal review
- Committee membership and performance
- Corporation 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 dedicated finance session was provided as a result of feedback received. Governors' feedback has also been used to make other changes, such as the way agendas are structured and the way in which reports are drafted

Remuneration Committee
Throughout the year ended 31 July 2016, the Remuneration Committee comprised three independent members of the Corporation Board. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Accounting Officer, other senior post holders and the Company Secretary.

Details of remuneration for the year ended 31 July 2016 are set out in notes 7 to 8 to the financial statements.

Audit Committee
The Audit Committee comprises three independent members of the Corporation together with a co-opted specialist with expertise in finance and audit matters. In line with best practice, the Principal and Chief Executive and Chair are not members of the Committee. The Committee operates in accordance with written terms of reference approved by the Corporation which conform with the provisions of the Audit Code of Practice for the sector. The Committee's purpose is to advise the Corporation on the adequacy and effectiveness of the Corporation'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 Corporation's internal and external auditors. The Committee holds at least one meeting per year with the internal and external auditors privately, i.e. without College management being present. The Committee also receives and considers reports from the main FE funding bodies as they affect the Corporation'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 Corporation 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 Corporation.

Internal control

Scope of responsibility

The Corporation is ultimately responsible for the College's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Accounting Officer is responsible for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which she is personally responsible, in accordance with the responsibilities assigned to her in the Financial Memorandum between Blackpool and The Fylde College and the funding bodies. She is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place in Blackpool and The Fylde College for the year ended 31 July 2016 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Corporation, with the assistance of its Audit Committee, has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2016 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

The system of internal control is based on a framework of regular management information, administrative procedures including the segregation of duties, and a system of delegation and accountability. In particular, it includes:

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

Blackpool and The Fylde College chooses to purchase an internal audit service, which operates in accordance with the requirements of the EFA and SFA's *Joint Audit Code of Practice*. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee. The Internal Auditors provide the Audit Committee and Corporation with a report on internal audit activity in the College.

Review of effectiveness

As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. Her review of the effectiveness of the system of internal control is informed by:

- the work of the internal auditors
- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework
- comments made by the College's financial statements 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 senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior 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 Corporation'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 November 2016 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2016 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2016.

Based on the advice of the Audit Committee and the Accounting Officer, the Corporation is of the opinion that the College has an adequate and effective framework for governance, risk management and control, and has fulfilled its statutory responsibility for "the effective and efficient use of resources, the solvency of the institution and the body and the safeguarding of their assets".

Going concern

After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. The College 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 the financial statements.

Approved by order of the members of the Corporation on 6 December 2016 and signed on its behalf by:

A Cavill	**B Robinson**
Chair	**Accounting Officer**

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

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

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

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

A Cavill	**B Robinson**
Chair	**Accounting Officer**
6 December 2016	6 December 2016

Statement of Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the Financial Memorandum between the Skills Funding Agency and the Corporation of the College, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the *2015 Statement of Recommended Practice – Accounting for Further and Higher Education* and with the *College Accounts Direction 2015 to 2016* issued jointly by the Skills Funding Agency and the Education Funding Agency, and which give a true and fair view of the state of affairs of the College and the result for that year.

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

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

The Corporation is also required to prepare an Operating and Financial Review which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College.

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

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

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

Approved by order of the members of the Corporation on 6 December 2016 and signed on its behalf by:

A Cavill

Chair

Independent Auditors Report to the Corporation of Blackpool and The Fylde College

We have audited the College financial statements ("the Financial Statements") set out on pages 28 to 54. The financial reporting framework that has been applied in their preparation is United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice) as set out in our engagement letter dated 16th November 2015. This report is made solely to the Corporation, as a body, in accordance with the Financial Memorandum published by the Skills Funding Agency and our engagement letter dated 16th November 2015. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are required under our engagement letter dated 16th November 2015 to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Corporation of Blackpool and The Fylde College and Auditor

As explained more fully in the Statement of the Corporation's Responsibilities set out on pages 25 to 26, the Corporation is responsible for the preparation of financial statements which give a true and fair view.

Our responsibility is to audit, and express an opinion on, the Financial Statements in accordance with the terms of our engagement letter dated 16th November 2015, Joint Audit Code of Practice issued by the Skills Funding Agency and Education Funding Agency and International Standards on Auditing (UK and Ireland). The International Standards on Auditing (UK and Ireland) require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at http://www.frc.org.uk/auditscopeukprivate

Opinion on financial statements

In our opinion the Financial Statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2016 and of the College's surplus of income over expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Joint Audit Code of Practice issued jointly by the Skills Funding Agency and the Education Funding Agency requires us to report to you if, in our opinion:

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

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

Date: 19/12/16.

Statements of Comprehensive Income

	Note	Year Ended 2016	Year Ended 2015
		£'000	£'000
INCOME			
Funding body grants	2	24,693	25,547
Tuition fees and education contracts	3	17,211	15,374
Other grants and contracts	4	815	1,158
Other income	5	8,937	8,991
Investment income	6	16	16
Total income		**51,672**	**51,086**
EXPENDITURE			
Staff costs	8	31,682	32,301
Fundamental restructuring costs	8	147	338
Other operating expenses	9	12,567	12,480
Depreciation	12	3,755	3,216
Interest and other finance costs	10	809	764
Total expenditure		**48,960**	**49,099**
Surplus before tax		**2,712**	**1,987**
Taxation	11	(5)	(7)
Surplus for the year		**2,707**	**1,980**
Actuarial loss in respect of pensions schemes	25	(5,107)	(2,035)
Total Comprehensive Income for the year		**(2,400)**	**(55)**

Statement of Changes in Reserves

	Income and expenditure account	Restricted reserve	Total
	£'000	£'000	£'000
Balance at 1st August 2014	39,627	52	39,679
Surplus from the income and expenditure account	1,980	-	1,980
Other comprehensive income	(2,035)	-	(2,035)
Total Comprehensive Income for the Year	(55)		(55)
Balance at 31st July 2015	39,572	52	39,624
Surplus from the income and expenditure account	2,707	-	2,707
Other comprehensive income	(5,107)	-	(5,107)
Total comprehensive Income for the Year	(2,400)	-	(2,400)
Balance at 31 July 2016	37,172	52	37,224

Balance sheets as at 31 July

	Notes	Year Ended 2016	Year Ended 2015
		£'000	**£'000**
Non current assets			
Tangible Fixed assets	12	86,672	79,213
Investments	13	52	52
		86,724	**79,265**
Current assets			
Stocks		4	4
Trade and other receivables	14	2,760	1,880
Cash and cash equivalents	20	4,843	2,295
		7,607	**4,179**
Less: Creditors – amounts falling due within one year	16	(9,372)	(6,849)
Net current assets		**(1,765)**	**(2,670)**
Total assets less current liabilities		**84,959**	**76,595**
Creditors – amounts falling due after more than one year	17	(25,264)	(20,796)
Provisions			
Defined benefit obligations	19	(21,179)	(14,887)
Other provisions	19	(1,292)	(1,288)
Total net assets		**37,224**	**39,624**
Restricted reserves – endowment fund		52	52
Unrestricted Reserves		39,572	39,627
Income and expenditure account		(2,400)	(55)
Total reserves		**37,224**	**39,624**

The financial statements on pages 28 to 54 were approved and authorised for issue by the Corporation on 6 December 2016 and were signed on its behalf on that date by:

A Cavill
Chair

B Robinson
Accounting Officer

Statement of Cash Flows

	Notes	2016 £'000	2015 £'000
Cash flow from operating activities			
Surplus/(Deficit) for the year		2,708	1,980
Adjustment for non-cash items			
Depreciation		3,755	3,216
(Increase)/decrease in stocks		-	-
(Increase)/decrease in debtors		(880)	(154)
Increase/(decrease) in creditors due within one year		2,521	1,398
Increase/(decrease in creditors due after one year		(854)	(619)
Increase/(decrease) in provisions		5	641
Pensions costs less contributions payable		1,187	-
Taxation		5	-
Adjustment for investing or financing activities			
Investment income		(16)	(16)
Interest payable		246	155
Taxation paid		(5)	-
Net cash flow from operating activities		8,672	6,601
Cash flows from investing activities			
Investment income		16	16
Deferred capital grant received		3,058	4,509
Payments made to acquire fixed assets		(11,000)	(15,219)
		(7,926)	(10,694)
Cash flows from financing activities			
Interest paid		(234)	(222)
Interest element of finance lease rental payments		(12)	(8)
New unsecured loans		3,000	-
Repayments of amounts borrowed		(854)	(854)
Capital element of finance lease rental payments		(98)	(43)
		1,802	(1,127)
Increase / (decrease) in cash and cash equivalents in the year		**2,548**	**(5,220)**
Cash and cash equivalents at beginning of the year	20	2,295	7,515
Cash and cash equivalents at end of the year	20	4,843	2,295

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 2015 to 2016* and in accordance with Financial Reporting Standard 102 – *"The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland"* (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

Transition to the 2015 FE HE SORP

The College is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the College has amended certain accounting policies to comply with FRS 102 and the 2015 FE HE SORP. The trustees have also taken advantage of certain exemptions from the requirements of FRS 102 permitted by FRS 102 Chapter 35 'Transition to this FRS'.

An explanation of how the transition to the 2015 FE HE SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the College is provided in note 28.

The 2015 FE HE SORP requires colleges to prepare a single statement of comprehensive income, and not the alternative presentation of a separate income statement and a statement of other comprehensive income. This represents a change in accounting policy from the previous period where separate statements for the Income and Expenditure account and for the Statement of Total Recognised Gains and Losses were presented.

The application of first time adoption allows certain exemptions from the full requirements of the FRS 102 and the 2015 FE HE SORP in the transition period. The following exemptions have been taken in these financial statements:

- Lease incentives – the College has continued to recognise the residual benefits associated with lease incentives on the same basis as that applied at the date of transition

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

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

The College currently has £7.55m of loans outstanding (£7.5m with Santander and £0.05m with Salix). These loan repayments are scheduled until May 2022. During 2014/15 the College also agreed a further £8m unsecured facility on a floating 3 year basis and then a minimum £6m fixed until July 2033. The College'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 the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

Recognition of income

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 Skills Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

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

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

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual method as permitted by FRS 102. Other capital grants are recognised in income when the College 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 the College are principally provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit plans, which are externally funded and contracted out of the State Second Pension.

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method. The TPS is a multi-employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. 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. The differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

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

Short term Employment benefits

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

Enhanced Pensions

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

Non-current Assets - Tangible fixed assets

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

Land and buildings
Freehold and Leasehold buildings plus major refurbishments and adaptions are depreciated over their expected useful economic life to the College (between 20 and 40 years). Freehold land is not depreciated.

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, the College 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

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. Any lease premiums or incentives relating to leases signed after 1st August 2014 are spread over the minimum lease term. The College 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 the College 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 costs 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 the College has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instruments are stated on the balance sheet at historical cost. Loans and investments that are payable or receivable within one year are not discounted.

Taxation
The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478-488 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.
The College is partially exempt in respect of Value Added Tax, so that in 2015/16 it could only recover 1.19% of the VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

Provisions and contingent liabilities
Provisions are recognised when the College has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit

will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

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

Agency arrangements

The College 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 the College except 5% of the grant received which is available to the college 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 the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the group'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

- *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 2013 has been used by the actuary in valuing the pensions liability at 31 July 2016. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2 Funding body grants

	2016	2015
	£'000	£'000
Recurrent grants		
Skills Funding Agency	7,372	8,381
Education Funding Agency	13,950	13,986
Higher Education Funding Council	2,516	2,622
Specific grants		
Skills Funding Agency	409	140
Releases of government capital grants	41	0
HE grant	405	418
Total	**24,693**	**25,547**

3 Tuition fees and education contracts

	2016	2015
	£'000	£'000
Total tuition fees	16,487	14,657
Education contracts	724	717
Total	**17,211**	**15,374**

4 Other grants and contracts

	2016	2015
	£'000	£'000
European Commission	17	86
Other grants and contracts	798	1,072
Total	**815**	**1,158**

5 Other income

	2016	2015
	£'000	£'000
Catering and residences	1,829	1,634
Other income generating activities	5,987	6,195
Exam Fees	157	157
Miscellaneous income	964	1,005
Total	**8,937**	**8,991**

6 Investment income

	2016	2015
	£'000	£'000
Other interest receivable	16	16
Total	**16**	**16**

7 Staff costs

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

	2016	2015
	No.	No.
Teaching staff	538	591
Non-teaching staff	394	396
	932	**987**

8 Staff costs for the above persons

	2016	2015
	£'000	£'000
Wages and salaries	25,544	26,220
Social security costs	1,831	1,831
Other pension costs	3,924	3,656
Payroll sub total	**31,299**	**31,707**
Contracted out staffing services	383	594
	31,682	**32,301**
Fundamental restructuring costs – contractual	147	261
Fundamental restructuring costs – non contractual	0	77
Total Staff costs	**31,829**	**32,639**

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the College Executive Leadership Team which comprises the Principal, Deputy Principal, Vice Principal – Finance and Planning and the Executive Director of Commercial Development.

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

	2016	2015
	No.	No.
The number of key management personnel including the Accounting Officer was:	**4**	**4**

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

	Key management personnel		Other staff	
	2016	**2015**	**2016**	**2015**
	No.	**No.**	**No.**	**No.**
£60,001 to £70,000 pa.	-	-	9	9
£70,001 to £80,000 pa.	-	-	1	1
£80,001 to £90,000 pa.	-	-	-	-
£90,001 to £100,000 pa.	2	2	-	-
£100,001 to £150,000 pa.	1	1	-	-
£150,000 to £160,000 pa.	1	1	-	-
	4	**4**	**10**	**10**

Key management personnel emoluments are made up as follows:

	2016	**2015**
	£'000	**£'000**
Salaries	444	443
Benefits in kind	3	3
National Insurance	43	42
	490	488
Pension contributions	65	47
Total emoluments	555	535

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 personnel) of:

	2016	**2015**
	£'000	**£'000**
Salaries	155	150
Benefits in kind	1	1
	156	151
Pension contributions	24	20

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

9 Other Operating Expenses

	2016	2015
	£'000	£'000
Teaching costs	5,460	5,140
Non-teaching costs	4,292	3,962
Premises costs	2,815	3,378
Total	**12,567**	**12,480**

Surplus before taxation is stated after charging:	**2016**	**2015**
	£'000	**£'000**
Auditors' remuneration:		
Financial statements audit*	39	32
Internal audit**	31	29
Other services provided by the financial statements auditor Teachers Pension Audit	1	1
Other services provided by the internal auditors	-	-
Losses on disposal of non-current assets	-	-
Hire of assets under operating leases	137	137

* includes £39,000 in respect of the College (2014/15 £32,400)

** includes £30,644 in respect of the College (2014/15 £29,974)

10 Interest and other finance costs

	2016	2015
	£'000	£'000
On bank loans, overdrafts and other loans:	234	222
On finance leases	12	8
Net interest in defined pension liability (note 25)	563	534
Total	**809**	**764**

11 Taxation

	2016	2015
Current Tax	**£'000**	**£'000**
United Kingdom corporation tax at 20% per cent	5	7
Total	**5**	**7**

12 Tangible fixed assets

	Land and buildings Freehold	Land and buildings Long leasehold	Equipment	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2015	78,590	21	16,973	95,584
Additions	8,744	-	2,470	11,214
Disposals	-	-	(3,403)	(3,403)
At 31 July 2016	**87,334**	**21**	**16,040**	**103,395**
Depreciation				
At 1 August 2015	2,111	2	14,258	16,371
Charge for the year	2,473	2	1,280	3,755
Elimination in respect of disposals	-	-	(3,403)	(3,403)
At 31 July 2016	**4,584**	**4**	**12,135**	**16,723**
Net book value at 31 July 2016	**82,750**	**17**	**3,905**	**86,672**
Net book value at 31 July 2015	76,479	19	2,715	79,213

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 has been adopted as deemed cost and subsequent additions and disposals applied.

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

	£'000
Cost	137,957
Aggregate depreciation based on cost	(47,246)
Net book value based on cost	**90,711**

13 Non-current investments

	2016	2015
	£'000	£'000
Investment in Lancashire Colleges Consortium Ltd (7% owned)	-	-
Other non-current asset investments – endowment funds	52	52
Total	**52**	**52**

The college 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.

14 Debtors

	2016	2015
	£'000	£'000
Amounts falling due within one year:		
Trade receivables	1,706	1,149
Prepayments and accrued income	931	581
Amounts owed by the Skills Funding Agency	123	150
Total	**2,760**	**1,880**

15 Current investments

The college held no short term deposits during 15/16

16 Creditors: amount falling due within one year

	2016	2015
	£'000	£'000
Bank loans and overdrafts	802	854
Obligations under finance leases	98	43
Payments Received on Account	1,065	1,272
Trade Creditors	910	878
Other taxation and social security	843	800
Accruals and deferred income	4,267	1,884
Deferred income - government capital grants	855	855
Amounts owed to the Skills Funding Agency	532	263
Total	**9,372**	**6,849**

17 Creditors: amounts falling due after one year

	2016	2015
	£'000	£'000
Bank loans	6,750	4,552
Obligations under finance leases	152	86
Deferred income - government capital grants	18,362	16,158
Total	**25,264**	**20,796**

18 Maturity of debt

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	2016	2015
	£'000	£'000
In one year or less	802	854
Between one and two years	750	802
Between two and five years	5,250	2,250
In five years or more	750	1,500
Total	7,552	5,406

The College borrowings are comprised of an unsecured bank loan of £6m at 3.98% repayable by instalments falling due between 25th May 2012 and 25th May 2022 and a £415,712 government backed interest free loan repayable by instalments falling due between 1st March 2013 and 1st March 2016.

A further £8m unsecured bank loan was agreed in June 2015 with a 3 year revolving credit facility and then fixing a minimum £6m loan (maximum £8m loan) to July 2031. £3m of this revolving facility was drawn down as of 31st July 2016 and is reflected as repayable at the 2018 fix date.

(b) Finance leases

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

	2016	2015
	£'000	£'000
In one year or less	98	43
Between two and five years	98	43
Between 2 and five years	54	43
Total	**250**	**129**

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

19 Provisions

	Defined benefit obligations (Note 25)	Enhanced pensions	Total
	£'000	£'000	£'000
At 1 August 2015	14,887	1,288	16,175
Expenditure in the period	(1,700)	(91)	(1,791)
Additions in period	7,992	97	8,089
At 31 July 2016	21,179	1,292	22,471

The enhanced pension provision relates to the cost of staff who have already left the College's employ and commitments for reorganisation costs from which the College 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:

	2016	2015
Price inflation	2.30%	3.46%
Discount rate	1.30%	1.75%

20 Cash and cash equivalents

	At 1 August 2015	Cash flows	Other changes	At 31 July 2016
	£'000	£'000	£'000	£'000
Cash and cash equivalents	2,295	2,548	-	4,843
Overdrafts/endowment funds/other	52	(1)	-	51
Total	**2,347**	**2,547**	**-**	**4,894**

Financial Instruments	**2016**	**2015**
	£'000	**£'000**
Financial assets		
Financial assets measured at fair value through the profit and loss	-	-
Debt instruments measured at amortised cost	2,760	1,880
Financial Liabilities		
Financial liabilities measured at fair value through the profit and loss	-	-
Financial liabilities measured at amortised cost	33,793	26,845

21 Capital and other commitments

	2016	2015
	£'000	£'000
Commitments contracted for at 31 July	10,081	3,591

22 Lease obligations

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

	2016	2015
	£'000	£'000
Future minimum lease payments due		
Other		
Not later than one year	81	137
Later than one year and not later than five years	81	162
	162	299

23 Contingent liabilities

The College holds no contingent liabilities

24 Events after the reporting period

There are no events after the reporting period

25 Defined benefit obligations

The College'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.

Total pension cost for the year		**2016**		**2015**
		£000		**£000**
Teachers' Pension Scheme: contributions paid		1,742		1,744
Local Government Pension Scheme:				
Contributions paid	1,700		1,577	
FRS 102 (28) charge	677		331	
Charge to the Statement of Comprehensive Income		2,377		1,908
Enhanced pension charge to Statement of Comprehensive Income		5		5
Total Pension Cost for Year within staff costs		**4,124**		**3,657**

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2012 and of the LGPS 31 March 2013.
Contributions amounting to £413,000 (2014/15 £191,000) were payable to the scheme 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.
The Teachers' Pensions Regulations 2010 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension increases). From 1 April 2001, the Account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.
Valuation of the Teachers' Pension Scheme
The latest actuarial review of the TPS was carried out as at 31 March 2012 and in accordance with The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education (the Department) on 9 June 2014. The key results of the valuation are:
- New employer contribution rates were set at 16.48% of pensionable pay (including administration fees of 0.08%);
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- an employer cost cap of 10.9% of pensionable pay.

The new employer contribution rate for the TPS was implemented in September 2015. (14.1% to 16.48%)
A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location:
https://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx

Scheme Changes
Following the Hutton report in March 2011 and the subsequent consultations with trade unions and other representative bodies on reform of the TPS, the Department published a Proposed Final Agreement, setting out the design for a reformed TPS to be implemented from 1 April 2015.
The key provisions of the reformed scheme include: a pension based on career average earnings; an accrual rate of 1/57th; and a Normal Pension Age equal to State Pension Age, but with options to enable members to retire earlier or later than their Normal Pension Age. Importantly, pension benefits built up before 1 April 2015 will be fully protected.
In addition, the Proposed Final Agreement includes a Government commitment that those within 10 years of Normal Pension Age on 1 April 2012 will see no change to the age at which they can retire, and no decrease in the amount of pension they receive when they retire. There will also be further transitional protection, tapered over a three and a half year period, for people who would fall up to three and a half years outside of the 10 year protection.
Regulations giving effect to a reformed Teachers' Pension Scheme came into force on 1 April 2014 and the reformed scheme commenced on 1 April 2015.
The pension costs paid to TPS in the year amounted to £1,742,000 (2015: £1,744,000)

FRS 102 (28)
Under the definitions set out in FRS 102 (28.11), the TPS is a multi-employer pension plan. The College is unable to identify its share of the underlying assets and liabilities of the plan.

Accordingly, the College has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined-contribution plan. The College has set out above the information available on the plan and the implications for the College in terms of the anticipated contribution rates.

Local Government Pension Scheme
The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Lancashire County Pension Fund. The total contributions made for the year ended 31 July 2016 were £2,373,000, of which employer's contributions totalled £1,700,000 and employees' contributions totalled £673,000. The agreed contribution rates for future years are 17.3% for employers and range from 5.5% to 7.5% for employees, depending on salary.

Principal Actuarial Assumptions
The following information is based upon a full actuarial valuation of the fund at 31 March 2013 updated to 31 July 2016 by a qualified independent actuary.

	At 31 July 2016	**At 31 July 2015**
Rate of increase in salaries	3.2%	3.7%
Future pensions increases	1.8%	2.2%
Discount rate	2.5%	3.8%
Inflation assumption (CPI)	1.7%	2.2%
Commutation of pensions to lump sums	50%	50%

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

	At 31 July 2016	**At 31 July 2015**
	years	years
Retiring today		
Males	23.0	22.9
Females	25.6	25.4
Retiring in 20 years		
Males	25.2	25.1
Females	27.9	27.8

The College'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 2016 £'000	Fair Value at 31 July 2015 £'000
Equities	21,746	15,944
Bonds	1,408	3,754
Property	5,352	4,218
Cash/Liquidity	1,972	603
Other	25,859	21,830
Total fair value of plan assets	**56,337**	**46,349**
Actual return on plan assets	**9,154**	**4,458**

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

	2016 £'000	2015 £'000
Fair value of plan assets	56,337	46,349
Present value of plan liabilities	(77,211)	(60,948)
Present value of unfunded liabilities	(305)	(288)
Net pensions liability (Note 19)	**(21,179)**	**(14,887)**

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

	2016 £'000	2015 £'000
Amounts included in staff costs		
Current service cost	2,377	1,908
Employer Contributions	(1,700)	(1,577)
Administration Expenses	42	39
Total	**719**	**370**
Amounts included in investment income		
Net interest income	(533)	(482)
	(533)	**(482)**
Amount recognised in Other Comprehensive Income		
Return on pension plan assets	7,376	2,669
Changes in assumptions underlying the present value of plan liabilities	(12,416)	(4,704)
Amount recognised in Other Comprehensive Income	**(5,040)**	**(2,035)**

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

	2016	2015
	£'000	£'000
Net defined benefit (liability)/asset in scheme at 1 August	(14,887)	(12,000)
Movement in year:		
Current service cost	(2,377)	(1,908)
Employer contributions	1,700	1,577
Administration expenses	(42)	(39)
Net interest on the defined (liability)/asset	(533)	(482)
Actuarial gain or loss / remeasurement	(5,040)	(2,035)
Net defined benefit (liability)/asset at 31 July	**(21,179)**	**(14,887)**

Asset and Liability Reconciliation

	2016	2015
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	61,236	53,273
Current service cost	2,377	1,908
Interest cost	2,311	2,271
Contributions by Scheme participants	673	612
Experience gains and losses on defined benefit obligations	-	4,704
Changes in financial assumptions	12,416	-
Benefits/transfers paid	(1,497)	(1,532)
Defined benefit obligations at end of period	**77,516**	**61,236**
Changes in fair value of plan assets		
Fair value of plan assets at start of period	46,349	41,273
Interest on plan assets	1,778	1,789
Return on plan assets	7,376	2,669
Administration expenses	(42)	(39)
Employer contributions	1,700	1,577
Contributions by Scheme participants	673	612
Estimated benefits paid	(1,497)	(1,532)
Fair value of plan assets at end of period	**56,337**	**46,349**

26 Related party transactions

Owing to the nature of the College's operations and the composition of the board of governors being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the board of governors may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures.

The total expenses paid to or on behalf of the Governors during the year was £286 1 governor (2015: £186; 1 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.
No Governor has received any remuneration or waived payments from the College during the year (2015: None).

BAE - Employer of S Crowther – resigned in 15/16.
During 14/15 the college received £563,321 of income and there was a balance outstanding of £10,852.

Blackpool Borough Council - Employer of A Cavill and J Mills
During the year the college received £528,410 (2014/15: £451,082). There was a balance outstanding of £139,751 (2014/15: £95,348). Purchase transactions totalling £134,608 (2014/15: £27,069) took place. £255 was outstanding at the year end (2014/15: £5,310).

Lancaster University – Employer of P Graves
During the year the college received £1,500 (2014/15: £37,000). There was no balance outstanding. (2014/15: £10,000). Purchase transactions totalling £1,132,703 (2014/15: £1,051,046) took place. There was no outstanding balance at the year end (2014/15: £0).

Merlin Entertainments – Employer of K Shane
During the year the college received £4,538 (2014/15: £7,626). There was no balance outstanding. (2014/15: £0). No purchase transactions occurred (2014/15: £5,573). There was no outstanding balance at the year end (2014/15: £0).

Victrex – Employer of K Gilmour
During the year the college received £13,454 (2014/15: £10,676). There was a balance of £3,000 outstanding at year end. (2014/15: £0). No purchase transactions occurred (2014/15: £0). There was no outstanding balance at the year end (2014/15: £0).

Westinghouse Employer of N Farley
During the year the college received £171,313 (2014/15: £117,424). There was a balance of £8,800 outstanding at year end. (2014/15: £2,380). There were no purchase transactions or outstanding purchase balances at year end (2014/15: £0)

27 Learner support funds	**2016 £'000**	**2015 £'000**
Funding body grants – bursary support	1,355	1,454
Other Funding body grants	126	3
Interest earned	0	2
	1,481	1,459
Disbursed to students	(1,010)	(1,242)
Administration costs	(58)	(33)
Balance unspent as at 31 July, included in creditors	413	184

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

28 Transition to FRS 102 and the 2015 FE HE SORP

The year ended 31st July 2016 is the first year that the College has presented its financial statements under FRS 102 and the 2015 FE HE SORP. The following disclosures are required in the year of transition. The last financial statements prepared under previous UK GAAP were for the year ended 31st July 2015 and the date of transition to FRS 102 and the 2015 FE HE SORP was therefore 1st August 2014. As a consequence of adopting FRS 102 and the 2015 FE HE SORP, a number of accounting policies have changed to comply with those standards.

An explanation of how the transition to FRS 102 and the 2015 FE HE SORP has affected the College's financial position, financial performance and cash flows, is set out below.

	1st August 2014 £'000	31st July 2015 £'000
Financial Position		
Total reserves under previous SORP	45,665	45,212
Deemed cost revaluation	(5,892)	(5,892)
Change in depreciation	-	353
Employee leave accrual	(124)	(68)
Consolidation adjustment	(22)	20
Total effect of transition to FRS 102 and 2015 FE HE SORP	(6,038)	(5,587)
Total reserves under 2015 FE HE SORP	39,627	39,625

	Year ended 31st July 2015 £'000
Financial performance	
Surplus for the year after tax under previous SORP	2,218
Depreciation reduction based on deemed cost	353
Increased pension costs	(636)
Employee leave accrual	58
Other restatement adjustments	(12)
Total effect of transition to FRS 102 and 2015 FE HE SORP	(237)
Total comprehensive income for the year under 2015 FE HE SORP	1,981

a) Recognition of short term employment benefits

The college annual leave year for all staff runs to 31st July as per the financial year. College policy has been to provide for holiday pay under the previous UK GAAP. The calculation to reflect carried forward annual leave is now based on recorded untaken annual leave for full time staff, which is an average of 1.72 days pro-rata'd to also include an estimate for part time staff. The estimated total days is then multiplied by an average staff day rate. This has resulted in a cost increase of £10k and £66k to Comprehensive Income in the year ended 31 July 2016 and 2015 respectively.

b) Non-government grants accounted for under performance model

The College has only been in receipt of capital grants from sources classified as "government" under FRS 102 and the 2015 FE HE SORP. These have continued to be capitalised and amortised over the revised remaining useful economic life of the relevant fixed assets following a full Land and Building revaluation and the adoption of deemed costs and revised useful economic lives. No adjustments have been made to the income recognised in the 2015 results that related to the annual amortisation of the capital grants involved

c) Change in recognition of defined benefit plan finance costs

The net pension finance cost recognised in the Income and Expenditure account for the year ended 31st July 2015 under the previous UK GAAP was the net of the expected return on pension plan assets and the interest on pension liabilities. FRS 102 requires the recognition in the Statement of Comprehensive Income, of a net interest cost, calculated by multiplying the net plan obligations by the market yield on high quality corporate bonds (the discount rate applied). The change has had no effect on net assets as the measurement of the net defined benefit plan obligation has not changed. Instead, the decrease in the surplus for the year has been mirrored by a reduction in the actuarial losses presented within Other Comprehensive Income. Consequently the College has reflected LGPS pension costs of £6.2m in 15/16.

d) Presentation of actuarial gains and losses within Total Comprehensive Income

Actuarial gains and losses on the College's defined benefit plans were previously presented in the Statement of Total Recognised Gains and Losses (STRGL), a separate statement to the Income and Expenditure account. All such gains and losses are now required under FRS 102 to be presented within the Statement of Comprehensive Income, as movements in Other Comprehensive Income.

Independent Reporting Accountant's report on regularity to the Corporation of Blackpool and The Fylde College and the Secretary of State for Business, Innovation and Skills acting through the Skills Funding Agency.

In accordance with the terms of our engagement letter dated 16th November 2015 and further to the requirements of the financial memorandum with the Skills Funding we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Blackpool and The Fylde College during the period 1st August 2015 to 31 July 2016 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 Joint Audit Code of Practice issued jointly by Skills Funding Agency and Education Funding Agency. 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 Skills Funding Agency has other assurance arrangements in place.

This report is made solely to the Corporation of Blackpool and The Fylde College and the Secretary of State for Business, Innovation and Skills acting through the Skills Funding Agency in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the Corporation of Blackpool and The Fylde College and the Secretary of State for Business, Innovation and Skills acting through the Skills Funding Agency those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation of Blackpool and The Fylde College and the Secretary of State for Business, Innovation and Skills acting through the Skills Funding Agency 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 Corporation of Blackpool and The Fylde College is responsible, under the SFA financial memorandum and the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.
Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Joint 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 1st August 2015 to 31 July 2016 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 Joint Audit Code of Practice issued jointly by the Skills Funding Agency and Education 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 the college's income and expenditure.

Our work included identification and assessment of the design and operational effectiveness of the controls, policies and procedures that have been implemented to ensure compliance with the framework of authorities including high level financial control areas where we identified areas where a material irregularity is likely to arise. We undertook detailed testing, based on our identification of the areas where a material irregularity is likely to arise where such areas are in respect of controls, policies and procedures that apply to classes of transactions. This work was integrated with our audit on the financial statements to the extent evidence from the conduct of that audit supports the regularity conclusion.

Conclusion
In the course of our work, except for the matters listed below nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1st August 2015 to 31 July 2016 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Signed:
RSM UK Audit LLP
RSM UK AUDIT LLP
Chartered Accountants
Bluebell House
Brian Johnson Way
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Date: 19/12/16