

Blackpool and The Fylde College

Report and Financial Statements for the year ended 31 July 2020

Key management personnel, Board members and professional advisers

Key management personnel

Key management personnel are defined as Blackpool and The Fylde College (B&FC) Executive Team and were represented by the following in 2019/20:

		From	To
Bev Robinson	CEO and Principal; Accounting Officer	1/8/19	31/7/20
Robby Ryan	Chief Operating Officer	1/8/19	31/7/20
Cheryl Dunn	Vice-Principal for HE and Student Enhancement	1/8/19	31/7/20
Simon Hughes	Vice-Principal for Quality and Curriculum	1/8/19	31/7/20
Daryl Platt	Vice Principal for Stakeholder Engagement	19/8/19	31/7/20
Linda Dean	Executive Director – B&FC for Business	6/1/20	31/7/20

Board of Governors

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

PDH Advisory Limited acted as Clerk to the Board from 1st August 2019 to 31st July 2020. B&FC recruited a permanent Company Secretary from 2nd March 2020 to ensure effective continuity.

Professional advisers

Financial statements auditor and reporting accountant:

KPMG LLP
1 St Peters Square
Manchester
M2 3AE

Internal auditor:

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

Bankers:

Santander UK plc
298 Deansgate
Manchester
M3 4HH

Solicitors:

Eversheds LLP
70 Great Bridgwater Street
Manchester
M1 5ES

CONTENTS

	Page number
Reference and administrative details	3
Strategic Report	4
Statement of Corporate Governance and Internal Control	15
Statement of Regularity, Propriety and Compliance	24
Statement of Responsibilities of the Members of the Board	25
Independent Auditor's Report on the Financial Statements	27
Independent Reporting Accountant's Report on Regularity	30
Statement of Comprehensive Income and Expenditure	32
Statement of Changes in Reserves	33
Balance Sheets	34
Statement of Cash Flows	35
Notes to the Financial Statements	36

Strategic Report

Nature, Objectives and Strategies:

The members present their annual report together with the financial statements and auditor's reports for the year ended 31 July 2020.

Legal status

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

Mission

Inspirational learning creating outstanding futures.

Implementation of Strategic Plan

The Strategic Plan is the main strategic planning document for B&FC and was updated in March 2020 for the period 2020 to 2023. This reflects a number of strategies such as the Higher Education Strategy and the Property Strategy together with maintaining and enhancing both the quality of learning and the financial position of B&FC in the face of the real term reduction in Government investment in further education in this period. In addition, B&FC plans to continue to invest in learning through the development of its employees, learning resources and the property strategy for the benefit of its students, employer partners and the regional and national economy.

Key Strategic Goals

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

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

Performance Indicators

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

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

Financial objectives

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

- To achieve a minimum of Good financial status as defined by the ESFA
- To generate an EBITDA surplus of at least 10% for future investment
- To ensure borrowings of not more than 20% of income
- To have a positive cash flow from operations
- To maintain short term liquidity
- To fund continued capital investment to support learning
- To improve the efficiency of processes

B&FC was required to complete the Integrated Finance Model for Colleges for the Education and Skills Funding Agency (ESFA) in February 2020 and was also required to submit a Covid Financial update in July 2020. Both calculated an Outstanding financial health status.

Resources:

Financial

B&FC had £27m of net assets after the inclusion of a £42.3m pension liability, a decrease from £44.4m in 2018/19 due to a change in actuarial assumptions. B&FC continues to increase its net cashflow from operating activities and reduce its borrowings as a percentage of income from its already favourable position. Despite the pension liability revaluation, operational finances remain strong and retain an ESFA Outstanding status.

People

B&FC employed an average headcount of 1,055 over 2020/21, of whom 555 were teaching staff.

Reputation

B&FC has an excellent reputation locally and nationally for:

- co-creating learning programmes with employers aligned to the needs of industry
- the quality of learning, teaching and assessment
- student outcomes
- financial stability enabling investment in learning

Specific examples include:

- B&FC has been in the top 3% of all general further education colleges in England for student achievement in further education programmes for the last six consecutive years.
- GCSE high grade pass rates have improved 15% overall from 2018/19.
- Overall high grades for BTEC L3 across all qualifications increased 4.3% from 2018/19.
- According to the most recent NSS survey, B&FC is in the top HEI quartile for Assessment and Feedback for students.
- According to the most recent Destination of Leavers from Higher Education (DLHE) data, 74.3% of students progressed into highly skilled work or further study, up 7.9% on the previous year. B&FC graduates earn 9% higher than the country's average graduate starting salary.
- ESFA Financial Health scored as Outstanding and is forecast to do so for the foreseeable future

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

Stakeholders

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

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

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

B&FC considers good communication with students and employees to be fundamental to its success. There are two student representatives on the Board and three cross-college Student Forums each year. Students sit on every deliberative committee as part of academic governance and are full partners in their learning. They are also invited to give feedback through enrolment, induction, via email, at talkback and online customer satisfaction surveys as well as being encouraged to engage with student representative elections and student union activities such as societies, volunteering and enrichment opportunities.

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

Public Benefit

B&FC is an exempt charity under Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education. The members of the Governing Body, who we normally refer to as the Board, act as trustees of the exempt charity and are listed on page 18.

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

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

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

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

FINANCIAL POSITION

Financial results

B&FC generated a deficit before other gains and losses in the year of £1.5m, (2018/19 – surplus of £0.8m). This includes £3m of FRS102 related pension costs. The Total Comprehensive Loss was £(17.6)m, (2018/19 - £(6.9)m) which includes £(16)m of actuarial revaluation in respect of B&FC's defined benefit LGPS pension scheme.

B&FC has accumulated reserves of £27m (2018/19 £44.4m) with the year on year decrease being caused by a £(17.4)m loss related mainly to an actuarial revaluation of B&FC's defined benefit pension scheme, LGPS. Cash balances, including fixed term deposits, were £13.8m (2018/19 £10.4m) and also reflect a reduction in borrowing to £6.9m (2018/19 £8m)

Tangible fixed asset additions during the year amounted to £3.6m split between land and buildings development of £1.8m and equipment purchased of £1.8m. This was mainly the Construction Skills centre in preparation of T levels, landscaping, Fleetwood Halls of Residence completion and refurbishment of the marine lake facilities.

B&FC has some reliance on the education sector funding bodies as a principal funding source, mainly from recurrent grants via the Education and Skills Funding Agency. This reliance has been decreasing over the past three years and at 46% was well below the 78% sector average as B&FC continues to grow its diversified income streams.

Cash flows and liquidity

At £7.9m, (2018/19 £5.9m) net cash flow from operating activities was strong. Both the B&FC Board and Strategic Management Team receive cash flow forecasts as part of the finance standing agenda item. This assures transparency of financial data, particularly the generation and application of cash.

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

Treasury policies and objectives

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

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

B&FC has 2 loans, both with Santander.

- A 2012 £6m fixed loan repayable by May 2022 with an outstanding balance of £1.5m.
- A 2019 £5.9m fixed loan repayable by June 2031, with an outstanding balance of £5.4m.

COVID impact

With the benefit of the government flexibility on funding given to the FE sector and the success in delivering to students both remotely and through continued opening during the Covid pandemic, B&FC was able to deliver a positive result for the year. Nevertheless, some income streams, notably commercial income and apprenticeship levy income were adversely impacted during the period by the impact of the Covid 19 pandemic.

Sources of Income

In 2019/20, Government funding bodies provided 46% of B&FC's total income versus the 2018/19 General Further Education and Technical College average of 78%.

Reserves Policy

B&FC chooses not to have a formal Reserves Policy but recognises the importance of reserves in the financial stability of any organisation, and ensures that there are adequate reserves to support its core activities. B&FC's reserves include £52k held as restricted reserves. As at the balance sheet date, the Income and Expenditure Reserve stands at £27m (2018/19: £44.4m). It is the Board's intention to increase reserves over the life of the strategic plan through the generation of annual operating surpluses although this is affected by changes in externally applied pension valuations outwith its control.

Current and Future Development

Student numbers

In 2019/20, B&FC delivered activity that produced £23.1m in public funding body main allocation funding versus £25.7m in 2018/19. B&FC had approximately 13,300 students of whom 8,000 were either part or wholly publicly funded.

Student Achievements

Students continue to prosper with B&FC remaining in the top 3% of all general further education colleges in England for student achievement in further education programmes for the last six consecutive years. The overall Pass rate for L3 BTEC qualifications, (which includes subsidiary diplomas, 90 credit diplomas and extended diplomas) was 96.9%, an increase of 1.8% from 2018/19. GCSE high grade pass rates improved by 15% overall from 2018/19 rates to 43%. According to the most recent NSS survey, B&FC is in the top quartile for Assessment and Feedback for students, up 3% from the previous year.

2019/20 saw a number of notable achievements and successes, with B&FC also continuing its proactive approach to curriculum development to ensure its provision continues to meet the needs of the community and contributes to the economic growth of the nation by providing industry with the skilled workforce it needs. New

provision is developed and existing provision is further enhanced in line with labour market intelligence, Lancashire LEP priorities, the Industrial Strategy and employer and industry needs.

Notable student achievements in 2019/20 include:

- An engineering student and BAE Systems apprentice was awarded Make UK's National Engineering Apprentice of the Year title at a ceremony in London's East Wintergarden after competing in a series of challenges to first win through regional heats and then be judged champion in the national finals
- A Deck Cadet achieved the MCA Cadet of the Year Award for 2019-20. This is a national award in the UK and the candidate is selected by an expert panel scrutinising anonymised records of nomination from across the UK.
- Two B&FC Catering students were shortlisted for the national heats for the Nestle Toque d'Or showcasing vegan dishes.
- Hair, Beauty, Catering & Sport students showcased their skills and won at the Inter College Skills Clash
- An engineering student was recognised for his excellence in engineering with a major national award and received the Silver Award in the 10th annual BTEC Awards recognising his exceptional achievements studying at B&FC

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

B&FC also demonstrated its commitment to the environmental and sustainability agenda through energy efficiency and water usage targets, ongoing programmes to embed Education for Sustainable Development (ESD) through learning and teaching and events which engaged with employees and students as an integral part of student enrichment and employee and student wellbeing.

Future prospects

COVID-19 has had a significant impact on B&FC in terms of the way it continues to support its students and employees. Despite this, B&FC remains financially outstanding with positive cashflows and low borrowing. B&FC continues to explore new opportunities in its curriculum, facilities and services as the funding, regularity and economic environment changes. B&FC also aims to increase operational effectiveness through an ongoing programme of key process efficiency review.

B&FC Property Strategy

B&FC has had a comprehensive property strategy since 2010, reviewed and approved at Board level. The next review is due in spring 2021. The document recognises the need to focus on those aspects of education and training which are required to drive the economy, deliver a skilled workforce for industry and secure employment and vibrant career opportunities for students.

The development of the property strategy is an evolving and iterative process taking into account changing needs and circumstances. This has been very pertinent in 2020 with the need to make operational changes due to the impact of Covid-19.

Included in the Property Strategy are projects involving:

- Consolidation and maintenance of the premises to ensure they are raised to, and stay in, the A and B categories for condition
- Completion of the existing property strategy
- An alignment of property to support the Internet of Things
- A continued drive for a sustainable and cost effective estate

The significant projects delivered in 2019/20 were:

- Refurbishment of Construction Skills Building at Bispham in readiness for the commencement of T Level delivery
- Landscaping improvements at Bispham campus
- Sports Centre refurbishment
- Internal refurbishment and improvement of the Marine Lake

The sales process for both Carr Head and LSFC sites continues despite the impact of COVID-19 on the property market.

Principal Risks and Uncertainties:

B&FC has undertaken further work during the year to develop and embed the system of internal control, including financial, operational and risk management, which is designed to protect B&FC's assets and reputation. As a result of the Covid-19 pandemic, B&FC has introduced a comprehensive range of measures which collectively constitute a new control environment to mitigate the health and safety risks of the virus and to keep its students and employees safe.

Based on the strategic plan, B&FC undertakes a comprehensive review of the risks to which it is exposed. It identifies systems and procedures, including specific preventive actions, which should mitigate any potential impact on B&FC. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness. Particular consideration is given to the risks which arise from the Covid-19 pandemic and as a result of any new area of work being undertaken by B&FC.

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

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

1. Public funding

B&FC retains some reliance on the education sector funding bodies for its funding. In 2019/20, Government funding bodies provided 46% of B&FC's total income. This reliance has been decreasing over the past three years and is well below the sector average of 78%. B&FC continues to diversify income streams to reduce this further. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

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

- Future government spending plans are uncertain, particularly in view of the burgeoning UK debt position caused by Covid-19
- The economic implications of Brexit and the policy responses of the Government leadership team are not yet apparent
- The post Brexit impact on EU student demand remains unclear
- The rate of expenditure of Apprenticeship Levy funds that employers may choose, particularly in the challenging economic environment, is unclear
- Autumn 2020 will see a Further Education White paper, the details of which are unknown at the time of writing

2. Maintain adequate funding of pension liabilities

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

3. Covid-19

The global Covid-19 pandemic has placed additional demands on B&FC, and all employers, to keep employees and customers safe. These demands are supported by Health and Safety requirements, breaches of which could lead to litigation. B&FC has introduced new controls, including reasonable modifications to working environments and public areas, to assess and mitigate the risks as necessary for activity to carry on in a safe manner.

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

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the satisfactory provision of goods or services or the date on which the invoice was received.

The target set by the Treasury for payment to suppliers within 30 days is 95%. During the accounting period 1 August 2019 to 31 July 2020, B&FC paid 96.1% of its compliant payments within 30 days (97% in 2018/19). B&FC incurred no interest charges in respect of late payment for this period.

Equality, Diversity and Inclusion (EDI)

Equality diversity and inclusion continue to be integral to B&FC's mission and ethos. As a fully inclusive learning organisation, B&FC strives to not only meet, but in many cases exceed the three duties of the Equality Act 2010 which are to:

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

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

B&FC respects and values differences in age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation. These are the identified protected characteristics of the Equality Duty, as specified in the Equality Act 2010. B&FC seeks to identify and take positive action to support students and potential students who may be disadvantaged as a result of a particular protected characteristic, intersectional characteristics or wider dimensions of potential disadvantage. These include care leavers, carers, students estranged from families and students undergoing or considering gender re-assignment. B&FC demonstrates this by:

- Taking steps to meet the needs of people from protected groups where these are different from the needs of other people
- Encouraging people from protected groups to participate in public life or in other activities where their participation is disproportionately low
- Removing or minimising disadvantages incurred by people due to their protected characteristics
- Acting on any gaps identified by performance data whilst on programme, and providing both immediate action where possible and future planning to bridge or eliminate those gaps

Blackpool and The Fylde College trade union facility publication requirements

The Trade Union (Facility Time Publication Requirements) Regulations 2017 came into force on 1 April 2017. Public sector employers must publish this information annually covering the 12 month period beginning 1 April 2019 to 31 March 2020.

B&FC figures

Table 1 - Relevant trade union officials

Number of employees who were trade union officials during the relevant period	Full time equivalent employee number
3	2.1

Table 2 - Percentage of time spent on facility time

Percentage of time spent on facility time	Number of employees
0-50%	3

Table 3 - Percentage of pay bill spent on facility time

Total cost of facility time	£8,510
Total pay bill	£30,478,880
% of pay bill spent on facility time	0.02%

Table 4 - Paid trade union activities

Paid trade union activities as a percentage of paid facility time	0%
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Going concern

After due consideration, the Board considers that B&FC has adequate resources to continue in operational existence for the foreseeable future. B&FC continues to develop diversified income streams, effectively control costs and generate strong operating cash flows. For this reason, it continues to adopt the going concern basis in preparing these financial statements.

Disclosure of information to auditor

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

Approved by order of the members of the Board on 8 December 2020 and signed on its behalf by:



A Cavill
Chair of the Board

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of B&FC to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2019 to 31 July 2020 and up to the date of approval of the annual report and financial statements.

B&FC endeavours to conduct its business:

1. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
2. having due regard to the principles and guidance of the UK Corporate Governance Code 2018 (“the Code”), although not adopted, insofar as it is applicable to the further education sector

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

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

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

Therefore, the Board also has regard to the Association of Colleges Code of Good Governance for English Colleges and the Charity Governance Code.

B&FC ensures transparency about its corporate governance arrangements by the regular reporting and publication thereof via various channels including the B&FC website and annual report and accounts.

B&FC obtains assurance over the adequacy and effectiveness of the arrangements for corporate governance, risk management and oversight of statutory and other regulatory responsibilities through an effective framework of business assurance comprising an internal audit function, the Audit Committee, regular reporting of risk management and compliance, an internal control framework including the respective roles of the Accounting Officer, the Clerk and the Corporation Board.

Name	Category of membership	Date first appointed	Term ends/resigned	Attendance 2019/20	Committee membership as at year end			
					A	Q	R	S
Kate Shane	Independent	06/05/2014	12/02/2020 ^(*)	25%				
Steve Williams	Independent	29/01/2019	28/01/2020	75%		✓		

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

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

(**) Where a double asterisk is shown, this indicates that the individual resigned part-way through their term of office.

During 2019/20, the Chair of the Board was Alan Cavill. The Board also retained Vice-Chair Anne Parmley, to deputise for the Chair in his absence, and the Board will consider appointing a second Vice-Chair as required in 2020/21.

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

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

The coverage of the Boards work during the period included reviewing and guiding strategies, major plans of action and the annual budget and business plans, overseeing major capital expenditure, monitoring the effectiveness of the B&FC's governance practices and introducing changes, and overseeing the implementation and maintenance of a robust conditional recovery plan in light of the public health emergency.

The Board is supported by four committees:

1. Audit Committee
2. Quality and Standards Committee
3. Remuneration Committee
4. Search Committee

Board performance

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

Remuneration Committee

Throughout the year ended 31 July 2020, the Remuneration Committee comprised three independent members of the Board. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Accounting Officer and other senior post holders.

Details of remuneration for the year ended 31 July 2020 are set out in notes 7 to 8 to the financial statements.

The Corporation has adopted the AoC's Colleges Senior Staff Remuneration Code and followed the minimum requirements thereof.

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

Element of pay	How operated	Maximum opportunity	Description of performance metrics	Changes from previous year
Base salary	As determined by the Remuneration Committee (for Senior Post Holders) or by the Resourcing Panel (for other executives)	There is no prescribed maximum annual increase	Individually set at the start of the year	No change
Benefits	The Remuneration Committee has the option to provide additional benefits, such as additional annual leave, either as well as or in lieu of pay awards	There is no formal maximum	N/A	No change
Pension	B&FC operates the standard Local Government Pension Scheme (LGPS) or Teachers' Pension Scheme (TPS) for all employees, including senior postholders.	As per standard LGPS or TPS pension schemes.	N/A	No change
Pension Exchange	If set criteria are met, senior post holders have the opportunity to	Initially 10% of annual salary,	There is a requirement for individuals to	No change

	participate in a pension exchange scheme, in order to reflect the changes both of the market and reductions to the pension tax threshold.	subject to periodic review.	apply to the Remuneration Committee and to demonstrate their eligibility as per the policy and procedure.	
Annual proactive medical screening (taxable benefit)	Executives are able to receive an annual proactive medical screening if they wish to do so	One screening per year	N/A	No change

During the year, one Senior Post Holder (2018/19: one Senior Post Holder) also benefited from salary sacrifice arrangements relating to childcare vouchers which is available to all B&FC colleagues.

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

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

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

In reaching its recommendations, the Remuneration Committee took account of B&FC's strong quality performance and its excellent financial position when compared with the wider sector.

Audit Committee

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

The Audit Committee meets three times per year and provides a forum for reporting by the Board's internal and external auditors. The Committee holds at least one

meeting per year with the internal and external auditors privately, i.e. without B&FC management being present. The Committee also receives and considers reports from the main FE funding bodies as they affect the Board's business. B&FC chooses to purchase an internal auditor service. The internal auditor reviews the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input and report their findings to management and to the Audit Committee. Management is responsible for the implementation of agreed audit recommendations and the internal auditors undertake periodic follow-up reviews to ensure that recommendations have been implemented.

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

Internal control

Scope of responsibility

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

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

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of B&FC's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in B&FC for the year ended 31 July 2020 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Board, with the assistance of its Audit Committee, has reviewed the key risks to which B&FC is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Board is of the view that there is a formal ongoing process for identifying, evaluating and managing B&FC's significant risks that has been in place for the period ending 31 July 2020 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Board.

The risk and control framework

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

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

B&FC chooses to purchase an internal audit service, which operates in accordance with the requirements of the ESFA's Post 16 Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which B&FC is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Board on the recommendation of the Audit Committee. The Internal Auditor provides the Audit Committee and Board with a report on internal audit activity in B&FC.

Review of effectiveness

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

- the work of the internal auditor
- the work of the executive managers within B&FC who have responsibility for the development and maintenance of the internal control framework
- comments made by B&FC's financial statements and regularity auditor in their management letters and other reports

The Accounting Officer has been advised on the implications of the result of her review of the effectiveness of the system of internal control by the Audit Committee, which oversees the work of the internal auditor and other sources of assurance, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Strategic Management Team receives and contributes to reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the curriculum and service areas and are reinforced by risk awareness training. The senior management team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for

improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control.

The Board's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its September 2020 meeting, the Board carried out the annual assessment for the year ended 31 July 2020 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2019.

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

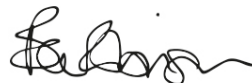
Going concern

After due consideration, the Board considers that B&FC has adequate resources to continue in operational existence for the foreseeable future. B&FC continues to develop diversified income streams, effectively control costs, improve quality and generate strong operating cash flows. For this reason, it continues to adopt the going concern basis in preparing these financial statements.

Approved by order of the Board on 8 December 2020 and signed on its behalf by:



A Cavill
Chair of the Board



B Robinson OBE
Accounting Officer

Statement of Regularity, Propriety and Compliance

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


We confirm, on behalf of the Board, 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 B&FC, or material non-compliance with the terms and conditions of funding, under B&FCs grant funding agreements with the ESFA, or any other public funder.

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



A Cavill
Chair of the Board

8 Dec 2020



B Robinson OBE
Accounting Officer

8 Dec 2020

Statement of Responsibilities of the Members of the Board

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

Within the terms and conditions of B&FC's grant funding agreements and contracts with the ESFA, the Board, through its Accounting Officer, is required to prepare financial statements and an operating and financial review for each financial year in accordance with the 2019 Statement of Recommended Practice – Accounting for Further and Higher Education and with the College Accounts Direction 2019 to 2020 issued by the ESFA, and which give a true and fair view of the state of affairs of B&FC and the result for that year.

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

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

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

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

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

Members of the Board are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from the ESFA are used only in accordance with the Grant Funding Agreements and contracts with the ESFA and any other conditions that may

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

Approved by order of the members of the Board on 8 Dec 2020 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'A Cavill', written over a faint dotted grid background.

A Cavill
Chair of the Board

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

Opinion

We have audited the financial statements of Blackpool and The Fylde College (B&FC) for the year ended 31 July 2020 which comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, Balance Sheet, Statement of Cash Flows and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of B&FC's affairs as at 31 July 2020, and of B&FC's income and expenditure, gains and losses, changes in reserves, and cash flows, for the year then ended; and
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, and with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education.
- meet the requirements of the Accounts Direction dated 25 October 2019 issued by the Office for Students ('the OfS Accounts Direction').

Basis for opinion

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

Going Concern

The Board has prepared the financial statements on the going concern basis as they do not intend to liquidate B&FC or to cease its operations, and as they have concluded that B&FC's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over the B&FC's ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

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

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material

uncertainty in this auditor's report is not a guarantee that B&FC will continue in operation.

Other information

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

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

Matters on which we are required to report by exception

Under the Post-16 Audit Code of Practice 2019 to 2020 (July 2020) issued by the Education and Skills Funding Agency we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

The Boards responsibilities

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

Auditor's responsibilities

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

We are required to report on the following matters by the OfS Accounts Direction.

In our opinion, in all material respects:

- funds from whatever source administered by the College for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- income has been applied in accordance with the articles of government and
- funds provided by the Office for Students, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and the Department for Education have been applied in accordance with the relevant terms and conditions.

Matters on which we are required to report by exception

We are required by the OfS Accounts Direction to report to you where the College has an access and participation plan that has been approved by the Office for Students' director of fair access and participation and the results of our audit work indicate that the College's expenditure on access and participation activities for the financial year disclosed in Note 9a has been materially misstated.

We are also required by the OfS Accounts Direction to report to you where the results of our audit work indicate that the College's grant and fee income, as disclosed in note 2 to the financial statements has been materially misstated.

We have nothing to report in these respects

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

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



1 December 2020

Debra Chamberlain

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

1 St Peter's Square

Manchester

M2 3AE

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

In accordance with the terms of our engagement letter dated 11 May 2020 and further to the requirements and conditions of funding in ESFA grant funding agreements and contracts, or those of any other public funder, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by B&FC during the period 01 August 2019 to 31 July 2020 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

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

Respective responsibilities of B&FC and the reporting accountant

The board of B&FC is responsible, under the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Post-16 Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 01 August 2019 to 31 July 2020 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

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

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

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

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

The work undertaken to draw our conclusion included:

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

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

Conclusion

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



16 December 2020

Debra Chamberlain

For and on behalf of KPMG LLP, Reporting Accountant

1 St Peter's Square

Manchester

M2 3AE

Statements of Comprehensive Income and Expenditure

	Note	Year Ended 2020 £'000	Year Ended 2019 £'000
INCOME			
Funding body grants	2	23,197	25,660
Tuition fees and education contracts	3	18,444	17,428
Other grants and contracts	4	1,532	1,342
Other income	5	7,016	8,501
Investment income	6	71	94
Total income		50,260	53,025
EXPENDITURE			
Staff costs	8	32,926	32,975
Fundamental restructuring costs	8	26	225
Other operating expenses	9	13,583	13,792
Depreciation	12	4,419	4,418
Interest and other finance costs	10	791	805
Total expenditure		51,746	52,215
Deficit before other gains and losses		(1,486)	810
Loss on disposal of assets	12	-	(1,200)
Deficit before tax		(1,486)	(390)
Taxation	11	(56)	(22)
Deficit for the year		(1,542)	(412)
Actuarial loss in respect of pensions schemes	25	(16,016)	(6,480)
Total Comprehensive Loss for the year		(17,558)	(6,892)

Statement of Changes in Reserves

	Income and expenditure account	Restricted reserve	Total
	£'000	£'000	£'000
Balance at 31st July 2019	44,319	52	44,371
Surplus from the income and expenditure account	(1,541)	(1)	(1,542)
Other comprehensive income	(16,016)	-	(16,016)
Total comprehensive Loss for the Year	(17,557)	(1)	(17,558)
Balance at 31st July 2020	26,762	51	26,813

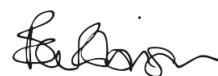
Balance sheet as at 31 July

	Notes	Year Ended 2020	Year Ended 2019
		£'000	£'000
Non current assets			
Tangible Fixed assets	12	89,899	90,680
Investments	13	51	50
		<u>89,950</u>	<u>90,730</u>
Current assets			
Stocks		4	4
Trade and other receivables	14	3,527	2,762
Investments	15	-	-
Cash and cash equivalents	20	13,822	10,424
		<u>17,353</u>	<u>13,190</u>
Less: Creditors – amounts falling due within one year	16	(10,354)	(6,210)
		<u>6,999</u>	<u>6,980</u>
Net current assets			
		<u>6,999</u>	<u>6,980</u>
Total assets less current liabilities		<u>96,949</u>	<u>97,710</u>
Creditors – amounts falling due after more than one year	17	(27,478)	(29,572)
Provisions			
Defined benefit obligations	19	(42,307)	(23,371)
Other provisions	19	(351)	(400)
		<u>26,813</u>	<u>44,371</u>
Total net assets		<u>26,813</u>	<u>44,371</u>
Restricted reserves – endowment fund		51	52
Unrestricted Reserves		44,319	51,211
Income and expenditure account		(17,557)	(6,892)
		<u>26,813</u>	<u>44,371</u>
Total reserves		<u>26,813</u>	<u>44,371</u>

The financial statements on pages 32 to 53 were approved and authorised for issue by the Board on 8 December 2020 and were signed on its behalf on that date by:



A Cavill
Chair of the Board



B Robinson OBE
Accounting Officer

Statement of Cash Flows

	2020	2019
	£'000	£'000
Cash flow from operating activities		
Surplus/(Deficit) for the year	(1,486)	(390)
Adjustment for non-cash items		
Depreciation	4,419	5,618
(Increase)/decrease in stocks	-	1
(Increase)/decrease in debtors	(764)	(483)
Increase/(decrease) in creditors due within one year	4,083	(304)
Increase/(decrease) in creditors due after one year	(1,383)	(1,350)
Increase/(decrease) in provisions	18,889	8,959
Pensions costs less contributions payable	(16,016)	(6,480)
Adjustment for investing or financing activities		
Investment income	(71)	(94)
Interest payable	296	419
Taxation paid	(56)	(14)
	<hr/>	<hr/>
Net cash flow from operating activities	7,911	5,882
	<hr/>	<hr/>
Cash flows from investing activities		
Investment income	71	94
Withdrawal of deposits	-	2,100
Deferred capital grant received	401	270
Payments made to acquire fixed assets	(3,639)	(2,973)
	<hr/>	<hr/>
	(3,167)	(509)
	<hr/>	<hr/>
Cash flows from financing activities		
Interest paid	(296)	(412)
Interest element of finance lease rental payments	-	(7)
Repayments of amounts borrowed	(1,050)	(3,050)
Capital element of finance lease rental payments	-	(55)
	<hr/>	<hr/>
	(1,346)	(3,524)
	<hr/>	<hr/>
Increase / (decrease) in cash and cash equivalents in the year	3,398	1,849
	<hr/> <hr/>	<hr/> <hr/>
Cash and cash equivalents at beginning of the year	20 10,424	8,575
Cash and cash equivalents at end of the year	20 13,822	10,424

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 2019 (the 2019 FE HE SORP), the College Accounts Direction for 2019 to 2020 and in accordance with Financial Reporting Standard 102 – “The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland” (FRS 102). B&FC is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

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

Basis of accounting

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

Going concern

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

The financial statements have been prepared on a going concern basis which the Board considers to be appropriate for the following reasons.

B&FC has prepared cash flow forecasts covering a period of 19 months from the date of approval of these financial statements. After reviewing these forecasts, the Board is of the opinion that, taking account of severe but plausible downsides, including the anticipated impact of COVID-19, B&FC will have sufficient funds to meet its liabilities as they fall due over the period of 12 months from the date of approval of the financial statements (the going concern assessment period).

The 2020/21 budget and related cashflow have approached the next 12-18 months as a ‘stepping stone’ year back to normal levels of financial performance and have reflected only prudent changes to those conditions experienced in 2019/20. B&FC has significant flexibility in its budget to withstand changes in both revenue and capital expenditure and has not assumed any vacancy lag, pension support or Job Retention income in its projections.

B&FC currently has two borrowing facilities with Santander. The first is a 2012 £6m fixed loan of which £1.5m is outstanding and loan repayments are scheduled until May 2022, at which point cash flows would improve by £0.8m annually. The second is a 2015 facility of which £5.9m is now fixed, £5.4m is outstanding and loan repayments are scheduled until 2031. B&FC’s forecasts and financial projections indicate that it will be able to operate very comfortably within this existing facility and covenants for the foreseeable future. Gearing is low and the option of further borrowing could be explored should the need arise although that need is not currently anticipated.

Consequently, the Board is confident that B&FC will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Recognition of income

Grants – Government and non-government

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

The recurrent grant from Office for Students represents the funding allocations attributable to the current financial year and is credited direct to the Statement of Comprehensive Income. Where part of a government grant is deferred, the deferred element is recognised as deferred income within creditors and allocated between creditors due within one year and creditors due after more than one year as appropriate.

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

Capital Grant Funding

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

Other income

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

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

Accounting for post-employment benefits

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

Teachers' Pension Scheme (TPS)

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

Local Government Pension Scheme (LGPS)

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

Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest

income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in interest and other finance costs.

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

Short term Employment benefits

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

Enhanced Pensions

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

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Land and buildings

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

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred income account within creditors, and are released to the income and expenditure account over the expected useful economic life of the related asset on a systematic basis consistent with the depreciation policy. The deferred income is allocated between creditors due within one year and those due after more than one year. A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of any fixed asset may not be recoverable.

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

Assets under construction

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

Equipment

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

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

- | | |
|---|----------|
| • Heavy equipment | 10 years |
| • IT equipment (from August'18) and general equipment | 5 years |
| • Motor vehicles | 4 years |

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

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

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

Borrowing costs

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

Leased assets

Operating Leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term to the Statement of Comprehensive Income and Expenditure. Any lease premiums or incentives relating to leases signed after 1st August 2014 are spread over the minimum lease term.

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

Finance Leases

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

Investments

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

Inventories

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

Cash and cash equivalents

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

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

Financial liabilities and equity

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

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

Foreign currency translation

Transactions denominated in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the financial period with all resulting exchange differences being taken to income or expenditure in the period in which they arise.

Taxation

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

B&FC is partially exempt in respect of Value Added Tax, so that in 2019/20 it could only recover 0.95% of the VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

Provisions and contingent liabilities

Provisions are recognised when

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

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

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

Agency arrangements

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

Judgements in applying accounting policies and key sources of estimation uncertainty

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

- Determine whether leases entered into by B&FC either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

- Determine whether there are indicators of impairment of B&FC's tangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

- **Tangible fixed assets**

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

- **Local Government Pension Scheme**

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 25, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 has been used by the actuary in valuing the pensions liability at 31 July 2020. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

- **Local Government Scheme - Actuarial CPI Assumption**

At 31 July 2020, in order to reflect the impact of proposals by the UK Chancellor and the UK Statistics Authority (UKSA) to align RPI with CPIH (a variant of the Consumer Prices Index that includes an estimate of housing costs), the CPI assumption methodology was reassessed. In particular, the assumed long term gap between RPI inflation and CPI inflation was reduced from 1.9% at the prior year end to 2.4% at this year end. The impact of this change is expected to have resulted in a £10m increase in the Fund's liabilities since the prior year end.

2 Funding body grants	2020	2019
	£'000	£'000
Recurrent grants		
Education and Skills Funding Agency - adult	4,458	5,734
Education and Skills Funding Agency – 16-18	12,289	13,194
Education and Skills Funding Agency – apprenticeships	3,790	3,842
Office for Students	1,598	1,837
Specific grants		
Education and Skills Funding Agency	365	365
Releases of government capital grants	278	277
OfS grant	419	411
Total	23,197	25,660
3 Tuition fees and education contracts	2020	2019
	£'000	£'000
Total tuition fees	17,534	17,064
Education contracts	910	364
Total	18,444	17,428

4 Other grants and contracts	2020	2019
	£'000	£'000
Coronavirus Job retention Scheme Grant	397	-
Other grants and contracts	1,135	1,342
Total other grants and contracts	1,532	1,342

The corporation furloughed multiple cross college and commercial roles under the government's Coronavirus Job Retention Scheme. The funding received of £397k relates to staff costs.

5 Other income	2020	2019
	£'000	£'000
Catering and residences	1,544	1,638
Other income generating activities	3,461	5,196
Exam Fees	14	23
Miscellaneous income	1,998	1,644
Total	7,016	8,501

6 Investment Income	2020	2019
	£'000	£'000
Other interest receivable	71	94
Total	71	94

7 Staff numbers

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

	2020	2019
	No.	No.
Teaching staff	555	579
Non-teaching staff	500	537
	1,055	1,116

8 Staff costs for the above persons	2020	2019
	£'000	£'000
Wages and salaries	23,892	25,080
Social security costs	2,281	2,272
Other pension costs	6,507	5,448
Payroll sub total	32,680	32,800
Contracted out staffing services	246	175
	32,926	32,975
Fundamental restructuring costs – contractual	26	225
Total Staff costs	32,952	33,200

Key management personnel

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

Bev Robinson	Principal and Chief Executive Officer; Accounting Officer
Cheryl Dunn	Vice-Principal for HE and Student Enhancement
Daryl Platt	Director for Stakeholder Engagement
Linda Dean	Executive Director – B&FC for Business
Robby Ryan	Chief Operating Officer
Simon Hughes	Vice-Principal for Quality and Curriculum

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

	2020	2019
	No.	No.
The number of key management personnel including the Accounting Officer was:	6	4

Year Funding Body Basis	Key Management			Other staff		
	2020 ESFA	2020 OfS	2019	2020 ESFA	2020 OfS	2019
	No.	No.	No.	No.	No.	No.
£60,001 to £65,000 pa	-	-	-	7	8	4
£65,001 to £70,000 pa	-	-	-	3	2	2
£70,001 to £75,000 pa	-	-	-	5	6	9
£80,001 to £85,000 pa	-	-	-	1	1	1
£90,000 to £95,000 pa	1	1	1	-	-	-
£95,001 to £100,000 pa	1	2	1	-	-	-
£100,001 to £105,000 pa	1	-	-	-	-	-
£110,001 to £115,000 pa	1	2	-	-	-	-
£115,001 to £120,000 pa	1	-	1	-	-	-
£165,001 to £170,000 pa	1	1	1	-	-	-
	6	6	4	16	17	16

The table above reports the 2019/20 pay bandings based on the different methods required by both ESFA and new from 2019/20 OfS.

OfS is calculated based on full time equivalent basic pay only, ESFA is based on actual basic pay plus benefits in kind. The reporting difference is one part time role included in OfS numbers and four banding difference.

2018/19 remains based on ESFA method only.

Key management personnel remunerations are made up as follows:

	2020	2019
	£'000	£'000
Salaries	682	459
Benefits in Kind	3	4
Pension Exchange	17	-
National Insurance	86	59
Total	788	522
Pension contributions	86	69
Total emoluments	874	591

The emoluments noted include amounts payable to the Accounting Officer (who is also the highest paid key management employee) of:

	2020	2019
	£'000	£'000
Salaries	168	165
Pension Exchange	16	2
Benefits in kind	1	1
National Insurance	24	22
	<u>209</u>	<u>190</u>
Pension contributions	-	23
Total emoluments	<u><u>209</u></u>	<u><u>213</u></u>

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

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

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

	2020	2019
	£'000	£'000
Principal and CEO's basic salary as a multiple of the median of all staff	6.6	6.6
Principal and CEO's total remuneration as a multiple of the median of all staff	5.5	6.0

No compensation was paid to former key management employees

9 Other Operating Expenses

	2020	2019
	£'000	£'000
Teaching costs	5,405	5,385
Non-teaching costs	5,967	5,705
Premises costs	2,211	2,702
	<u>13,583</u>	<u>13,792</u>

Surplus before taxation is stated after charging:

	2020	2019
	£'000	£'000
Auditors' remuneration:		
Financial statements audit*	48	34
Internal audit**	19	18
Other services provided by the financial statement auditor - Teachers' Pension Scheme Audit – KPMG	1	1
Hire of assets under operating leases	72	81
Agency Payments – Disbursal of Free Student Meals (Note 27)	34	-
	<u>174</u>	<u>144</u>

* Includes £48,000 in respect of the College (2018/19 £33,597)

** includes £19,372 in respect of the College (2018/19 £17,650)

9a Access and Participation spending

	2020 £'000	Inc Staff Costs
Access investment	315	155
Financial support to students	219	-
Disability support	346	306
Total	880	461

These values have been recognised as being spent in the delivery of the [2019/20 Access and Participation plan](#). Financial support is based on actual costs while access and disability support are based on an estimation of pay and material related to activities.

10 Interest and other finance costs	2020 £'000	2019 £'000
On bank loans, overdrafts and other loans	296	412
On finance leases	4	7
Net interest in defined pension liability (note 25)	492	386
	791	805

11 Taxation	2020	2019
Current year corporation tax liability at 19% per cent	20	-
Prior year corporation tax liability at 20%	36	22
Total	56	22

12 Tangible fixed assets	Land and buildings		Equipment	Assets in the course of construction	Total
	Freehold	Long Leasehold			
	£'000	£'000	£'000	£000	£'000
Cost or valuation					
At 1 August 2019	100,729	21	19,986	724	121,460
Additions and reallocations	1,168	-	1,850	620	3,638
Disposals	-	-	-	-	-
At 31 July 2020	101,897	21	21,836	1,344	125,098
Depreciation					
At 1 August 2019	14,238	9	16,533	-	30,780
Charge for the year	3,025	2	1,392	-	4,419
Write down of assets held for sale	-	-	-	-	-
Elimination in respect of disposals	-	-	-	-	-
At 31 July 2020	17,263	11	17,925	-	35,199
Net book value at 31 July 2020	84,634	10	3,911	1,344	89,899
Net book value at 31 July 2019	86,491	12	3,453	724	90,680

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

There were no fixed asset disposals during 2019/20.

13 Non-current investments	2020	2019
	£'000	£'000
Investment in Lancashire Colleges Consortium Ltd (7% owned)	-	-
Investment in NCOOG	-	-
Other non-current asset investments – endowment funds	51	50
Total	51	50

B&FC owns 7% of the issued share capital of Lancashire Colleges Consortium Ltd, a company limited by guarantee incorporated in England and Wales. The principal business activity of the company is to advise and assist educational institutions in respect of funds and grants that may be available to them. The investment is carried at cost.

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

14 Trade debtors and other receivables	2020	2019
	£'000	£'000
Amounts falling due within one year:		
Trade receivables	749	1,098
Prepayments and accrued income	2,778	1,487
Amounts owed by the ESFA	-	177
Total	3,527	2,762

15 Current Investments	2020	2019
	£'000	£'000
Amounts falling due within one year:		
Fixed 12 month deposit	-	-
Total	-	-

16 Creditors: amount falling due within one year	2020	2019
	£'000	£'000
Bank loans and overdrafts	1,050	1,050
Payments Received on account	22	359
Trade Creditors	1,283	1,395
Other taxation and social security	257	266
Accruals and deferred income	6,079	2,078
Deferred income - government capital grants	1,141	1,062
Amounts owed to the ESFA	522	-
Total	10,354	6,210

17 Creditors: amounts falling due after one year	2020	2019
	£'000	£'000
Bank loans	5,850	6,900
Deferred income - government capital grants	21,628	22,610
Amounts owed to the ESFA	-	62
Total	27,478	29,572

18 Maturity of debt

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:	2020	2019
	£'000	£'000
In one year or less	1,050	1,050
Between one and two years	1,050	1,050
Between two and five years	900	1,650
In five years or more	3,900	4,200
Total	6,900	7,950

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

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

(b) Finance leases

B&FC has no finance leases

19 Provisions	Defined Benefit LGPS	Defined Benefit EPP	Other	Total
	£'000	£'000	£000's	£'000
At 1 August 2019	22,190	1,179	400	23,769
Expenditure in the period	18,925	13	(49)	18,889
At 31 July 2020	41,115	1,192	351	42,658

Defined benefit obligations relate to the liabilities under B&FC's membership of the Local Government Pension Scheme. Further details are given in note 25.

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

The principal assumptions for this calculation are:

	2020	2019
Price inflation	2.3%	2.2%
Discount rate	1.6%	2.0%

20 Cash and cash equivalents	At 1 August 2019 £'000	Cash flows £'000	At 31 July 2020 £'000
Cash and cash equivalents	10,424	3,398	13,822
Total	10,424	3,398	13,822

Financial Instruments	2020 £'000	2019 £'000
Financial assets		
Debt instruments measured at amortised cost	3,527	2,586
Financial Liabilities		
Financial liabilities measured at amortised cost	37,054	35,337

21 Capital and other commitments	2020 £'000	2019 £'000
Commitments contracted for at 31 July	695	1,200

22 Lease obligations

At 31 July B&FC had no operating leases.

23 Contingencies

B&FC holds no contingent liabilities

24 Events after the reporting period

There are no events after the reporting period

25 Defined benefit obligations

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

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2016 and of the LGPS 31 March 2019. The result of the latest TPS valuation resulted in the decision that employer contributions would rise from 16.48% to 23.6% from September 2019. The Department of Education has stated it will fund the extra TPS contributions in 19/20 with the Chancellor subsequently stating his September 2019 spending plans that they would also be funded for 20/21.

The enhanced pension provision relates to commitments for previous reorganisation costs from which B&FC cannot reasonably withdraw at the balance sheet date.

Total pension cost for the year	2020	2019
	£000	£000
Teachers' Pension Scheme: contributions paid	1,965	1,614
Local Government Pension Scheme:		
Contributions paid	1,869	1,844
FRS 102 (28) charge	2,451	2,075
Charge to the Statement of Comprehensive Income	4,320	3,919
Enhanced pension charge to Statement of Comprehensive Income	54	130
Total Pension Cost for Year	6,339	5,663

Contributions amounting to £284,000 (2018/19 £340,000) were payable to the schemes at 31st July and are included within creditors.

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools, colleges and other educational establishments, including academies, in England and Wales that are maintained by local authorities. Membership is automatic for teachers and lecturers. Teachers and lecturers are able to opt out of the TPS.

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

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

The valuation of the TPS is carried out in line with regulations made under the Public Service Pension Act 2013. Valuations credit the teachers' pension account with a real rate of return assuming funds are invested in notional investments that produce that real rate of return. The latest actuarial review of the TPS was carried out as at 31 March 2016. The valuation report was published by the Department for Education (the Department in April 2019). The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £198 billion giving a notional past service deficit of £22 billion.

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/9. DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2019-20 academic year.

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

The pension costs paid to TPS in the year amounted to £1,965k (2018/19: £1,614k)

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 2020 were £2,405k, of which employer's contributions totalled £1,692k and employees' contributions totalled £713k. The agreed contribution rates for the next 3 years is 16.2% for employers and range from 5.5% to 12.5% for employees, depending on salary according to a national scale.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2019 updated to 31 July 2020 by Mercers.

	At 31 July 2020	At 31 July 2019
Rate of increase in salaries	3.8%	3.7%
Future pensions increases	2.4%	2.3%
Discount rate	1.6%	2.2%
Inflation assumption (CPI)	2.3%	2.2%

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

	At 31 July 2020	At 31 July 2019
	Years	Years
<i>Retiring today</i>		
Males	22.3	22.8
Females	25.0	25.5
<i>Retiring in 20 years</i>		
Males	23.8	25.1
Females	26.8	28.2

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

	Fair Value at 31 July 2020 £'000	Fair Value at 31 July 2019 £'000
Equities	36,503	38,151
Bonds	5,524	1,277
Property	10,887	7,024
Cash/Liquidity	1,441	1,437
Other	25,697	31,926
Total fair value of plan assets	80,052	79,815
Actual return on plan assets	<u>(1,772)</u>	<u>10,261</u>

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

	2020 £'000	2019 £'000
Fair value of plan assets	80,052	79,815
Present value of plan liabilities	(120,914)	(101,729)
Present value of unfunded liabilities	(253)	(276)
Net pensions liability (Note 19)	<u>(41,115)</u>	<u>(22,190)</u>

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

	2020 £'000	2019 £'000
Amounts included in staff costs		
Current service cost	4,080	3,205

Employer Contributions	(1,869)	(1,844)
Administration Expenses	321	788
Total	2,532	2,149

Amounts included in investment cost

Net interest cost	(468)	(361)
	(468)	(361)

Amount recognised in Other Comprehensive Income

Return on pension plan assets	(1,925)	8,254
Changes in assumptions underlying the present value of plan liabilities	(14,000)	(14,579)
Amount recognised in Other Comprehensive Income	(15,925)	(6,325)

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

	2020	2019
	£'000	£'000
Net defined benefit (liability)/asset in scheme at 1 August	(22,190)	(13,355)
Movement in year:		
Current service cost	(4,080)	(3,205)
Employer contributions	1,869	1,844
Administration expenses	(321)	(788)
Net interest on the defined (liability)/asset	(468)	(361)
Actuarial gain or (loss) / re measurement	(15,925)	(6,325)
Net defined benefit (liability)/asset at 31 July	(41,115)	(22,190)

Asset and Liability Reconciliation

	2020	2019
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	102,005	82,163
Current service cost	4,080	3,205
Interest cost	2,229	2,368
Contributions by Scheme participants	715	715
Changes in financial assumptions	14,000	14,579
Benefits/transfers paid	(2,115)	(1,757)
Past Service cost	240	714
Curtailement and Settlements	13	18
Defined benefit obligations at end of period	121,167	102,005

Changes in fair value of plan assets

	2020	2019
	£'000	£'000
Fair value of plan assets at start of period	79,815	68,808
Interest on plan assets	1,761	2,007
Return on plan assets	(1,925)	8,254
Administration expenses	(68)	(56)
Employer contributions	1,869	1,844

Contributions by Scheme participants	715	715
Estimated benefits paid	(2,115)	(1,757)
Fair value of plan assets at end of period	80,052	79,815

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

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

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

26 Related Party Transactions

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

There were no expenses paid to or on behalf of the Board members during the year (2018/19: None). This would represent travel and subsistence expenses and other out of pocket expenses incurred in attending Board meetings and charity events in their official capacity.

No Board member has received any remuneration or waived payments from B&FC during the year (2018/19: None).

Blackpool Borough Council - Employer of A Cavill and J Mills

During the year B&FC received £273,083 (2018/19: £339,107). There was £5,550 outstanding at year end (2018/19: £49,776). Purchase transactions totalling £53,200 (2018/19: £15,659) took place. There was £100,000 outstanding at the year end (2018/19: £2,160).

Force Technology Ltd – Employer of S Williams

During the year B&FC received £0 (2018/19: £0). There was no balance outstanding at year end. (2018/19: £0). No purchase transactions occurred (2018/19: £0). There was no outstanding balance at the year end (2018/19: £0).

Northern Automotive Alliance – S Williams: Director

During the year B&FC received £0 (2018/19: £0). There was no balance outstanding at year end. (2018/19: £0). No purchase transactions occurred (2018/19: £600). There was no outstanding balance at the year end (2018/19: £0).

Blackpool Transport Ltd – Employer of J Cole

During the year B&FC received £4,691 (2018/19: £24,121). There was £0 outstanding at year end. (2018/19: £0). Purchase transactions totalling £489,992 (2018/19: £497,961) took place. There was 0 outstanding at the year end (2018/19: £52,605).

NW Lancashire Chamber of Commerce – J Cole: Vice President

During the year B&FC received £0 (2018/19: £0). There was no balance outstanding at year end (2018/19: £0). Purchase transactions totalling £2,520 took place (2018/19: £0). There was no outstanding balance at the year end (2018/19: £0).

Lancaster University – Employer of H Knight

During the year B&FC received £0 (2018/19: £0). There was no balance outstanding at year end (2018/19: £0). Purchase transactions totalling £1,362,915 took place (2018/19: £1,393,191). There was no outstanding balance at the year end (2018/19: £0).

Napthens LLP, Blackpool Office – Employer of M Long

During the year B&FC received £0 (2018/19: £0). There was no balance outstanding at year end. (2018/19: £0). No purchase transactions occurred (2018/19: £0). There was no outstanding balance at the year end (2018/19: £0).

PDS Medical Ltd – Employer of L Moffat

During the year B&FC received £0 (2018/19: £0). There was no balance outstanding at year end. (2018/19: £0). No purchase transactions occurred (2018/19: £0). There was no outstanding balance at the year end (2018/19: £0).

Victrex – Employer of K Gilmour

During the year B&FC received £19,485 (2018/19: £23,215). There was no balance outstanding at year end. (2018/19: £0). No purchase transactions occurred (2018/19: £0). There was no outstanding balance at the year end (2018/19: £0).

BAE Systems Employer of C Holt

During the year B&FC received £1,091,217 (2018/19: 0). There was no balance outstanding at year end. (2018/19: £0). No purchase transactions occurred (2018/19: £0). There was no outstanding balance at the year end (2018/19: £0).

Merlin Entertainments – Employer of K Shane

During the year B&FC received £0 (2018/19: £0). There was no balance outstanding at year end. (2018/19: £0). No purchase transactions occurred (2018/19: £0). There was no outstanding balance at the year end (2018/19: £0).

NCOOG – an associate of B&FC

During the year B&FC received £0 (2018/19: £0). There was no balance outstanding at year end. (2018/19: £0). No purchase transactions occurred (2018/19: £0). There was no outstanding balance at the year end (2018/19: £0).

27 Amounts disbursed as agent Learner support funds	2020 £'000	2019 £'000
Funding body grants – bursary support	528	341
Disbursed to students	(251)	(215)
Administration costs	(23)	(23)
Balance unspent as at 31 July, included in creditors	254	103

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