PRESTON COLLEGE

Report and Financial Statements

for the year ended 31 July 2019

Key Management Personnel, Board of Governors and Professional advisers

Key management personnel

Key management personnel are defined as members of the College Leadership Team and were represented by the following in 2018/19:

Dr Lis Smith, Principal and CEO; Accounting officer
Simon Nixon, Executive Director Resources
Mick Noblett, Vice Principal Curriculum Delivery and Planning
Marie Haworth, Vice Principal Quality Teaching, Learning and Learning Support

Board of Governors

A full list of Governors is given on page 13 of these financial statements.

Clerking services were provided under a contract with Weightmans Solicitors until 31st December 2018. The designated solicitor within Weightmans was Anne-Marie Coles. Following the cessation of this contract, the Board appointed Clare Rayner as a directly employed, qualified Clerk. She formally took up this post in February 2019.

Principal & Registered Office	St Vincents Rd, Fulwood, Preston, PR2 8UR

Professional advisers

Financial Statement & Regularity Auditor	KPMG LLP Chartered Accountants 1 St Peter's Square Manchester M2 3AE
Internal Auditor	RSM Arkwright House Parsonage Gardens Manchester M3 2LF
Banker	Barclays Bank PLC 7th Floor 1 Marsden Street Manchester M2 1HW
Solicitor	Forbes Ribchester House Lancaster Road Preston PR1 2QL

CONTENTS

Report of the Governing Body

NATURE, OBJECTIVES AND STRATEGIES:

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

Legal status

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

Preston College uses the trading name Preston's College for marketing purposes. Its legal name however remains as Preston College for the purposes of these accounts

Mission

Governors reviewed the College's mission in July 2018 and confirmed that the statement "Creating the most employable learners" remains appropriate.

Public Benefit

Preston College is an exempt charity under Part 3 of the Charities Act 2011 and following the machinery of government changes in July 2016 is regulated by the Secretary of State for Education as Principal Regulator for all FE Corporations in England. The members of the Governing Body, who are trustees of the charity, are disclosed on page 13.

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

In delivering its mission, the College provides the following identifiable public benefits through the advancement of education:

- High-quality teaching
- Widening participation and tackling social exclusion
- Excellent employment record for students
- Strong student support systems
- Links with employers, industry and commerce.

Implementation of strategic plan

Preston College is firmly grounded in its community, and is a key player in supporting young people and adults, through developing their skills and education, to contribute effectively to employment and the economy. Preston College provides the culture, environment, facilities, innovation and services to enable learners at all career stages, local businesses, college staff and the College itself to develop and maintain social mobility within a thriving local economy.

The ever changing policy and funding environment means we need to be continuously agile, proactive to change, and work with employers, local authorities, LEPs and stakeholders to ensure we are meeting their needs and the needs of our learners. We are focused on ensuring long term sustainability, recognising that this will be achieved with more flexible and innovative models of operation, including greater collaboration and partnership.

Our key **Mission** is **'Creating the most employable learners'**

Within our strategic plan, we will:

- Provide a quality technical and vocational curriculum, aligned to industry, business and community needs, providing skills and underpinning knowledge.
- Place quality teaching, learning and assessment at the core of our activities with a high level of achievement and outcomes for learners.
- Continue to recognise and value our diverse range of learners, and provide aspirational pathways to destinations, whether that be an apprenticeship, higher education, further study or employment.
- Create a sound business model which drives quality and income, is efficient in its delivery and maintains an appropriate cost base to generate levels of surplus to reinvest in the College.
- Encourage access and engagement within the Preston and central Lancashire community.

Financial strategy

The College Governors approved the financial plan on 11 July 2019 which covers the period to July 2021.

The College's financial plans are structured to improve financial health over a very difficult period within FE, particularly in the context of future sustainability and enactment of the Insolvency Regime. This strategy has worked well over the last few years in maintaining a satisfactory rating, with the College achieving a high level of success in aligning its cost base to its income earning capacity through both staffing and non pay cost efficiencies. However, the aim has been to move to a position of "good" relatively quickly, with a longer term goal of achieving "outstanding". Baseline plans achieve this by combining previous efficiencies with income stabilisation and modest growth. The financial statements presented here have achieved this "good" rating.

The financial plan has been developed to match the cost structure of the College in the light of funding available, and to take advantage of significant opportunities for investment. The core financial strategy was to achieve a minimum operating surplus of 1.0% in 2018/19 (this has been exceeded) and to maintain "good" financial health in 2019/20 and future years. The College has a significantly improved balance sheet (including investment capacity), and a cost structure to better cope with any volatility in its income lines.

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

Performance indicators

The College uses a range of KPIs reported regularly to both senior managers and governors. The indicators cover a wide range of College business, including finance, learner numbers, contractual performance, quality and people.

Learner numbers and income earned during the year was generally positive in 2018/19. Performance against contract for 16 to 18 year old classroom based learners was the main negative indicator and fell short of the target of 1,763 learners, but by year end almost 94% of the contract value had been delivered. This helps to mitigate future funding reductions. The Apprenticeship market has been particularly competitive following the implementation of levy reforms, but showed real growth at £3.7m compared with £2.8m in 2017/18. This was especially encouraging as there was a strong performance in securing levy funds. The College's overall contract for the Adult Education Budget was achieved without clawback.

Quality indicators are largely concerned with achievement rate data, as well as metrics for attendance, punctuality and progression. The final overall College achievement rate in 2018/19 was 88.1%.

Financial measures are driven largely by the indicators used by the Education and Skills Funding Agency and requirements of bank loan covenants. All targets for the year were met or exceeded, and further detail is provided in the Financial Position section below.

People related indicators also form an important part of the College's ongoing KPI monitoring. A range of aspects are covered, particularly staff turnover, absence rates and completion of appraisals and mandatory training. Progress during the year has generally been good.

The College is committed to observing the importance of sector measures and indicators and uses the FE Choices data available on the GOV.UK website which looks at measures such as achievement rates. The College is required to complete the annual Finance Record for the Education and Skills Funding Agency. The College is assessed by the Agency as having a "Good" financial health grading.

FINANCIAL POSITION

Financial results

The Group generated a deficit before tax in the year of £641k (which includes £1,140k of costs relating to FRS102 (28)), (2017/18 – deficit of £905k (FRS102 (28) - £1,147k)), with negative total comprehensive income of £5,932k, (2017/18 – £5,282k).

The Group has accumulated negative reserves of £8,791k which includes £17,506k relating to defined benefit obligations on the local government pension scheme. Cash and short term investment balances were £2,488k at year end. The Group wishes to continue to accumulate reserves and cash balances in order to create a contingency fund.

Tangible fixed asset additions during the year amounted to £123k.

The College has two subsidiary companies, PCEF and Passport to Apprenticeship Limited both of which are currently dormant. Further details can be seen in note 12.

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2018/19 the FE funding bodies provided 83.57% of the College's total income. The College has an objective to diversify its income streams, and has structures and strategies in place to facilitate this aim.

Treasury policies and objectives

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

The College has a separate treasury management policy in place.

Short term borrowing for temporary revenue purposes is authorised by the Accounting Officer. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum.

Cash flows and liquidity

At £1,958k (2017/18 £428k), net cash flow from operating activities was reasonably strong.

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

Reserves Policy

Through its annual budget setting and updating of three year financial plans, the College has been moving towards a general reserves target of £4 million (excluding pension deficits) with cash balances intended to represent at least £1 million of this target. The cash target has been comfortably exceeded in 2018/19 and this is expected to continue. The College has achieved the target £4 million in general reserves and is on track to exceed £5m in 2019/20. General reserves already represent more than half of outstanding borrowings and provide a reasonable basis for unforeseen events and future investment.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

In 2018/19 the College has delivered activity that has produced £16,763k in funding body main allocation funding (2017/18 – £16,566k). The College had approximately 7,500 funded and 2,700 non-funded students.

Student achievements

Achievement rates are a key performance indicator for the College. The final achievement rate in 2018/19 is 88.1%, maintaining the excellent performance recorded since 2016/17. This significant improvement reflects a variety of management initiatives undertaken during the course of the year as proactive measures to continually improve the quality of the College's provision.

Curriculum developments

Ofsted inspected the College in October 2018, and awarded the College an overall Grade 2 (Good). The report highlighted the College's overall effectiveness against eight key themes, including the 'quality of teaching, learning and assessment', '16-19 study programmes', 'adult learning programmes', and 'apprenticeships'.

Of the eight themes, the College was graded as 'Good' in seven areas, with only apprenticeships graded as requiring improvement, although it was recognised that progress has been made since the last inspection. The College already has plans in place to continue this improving trend.

The report noted that 'students develop the technical knowledge, skills and terminology they need for their chosen job or career', whilst behaviour both in lessons and around campus is 'very good'.

Further improving the quality of teaching, learning and assessment remains the College's primary focus. Continued changes to observation of learning practice have occurred and a sharpened focus upon performance management has seen considerable progress made in raising standards.

The effective management of data and systems has remained a focus with the further development of data dashboards to provide live and real time information and this has had an impact on decision making within the College, self assessment and performance management, as well as development and delivery of the curriculum for individual learners. The technology driven approach to managing the College continues through the use of Promonitor, One File and ProSAR. The use of Canvas as a virtual learning environment and 4Cast for curriculum planning are now well established.

Full and extremely thorough curriculum review processes, including the use of the software tool 4Cast, has continued to drive efficiencies in staff utilisation, the effectiveness of provision, the value of our curriculum offer in relation to LMI and performance against financial constraints. These have delivered:

- consistent models of curriculum design in place across the whole College.
- best practice adopted across all curriculum schools,
- a refreshed curriculum offer which meets learner and external stakeholder requirements.

Being ambitious for all our learners means that we aim to provide the best opportunities for all to succeed and progress. This leads to a focus on embedding equality and diversity objectives for the benefit of both learners and staff, and we have seen real improvements in closing achievement gaps for learners. The College continues to develop its practice in implementing safeguarding procedures, including the PREVENT requirements. Continuous professional development programmes within the College ensure that all staff are aware of the requirements within a changing landscape.

The College remains committed to its mission to make its learners the most employable, and delivers this by ensuring that learners gain the most appropriate skills to secure good job outcomes. The increased work with employer partners has had a significant effect on the approach that the College is taking and particularly in the implementation of its plans for exposure to Real Work Environments, with significant partners such as Eric Wright Construction, Leyland Trucks and Alstom Transport.

The College remains committed to delivering top quality learner outcomes and experience for all of its learners, customers and employer partners. The delivery of outstanding achievement rates, and meeting the needs of our community and stakeholders, are at the heart of our ambition.

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent, and the College works to ensure this is met or exceeded. The College incurred no interest charges in respect of late payment for this period.

Events after the end of the reporting period

There have been no significant post balance sheet events requiring disclosure in the financial statements.

Future prospects

The College Board decided to undertake a Structure and Prospects Appraisal during the latter part of 2017/18 in order to determine the most sustainable option for delivering the College's objectives in the medium to long term. This Appraisal was led by the College management team, overseen by a Steering Group of governors, and with the involvement of key stakeholders within the FE Commissioner's office and Education & Skills Funding Agency. The outcome of this process is that the College is implementing a five year plan to remain a standalone organisation with increased levels of both financial and quality sustainability. The period 2018/19 has been the first year of this five year plan, and has seen the College achieve "Good" ratings both in terms of quality (Ofsted) and financial health (ESFA). In doing so, the College is a year ahead of schedule in implementing the plan.

The College will be seeking to build on successful market developments in apprenticeship delivery, particularly in the context of the Apprenticeship Levy, as well as other high performing markets such as fee generation and employer based delivery. There will continue to be challenges in the 16 to 18 year old classroom based market, which has declined for the College over recent years and showed a further demographic dip in 2018/19. Strategies for recruiting from a wider range of local feeder schools, and improving retention and progression rates, are in place and being implemented as mitigation, and demographic trends will start to rise from the 2019/20 recruitment year onwards. The grant funded adult market is also becoming more difficult, particularly with the devolution of funding to Combined Authorities from 2019/20, although the College has clearly defined plans to deliver against financial targets. Early enrolment figures for 2019/20 are encouraging, particularly in relation to the 16 to 18 year old market.

RESOURCES

The College invests in the learner experience through both the use of qualified and experienced staff and also through the provision of excellent facilities, which are often cutting edge. Projects completed over the last five years such as the iSTEM building and In Zone facility continue to contribute significantly, and other smaller scale projects have been used to make best use of the estate within relatively limited resources.

The College also continues to invest in IT infrastructure, both to support the College's development of teaching and learning, and to improve business processes. Investment during 2018/19 was relatively limited, pending full implementation of the College's new IT Strategy in 2019/20. New equipment has now been procured, and project implementation has commenced. This will be a major development in the College, and is expected to improve the user experience for both learners and staff.

The College provides all students with accounts for cloud based services via Office 365. This gives students an e-mail account, access to the latest online version of Microsoft Office and large amounts of personal storage. High bandwidth internet connectivity is also required for access to the College Virtual Learning Environment (Canvas) to support the College's 'Learning outside the Classroom' agenda and the College has increased bandwidth significantly in the past year to optimise access. Students continue to access all college resources securely from home.

The College has previously invested in a second internet connection and server room, to reduce the risk of any down time affecting business operations and strengthen our disaster recovery plan.

As part of its future planning, the College will explore a range of options to rationalise the use of its current estate. Improvements in space utilisation, and costs associated with running and maintaining College facilities, will be a major focus of activity.

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

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

1 Government funding

The College has considerable reliance on continued government funding through the further education sector funding bodies and through the Office for Students. In 2018/19, over 80% of the College's revenue was ultimately publicly funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

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

- Potential implications of the referendum result to leave the European Union, including impact on national education budgets and access to European funding
- Continuing Government priority to deliver apprenticeship targets
- Reforms in technical education
- Introduction of the Apprenticeship Levy from April 2017

This risk is mitigated in a number of ways:

- Funding is derived through a number of direct and indirect contractual arrangements
- By ensuring the College is rigorous in delivering high quality education and training
- Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding.

- Regular dialogue with funding bodies

2 Tuition fee policy

Ministers have confirmed that the fee assumption remains at 50%. In line with the majority of other colleges, Preston College will seek to increase tuition fees in accordance with the fee assumptions. The risk for the College is that demand falls off as fees increase. This will impact on the growth strategy of the College.

This risk is mitigated in a number of ways:

- By ensuring the College is rigorous in delivering high quality education and training, thus ensuring value for money for students
- Close monitoring of the demand for courses as prices change

3 Maintain adequate funding of pension liabilities

The financial statements report the share of the Local Government Pension Scheme deficit on the College's balance sheet in line with the requirements of FRS 102.

This risk is mitigated in a number of ways:

- Agreed deficit recovery payments, currently in excess of £250k per annum.
- Active engagement with pension scheme administrators in terms of contribution rates and triennial revaluations.

STAKEHOLDER RELATIONSHIPS

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

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

The College recognises the importance of these relationships and engages in regular communication with them through the College Internet site, engagement in curriculum design and delivery, sponsorship, and through various meetings. These relationships will be enhanced further by the Area Based Review process.

Equality and diversity

Preston College has a systematic and comprehensive approach to the embedding of E and D, as evidenced by self assessment processes.

The College's Equality and Diversity Statement and Corporate Equality Objectives meet the requirements of the Equality Act 2000 and the associated Public Sector Equality Duty. These are monitored by Governors through the Audit Committee, as well as through the College's Equality and Diversity Action Plan. This has five key areas of focus, which are monitored by ELT and CMT.

- Governance through the implementation and monitoring of Equality Objectives
- Learner outcomes through service delivery and quality
- Learner achievement and enrichment of the curriculum
- HR and Organisational Development
- Management and Information

The College seeks to assure that it is working towards creating an environment which is inclusive, celebrates diversity and which does not discriminate on the grounds of age, disability, gender reassignment, marriage and civil partnerships, pregnancy and maternity, race, religion and belief, sex and sexual orientation or the College's own 'tenth' protected characteristic, socio-economic background.

In addition to the College's diverse body in terms of age and level of learning, and the responsive curriculum offer, a fundamental characteristic of the College is the diversity of its ethnicity and the disproportionately large constituency of LLDD learners it serves. Preston College is the major player in central Lancashire in serving the educational needs of LLDD learners over the age of 16.

Safeguarding statement

The College continues to recognise and deliver its statutory and moral duty to ensure that we promote and safeguard the welfare of all our learners, in particular those aged under 18 years or vulnerable adults. The College has a Safeguarding Committee chaired at a senior level, with Governors receiving updates on safeguarding. As a College, we have a team of designated safeguarding staff who operate within robust and effective Safeguarding Policies and Procedures. Continued professional development in relation to safeguarding is completed annually by all staff. In addition, the College Safeguarding Team have undertaken safeguarding audits to create common approaches across the College and have engaged many key personnel in developmental case study updates. In recent years, the College has also introduced safeguarding software that continually monitors web based activity and alerts the College Designated Senior Person of any students that are potentially at risk. It has also ensured learner awareness of safeguarding issues in the annual Safeguarding Week where many guest speakers and activities are held.

In addition the Human Resources Department has continued the implementation of relevant processes and procedures and risk assessments.

Disability statement

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

a) As part of its accommodation strategy the College updated its access audit. Experts in this field conducted a full access audit during 2008/09, and the results of this formed the basis of funding capital projects aimed at improving access.
b) The College has appointed an Access Co-ordinator, who provides information, advice and arranges support where necessary for students with disabilities.
c) There is a list of specialist equipment, such as radio aids, which the College can make available for use by students and a range of assistive technology is available in the learning centre.
d) The admissions policy for all students is available on the College website. Appeals against a decision not to offer a place are dealt with under the complaints policy.
e) The College has made a significant investment in the appointment of specialist lecturers to support students with learning difficulties and/or disabilities. There are a number of student support assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.
f) Specialist programmes are described in College prospectuses, and achievements and destinations are recorded and published in the standard College format.
g) Counselling and welfare services are described on the College website, which is issued to students together with the Complaints and Disciplinary Procedure leaflets at induction.

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 the College's auditors are unaware; and each member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the College's auditors are aware of that information.

Approved by order of the members of the Corporation on 12th December 2019 and signed on its behalf by:

John Boydell

John Boydell

Chair of Governors

Statement of Corporate Governance and Internal Control

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

The College endeavours to conduct its business:

i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
ii. in accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges ("the Code"); and
iii. having due regard to the UK Corporate Governance Code 2018 insofar as it is applicable to the further education sector.

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

The College is committed to exhibiting best practice in all aspects of corporate governance. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted on 14 July 2016.

In May 2019 the AoC published a revised version of the Code of Good Governance for English Colleges (the Code) which included revisions to section 9.9 and 9.10 relating to Senior Post Holder Remuneration and introduced a Colleges' Senior Post Holder Remuneration Code (2018) as an Annex to the Code.

In July 2019 the Board agreed that the Search and Governance Committee should:

- conduct an assessment of the College's compliance with the Code including a review of the more detailed considerations in the Code for each principle.
- review of the AoC Remuneration Code and advise the Board on whether it should be adopted by the College.

The Board will consider the Committee's recommendations in December 2019 as part of the Board's annual self assessment.

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

The Corporation

The membership of the Corporation Board at the end of the 2018/19 financial year is listed in table 1 below. Current Board member terms of office are shown in table 2. Resignations and expiries of office during the financial year and prior to publication of these accounts are listed in table 3. Committee Placements as at 31 July 2019 are listed in table 4.

Table 1 - BOARD MEMBERSHIP (as at 31 July 2019)

Sector	Number of Sector places on the Board	Number of Sector vacancies	Current Membership	Attendance (%)
Members	14	1	Mr J Boydell	**100**
			Mr A S Browne	**50**
			Mr E Bassa	**75**
			Mr M Collard	**50**
			Mr M Driver	**100**
			Mr S Edwards	**100**
			Ms L Hornsby	**50**
			Mr J Jepson	**67**
			Ms J Jones	**75**
			Mrs L Mason	**100**
			Mr D Patel	**67**
			Mr A J Readett	**50**
			Mr J Taylor	**75**
			Mr J Wilson	**100**
Principal/CE	1	Nil	Dr E H Smith	**100**
Staff	2	Nil	Ms J Garcia (Academic)	**67**
			Ms K Williams (Business Support)	**100**
Students	2	Nil	Mr B Colley (16-18)	**33**
			Ms G Swales (Adult)	**33**

Table 2 – Current Board Member Terms of Office as at July 2019

Name	Status of Appointment	Date of Appointment 1st term	Date of Appointment 2nd term	Date of Appointment 3rd term	Current term of office ends
Mr J Boydell (Chair)	Governor	16/07/2015	15/07/2019		14/07/2023
Mr A S Browne	Governor	21/03/2013	21/03/2017		20/03/2021
Mr E Bassa (Chair)	Governor	10/07/2008	09/07/2012	09/07/2016	08/07/2020
Mr M Collard	Governor	26/10/2017			26/10/2021
Mr M Driver	Governor	08/12/2015			07/12/2019
Mr S Edwards	Governor	13/12/2018			20/03/2023
Ms L Hornsby (Vice-Chair)	Governor	23/10/2014	18/10/2018		17/10/2022
Mr J Jepson	Governor	13/12/2018			12/12/2022
Ms J Jones	Governor	11/10/2018			10/10/2022
Ms L Mason	Governor	04/10/2018			03/10/2022
Mr D Patel	Governor	13/12/2018			12/12/2022
Mr A J Readett	Governor	17/10/2013	21/03/2017		17/10/2021
Mr J Taylor	Governor	21/03/2013	21/03/2017		20/03/2021
Mr J Wilson	Governor	08/12/2015			07/12/2019
Ms J Garcia	Staff	13/12/2018			12/12/2020
Ms K Williams	Staff	07/06/2018			06/06/2020
Mr B Colley	Student	13/12/2018			31/07/2019
Ms G Swales	Student	13/12/2018			31/12/2019
Dr E H Smith	Principal	01/01/2011			NA

Table 3 – Resignations / Expiries of Office during 2018/19 and Prior to the Publication of these Accounts

Name	Date of resignation / Expiry of term
Cllr R Boswell	April 2019
Dr D Carr*	May 2019

*Douglas Carr from the University of Derby, was a co-opted member of the Quality and Standards Committee and the HE Quality and Standards Sub-Committee.

Table 4 – Committee placements at 31 July 2019

	Committee				
Name	**Resources**	**Audit**	**Quality and Standards**	**Search and Governance**	**HE Quality and Standards (Sub Committee)**
Mr J Boydell (Chair)	✓			✓	
Mr A S Browne	✓				
Mr E Bassa				✓	
Mr M Collard			✓		✓
Mr B Colley (Student)			✓		
Mr M Driver		✓			
Mr S Edwards	✓				
Ms J Garcia (Staff)			✓		✓
Ms L Hornsby (Vice-Chair)			✓		
Mr J Jepson			✓		
Ms J Jones	✓			✓	
Ms L Mason			✓		✓
Mr A J Readett		✓	✓		
Mr D Patel		✓			
Ms G Swales (Student)	✓				
Mr J Taylor	✓			✓	
Mr J Wilson		✓			
Ms K Williams (Staff)	✓				
Dr E H Smith	✓		✓	✓	✓
Total	**8**	**4**	**8**	**5**	**4**

Clerking services were provided under a contract with Weightmans Solicitors until 31st December 2018. Following the cessation of this contract, the Board appointed Clare Rayner as a directly employed, qualified Clerk. She formally took up this post in February 2019.

None of the members held any interest in the share capital of any of the subsidiary companies.

It is the Corporation's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety and environmental issues. The Corporation meets four times each year.

The Corporation conducts its business through a number of committees. Each committee has terms of reference which have been approved by the Corporation. These committees are:

Resources Committee – Comprises eight members (minimum membership is seven). Its responsibilities are to advise, and where authorised, take decisions relating to resources, human resources, remuneration and business planning with a view to ensuring that the operations of the College are efficient, effective and prudent.

Audit Committee – Comprises four members (minimum membership is four). Its purpose is to ensure the effectiveness of the College's internal control and management systems including those relating to risk and advising the Corporation as appropriate.

Quality and Standards Committee – Comprises eight members (minimum membership is four). The committee's primary function is to advise the Corporation on the educational character of the College and, in particular, major curriculum changes which affect the educational character of the College with a view to:

i) fostering exceptional teaching and learning at the College;
ii) securing coherent and relevant provision for learners that leads to further learning, apprenticeships and/or employment; and
iii) ensuring effective oversight of the quality and inclusivity of the learning experience at the College.

Search and Governance Committee – Comprises five members (minimum membership is four). Its role is to advise the Corporation on the appointment and reappointment of Board members, committee members and governance related matters.

Where the Committee does not have delegated powers for the determination of a matter it will make a recommendation for the Corporation Board to consider and confirm or otherwise. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College website or from the Clerk to the Corporation Board at:

Preston's College
Fulwood Campus
Preston
PR2 8UR

The statutory accounts are made available on the College website (www.preston.ac.uk) by the 31 January following the year end date.

The Clerk to the Corporation maintains a register of financial and personal interests of the Governors. The register is available for inspection at the above address.

All governors are able to take independent professional advice in furtherance of their duties at the College's expense and have access to the Clerk to the Corporation, who is responsible to the Corporation for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Clerk are matters for the Corporation as a whole.

Formal agenda, papers and reports are supplied to governors in a timely manner, prior to Corporation meetings. Briefings are also provided on an ad hoc basis.

The Corporation has a strong and independent non-executive element and no individual or group dominates its decision making process. The Corporation considers that each of its non-executive members is independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

There is a clear division of responsibility in that the roles of the Chair of the Corporation and Principal of the College are separate.

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Search and Governance Committee is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

Members of the Corporation are appointed for a term of office not exceeding four years. Each member can serve two terms of office with a third term by exception.

Internal control

Scope of responsibility

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

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

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Preston College for the year ended 31 July 2019 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

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

The risk and control framework

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

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

Preston College has an internal audit service, which operates in accordance with the requirements of the ESFA's Post 16 Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the audit committee. At minimum, annually, the Head of Internal Audit (HIA) provides the governing body with a report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Review of effectiveness

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

- the work of the internal auditors
- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework
- comments made by the College's financial statements auditors, the reporting accountant for regularity assurance, the appointed funding auditors (for colleges subject to funding audit) 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 systems in place.

The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior management team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2019 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2019 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2019.

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

Going concern

After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

Approved by order of the members of the Corporation on 12th December 2019 and signed on its behalf by:

Dr Lis Smith	**John Boydell**
Accounting Officer	**Chair of Governors**

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

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

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

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

Dr Lis Smith	**John Boydell**
Accounting Officer	**Chair of Governors**
12 December 2019	**12 December 2019**

Statement of Responsibilities of the Members of the Corporation

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

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

In preparing the group and parent College financial statements, the Corporation is required to:

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- assess the group and parent College'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 group or the parent College or to cease operations, or have no realistic alternative but to do so.

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

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

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

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from the ESFA are used only in accordance with the ESFA's grant funding agreements and contracts and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the group and parent College'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 Corporation on **12th December 2019** and signed on its behalf by:

John Boydell

John Boydell

Chair of Governors

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF PRESTON COLLEGE

Opinion

We have audited the financial statements of Preston College ("the College") for the year ended 31 July 2019 which comprise the Consolidated Statement of Comprehensive Income, Consolidated and College Statement of Changes in Reserves, Balance Sheets, Consolidated 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 the Group's and the College's affairs as at 31 July 2019, and of the Group's and the College's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended; and

- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland,* and with the 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education.*

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group 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.

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

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

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

Going concern

The Corporation has prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the College or to cease their operations, and as they have concluded that the Group and the College'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 their 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 Corporation's conclusions, we considered the inherent risks to the Group's business model, including the impact of Brexit, and analysed how those risks might affect the Group and the College'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 the Group or the College will continue in operation.

Other information

The Corporation is responsible for the other information, which comprises the Report of the Governing Body and the Corporation's statement of corporate governance and internal control. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent College; or
- the parent College'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.

Corporation's responsibilities

As explained more fully in their statement set out on page 21, the Corporation 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 the group and parent College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the group or the parent College or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

This report is made solely to the Corporation, in accordance with Article 22 of the College's Articles of Government. Our audit work has been undertaken so that we might state to the Corporation those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the College and the Corporation for our audit work, for this report, or for the opinions we have formed.

Robert Jones

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

Chartered Accountants

1 St Peter's Square

Manchester

M2 3AE

16th December 2019.

Reporting Accountant's Report on Regularity to the Corporation of Preston 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 18 July 2018 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 Preston College during the period 1 August 2018 to 31 July 2019 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

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

Respective responsibilities of Preston College and the reporting accountant

The corporation of Preston College 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 1 August 2018 to 31 July 2019 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Post-16 Audit Code of Practice issued by the 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 the college's income and expenditure.

The work undertaken to draw our conclusion included:

- Documenting the framework of authorities which govern the activities of the College;
- Undertaking a risk assessment based on our understanding of the general control environment and any weaknesses in internal controls identified by our audit of the financial statements;

- Reviewing the self-assessment questionnaire which supports the representations included in the Chair of Governors and Accounting Officer's statement on regularity, propriety and compliance with the framework of authorities;
- Testing transactions with related parties;
- Confirming through enquiry and sample testing that the College has complied with its procurement policies and that these policies comply with delegated authorities; and
- Reviewing any evidence of impropriety resulting from our work and determining whether it was significant enough to be referred to in our regularity report.

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

Conclusion

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

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

16th December 2019.

Consolidated Statements of Comprehensive Income

	Notes	Year ended 31 July 2019		Year ended 31 July 2018	
		Group	College	Group	College
		£'000	£'000	£'000	£'000
INCOME					
Funding body grants	2	19,518	19,518	19,926	19,926
Tuition fees and education contracts	3	2,720	2,720	3,674	3,674
Other grants and contracts	4	42	42	115	115
Other income	5	1,060	1,060	1,258	1,258
Investment income	6	14	14	5	5
Total income		**23,354**	**23,354**	**24,978**	**24,978**
EXPENDITURE					
Staff costs	7	15,494	15,494	17,285	17,285
Other operating expenses	8	6,500	6,500	6,453	6,453
Depreciation	11	1,230	1,230	1,304	1,304
Interest and other finance costs	9	730	730	841	841
Total expenditure		**23,954**	**23,954**	**25,883**	**25,883**
Deficit before other gains and losses		**(600)**	**(600)**	**(905)**	**(905)**
Loss on disposal of assets	11	(41)	(41)	-	-
Deficit before tax		**(641)**	**(641)**	**(905)**	**(905)**
Taxation	10	-	-	-	-
Deficit for the year		**(641)**	**(641)**	**(905)**	**(905)**
Unrealised surplus on revaluation of assets		-	-	-	-
Reserves adjustment		-	(1)	4	4
Actuarial surplus/(loss) in respect of pensions schemes	23	(5,291)	(5,291)	6,183	6,183
Total Comprehensive Income for the year		**(5,932)**	**(5,933)**	**5,282**	**5,282**
Represented by:					
Unrestricted comprehensive income		(5,932)	(5,933)	5,282	5,282
		(5,932)	**(5,933)**	**5,282**	**5,282**
Deficit for the year attributable to:					
Non-controlling interest		-	-	-	-
Group		**(641)**	**(641)**	**(905)**	**(905)**
Total Comprehensive Income for the year attributable to:					
Non-controlling interest		-	-	-	-
Group		**(5,932)**	**(5,933)**	**5,282**	**5,282**

Consolidated and College Statement of Changes in Reserves

	Income and expenditure account	Revaluation reserve	Total excluding Non-controlling interest	Non-controlling interest	Total
	£'000	£'000	£'000	£'000	£'000
Group					
Balance at 1st August 2017	(12,100)	3,959	**(8,141)**	-	**(8,141)**
Deficit from the income and expenditure account	(905)	-	**(905)**	-	**(905)**
Other comprehensive income	6,183	-	**6,183**	-	**6,183**
Actuarial loss on enhanced pension provision	2	2	**4**	-	**4**
Transfers between revaluation and income and expenditure reserves	42	(42)	-	-	-
	5,322	(40)	**5,282**	-	**5,282**
Balance at 31st July 2018	(6,778)	3,919	**(2,859)**	-	**(2,859)**
Deficit from the income and expenditure account	(641)	-	**(641)**	-	**(641)**
Other comprehensive income	(5,291)	-	**(5,291)**	-	**(5,291)**
Transfers between revaluation and income and expenditure reserves	42	(42)	-	-	-
Total comprehensive income for the year	(5,890)	(42)	**(5,932)**	-	**(5,932)**
Balance at 31 July 2019	(12,668)	3,877	**(8,791)**	-	**(8,791)**
College					
Balance at 1st August 2017	(12,205)	3,959	**(8,246)**	-	**(8,246)**
Deficit from the income and expenditure account	(905)	-	**(905)**	-	**(905)**
Other comprehensive income	6,183	-	**6,183**	-	**6,183**
Actuarial loss in respect of enhanced pension provision	2	2	**4**	-	**4**
Transfers between revaluation and income and expenditure reserves	42	(42)	-	-	-
	5,322	(40)	**5,282**	-	**5,282**
Balance at 31st July 2018	(6,883)	3,919	**(2,964)**	-	**(2,964)**
Deficit from the income and expenditure account	(641)	-	**(641)**	-	**(641)**
Other comprehensive income	(5,291)	-	**(5,291)**	-	**(5,291)**
Adjustment to clear B/fwd Reserve Differences	(1)	-	**(1)**	-	**(1)**
Transfers between revaluation and income and expenditure reserves	42	(42)	-	-	-
Total comprehensive income for the year	(5,891)	(42)	**(5,933)**	-	**(5,933)**
Balance at 31 July 2019	(12,774)	3,877	**(8,897)**	-	**(8,897)**

Balance sheets as at 31 July 2019

	Notes	Group	College	Group	College
		2019	2019	2018	2018
		£'000	£'000	£'000	£'000
Non current assets					
Tangible Fixed assets	11	24,495	24,495	25,643	25,643
Investments	12	4	-	4	-
		24,499	**24,495**	**25,647**	**25,643**
Current assets					
Trade and other receivables	13	1,548	1,548	2,493	2,493
Cash and cash equivalents	18	2,488	2,386	1,471	1,370
		4,036	**3,934**	**3,964**	**3,863**
Less: Creditors – amounts falling due within one year	14	(3,414)	(3,414)	(3,951)	(3,951)
Net current assets / (liabilities)		**622**	**520**	**13**	**(88)**
Total assets less current liabilities		**25,121**	**25,015**	**25,660**	**25,555**
Creditors – amounts falling due after more than one year	15	(15,751)	(15,751)	(16,793)	(16,793)
Provisions					
Defined benefit obligations	17	(17,506)	(17,506)	(11,121)	(11,121)
Other provisions	17	(655)	(655)	(605)	(605)
Total net liabilities		**(8,791)**	**(8,897)**	**(2,859)**	**(2,964)**
Unrestricted Reserves					
Income and expenditure account		(12,668)	(12,774)	(6,778)	(6,883)
Revaluation reserve		3,877	3,877	3,919	3,919
Total unrestricted reserves		**(8,791)**	**(8,897)**	**(2,859)**	**(2,964)**
Total Reserves		**(8,791)**	**(8,897)**	**(2,859)**	**(2,964)**

The financial statements on pages 27 to 54 were approved and authorised for issue by the Corporation on 12th December 2019 and were signed on its behalf on that date by:

John Boydell

Chair of Governors

Dr Lis Smith

Accounting Officer

Consolidated Statement of Cash Flows

	Notes	2019 £'000	2018 £'000
Cash flow from operating activities			
Deficit for the year		(641)	(905)
Adjustment for non-cash items			
Depreciation		1,230	1,304
Decrease in stocks		-	1
Decrease/(increase) in debtors		128	(224)
Decrease in prepayments and accrued income		817	74
(Decrease)/increase in trade creditors		(4)	112
Decrease in taxation & social security		(43)	(2)
Decrease in other creditors		(161)	(357)
Decrease in accruals & deferred Income		(238)	(409)
Increase/(decrease) in provisions		33	(52)
DCG released to income (Notes 2)		(674)	(688)
Pensions costs less contributions payable		836	740
Adjustment for investing or financing activities			
Investment income		(14)	(5)
Interest payable		730	841
(Profit)/loss on sale of fixed assets		(41)	(2)
Net cash flow from operating activities		1,958	428
Cash flows from investing activities			
Proceeds from sale of fixed assets		41	2
Investment income		14	5
Payments made to acquire fixed assets		(123)	(127)
Capital grants received		21	12
		(47)	(108)
Cash flows from financing activities			
Interest paid		(421)	(434)
Repayments of amounts borrowed		(473)	(453)
		(894)	(887)
Increase / (decrease) in cash and cash equivalents in the year		**1,017**	**(567)**
Cash and cash equivalents at beginning of the year	18	1,471	2,038
Cash and cash equivalents at end of the year	18	2,488	1,471
Movement		**1,017**	**(567)**

Notes to the Accounts

1. Statement of accounting policies and estimation techniques

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

Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2015* (the 2015 FE HE SORP), the *College Accounts Direction for 2017 to 2018* and in accordance with Financial Reporting Standard 102 – *"The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland"* (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

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.

Basis of consolidation

The consolidated financial statements include the College and its subsidiaries, Preston College Education Fund and Passport to Apprenticeship Limited, controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Under the purchase method of accounting, the results of subsidiary & associated undertakings acquired or disposed of during the year are included in the consolidated income and expenditure account from or to the date on which control of the undertaking passes. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS 102, the activities of the student union have not been consolidated because the College does not control those activities. All financial statements are made up to 31 July 2019.

Going concern

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

The College currently has £5,543,632 of loans outstanding with bankers on terms negotiated in 2005 and additionally a further £2,564,356 negotiated in 2010. These are secured by a charge over College properties. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future. Accordingly the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

Recognition of income

Revenue grant funding

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under 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. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

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

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

Capital grant funding

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual model as permitted by FRS 102. Other capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as conditions are met.

Fee income

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

Investment income

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

Agency arrangements

The College acts as an agent in the collection and payment of certain discretionary support funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure of the College where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

Accounting for post-employment benefits

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

Teachers' pension scheme

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method. The TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

Lancashire local government pension scheme

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 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 the College. Any unused benefits are accrued and measured as the additional amount the College expects to pay as a result of the unused entitlement.

Enhanced Pensions

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

Non-current assets - Tangible fixed assets

Tangible fixed assets are stated at cost / deemed cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 2015 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 buildings are depreciated on a straight line basis over their expected useful lives as follows:

- 10 – 50 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, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1994, 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.

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets after initial purchase it is charged to income in the period it is incurred, unless it increases the future benefits to the College, in which case it is capitalised and depreciated on the relevant basis.

Equipment

Equipment costing less than £1,000 per individual item is recognised as expenditure in the period of acquisition, although assets of lesser value are capitalised if they form part of a group, with a value in excess of £2,000, as defined below. The £1,000 figure includes VAT where this is not recoverable. All other equipment is capitalised at cost. Equipment is depreciated on a straight line basis over its expected useful life as follows:

- Motor vehicles, plant & machinery and general equipment – 10 % to 20% per year
- Computer Hardware – 20%

- Computer Software – 33%

Grouped assets

Grouped assets are a collection of assets which individually may be valued at less than £1,000 but which together form a single collective asset because the items fulfil all the following criteria:

- the items are functionally interdependent
- the items are acquired at about the same date and are planned for disposal at about the same date
- the items are under single managerial control, and
- each individual asset thus grouped has a value of over £250.

IT assets

It is expected that IT hardware will be considered interdependent if it is attached to a network, the fact that it may be capable of stand-alone use notwithstanding. The effect of this will be that effectively all IT equipment purchases, where the final three criteria above apply, will be capitalised.

A review for impairment of fixed assets 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.

Borrowing costs

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

Leased assets

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

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

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

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

Inventories

Inventories are stated at the lower of their cost (using the "first in first out" method) and net realisable value, being selling price less costs to complete and sell. Where necessary, provision is made for obsolete, slow-moving and defective items.

Cash and cash equivalents

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

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

Financial liabilities and equity

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

All loans, investments and short term deposits held by the Group are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however the Group 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 in the period in which they arise.

Taxation

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

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.

The College's subsidiary companies are subject to corporation tax and VAT in the same way as any commercial organisation.

Provisions and contingent liabilities

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

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

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

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

Judgements in applying accounting policies and key sources of estimation uncertainty

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

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

Other key sources of estimation uncertainty

- *Tangible fixed assets*

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

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 23, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2019. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2 Funding body grants

	Year ended 31 July		Year ended 31 July	
	2019	**2019**	**2018**	**2018**
	Group	**College**	**Group**	**College**
	£'000	**£'000**	**£'000**	**£'000**
Recurrent grants				
Education and Skills Funding Agency - Adult	5,811	5,811	5,656	5,656
Education and Skills Funding Agency – 16-18	7,435	7,435	8,111	8,111
Education and Skills Funding Agency – Apprenticeships	3,517	3,517	2,799	2,799
Office for Students	122	122	126	126
Local Authorities	213	213	243	243
Specific grants				
Education and Skills Funding Agency	1,746	1,746	2,303	2,303
Releases of government capital grants	674	674	688	688
Total	**19,518**	**19,518**	**19,926**	**19,926**

3 Tuition fees and education contracts

	Year ended 31 July		Year ended 31 July	
	2019	**2019**	**2018**	**2018**
	Group	**College**	**Group**	**College**
	£'000	**£'000**	**£'000**	**£'000**
Adult education fees	340	340	583	583
Non funding agency fees (full cost)	499	499	646	646
Apprenticeship fees and contracts	99	99	39	39
Fees for FE loan supported courses	594	594	581	581
Fees for HE loan supported courses	539	539	931	931
International students fees	3	3	5	5
Total tuition fees	2,074	2,074	2,785	2,785
Education contracts	646	646	889	889
Total	**2,720**	**2,720**	**3,674**	**3,674**

4 Other grants and contracts

	Year ended 31 July		Year ended 31 July	
	2019	**2019**	**2018**	**2018**
	Group	**College**	**Group**	**College**
	£'000	**£'000**	**£'000**	**£'000**
Other grants and contracts	42	42	115	115
Total	**42**	**42**	**115**	**115**

5 Other income

	Year ended 31 July		Year ended 31 July	
	2019	**2019**	**2018**	**2018**
	Group	**College**	**Group**	**College**
	£'000	**£'000**	**£'000**	**£'000**
Catering and residences	153	153	153	153
Other income generating activities	284	284	350	350
Other grant income	-	-	-	-
Non-government capital grants	-	-	-	-
Miscellaneous income	623	623	755	755
Total	**1,060**	**1,060**	**1,258**	**1,258**

6 Investment income

	Year ended 31 July		Year ended 31 July	
	2019	**2019**	**2018**	**2018**
	Group	**College**	**Group**	**College**
	£'000	**£'000**	**£'000**	**£'000**
Other investment income	-	-	-	-
Other interest receivable	14	14	5	5
	14	**14**	**5**	**5**
Net return on pension scheme (note 23)	-	-	-	-
Total	**14**	**14**	**5**	**5**

7 Staff costs – Group and College

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

	2019	2018
	No.	No.
Teaching	189	217
Teaching support services	85	113
Administration & other support	102	112
Premises & catering	23	27
	399	**469**

Staff costs for the above persons

	2019	2018
	£'000	£'000
Teaching	7,292	8,236
Teaching support services	2,306	2,986
Administration & other support	3,553	3,864
Premises & catering	549	652
FRS102(28) Pension charge	831	740
Payroll sub total	**14,531**	**16,478**
Contracted out staffing services	425	306
Sub-total	**14,956**	**16,784**
Restructuring costs - Contractual	361	361
- Non-Contractual	177	140
Total staff costs	**15,494**	**17,285**
Wages and salaries	11,068	13,021
Social security costs	953	1,110
Other pension costs	2,510	2,347
Payroll sub-total	**14,531**	**16,478**
Contracted out staffing services	425	306
	14,956	**16,784**
Restructuring costs - Contractual	361	361
- Non-Contractual	177	140
	15,494	**17,285**

Key management personnel

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

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

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

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

	Key management personnel		Other staff	
	2019	2018	2019	2018
	No.	No.	No.	No.
£60,001 to £65,000 p.a	-	-	-	-
£65,001 to £70,000 p.a.	-	1	-	-
£70,001 to £75,000 p.a.	-	-	-	-
£75,001 to £80,000 p.a.	-	2	-	-
£80,001 to £85,000 p.a.	2	-	-	-
£85,001 to £90,000 p.a.	1	1	-	-
-	-	-	-	-
£135,001 to £140,000 p.a.	1	1	-	-
	4	**5**	-	-

No key management personnel fall into pay bandings less than £60,000 p.a.

Key management personnel compensation is made up as follows:

	2019	2018
	£'000	£'000
Salaries – gross of salary sacrifice and waived emoluments	392	448
Employers national insurance	49	59
Benefits in kind	-	-
	441	507
Pension contributions	57	55
Total key management personnel compensation	**498**	**562**

The above compensation includes amounts payable to the Principal & Chief Executive who is the Accounting Officer (who is also the highest paid officer). Their pay and remuneration is as follows:

	2019	2018
	£'000	£'000
Salaries	138	137
Employers national insurance	18	18
Benefits in kind	-	-
	156	155
Pension contributions	18	18

The remuneration of Senior Post Holders, including the Principal and Chief Executive, is subject to annual review by the Resources Committee of the governing body who use benchmarking information to provide objective guidance and advise the Corporation Board.

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.

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

	2019	2018
Principal's basic salary as a multiple of the median of all staff	5.73	5.92
Principal's total remuneration as a multiple of the median of all staff	5.67	5.74

Compensation for loss of office paid to former key management personnel

	2019	2018
	£'000	£'000
Compensation paid to former post-holders	-	33
Estimated value of other benefits, including provisions for pension benefits	-	-

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

8 Other operating expenses

	2019 Group	2019 College	2018 Group	2018 College
	£'000	£'000	£'000	£'000
Teaching costs	1,491	1,491	1,585	1,585
Teaching support services	1,490	1,490	1,421	1,421
Administration and central services	976	976	974	974
General education	1,113	1,113	1,073	1,073
Premises costs - Running costs	831	831	873	873
Premises costs - Rents & leases	25	25	58	58
Planned maintenance	563	563	406	406
Income generating activities	11	11	63	63
Total	**6,500**	**6,500**	**6,453**	**6,453**

Other operating expenses include:	**2019**	**2018**
	£'000	**£'000**
Auditors' remuneration:		
Financial statements audit*	32	32
Internal audit**	24	24
Other services provided by the financial statements auditor		
- TPA & Project Audits	3	1
Other services provided by the internal auditors:		
- Sub-contracting Controls	8	-
- Tax Advice	2	2
Loss/(Profit) on disposal of non-current assets	41	(2)
Hire of assets under operating leases	62	99

* includes £32,000 in respect of the College (2017/18 £32,000)

** includes £24,000 in respect of the College (2017/18 £24,000)

9 Interest and other finance costs – Group and College

	2019	2018
	£'000	£'000
On bank loans, overdrafts and other loans:	409	422
	409	422
On enhanced pension provision	12	12
Net interest on defined pension liability (note 23)	309	407
Total	**730**	**841**

10 Taxation – Group only

	2019	2018
	£'000	£'000
United Kingdom corporation tax at 20% per cent	-	-
Total	-	-

The members do not believe that the College was liable for any corporation tax arising out of its activities during either year.

11 Tangible fixed Assets (Group)

	Land and buildings Freehold	Equipment	Assets in the course of construction	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2018	**38,161**	**8,543**	-	**46,704**
Additions	-	84	39	123
Disposals	(566)	(1,217)	-	(1,783)
At 31 July 2019	**37,595**	**7,410**	**39**	**45,044**
Depreciation				
At 1 August 2018	**13,972**	**7,089**	-	**21,061**
Charge for the year	699	531	-	1,230
Elimination in respect of disposals	(525)	(1,217)	-	(1,742)
At 31 July 2019	**14,146**	**6,403**	-	**20,549**
Net book value at 31 July 2019	**23,449**	**1,007**	**39**	**24,495**
Net book value at 31 July 2018	**24,189**	**1,454**	-	**25,643**

	Land and buildings Freehold	Equipment	Assets in the course of construction	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2018	**38,161**	**8,543**	-	**46,704**
Additions	-	84	39	123
Transfers to Capital	-	-	-	-
Transfers to Revenue	-	-	-	-
Disposals	(566)	(1,217)	-	(1,783)
At 31 July 2019	**37,595**	**7,410**	**39**	**45,044**
Depreciation				
At 1 August 2018	**13,972**	**7,089**	-	**21,061**
Charge for the year	699	531	-	1,230
Elimination in respect of disposals	(525)	(1,217)	-	(1,742)
At 31 July 2019	**14,146**	**6,403**	-	**20,549**
Net book value at 31 July 2019	**23,449**	**1,007**	**39**	**24,495**
Net book value at 31 July 2018	**24,189**	**1,454**	-	**25,643**

NBV above analysed by source as follows:	Land and buildings Freehold	Equipment	Assets in the course of construction	Total
	£'000	£'000	£'000	£'000
Inherited	3,871	-	-	3,871
Financed by capital grant	8,390	786	-	9,176
Other	11,188	221	39	11,448
At 31 July 2019	**23,449**	**1,007**	**39**	**24,495**

Land and buildings were valued for the purpose of the 1994 financial statements at depreciated replacement cost by Donaldsons, a firm of independent chartered surveyors, in accordance with the RICS Statement of Asset Valuation Practice and Guidance notes. Other tangible fixed assets inherited from the local education authority at incorporation have been valued by the Corporation on a depreciated replacement cost basis with the assistance of independent professional advice.

Land and buildings with a net book value of £8,390,000 have been financed from exchequer funds, through for example the receipt of capital grants. Should these assets be sold, the College may be liable, under the terms of the financial memorandum with the funding body, to surrender the proceeds.

All land and buildings are held freehold. Land and buildings include properties with a net book value of £3,871,000 for which title deeds have been transferred to the College.

The receipt of capital grants in the current year was £21,000 (2017: £12,000). No provision has been made for other anticipated future receipts as the Education & Skills Funding Agency does not have the power to guarantee future funding streams and cannot guarantee that this funding will continue after the current year.

The net book value of tangible fixed assets held under finance leases is currently £nil (2017/18 - £nil).

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

	£'000
Cost	Nil
Aggregate depreciation based on cost	Nil
Net book value based on cost	Nil

12 Non-current investments

	Group 2019 £'000	Group 2018 £'000
Investments in subsidiary companies	-	-
Equities	4	4
Total	**4**	**4**

The College's subsidiary undertakings are companies incorporated in Great Britain and registered in England and Wales, as follows:

Name	Date acquired	Percentage holding	Principal activity
Preston College Education Fund	20 July 1998	100% control	Promotion of education of learners attending Preston College
Passport to Apprenticeship Ltd	8 October 2012	100% control	Apprenticeship training agency

The results of all the subsidiary companies are consolidated in the group accounts.

Passport to Apprenticeship Limited (registration number: 8244338) was incorporated on 8 October 2012 and is a private company limited by guarantee. Passport to Apprenticeship Limited continued to be dormant throughout the year to 31 July 2018 and is therefore exempt from the requirements to prepare individual accounts under section 394A or to file individual accounts under 448A of the Companies Act 2006.

13 Trade and Other Receivables

	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
Amounts falling due within one year:				
Trade receivables	258	258	388	388
Amounts owed by group undertakings:				
Subsidiary undertakings	-	-	-	-
Associate undertakings	-	-	-	-
Other Debtors	55	55	53	53
Prepayments and accrued income	1,235	1,235	2,052	2,052
Total	**1,548**	**1,548**	**2,493**	**2,493**

14 Creditors: amounts falling due within one year

	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
Bank loans and overdrafts	491	491	473	473
Trade payables	195	195	199	199
Other creditors	176	176	337	337
Amounts owed to group undertakings:				
Subsidiary undertakings	-	-	-	-
Other taxation and social security	244	244	287	287
Accruals	1,180	1,180	1,478	1,478
Deferred income - other	559	559	501	501
Deferred income - government capital grants	569	569	676	676
Total	**3,414**	**3,414**	**3,951**	**3,951**

The College leave year mirrors that of its financial year with no provision to allow annual leave to be carried over. Therefore these accounts do not contain an accrual for holiday pay.

15 Creditors: amounts falling due after one year

	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
Bank loans	7,144	7,144	7,635	7,635
Deferred income - government capital grants	8,607	8,607	9,158	9,158
Total	**15,751**	**15,751**	**16,793**	**16,793**

16 Maturity of debt

Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
In one year or less	491	491	473	473
Between one and two years	517	517	491	491
Between two and five years	1,694	1,694	1,621	1,621
In five years or more	4,933	4,933	5,523	5,523
Total	**7,635**	**7,635**	**8,108**	**8,108**

The College has a £8.5 million secured loan facility with Barclays. This facility was used to refinance existing borrowings, to provide working capital and to provide some capital finance. The loan is repayable over a 25 year period which commenced July 2005. Interest is fixed at 5.33% plus a lending margin of 1.00%. The lending margin is now determined by the College's financial health grade.

As part of the construction and refurbishment of the Tate and Hargreaves buildings the College arranged an additional secured loan facility of £3.5 million in December 2010 with Barclays. This was drawn in tranches of £1.5 million and £1.98 million. Both tranches currently attract a variable rate of 2.42469% (which includes a lending margin of 1.8%). The term of this loan is 25 years.

17 Provisions

	Group and College				
	Defined benefit obligations £'000	Restructuring £'000	Enhanced pensions £'000	Other £'000	Total £'000
At 1 August 2018	**11,121**	**34**	**514**	**57**	**11,726**
Expenditure in the period	(975)	(34)	(41)	(57)	(1,107)
Transferred from income and expenditure account	7,360	70	58	54	7,542
At 31 July 2019	**17,506**	**70**	**531**	**54**	**18,161**

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government Pension Scheme. Further details are given in Note 23.

The restructuring provision relates to exceptional restructuring costs arising from a review of curriculum as part of the business planning process and is part of the strategy to address the financial challenges and budget cuts facing the College.

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

The principal assumptions for this calculation are:

	2019	2018
Price inflation	2.2%	2.1%
Discount rate	2.0%	2.3%

Other provisions relate to a potential liability regarding course fee refunds.

18 Cash and cash equivalents

	At 1 August 2018	Cash flows	Other changes	At 31 July 2019
	£'000	£'000	£'000	£'000
Cash and cash equivalents	1,471	1,017	-	2,488
Total	**1,471**	**1,017**	-	**2,488**
Debt due after 1 year	**(7,635)**	-	**491**	**(7,144)**
Debt due within 1 year	**(473)**	**473**	**(491)**	**(491)**
	(8,108)	**473**	-	**(7,635)**
Total	**(6,637)**	**1,490**	-	**(5,147)**

19 Capital and other commitments

	Group and College	
	2019	**2018**
	£'000	**£'000**
Commitments contracted for at 31 July	22	-
Authorised but not contracted for at 31 July	-	-

20 Lease obligations

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

	Group and College	
	2019	**2018**
	£'000	**£'000**
Future minimum lease payments due		
Land and buildings		
Not later than one year	-	6
Later than one year and not later than five years	-	-
Later than five years	-	-
	-	6
Other		
Not later than one year	53	56
Later than one year and not later than five years	72	125
Later than five years	-	-
Total lease payments due	125	181

21 Contingent liabilities

There are no contingent liabilities.

22 Events after the reporting period

There are no events after the reporting period

23 Defined benefit obligations

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

Total pension cost for the year		**2019**		**2018**
		£000		**£000**
Teachers' Pension Scheme: contributions paid		1,245		1,384
Local Government Pension Scheme:				
Contributions paid	975		1,012	
FRS 102 (28) charge	831		740	
Charge to the Statement of Comprehensive Income		1,806		1,752
Enhanced pension charge to Statement of Comprehensive Income		12		12
Total Pension Cost for Year within staff costs		**3,063**		**3,148**

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2012 and of the LGPS 31 March 2016.

Teachers' Pension Scheme

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

The Teachers' Pension Budgeting and Valuation Account

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

The 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.

Valuation of the Teachers' Pension Scheme

The latest actuarial review of the TPS was carried out as at 31 March. The valuation report was published by the Department for Education (the Department) in April 2019. The key results of the valuation are:

- 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 2018/19. DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2019-20 academic year.
- 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;

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 £1,245,000 (2017: £1,384,000).

FRS 102 (28)

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

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

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by the Lancashire Pension Service. The total contributions made for the year ended 31 July 2019 were £1,131,000, of which employer's contributions totalled £975,000 and employees' contributions totalled £279,000. The agreed contribution rates for future years are 13.3% (from April 2018) for employers and range from 7.4% to 11.7% for employees, depending on salary. In addition to the 13.3% employers contribution, a fixed monthly pension deficit recovery charge of £22,458 was made until March 2019 after which it increased to £23,292.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2018 by a qualified independent actuary.

	At 31 July 2019	**At 31 July 2018**
Rate of increase in salaries	3.70%	3.60%
Future pensions increases	2.30%	2.20%
Discount rate for scheme liabilities	2.20%	2.90%
Inflation assumption (CPI)	2.20%	2.10%
Commutation of pensions to lump sums	50%	50%

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

	At 31 July 2019	**At 31 July 2018**
Retiring today		
Males	22.80	22.70
Females	25.50	25.40
Retiring in 20 years		
Males	25.10	25.00
Females	28.20	28.00

The College's share of the assets in the plan at the balance sheet date and the expected rates of return were:

	Fair Value at 31 July 2019	Fair Value at 31 July 2018
Equities	24,670	19,719
	0	1,527
Government Bonds		
	826	270
Bonds	4,542	4,133
	929	404
Property		
	20,644	18,866
Total fair value of plan assets	**51,611**	**44,919**
Actual return on plan assets	**6,664**	**3,357**

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

	2019 £'000	2018 £'000
Fair value of plan assets	51,611	44,919
Present value of plan liabilities	(69,062)	(55,986)
Present value of unfunded liabilities	(55)	(54)
Net pensions (liability)/asset (Note 17)	**(17,506)**	**(11,121)**

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

	2019 £'000	2018 £'000
Amounts included in staff costs		
Current service cost	1,225	1,683
Past service cost	386	-
Curtailment Cost	173	42
Administration Expenses	22	27
Total	**1,806**	**1,752**
Amounts included in investment income		
Net interest payable	309	407
	309	**407**
Amount recognised in Other Comprehensive Income		
Return on pension plan assets	5,361	2,281
Actuarial (gains) / losses on enhanced pensions	(46)	(20)
Changes in assumptions underlying the present value of plan liabilities	(10,606)	3,922
Amount recognised in Other Comprehensive Income	**(5,291)**	**6,183**

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

	2019	2018
	£'000	£'000
Net defined benefit (liability)/asset in scheme at 1 August	(11,121)	(16,177)
Movement in year:		
Current service cost	(1,225)	(1,683)
Employer contributions	975	1,012
Past service cost	(386)	-
Curtailments	(173)	(42)
Administration costs	(22)	(27)
Net interest on the defined (liability)/asset	(309)	(407)
Actuarial gain or loss	(5,245)	6,203
Net defined benefit (liability)/asset at 31 July	**(17,506)**	**(11,121)**

Asset and Liability Reconciliation

	2019	2018
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	56,040	57,272
Current service cost	1,225	1,683
Interest cost	1,612	1,482
Contributions by scheme participants	279	340
Experience gains and losses on defined benefit obligations	-	-
Changes in financial assumptions	10,606	(3,922)
Estimated benefits paid	(1,204)	(857)
Past service cost	386	-
Curtailments and settlements	173	42
Defined benefit obligations at end of period	**69,117**	**56,040**
Changes in fair value of plan assets		
Fair value of plan assets at start of period	44,919	41,095
Interest on plan assets	1,303	1,075
Return on plan assets	5,361	2,281
Administration expenses	(22)	(27)
Employer contributions	975	1,012
Contributions by scheme participants	279	340
Estimated benefits paid	(1,204)	(857)
Fair value of plan assets at end of period	**51,611**	**44,919**

The decisions of the Court of Appeal in the Sargeant/McCloud cases (generally referred to as "McCloud" for the LGPS) have ruled that the transitional protections afforded to older members when the Public Service Pension Schemes were amended constituted unlawful age discrimination. At this stage it is uncertain whether or not there will be an issue for the LGPS and its employers, nor is it clear what the exact extent would be of any required changes, but this note sets out some approximate effects of the costs if the transitional protections need to be extended to younger members.

The calculation of adjustment to past service costs arising from the outcome of the court of appeal judgement is based on a number of key assumptions including:

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

Applying the above calculations to the estimated active member liabilities and service cost at 31 July 2019 gives an additional past service liability of £386,000. These additional costs are very sensitive to the assumptions made, in particularly the difference between assumed long term salary growth and the CPI. The above figures are based on assumed real pay growth of 1.5% p.a. above CPI, however if real pay growth of 0.75% p.a. above CPI were applied it would result in approximate additional past service liabilities of £193,000 at 31 July 2019.

24 Related party transactions

Due to the nature of the College's operations and the composition of the Corporation (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 Corporation may have an interest. All transactions involving organisations in which a member of the Corporation may have an interest are conducted at arms length and in accordance with the College's financial regulations and normal procurement procedures.

Leyland Trucks is an organisation in which a governor has declared an influence as key management personnel. The College incurred expenditure of £16,000 [2018: £8,000] and earned income of £6,136 [2018: £8,800].

The total expenses paid to or on behalf of the Governors during the year was £29; 1 governors (2017/18: £416; 1 governor(s). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings.

No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year.

25 Amounts disbursed as agent Learner support funds

	2019	2018
	£'000	£'000
Amounts unspent re prior years	249	170
Funding body grants – bursary support	355	521
Funding body grants – residential bursaries	(9)	14
	595	705
Disbursed to students	(479)	(424)
Administration costs	(21)	(32)
Balance unspent as at 31 July	95	249

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