

# RUNSHAW COLLEGE

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## Report and Financial Statements for the year ended 31 July 2018

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## Runshaw College Report and Financial Statements

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## Highlights

Some of the College's major achievements in 2017/18 include:

- 100% pass rate, 11% A\*, 33% A\*/A and 68% A/B grades for A level;
- 100% pass rate and 53% top grades (D\*D\*D\*) on 16-18 vocational and occupational courses at all levels;
- A Level and Vocational courses at Runshaw both in the top 10% nationally for Added Value;
- 95 Offers in total this year for Oxford, Cambridge, Medicine, Dentistry and Veterinary Science (a new college record);
- North West Overall College Sports Champions (for the 18<sup>th</sup> year in a row);
- Foxholes "AA Highly Commended" status retained;
- More than 1000 students engaged in volunteering activities within their local communities;
- Successful transition from 3 to 2 campuses and sale of Brisance House;
- Achievement of our 2020 carbon footprint reduction target



## Runshaw College Report and Financial Statements

### Key Management Personnel, Board of Governors and Professional advisers

#### Key management personnel

Key management personnel are defined as Senior Postholders and were represented by the following in 2017/18:

Simon Partington	Principal and CEO; Accounting officer
Michelle Brabner	Deputy Principal
Clare Russell	Deputy Principal

#### Board of Governors

Members of the Corporation are listed on pages 5 and 6.

Mrs F Hussein acted as Clerk to the Corporation throughout the period.

#### Professional advisers

Financial statement and regularity auditors RSM UK Audit LLP

Internal auditors Mazars

Bankers Royal Bank of Scotland plc  
Barclays Bank plc

Solicitors Mills and Reeve LLP  
DLA Piper UK LLP

Insurers Hettle Andrews

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### Members of the Corporation

The members who served the Corporation during the year and up to the date of signature of this report are:

	<b>Date Appointed / Re-elected / Retired</b>	<b>Term of office</b>	<b>Committees served</b>	<b>Attendance at Corporation meetings</b>
Y Bradshaw	Dec 2013 Dec 2017	4 yrs	Search and Governance (Chair); Standards and Curriculum.	75%
J Chatwood	Mar 2011 Mar 2015	4 yrs	Finance	75%
M Frankish	May 2014 May 2018	4 yrs	Audit.	75%
J Jariwala	Sep 2013 Sep 2017	4 yrs	Remuneration and Organisational Development (Chair).	75%
M Jay	Jul 2015	4 yrs	Audit.	100%
K Lee (Vice Chairman)	Dec 2006 Dec 2010 Dec 2014	4 yrs	Finance (Chair); Remuneration and Organisational Development.	100%
W Middleton	Dec 2017	4 yrs	Audit (Chair)	100%
S Partington (Principal)	Sep 2013	-	All apart from Audit.	100%
A Pratt	Mar 2013 Mar 2017	4 yrs	Search and Governance.	75%
D Sherliker (Chairman)	Dec 2006 Dec 2010 Dec 2014	4 yrs	Finance; Remuneration and Organisational Development; Search and Governance; Standards and Curriculum.	75%
J Venn	Mar 2011 Mar 2015	4 yrs	Standards and Curriculum (Chair)	100%
<b>Staff Elected Members</b>				
G Davies	May 2016	4 yrs	Standards and Curriculum.	100%
W Sutton	May 2016	4 yrs	Standards and Curriculum.	100%
<b>Student Elected Members</b>				
E Frost	Dec 2017	2 yrs	Standards and Curriculum.	67%
S Hancock (Resigned July 2018)	Dec 2015	2 yrs	Standards and Curriculum.	75%

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### Members of the Corporation (continued)

	Date Appointed / Re-elected / Retired	Term of office	Committees served	Attendance at Corporation meeting
<b>Co-opted members</b>				
D Bourne	Mar 2012 Apr 2016	4 yrs	Remuneration and Organisational Development	N/A
V Spears	Dec 2017	2 yrs	Standards & Curriculum	N/A
A Watson Bird	May 2016	4 yrs	Audit Search and Governance	N/A
P Zak	Dec 2008 Dec 2012 Dec 2016	4 yrs	Finance	N/A

# Runshaw College Report and Financial Statements

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## Strategic Report

### NATURE, OBJECTIVES AND STRATEGIES:

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

### Introduction

Runshaw College is a tertiary further education institution situated in Leyland and Chorley, in Lancashire.

The College operates from two main sites: a sixth form centre and an adult college (including HE and STEM specialisms). Education and training is offered in most curriculum areas; the College is rated by OFSTED as an Outstanding college and is designated as a National Teaching School by the Department for Education; and has won several awards, including Investors in People Gold Award (2010, 2013 and 2016) and Pearson BTEC Outstanding Vocational College of the Year for 2016.

### Legal status

The Corporation, incorporated as Runshaw College, was established under the Further and Higher Education Act 1992 to provide further education, principally for the Lancashire boroughs of South Ribble and Chorley. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

### Public Benefit

Runshaw College is an exempt charity under part 3 the Charities Act 2011 and following the Machinery of Government changes in July 2016 is regulated by the Secretary of State for Business, Innovation and Skills as Principal Regulator for all FE Corporations in England. The members of the Governing Body, who are trustees of the Charity are disclosed on page 5 and 6.

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
- Links with Local Enterprise Partnerships (LEPs)

The delivery of public benefit is covered throughout this Strategic Report.

# Runshaw College Report and Financial Statements

## Strategic Report (continued)

### NATURE, OBJECTIVES AND STRATEGIES (continued)

#### Mission

Governors review the College's mission annually. No changes have been made to the College's longstanding mission statement.

**We believe education changes lives, so we put teaching and learning and the needs of our students first.**

#### Values

As a comprehensive college serving its community, we strive for:

- Respect
- Excellence
- Enjoyment
- Dedication

#### Implementation of strategic plan

In July 2017 the College adopted a strategic plan for the period 1 August 2017 to 31 July 2018. This strategic plan includes property and financial plans. The Corporation monitors the performance of the College against these plans. The plans are reviewed and updated each year.

The College's specific objectives for 2017/18 and achievement of those objectives is addressed below.

Objective	Achievement
To continue our journey towards "excellence everywhere"; all schools, programmes and functions to be performing at an "outstanding" level by summer 2018.	The College has a strong focus on quality which has once again produced exceptional results for all learners and stakeholders. (See highlights on page 3). A Governor dashboard is utilised to monitor key performance indicators.
To meet income and recruitment targets for all 16-18 and 19+ programmes.	The College achieved 99.5% of its ambitious 16-18 recruitment target for 2017/18. Recruitment to 19+ programmes was slightly below target, however financial contribution targets were exceeded.
To maintain robust financial health by continuing to meet our "road map" operating surplus targets and by paving the way for a return to an "outstanding" financial health rating in 2019-20.	The College continues to generate operating surpluses (before exceptional items and FRS102 pension adjustments). A new "road map" was approved by governors during 2017/18.
To complete the transition from 3 sites to 2 sites so that we can reduce our estates operating costs to levels which are much closer (per meter squared) to sector norms.	The College successfully withdrew from its' Market Street campus in December 2017.
To prepare for the successful introduction of the new apprenticeship standards in 2017 and the new technical ("T-level") qualifications in 2019.	The College has successfully introduced a comprehensive portfolio of apprenticeship standards and was approved as a pilot centre for early adoption of T-Level qualifications.

# Runshaw College Report and Financial Statements

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## Strategic Report (continued)

### NATURE, OBJECTIVES AND STRATEGIES (continued)

The College's continuing strategic objectives are:

- To continue our journey towards "excellence everywhere"; all schools, programmes and functions to be performing at an "outstanding" level by (or before) summer 2020;
- To meet all of our key financial targets; this will require us to
  - a. Meet or exceed our 16-18 and 19+ income/recruitment targets.
  - b. Secure further efficiencies/reductions in our operating costs.
- To ensure that all 16-18 learners engage in (and adequately record) Work related Activity;
- To continue to improve our facilities, where necessary and affordable.

No issues have arisen to date that could prevent achievement of these objectives.

### Financial objectives

The College's financial objectives are:

- To maintain strong financial health and meet key financial performance indicators.
- To ensure all key financial, procurement and business planning processes are efficient, accurate and effective.
- To maintain effective management of risks so that we can continue to prevent issues that have the potential to impact negatively on the college and/or its key stakeholders.

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

### Performance indicators

The College is committed to observing the importance of sector measures and indicators and use the FE Choices website which looks at measures such as success rates. Key performance indicators for the College are regularly and rigorously monitored by managers and governors. The indicators are included in the College's annual self-assessment report.

The College is required to complete the annual Finance Record for the Education and Skills Funding Agency ("ESFA"). The Finance Record produces a financial health grading. The College is graded as "Satisfactory" financial health grading under the current methodology. This includes the impact of the exceptional premises rationalisation within the Earnings Before Interest, Depreciation and Amortisation (EBITDA) calculation. If these exceptional costs are excluded, then a "Good" rating applies.

# Runshaw College Report and Financial Statements

## Strategic Report (continued)

### FINANCIAL POSITION

#### Financial results

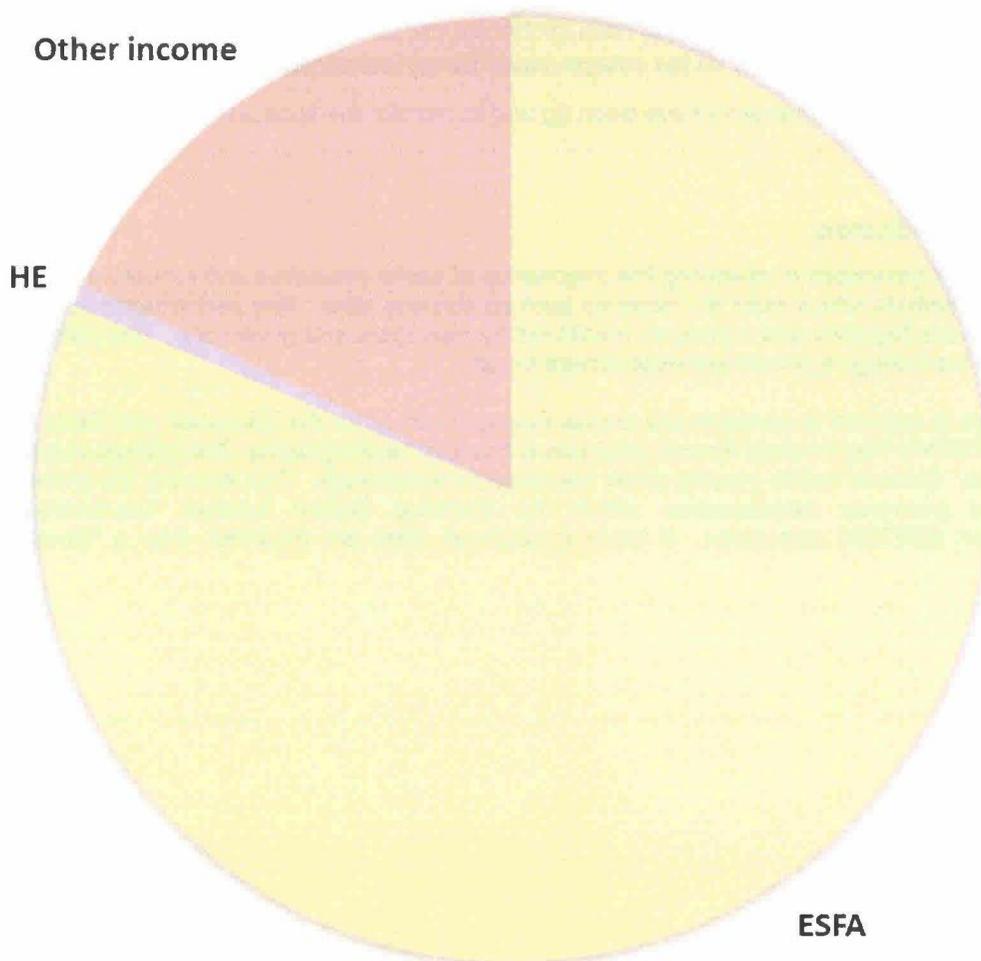
The College generated a deficit before other gains and losses in the year of **£2,241,000** (2016/17 – deficit of £266,000), with total income for the year of **£27,113,000** (2016/17 – £27,848,000).

The College has accumulated reserves of £11,897,000 and cash and short term investment balances of £3,271,000. The College intends to generate cash to assure its financial position and to continue to improve buildings and resources.

Tangible fixed asset additions during the year amounted to £652,000. This was split between freehold land and buildings acquired of £3,000 and equipment purchased of £649,000.

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2017/18 the FE funding bodies provided 86% of the College's total income (2016/17 – 80%).

## 2018 INCOME



# Runshaw College Report and Financial Statements

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## Strategic Report (continued)

### FINANCIAL POSITION (continued)

#### 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 Funding Bodies.

#### Cash flows and liquidity

At £1,016,000 (2016/17 £3,007,000), net cash flow from operating activities was strong.

Cashflows in the year include an exceptional payment of £1,803,000 with regard to the College's exit from its leasehold property on Market Street, Chorley and the sale of its investment property.

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 achieved.

#### Reserves Policy

The College seeks to maintain adequate levels of reserves to satisfy all bank loan covenants and to ensure that FRS 102 Pension Costs (insofar as they are reasonable foreseeable) are comfortably exceeded.

#### Financial health

The College is required to complete the annual Finance Record for the Education and Skills Funding Agency ("ESFA"). The Finance Record produces a financial health grading. The College is graded as "Satisfactory" financial health grading under the current methodology. This is considered an acceptable outcome and was specifically planned for having regard to the strategic goal to reduce from three campuses to two.

#### Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95%. During the accounting period 1 August 2017 to 31 July 2018, the College paid 91% of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

# Runshaw College Report and Financial Statements

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## Strategic Report (continued)

### CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

#### Student numbers

In 2017/18 the College has delivered activity that has produced £22,623,000 in funding body main allocation funding (2016/17 – £22,268,000). The College had approximately 6,000 funded and 1000 non-funded students. 5,061 of the funded learners are in the 16-18 age range.

#### Student achievements

Students continue to prosper at the College. August 2018 exam results show a 100% pass rate for A Levels. 11% achieved A\* grades, 33% A\*/A and 68% A/B grades. Vocational learners also achieved a 100% pass rate and 53% top grades (D\*D\*D\*).

#### Curriculum developments

Subjects and methods of teaching and learning are under continuous review and development to ensure that curriculum meets the needs of the population that the College serves. Specific developments include:

- Embedding VESPA strategies for teaching and learning.
- Development of a new 3+1 study strategy for A-Level provision and the removal of AS exams.
- Transition of apprenticeship provision from frameworks to standards.
- Successful implementation and delivery of ESIF moving on programme.
- Development of a new Medical Sciences Foundation degree in conjunction with UCLan

#### 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 environment for FE College's continues to be an increasingly challenging one. Despite this, the College continues to deliver exceptional quality and outcomes for learners and has maintained financial stability. Recruitment numbers for 2018/19 have once again been very strong, which, along with exceptional results, provides real confidence with regard to the future prospects of the College.

With regard to financial strategies, the College is continuing to seek improvements to premises utilisation and individual course contributions. The delivery model for T Levels and Apprenticeships are a key focus for the coming year in achieving this goal.

Management and governors are confident that the College remains a going concern based upon the following key factors:

- Runshaw College is one of the highest achieving colleges in England.
- Learner satisfaction is extremely high and has improved every year for the last eight years.
- The College has strong and stable finances, satisfying all bank covenants and with a robust long term financial forecast.
- Recruitment at the College has remained buoyant, despite declining demographics.

## Runshaw College Report and Financial Statements

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### Trade Union facility time

The Trade Union (Facility Time Publication Requirements) Regulations 2017 require the College to publish information on facility time arrangements for trade union officials at the college.

**Table 1**

#### Relevant union officials

Number of employees who were relevant union officials during the period 1 April 2017 to 31 March 2018	Full-time equivalent employee number
8	7.15

**Table 2**

#### Percentage of time spent on facility time

Percentage of time	Number of employees
0%	
1-50%	8
51%-99%	
100%	

**Table 3**

#### Percentage of pay bill spent on facility time

Total cost of facility time	£6,742.09
Total pay bill	£17,818,906
Provide the percentage of the total pay bill spent on facility time, calculated as: <i>(total cost of facility time ÷ total pay bill) x 100</i>	0.04%

**Table 4**

#### Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time hours calculated as: <i>(total hours spent on paid trade union activities by relevant union officials during the relevant period ÷ total paid facility time hours) x 100</i>	3.50%
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# Runshaw College Report and Financial Statements

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## Strategic Report (continued)

### RESOURCES:

The College has various resources that it can deploy in pursuit of its strategic objectives.

#### Financial

The College has £11.9 million of net assets (including £7.2 million pension liability and long term debt of £5.6 million.)

Tangible resources include the main 26 acres freehold campus at Langdale Road and freehold Chorley campus at Euxton Lane.

#### People

The College employs 487 staff (expressed as full time equivalents), of whom 304 (full time equivalents) are teaching staff.

#### Reputation

The College has a good reputation locally and nationally. Maintaining a quality brand is essential for the College's success at attracting students and external relationships.

### PRINCIPAL RISKS AND UNCERTAINTIES:

Risk management is a continuous and embedded process at Runshaw College. Financial Regulations require that Managers have a responsibility to consider risks inherent in activities for which they are accountable.

The major challenges for the College over the next year are identified in the Strategic Plan and the Commentary to the Financial Plans that accompanies the Strategic Plan summarises risks and a sensitivity analysis for these. These risks are taken from the College's Risk Register, which lists significant and longer-term risks facing the College. For each risk, the register provides an assessment, considers operational mitigation activities and monitoring and control responsibilities. The register is regularly reviewed and updated by SMT and reported to each Audit Committee meeting.

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.

#### Changing Government Policy

The College has considerable reliance on continued government funding through the further education sector funding bodies. In 2017/18, 82% of the College's revenue was ultimately publicly funded and this level of requirement is expected to continue. Funding rates for 16-18 learners have fallen every year since 2010 in real terms whilst costs have inevitably risen. In addition, the Apprenticeship funding reforms (as implemented in May 2017) have proven to have a negative impact upon employer uptake of new apprentices nationally. T-Level qualifications, still in the initial implementation phase, may also have an impact upon Government funding. The 2019 Government spending review is also expected to have a significant impact upon Further Education funding. 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, hence, the College recognises this as high risk on its risk register. Risks are mitigated through careful financial planning and management of resources.

# Runshaw College Report and Financial Statements

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## Strategic Report (continued)

### PRINCIPAL RISKS AND UNCERTAINTIES (continued)

#### Competition

Competition from other educational institutions is a high priority risk for the College. Whilst the College is confident in its' quality and exceptional results, management are also conscious of the increasing competitive environment in which it is operating. Mitigating strategies include a focus on inspirational open events, sampling events and review of admissions policies.

#### Reputation

The continuing high standards in academic results place the College amongst the best performing in the country, thereby sustaining a reputation for excellence. Marketing opportunities publicise the College in its highly competitive local market. The College continually strives to improve its performance.

#### Tuition fees

The Education and Skills Funding Agency ("ESFA") has assumed fee levels and maximum loan values within their funding methodology. In line with the majority of other colleges, Runshaw College use these published fees as a benchmark for fees. Whilst there is a risk that demand will reduce if the fees increase, there is also a risk with regard to diminishing contribution levels where the ESFA listed rates are insufficient to meet the costs of the course. These risks are mitigated through careful and detailed business planning and a continued focus on ensuring the College provides value for money in its education and training.

#### Maintain adequate funding of pension liabilities

Accounting for defined benefit pension schemes under FRS 102 is a risk as the relevant pension scheme is not under the College's direct control and is accounted for in accordance with the advice of independent qualified actuaries. Significant judgements are needed in assumptions for future salary increases, inflation, investment returns and member longevity that underpin valuations. Government has recognised that the affordability of public sector pensions is an issue and it is expected that changes to scheme benefits and contribution rates will be announced, the aim of which will be to reduce long term pension deficits.

#### Facilities

The College is pursuing a strategy of incremental improvement to its estate, taking account of the local area educational and economic needs. The College is dependent on being granted planning approvals and being able to generate funding to undertake improvements so that facilities remain attractive to learners.

#### Business continuity

Given the nature of the College's estate and range of activities, the risk from events that could endanger continued operations is varied. Such risks are mitigated through business continuity planning and insurance. No major incidents occurred at the College during 2017/18.

#### Data security and General Data Protection Regulations ("GDPR")

The College is exposed to the risk that IT systems upon which it relies may fail. There are appropriate controls in place to cover the risk of system failure, including back-up procedures and disaster recovery plans. Furthermore, as with all Colleges, Runshaw College keep information about staff, students and other parties to allow it to operate as a successful Further education institution and meet its' legal obligations. As such, there are inherent risks to holding and processing such data and the potential impact of any breach of GDPR principles. In mitigation of this risk, the College has a comprehensive staff training programme and follows appropriate policies and procedures to ensure the safety of all data.

# Runshaw College Report and Financial Statements

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## Strategic Report (continued)

### PRINCIPAL RISKS AND UNCERTAINTIES (continued)

#### Credit and counterparty risk

The College has Financial Regulations and a Treasury Management policy that address the risk of loss due to poor credit control or investment decisions. The College places surplus funds for terms not exceeding one year with several UK banks that have suitable credit ratings.

### STAKEHOLDER RELATIONSHIPS

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

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

The College recognises the importance of these relationships and engages in regular communication with them through meetings, verbal and written communications and the College internet site.

### Valuing diversity

Runshaw College is committed to ensuring equality of opportunity for all its students, staff and all members of its community. We value difference and value diversity. We respect all people for their individuality, abilities and aspirations. We will treat individuals with respect and be fair to them regardless of; their age, disability, gender reassignment, marital or civil partnership status, pregnancy or maternity, race, religion or belief, sex, sexual orientation, culture or any other personal characteristic.

We are committed to the elimination of all types of discrimination and will take appropriate action to implement our Equality and Diversity and our Anti-Bullying Policy. These policies are resourced, implemented, regularly monitored and published on the College's Internet site.

The College's policy is to provide training, career development and opportunities for promotion that are, as far as possible, identical to those for other employees. The College considers all applications from disabled persons, bearing in mind individual aptitudes. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues.

# Runshaw College Report and Financial Statements

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## Strategic Report (continued)

### STAKEHOLDER RELATIONSHIPS (continued)

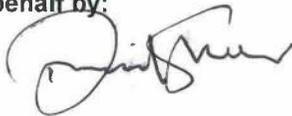
An Equality and Diversity report is published annually and progress towards achieving equality and diversity goals is monitored by managers and governors. The College seeks to achieve the objectives set down in the Disability Discrimination Act 1995 as amended by the Special Education Needs and Disability Acts 2001 and 2005. There are specialist staff and equipment to support students with learning difficulties and/or disabilities. There is a continuing programme of staff development to ensure a high level of support for students with learning difficulties and/or disabilities.

Information about student admissions, specialist learning programmes, learner achievements and destinations, counselling and welfare services, complaints and disciplinary procedures is available on the College website, prospectuses, student diary and other publications.

### Disclosure of information to auditors

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

Approved by order of the members of the Corporation on 4 December 2018 and signed on its behalf by:



D Sherliker

Chair

# Runshaw College Report and Financial Statements

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## 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 1<sup>st</sup> August 2017 to 31<sup>st</sup> July 2018 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 full 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 2016 insofar as it is applicable to the further education sector.

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

In the opinion of the Governors, the College complies with all the provisions of the AOC Code, and it has complied throughout the year ended 31 July 2018.

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

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

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 each half term.

The Corporation conducts its business through a number of committees. Each committee has terms of reference that have been approved by the Corporation. These committees are Finance, Remuneration & Organisational Development, Search & Governance, Audit, and Standards and Curriculum. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available from the Clerk to the Corporation at Langdale Road, Leyland, PR25 3DQ and are on the College's website at <https://www.runshaw.ac.uk/about-runshaw/governance/accountability/>.

The Clerk to the Corporation maintains a register of financial and personal interests of governors. The register is available for inspection by arrangement with the Clerk.

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 Board 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 agendas, papers and reports are supplied to governors in a timely manner, prior to Board meetings. Briefings are 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.

# Runshaw College Report and Financial Statements

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## Statement of Corporate Governance and Internal Control (continued)

There is a clear division of responsibility in that the roles of the Chairman and Accounting Officer 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 Corporation has a search committee, consisting of five members of the Corporation, which 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, detailed on pages 5 and 6.

### Corporation performance

The Governance Performance indicators for 2017/18 were presented and reviewed by the Corporation in September 2017. All goals for the previous year were evidenced as achieved or exceeded.

Area	Performance indicator
<b>Attendance</b>	To achieve an overall attendance of 80% at Corporation and Committee meetings.
<b>Strategic planning</b>	To effectively monitor the implementation of the strategic plan 2017/18. To continue to actively contribute to the strategic planning process and annual assessment of the College mission.
<b>Curriculum</b>	To monitor the quality of the curriculum including course results and the success rates achieved against national benchmarks where available.
<b>Statutory duties</b>	To ensure that all governance statutory duties are fulfilled. To continue to comply with the Code of Good Governance and ensure that governance requirements are being met.
<b>Finance</b>	To monitor the financial performance and capital expenditure programme to ensure that financial health does not fall below satisfactory and aim to return to good financial health in 2018/19.
<b>Risk management</b>	To ensure that student recruitment and Market Street lease negotiations do not negatively impact on the financial road map targets.
<b>Performance management</b>	To review the Principal and oversee the performance review of Senior Postholders to ensure targets agreed and set are achieved. To review the performance management process and cycle for Senior Postholders. To conduct a performance review of the Chair of the Corporation. To review the effectiveness of operation of the Board including the position of chair, clerk and principal.
<b>Training</b>	To attend at least two training events relevant to individual governance role.
<b>Student engagement</b>	To further increase Governor understanding of how well learners are prepared for their next step.
<b>Succession planning</b>	To agree and implement an effective succession plan strategy for the positions of Chair/Vice Chair and committee chairs.

# Runshaw College Report and Financial Statements

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## Statement of Corporate Governance and Internal Control (continued)

### Remuneration & Organisational Development committee

The Remuneration and Organisational Development committee includes four governors and one co-opted member, meeting termly. The committee's responsibilities include making recommendations to the Corporation on the remuneration and benefits of the Accounting Officer and other senior post-holders. Details of remuneration for the year ended 31 July 2018 are set out in note 7 to the financial statements. The committee also monitors health and safety on behalf of the Corporation.

### Audit committee

The Audit Committee comprises three governors and one co-opted member. The Accounting Officer and Chair are excluded from membership.

The committee meets termly and provides a forum for reporting by the College's internal, regularity and financial statements auditors, who have access to the committee for independent discussion, without the presence of College management. The committee also considers other relevant reports.

The College's internal auditors review the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input and report their findings to management and the Audit Committee. Management is responsible for the implementation of agreed audit recommendations and internal audit undertakes periodic follow-up reviews to ensure such recommendations have been implemented.

The Audit Committee also advises the Corporation on the appointment of internal, regularity and financial statements auditors and their remuneration for both audit and non-audit work as well as reporting annually to the Corporation.

### Internal control

#### Scope of responsibility

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

The 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 he is personally responsible, in accordance with the responsibilities assigned to him in the Financial Memorandum between Runshaw College and the funding bodies. He 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 Runshaw College for the year ended 31 July 2018 and up to the date of approval of the annual report and accounts.

# Runshaw College Report and Financial Statements

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## Statement of Corporate Governance and Internal Control (continued)

### 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 2018 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.

Runshaw 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. His 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 his review of the effectiveness of the system of internal control by the Audit Committee, which oversees the work of the internal auditor and other sources of assurance, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

## Runshaw College Report and Financial Statements

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### Statement of Corporate Governance and Internal Control (continued)

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 2018 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2018 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2018.

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*".

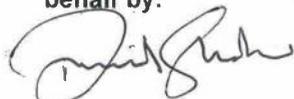
#### Going concern

After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. In addition, the Corporation also consider the following factors to be relevant with regard to the long term viability of the College. Runshaw College is one of the highest achieving colleges in England.

- Learner satisfaction is extremely high and has improved every year for the last eight years.
- The College has strong and stable finances, satisfying all bank covenants and with a robust long term financial forecast.
- Recruitment at the College has remained buoyant, despite declining demographics.

For this reason, the going concern basis is adopted in preparing the financial statements.

Approved by order of the members of the Corporation on 4 December 2018 and signed on its behalf by:



D Sherliker

Chair



S Partington

Accounting Officer

## **Runshaw College Report and Financial Statements**

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### **Statement of 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 grant funding agreements and contract with ESFA

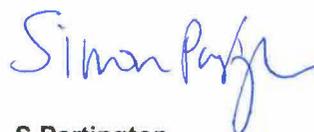
We confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date. If any instances are identified after the date of this statement, these will be notified to the ESFA.



**D Sherliker**

**Chair**

**4<sup>th</sup> December 2018**



**S Partington**

**Accounting Officer**

**4<sup>th</sup> December 2018**

# Runshaw College Report and Financial Statements

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## 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 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, ESFA's college accounts direction and the UK's Generally Accepted Accounting Practice, and which give a true and fair view of the state of affairs of the college and its surplus / deficit of income over expenditure for that period. .

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

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

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

The Corporation is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the college and which enable it to ensure that the financial statements are prepared in accordance with relevant legislation including the Further and Higher Education Act 1992 and Charities Act 2011, and relevant accounting standards. It is responsible for taking steps that are reasonably open to it to safeguard its assets and to prevent and detect fraud and other irregularities.

The Corporation is responsible for the maintenance and integrity of the college's website; the work carried out by 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 ESFA are used only in accordance with 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 to safeguard public and other funds and ensure they are used properly. In addition, members of the corporation are responsible for securing economical, efficient and effective management of the college's resources and expenditure so that the benefits that should be derived from the application of public funds from ESFA are not put at risk.

Approved by order of the members of the Corporation on 4 December 2018 and signed on its behalf by:



**D Sherliker**

**Chair**

# Runshaw College Report and Financial Statements

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## INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF RUNSHAW COLLEGE

### Opinion

We have audited the financial statements of Runshaw College (the "College") for the year ended 31 July 2018 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in reserves, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2018 and of the College's deficit of income over expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the college in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the governors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the governors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the college's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### Other information

The other information comprises the information included in the Report and Financial Statements other than the financial statements and our auditor's report thereon. The governors are responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## Runshaw College Report and Financial Statements

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### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Post-16 Audit Code of Practice 2017 to 2018 issued by the Education and Skills Funding Agency requires us to report to you if, in our opinion:

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

### Responsibilities of the Corporation of Runshaw College

As explained more fully in the Statement of the Corporation's Responsibilities set out on page 24, the Corporation is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporation is responsible for assessing the 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 the Corporation either intend to liquidate the College or to cease operations, or have no realistic alternative but to do so.

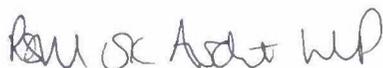
### Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <http://www.frc.org.uk/auditorsresponsibilities> this description forms part of our auditor's report.

### Use of our report

This report is made solely to the Corporation, as a body, in accordance with the Funding Agreement published by the Education and Skills Funding Agency and our engagement letter dated 9 July 2018. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are engaged to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.



**RSM UK AUDIT LLP**  
Chartered Accountants  
Bluebell House  
Brian Johnson Way  
Preston  
PR2 5PE

11/12/18

## Runshaw College Report and Financial Statements

### Statement of Comprehensive Income for the year ended 31 July 2018

	Notes	2018 £'000	2017 £'000
<b>INCOME</b>			
Funding body grants	2	23,217	22,872
Tuition fees and education contracts	3	2,203	3,185
Other grants and contracts	4	48	179
Other income	5	1,644	1,609
Endowment and investment income	6	1	3
<b>Total income</b>		<b>27,113</b>	<b>27,848</b>
<b>EXPENDITURE</b>			
Staff costs	7	18,450	18,740
Fundamental restructuring costs	7	89	193
Other operating expenses	8	6,662	6,590
Exceptional premises rationalisation	9	1,613	-
Depreciation	11	1,957	2,007
Interest and other finance costs	10	583	584
<b>Total expenditure</b>		<b>29,354</b>	<b>28,114</b>
<b>(Deficit) before other gains and losses</b>		<b>(2,241)</b>	<b>(266)</b>
Loss on disposal of assets	11	(3)	(7)
Loss on investments	12	(66)	-
<b>(Deficit) before tax</b>		<b>(2,310)</b>	<b>(273)</b>
Taxation		-	-
<b>(Deficit) for the year</b>		<b>(2,310)</b>	<b>(273)</b>
Actuarial profit/(loss) in respect of pensions schemes	25	4,539	(107)
<b>Total Comprehensive Income for the year</b>		<b>2,229</b>	<b>(380)</b>

## Runshaw College Report and Financial Statements

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### Statement of Changes in Reserves

	Income and Expenditure account
	£'000
<b>Balance at 31<sup>st</sup> July 2016</b>	<b>10,048</b>
(Deficit) from the income and expenditure account	(273)
Other comprehensive income	(107)
	<hr/>
Total comprehensive income for the year	(380)
<b>Balance at 31<sup>st</sup> July 2017</b>	<b>9,668</b>
(Deficit) from the income and expenditure account	(2,310)
Other comprehensive income	4,539
	<hr/>
<b>Total comprehensive income for the year</b>	<b>2,229</b>
<b>Balance at 31<sup>st</sup> July 2018</b>	<b><u>11,897</u></b>

## Runshaw College Report and Financial Statements

### Balance sheet as at 31 July

	Notes	2018 £'000	2017 £'000
<b>Fixed assets</b>			
Tangible fixed assets	11	30,957	32,341
Investments	12	-	510
		<u>30,957</u>	<u>32,851</u>
<b>Current assets</b>			
Stocks		61	84
Trade and other receivables	13	644	547
Investments	14	1,000	2,000
Cash and cash equivalents	19	2,271	1,475
		<u>3,976</u>	<u>4,106</u>
<b>Less: Creditors – amounts falling due within one year</b>	15	(4,023)	(3,867)
<b>Net current (liabilities)/assets</b>		<u>(47)</u>	<u>239</u>
<b>Total assets less current liabilities</b>		<b>30,910</b>	<b>33,090</b>
Less: Creditors – amounts falling due after more than one year	16	(11,661)	(12,555)
<b>Provisions</b>			
Defined benefit obligations	25	(7,220)	(10,675)
Other provisions	18	(132)	(192)
<b>Total net assets</b>		<u><u>11,897</u></u>	<u><u>9,668</u></u>
<b>Unrestricted reserves</b>			
Income and expenditure account		11,897	9,668
<b>Total unrestricted reserves</b>		<u><u>11,897</u></u>	<u><u>9,668</u></u>

These financial statements were approved and authorised for issue by the Corporation on 4 December 2018 and were signed on its behalf on that date by:



**D Sherliker**  
Chair



**S Partington**  
Accounting Officer

## Runshaw College Report and Financial Statements

### Statement of Cash Flows

	Notes	2018 £'000	2017 £'000
<b>Cash inflow from operating activities</b>			
(Deficit) for the year		(2,310)	(273)
<b>Adjustment for non-cash items</b>			
Depreciation	11	1,957	2,007
Decrease in stocks		23	7
(Increase)/decrease in debtors	13	(97)	297
Increase/(decrease) in creditors due within one year	15	208	(112)
Decrease in creditors due after one year	16	(516)	(434)
(Decrease) in provisions	18	(60)	(30)
Pensions costs less contributions payable	25	1,084	927
<b>Adjustment for investing or financing activities</b>			
Investment income	6	(1)	(3)
Interest payable	10	583	584
Loss on sale of investment property		66	-
Loss on disposal of fixed assets		79	37
<b>Net cash flow from operating activities</b>		<b><u>1,016</u></b>	<b><u>3,007</u></b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of fixed assets & investments		444	-
Investment income	6	1	3
Payments made to acquire fixed assets	11	(228)	(437)
		<u>217</u>	<u>(434)</u>
<b>Cash flows from financing activities</b>			
Interest paid	10	(583)	(584)
Repayments of amounts borrowed	15+16	(283)	(264)
Repayments of obligations under finance leases		(571)	(288)
		<u>(1,437)</u>	<u>(1,136)</u>
<b>(Decrease) / increase in cash and cash equivalents in the year</b>		<b><u>(204)</u></b>	<b><u>1,437</u></b>
Cash and cash equivalents at beginning of the year	19	3,475	2,038
Cash and cash equivalents at end of the year	19	3,271	3,475

# Runshaw College Report and Financial Statements

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## Notes to the Accounts

### 1. Statement of accounting policies and estimation techniques

#### General information

Runshaw College is a corporation established under the Further and Higher Education Act 1992 as an English General college of Further Education. The address of the college's principle place of business is given on page 18. The nature of the college's operations is set out in the strategic report.

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.

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

#### Going concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Strategic 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 £5.9m of loans outstanding with bankers on terms negotiated in 2008 and 2012. The loans are repayable over the next 20 years. 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

## Runshaw College Report and Financial Statements

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

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

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

### 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. The deferred income is allocated between creditors due within the year and those due after more than one year.

### 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.

## **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 (TPS)

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.

### Local Government Pension Scheme (LGPS)

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

Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the

## Runshaw College Report and Financial Statements

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

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

### **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.

### **Non-current Assets - Tangible fixed assets**

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 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*

Land and buildings inherited from the Local Authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable. The associated credit is included in the revaluation reserve. The difference between depreciation charged on the historic cost of assets and the actual charge for the year calculated on the revalued amount is released to the income and expenditure account reserve on an annual basis. Building improvements since incorporation are included in the balance sheet at cost. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College of 40 years.

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 written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost and is depreciated on a straight line basis from the month of inception as follows:

- Motor vehicles and computer equipment - 3 years;
- Furniture, fixtures, fittings and other equipment – between 5 and 10 years.

## Runshaw College Report and Financial Statements

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A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that 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 and Expenditure. Any lease premiums or incentives relating to leases signed after 1<sup>st</sup> 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 1<sup>st</sup> 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**

Investment properties, held as fixed assets, are stated at market value.

### **Stocks**

Stocks are stated at the lower of cost and net realisable value. Where necessary, provision is made for obsolete, slow-moving and defective stocks.

### **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.

# Runshaw College Report and Financial Statements

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## 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.

The College is partially exempt in respect of Value Added Tax, so that it can only recover a minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate where the inputs themselves are tangible fixed assets by nature.

## Provisions and contingent liabilities

Provisions are recognised when

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

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.

## Agency arrangements

The College acts as an agent in the collection and payment of discretionary support funds, bursaries and consortium funds related to 16-18 year old pupils. 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.

## 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 College's tangible assets. 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

## Runshaw College Report and Financial Statements

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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 24, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2018. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

## Runshaw College Report and Financial Statements

### Notes to the Accounts (continued)

#### 2 Funding body grants

	2018 £'000	2017 £'000
<b>Recurrent grants</b>		
Education and Skills Funding Agency – adult	506	753
Education and Skills Funding Agency – 16-18	20,895	20,560
Education and Skills Funding Agency – apprenticeships	1,024	743
Higher Education Funding Council	198	212
<b>Specific Grants</b>		
Education and Skills Funding Agency	148	131
Releases of government capital grants	446	471
HE grant	-	2
<b>Total</b>	<b>23,217</b>	<b>22,872</b>

#### 3 Tuition fees and education contracts

	2018 £'000	2017 £'000
Adult education fees	188	478
Apprenticeship fees and contracts	24	502
Fees for FE loan supported courses	272	371
Fees for HE loan supported courses	1,490	1,485
<b>Total tuition fees</b>	<b>1,974</b>	<b>2,836</b>
Education contracts	229	349
<b>Total</b>	<b>2,203</b>	<b>3,185</b>

#### 4 Other grants and contracts

	2018 £'000	2017 £'000
Other grants and contracts	48	179
<b>Total</b>	<b>48</b>	<b>179</b>

## Runshaw College Report and Financial Statements

### Notes to the Accounts (continued)

#### 5 Other income

	2018 £'000	2017 £'000
Catering and residences	1,256	1,330
Miscellaneous income	388	279
<b>Total</b>	<b>1,644</b>	<b>1,609</b>

#### 6 Investment income

	2018 £'000	2017 £'000
Other interest receivable	1	3

#### 7 Staff costs

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

	2018 No.	2017 No.
Teaching staff	304	324
Non-teaching staff	183	187
	<b>487</b>	<b>511</b>

#### Staff costs for the above persons

	2018 £'000	2017 £'000
Wages and salaries	14,150	14,508
Social security costs	1,243	1,294
Other pension costs	3,019	2,891
<b>Payroll sub total</b>	<b>18,412</b>	<b>18,693</b>
Contracted out staffing services	38	47
	<b>18,450</b>	<b>18,740</b>
Fundamental restructuring costs - contractual	89	193
<b>Total</b>	<b>18,539</b>	<b>18,933</b>

# Runshaw College Report and Financial Statements

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## Notes to the Accounts (continued)

### 7 Staff costs (continued)

#### 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 Senior Leadership Team which comprises the Principal and Deputy 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

	2018 No.	2017 No.
The number of key management personnel including the Accounting Officer was:	3	3
	<u>3</u>	<u>3</u>

The number of senior post-holders and other staff who received emoluments, excluding pension contributions and employer's national insurance but including benefits in kind, in the following ranges was:

Year ended 31 July	Key management personnel		Other staff	
	2018	2017	2018	2017
	No.	No.	No.	No.
£60,001 to £70,000	-	-	3	-
£70,001 to £80,000	-	1	-	-
£80,001 to £140,000	2	1	-	-
£140,001 to £150,000	1	1	-	-
	<u>3</u>	<u>3</u>	<u>3</u>	<u>-</u>

Key management personnel emoluments are made up as follows:

	2018 £'000	2017 £'000
Salaries	311	300
Employers National Insurance	39	38
Benefits in kind	-	1
	<u>350</u>	<u>339</u>
Pension contributions	51	49
<b>Total emoluments</b>	<u><b>401</b></u>	<u><b>388</b></u>

## Runshaw College Report and Financial Statements

### Notes to the Accounts (continued)

#### 7 Staff costs (continued)

The above emoluments include amounts payable to the Accounting Officer (who is also the highest paid officer) of:

	2018 £'000	2017 £'000
Salaries	144	140
Benefits in kind	-	1
Employers National Insurance	19	19
	<u>163</u>	<u>160</u>
Pension contributions	<u>24</u>	<u>23</u>

The members of the Corporation other than the Accounting Officer and the staff members 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

	2018 £'000	2017 £'000
Teaching costs	844	1,087
Non-teaching costs	3,869	3,667
Premises costs	1,949	1,836
<b>Total</b>	<b><u>6,662</u></b>	<b><u>6,590</u></b>

#### Surplus before taxation is stated after charging:

	2018 £'000	2017 £'000
Auditors' remuneration:		
Financial statements audit	18	16
Internal audit	18	22
Other services provided by the financial statements auditors	-	4
Other services provided by the internal auditors	-	-
Losses on disposal of tangible fixed assets (where not material)	-	-
Operating lease rentals	145	320

## Runshaw College Report and Financial Statements

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### Notes to the Accounts (continued)

#### 9 Exceptional premises rationalisation

During the year the college made a one off payment in Dec'17 to buy out of its leases commitments at Market Street. This, including the accelerated release of associated capital grants resulted in the following exceptional charge;

	2018 £'000
Lease buy out	1,803
Accelerated capital grant release	(190)
<b>Total</b>	<b>1,613</b>

#### 10 Interest payable

	2018 £'000	2017 £'000
On bank loans, overdrafts and other loans	317	333
On finance leases	-	11
Net interest on defined pension liability (note 25)	266	240
<b>Total</b>	<b>583</b>	<b>584</b>

## Runshaw College Report and Financial Statements

### Notes to the Accounts (continued)

#### 11 Tangible fixed assets

	Freehold Land and Buildings	Equipment	Total
	£'000	£'000	£'000
<b>Cost or valuation</b>			
At 1 August 2017	42,954	6,778	49,732
Additions	3	649	652
Disposals	-	(1,057)	(1,057)
<b>At 31 July 2018</b>	<b>42,957</b>	<b>6,370</b>	<b>49,327</b>
<b>Depreciation</b>			
At 1 August 2017	12,847	4,544	17,391
Charge for the year	1,065	892	1,957
Elimination in respect of disposals	-	(978)	(978)
<b>At 31 July 2018</b>	<b>13,912</b>	<b>4,458</b>	<b>18,370</b>
<b>Net book value at 31 July 2018</b>	<b>29,045</b>	<b>1,912</b>	<b>30,957</b>
Net book value at 31 July 2017	30,107	2,234	32,341

Land and buildings were valued in 1994 at depreciated replacement cost by the Department of Property Services, Lancashire County Council. If inherited land and buildings had not been valued they would have been included in the financial statements at nil net book value based on cost. Land and buildings with a net book value of £4,192,000 (2017: £4,378,000) have been funded from Local Authority sources. Should these assets be sold, the College may be liable under the terms of the Financial Memorandum with the Skills Funding Agency, to surrender the proceeds.

The net book value of equipment includes an amount of £632,000 (2017: £750,000) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £284,000 (2017: £285,000).

#### 12 Investment Property

	2018 £'000	2017 £'000
<b>Market value at 31 July</b>	<b>-</b>	<b>510</b>

The college disposed of its investment property in July 2018.

## Runshaw College Report and Financial Statements

### Notes to the Accounts (continued)

#### 13 Trade and other receivables

	2018 £'000	2017 £'000
Amounts falling due within one year:		
Trade receivables	196	182
Prepayments and accrued income	448	365
Amounts owed by the Local Authority	-	-
<b>Total</b>	<b>644</b>	<b>547</b>

#### 14 Current investments

	2018 £'000	2017 £'000
Short term deposits	1,000	2,000

Deposits are held with banks and building societies operating in the London market and licensed by the Financial Conduct Authority with more than three months maturity at the balance sheet date. The interest rates for these deposits are fixed for the duration of the deposit at time of placement.

#### 15 Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
Bank loans and overdrafts	288	283
Obligations under finance leases	334	391
Trade payables	298	389
Other taxation and social security	347	374
Pension contributions	284	293
Accruals and deferred income	756	511
Deferred income - government capital grants	400	465
Deferred income - government revenue grants	1,052	876
Amounts owed to the ESFA	58	49
Other creditors	206	236
<b>Total</b>	<b>4,023</b>	<b>3,867</b>

#### 16 Creditors : amounts falling due after one year

	2018 £'000	2017 £'000
Bank loans	5,573	5,861
Obligations under finance leases	297	387
Deferred income - government capital grants	5,791	6,307
<b>Total</b>	<b>11,661</b>	<b>12,555</b>

## Runshaw College Report and Financial Statements

### Notes to the Accounts (continued)

#### 17 Maturity of debt

	2018 £'000	2017 £'000
Bank loans are repayable as follows:		
In one year or less	288	283
Between one and two years	292	288
Between two and five years	911	894
In five years or more	4,370	4,679
<b>Total</b>	<b>5,861</b>	<b>6,144</b>

Bank loans of £2.4 million to finance new buildings at the Langdale Road campus were rescheduled in 2008. They are repayable by 2033 in quarterly instalments from October 2011, secured against the College's freehold land and buildings. The interest rate is fixed at 5.91% per annum.

A new loan of £5.1 million was drawn down in March 2012, of which £4.2 million is at an effective fixed interest rate of 5.5% for the first 12.5 years and then 5.7% for the following 9.5 years. The balance of the loan is at floating rate. Capital repayments started in October 2012.

	2018 £'000	2017 £'000
The net finance lease obligations to which the institution is committed are:		
In one year or less	334	391
Between one and two years	178	387
Between two and five years	119	-
In five years or more	-	-
<b>Total</b>	<b>631</b>	<b>778</b>

#### 18 Provisions

	Lease obligations	Pensions	MIS systems	Other	Total
	£'000	£'000	£'000	£'000	£'000
At 1 August 2017	52	36	30	74	192
Expenditure in the period	-	-	(30)	(30)	(60)
Additions in the period	-	-	-	-	-
<b>At 31 July 2018</b>	<b>52</b>	<b>36</b>	<b>-</b>	<b>44</b>	<b>132</b>

## Runshaw College Report and Financial Statements

### Notes to the Accounts (continued)

#### 19 Cash and cash equivalents

	Notes	At 1 August 2017 £'000	Cash flows £'000	Other changes £'000	At 31 July 2018 £'000
Cash and cash equivalents		1,475	796	-	2,271
Short term deposits	14	2,000	(1,000)	-	1,000
Overdrafts		-	-	-	-
<b>Total</b>		<b>3,475</b>	<b>(204)</b>	<b>-</b>	<b>3,271</b>

#### 20 Financial instruments

	2018 £'000	2017 £'000
<b>Financial assets</b>		
Debt instruments measured at amortised cost	196	557
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	7,810	15,756

#### 21 Capital commitments

	2018 £'000	2017 £'000
Commitments contracted for at 31 July	-	-

No capital commitments at the year end.

# Runshaw College Report and Financial Statements

## Notes to the Accounts (continued)

### 22 Lease Obligations

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

	2018 £'000	2017 £'000
<b>Future minimum lease payments due</b>		
<b>Land and buildings</b>		
Under one year	-	320
Between 2 and 5 years	-	1,280
Over 5 years	-	501
	<hr/>	<hr/>
	-	2,101

No future lease payments due following the buyout of the Market Street premises as detailed in Note 9.

### 23 Contingencies

The College has no contingent liabilities as at the date of signing this report.

### 24 Events after the reporting period

There are no events after the reporting period

# Runshaw College Report and Financial Statements

## Notes to the Accounts (continued)

### 25 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 Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Lancashire County Council. Both are multi-employer defined-benefit plans.

Total pension cost for the year	2018 £'000	2017 £'000
Teachers' Pension Scheme: contributions paid	1,307	1,366
Local Government Pension Scheme:		
Contributions paid	900	843
FRS 102 (28) charge	818	687
Charge to the Statement of Comprehensive Income	1,718	1,530
Enhanced pension charge to Statement of Comprehensive Income	-	-
<b>Total Pension Cost for Year</b>	<b>3,025</b>	<b>2,896</b>

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.

Contributions amounting to £278,000 (2017: £287,000) were payable to the schemes and are included in creditors.

### Teachers' Pension Scheme

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

# Runshaw College Report and Financial Statements

## Notes to the Accounts (continued)

### 25 Defined benefit obligations (continued)

#### The Teachers' Pension Budgeting and Valuation Account

Although teachers and lecturers are employed by various bodies, their retirement and other pension benefits, including annual increases payable under the Pensions (Increase) Acts are, as provided for in the Superannuation Act 1972, paid out of monies provided by Parliament. Under the unfunded TPS, teachers' contributions on a 'pay-as-you-go' basis, and employers' contributions, are credited to the Exchequer under arrangements governed by the above Act. Retirement and other pension benefits are paid by public funds provided by Parliament.

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

#### Valuation of the Teachers' Pension Scheme

The latest actuarial review of the TPS was carried out as at 31 March 2012 and in accordance with The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education (the Department) on 9 June 2014. The key results of the valuation are:

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

The new employer contribution rate for the TPS will be implemented in September 2015. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location:

<https://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx>

#### Scheme Changes

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

The pension costs paid to TPS in the year amounted to £1,307,000 (2017: £1,366,000).

# Runshaw College Report and Financial Statements

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## Notes to the Accounts (continued)

### 25 Defined benefit obligations (continued)

#### FRS 102 (28)

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

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

#### Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Lancashire County Council. The total contribution made for the year ended 31 July 2018 was £1,142,000, of which employer's contributions totalled £822,000 and employees' contributions totalled £320,000. The agreed contribution rates for future years are 15.7 % for employers and range from 5.5% to 12.5% cent for employees, depending on salary.

The current valuation does not reflect the expected increase in benefits and therefore liability as a result of Guaranteed Minimum Pension ('GMP') equalisation between men and women which is required as a result of the removal of the Additional State Pension. Methodologies for a long-term solution are still being investigated by the Government as set out in the published (January 2018) outcome of the Government Consultation 'Indexation and Equalisation of GMP in Public Sector Pensions Schemes' and therefore the expected impact cannot be reliably estimated and consequently no provision/liability has been recognised.

#### Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2017 by a qualified independent actuary

	At 31 July 2018	At 31 July 2017
Rate of increase in salaries	3.60%	3.70%
Future pensions increases	2.20%	2.20%
Discount rate for scheme liabilities	2.90%	2.60%
Inflation assumption (CPI)	2.10%	2.20%
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 2018	At 31 July 2017
	years	years
<i>Retiring today</i>		
Males	22.70	22.60
Females	25.40	25.20
<i>Retiring in 20 years</i>		
Males	25.00	24.90
Females	28.00	27.90

## Runshaw College Report and Financial Statements

### Notes to the Accounts (continued)

#### 25 Defined benefit obligations (continued)

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

	Fair Value at 31 July 2018	Fair Value at 31 July 2017
	£'000	£'000
Equities	14,673	13,492
Treasury Bonds	1,136	584
Bonds	201	707
Property	3,075	3,196
Cash	301	1,414
Other	14,038	11,340
<b>Total market value of assets</b>	<b>33,424</b>	<b>30,733</b>
<b>Actual return on plan assets</b>	<b>2,504</b>	<b>3,390</b>

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

	2018 £'000	2017 £'000
Fair value of plan assets	33,424	30,733
Present value of plan liabilities	(40,644)	(41,408)
<b>Net pensions (liability)</b>	<b>(7,220)</b>	<b>(10,675)</b>

## Runshaw College Report and Financial Statements

### Notes to the Accounts (continued)

#### 25 Defined benefit obligations (continued)

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

	2018 £'000	2017 £'000
<b>Amounts included in staff costs</b>		
Current service cost	1,692	1,504
Administration expenses	26	26
<b>Total</b>	<b>1,718</b>	<b>1,530</b>

#### Amounts included in investment income

Net interest cost	266	240
	<b>266</b>	<b>240</b>

#### Amounts recognised in Other Comprehensive Income

Return on pension plan assets		
Experience losses arising on defined benefit obligations		
Changes in assumptions underlying the present value of plan liabilities	(4,539)	107
Amount recognised in Other Comprehensive Income	<b>(4,539)</b>	<b>107</b>

#### Movement in net defined benefit (liability) during the year

	2018 £'000	2017 £'000
(Deficit) in scheme at 1 August	(10,675)	(9,641)
Movement in year:		
Current service cost	(1,692)	(1,504)
Employer contributions	900	843
Past service cost	-	-
Net interest on the defined (liability)/asset	(266)	(240)
Administration expenses	(26)	(26)
Actuarial gain or loss	4,539	(107)
<b>Net defined benefit (liability) at 31 July</b>	<b>(7,220)</b>	<b>(10,675)</b>

## Runshaw College Report and Financial Statements

### Notes to the Accounts (continued)

#### 25 Defined benefit obligations (continued)

##### Asset and Liability Reconciliation

	2018	2017
	£'000	£'000
<b>Changes in the present value of defined benefit obligations</b>		
<b>Defined benefit obligations at start of period</b>	41,408	38,241
Current Service cost	1,692	1,504
Interest cost	1,068	991
Contributions by Scheme participants	317	318
Experience loss on defined benefit obligations	(2,837)	971
Changes in financial assumptions	-	-
Estimated benefits paid	(1,004)	(617)
Past Service cost	-	-
Curtailments and settlements	-	-
	<b>40,644</b>	<b>41,408</b>

##### Reconciliation of Assets

<b>Fair value of plan assets at start of period</b>	30,733	28,600
Interest on plan assets	802	751
Return on plan assets	1,702	864
Administration expenses	(26)	(26)
Employer contributions	900	843
Contributions by Scheme participants	317	318
Estimated benefits paid	(1,004)	(617)
	<b>33,424</b>	<b>30,733</b>

## Runshaw College Report and Financial Statements

### Notes to the Accounts (continued)

#### 26 Related party transactions

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

The total expenses paid to or on behalf of the Governors during the year was NIL. No Governor has received any remuneration or waived payments from the College during the year (2017: None).

#### 27 Amounts disbursed as agent

<b>Learner support funds</b>	<b>2018 £'000</b>	<b>2017 £'000</b>
Funding body grants – bursary support	479	468
Funding body grants – discretionary learner support	41	74
Interest earned	-	-
	<hr/> 520	<hr/> 542
Disbursed to students	(497)	(524)
Administration costs	(25)	(22)
Balance (overspent) as at 31 July, included in creditors	<hr/> (2)	<hr/> (4)

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.

## **Runshaw College Report and Financial Statements**

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### **INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON REGULARITY TO THE CORPORATION OF RUNSHAW COLLEGE AND THE SECRETARY OF FOR EDUCATION ACTING THROUGH EDUCATION AND SKILLS FUNDING AGENCY**

#### **Conclusion**

We have carried out an engagement, in accordance with the terms of our engagement letter dated 9 July 2018 and further to the requirements of the grant funding agreements and contracts with the Education and Skills Funding Agency (the "ESFA"), to obtain limited assurance about whether the expenditure disbursed and income received by Runshaw College during the period 1 August 2017 to 31 July 2018 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2017 to 31 July 2018 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

#### **Basis for conclusion**

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

We are independent of the Runshaw College in accordance with the ethical requirements that are applicable to this engagement and we have fulfilled our ethical requirements in accordance with these requirements. We believe the assurance evidence we have obtained is sufficient to provide a basis for our conclusion

#### **Responsibilities of Corporation of Runshaw College for regularity**

The Corporation of Runshaw College is responsible, under the grant funding agreements and contracts with the ESFA and the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. The corporation of Runshaw College is also responsible for preparing the Governing Body's Statement of Regularity, Propriety and Compliance.

#### **Reporting accountant's responsibilities for reporting on regularity**

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 ACoP.

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 the procedures performed vary in nature and timing from, and are less in extent than for a reasonable assurance engagement; consequently a limited assurance engagement 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.

We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2017 to 31 July 2018 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Our work included identification and assessment of the design and operational effectiveness of the controls, policies and procedures that have been implemented to ensure compliance with the framework of authorities including the specific requirements of the grant funding agreements and contracts with the ESFA and high level financial control areas where we identified a material



## Runshaw College Report and Financial Statements

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irregularity is likely to arise. We undertook detailed testing, on a sample basis, on the Identified areas where a material irregularity is likely to arise where such areas are in respect of controls, policies and procedures that apply to classes of transactions.

This work was integrated with our audit of the financial statements and evidence was also derived from the conduct of that audit to the extent it supports the regularity conclusion.

### Use of our report

This report is made solely to the Corporation of Runshaw College and the Secretary of State for Education acting through 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 Runshaw College and the Secretary of State for Education acting through 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 Runshaw College and the Secretary of State for Education acting through the ESFA for our work, for this report, or for the conclusion we have formed.



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11/12/18