PRESTON COLLEGE

Report and Financial Statements

for the year ended 31 July 2024

Key Management Personnel, Board of Governors and Professional advisers

Key management personnel

Key management personnel are defined as members of the College Leadership Team and were represented by the following in 2023/24:

Simon Nixon, Principal and CEO; Accounting officer
Iain Stott, Interim Executive Head of Resources
Mick Noblett, Vice Principal Curriculum Delivery and Planning
Marie Haworth, Vice Principal Quality Teaching, Learning and Learning Support

Board of Governors

A full list of Governors is given on page 15 of these financial statements.

The Board was advised independently by a directly employed, qualified Clerk (Clare Rayner). She is employed on a 0.8 FTE senior postholder contract, and is accountable to the Chair in line with best practice.

Principal & Registered Office	St Vincent's Rd, Fulwood, Preston, PR2 8UR

Professional advisers

Financial Statement & Regularity Auditor	Beever and Struthers One Express 1 George Leigh Street Manchester M4 5DL
Internal Auditor	Wylie and Bisset 168 Bath Street Glasgow G2 4TP
Banker	Barclays Bank PLC 7th Floor 1 Marsden Street Manchester M2 1HW
Solicitor	Forbes Ribchester House Lancaster Road Preston PR1 2QL

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Report of the Governing Body

NATURE, OBJECTIVES AND STRATEGIES:

The members present their report and the audited financial statements for the year ended 31 July 2024.

Legal status

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

Vision and Mission

Governors reviewed the College's vision and mission as part of renewing the Strategic Plan for 2023-26 in June 2023. The College's Vision is "To transform lives through education", with the Mission Statement now being "To inspire, educate and support our diverse community to reach its potential".

Resources

The College invests in the learner experience through both the use of qualified and experienced staff, and through the provision of excellent facilities, which are often cutting edge. Investment in facilities in recent years has concentrated mainly on IT and other equipment although some smaller scale projects have been undertaken to make best use of the estate within relatively limited resources, supplemented most recently by Energy Efficiency, Reclassification and Transformation allocations received from the Department for Education. The College also invested in refurbishment of a Digital Suite, as part of a project to facilitate T Level delivery, with grant support from the Department for Education, although this only opened in 2024/25. T Level grant money had already been used previously to support a remodelling of part of the Construction Skills Centre in 2021/22.

The College continues to invest in IT infrastructure, both to support the College's development of teaching and learning, and to improve business processes. The College commenced implementation of its new IT Strategy at the beginning of 2019/20, with the investment proving particularly timely after various Covid lockdowns caused most of the College's activities to switch to remote arrangements. The success of the College's response to the pandemic owed much to the IT Strategy, with developments continuing in subsequent years. The College will continue to invest appropriately, in particular by increasing its available stock of mobile devices. Investment in IT equipment will remain a core priority. Following these recent investments, the College now has 1,650 desktop computers, 550 laptops, 150 tablet devices and 130 mobile phones. This represents a significant improvement over the last few years, and feedback from Learner Voice and Staff Voice has been overwhelmingly positive.

As part of its future planning, the College will continue to explore a range of options to rationalise the use of its current estate. Improvements in space utilisation, and costs associated with running and maintaining College facilities, will be a major focus of activity, and opportunities to attract external funding for estate improvement and rationalisation will be sought. The College Board approved a new Estates Strategy in July 2024, which seeks to make incremental improvements over time depending on the availability of funding, as well as reflecting more recent funding allocations for Energy Efficiency, Reclassification and Transformation, as well as the successful T Level capital project of £1.4m to support digital delivery from September 2024.

Stakeholder Relationships

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

- Students;
- Education sector funding bodies;
- FE Commissioner;
- Staff;
- Local employers, including Chambers of Commerce;

- Local authorities;
- Local Enterprise Partnerships (LEPs);
- The local community;
- Other FE/HE institutions;
- Trade unions;
- Professional bodies.

The College recognises the importance of these relationships and engages in regular communication with them through the College Internet site, engagement in curriculum design and delivery, sponsorship, and through various meetings.

Public Benefit

Preston College is an exempt charity under Part 3 of the Charities Act 2011 and following the machinery of government changes in July 2016 is regulated by the Secretary of State for Education as Principal Regulator for all FE Corporations in England. The members of the Governing Body, who are trustees of the charity, are disclosed on page 15.

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

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

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

Implementation of the strategic plan

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

The evolving policy and funding environment means we need to be continuously agile, proactive to change, and work with employers, local authorities, and other stakeholders to ensure we are meeting their needs and the needs of our learners. This will continue to have great importance in future as a result of a new statutory responsibility placed on colleges to review its curriculum offer regularly to ensure it is aligned to the needs set out in Local Skills Improvement Plans by employer groups, and we are proud that our Strong contribution was recognised by Ofsted in January 2023. We are focused on ensuring long term sustainability, recognising that this will be achieved with more flexible and innovative models of operation, including greater collaboration and partnership.

Our key **Vision** is **'To transform lives through education'**

Our **Mission** is **'To inspire, educate and support our diverse community to reach its potential'**

Within our strategic plan, we will:

- Deliver high quality teaching, learning and support to promote high levels of attendance, achievement and positive outcomes for learners
- Provide a high quality technical and vocational curriculum, aligned to regional and local business and community needs
- Value our diverse college community, and provide aspirational progression pathways for all learners and staff
- Improve financial surplus and cash generation to provide future investment capacity
- Fully embed a culture in which all staff deliver outstanding performance that contributes effectively to the learner experience
- Nurture effective partnerships that benefit learners, staff, the City of Preston and the wider region

The objectives above have been agreed by the Board to continue the implementation of the College's longer term strategic plan, amended appropriately to reflect the challenges presented by the impact of Brexit, covid recovery and cost of living crisis. The College now operates largely as it did pre-pandemic, although many of the efficiencies and new ways of working continue to have a positive impact. Greater use of digital systems and processes, together with hybrid working opportunities, work well to improve the way that the College provides services.

The cost of living crisis has been a cause of concern, with significant impact on students, staff and the College as a provider of services, although recent reductions in inflation rates have eased the position. Recruitment and retention of staff has been an issue in specific areas, albeit now easing following good pay settlements, and other more general inflationary pressures are being experienced in College finances.

Financial strategy

The College Governors approved the financial plan on 4 July 2024 which covered the period to July 2026. This was prepared in the format required by the ESFA through its Integrated Financial Model for Colleges.

The College's financial plans for a number of years have been structured to improve financial health over a very difficult period within FE, particularly in the context of future sustainability and enactment of the Insolvency Regime. This strategy has worked well over the last few years, with the College achieving a high level of success in aligning its cost base to its income earning capacity through both staffing and non-pay cost efficiencies. However, the aim was always to move to a position of "good" relatively quickly, with a longer term goal of achieving "outstanding". The 2018/19 financial statements achieved this, and despite the pandemic, this continued in 2019/20. The 2020/21 outturn showed a dip into "requires improvement", linked specifically to the impact of the pandemic on income earning potential, and a similar outcome was achieved in 2021/22 and 2022/23. The 2023/24 outturn has allowed the College to return to "good", and this is expected to continue.

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

Performance indicators

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

Enrolment of 16 to 18 year old Study Programme learners has continued to be an area of growth for the College, with over 100 learners in excess of our ESFA contractual target number. This has led to grant increases in 2024/25 and we expect this trend to continue.

The Apprenticeship market remains buoyant for the College, showing year on year growth. This was particularly the case for the 16-18 year old market.

Adult Education Budget (AEB) funding suffered the biggest covid impact, exacerbated by the cost of living crisis making some adult delivery difficult for learners to afford. However, in 2023/24 the College has over-performed against its contract target for the first time since pre-pandemic. This position is expected to continue.

Other commercial income through full cost delivery was also impacted in previous years because of covid recovery, cost of living, and some staff recruitment challenges, although this has not been the case in 2023/24. Targets have been met, providing a solid base for future growth.

Quality indicators are largely concerned with achievement rate data, as well as metrics for attendance, punctuality and progression. The final College achievement rates in 2023/24 were 87% for 16 to 18 year olds and 94% for adults.

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

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

FINANCIAL POSITION

Financial results

The College generated a surplus before tax in the year of £1,610k (which includes £826k of income relating to FRS102 (28) Pensions), (2022/23 – deficit of £415k (FRS102 (28) - £617k cost)), with total comprehensive income of £767k, (2022/23 – 1,960k). The underlying financial outcome prior to pension adjustments was better than originally budgeted. This overall position was achieved by hitting all major income targets whilst effectively controlling costs.

The College has accumulated reserves of £10,454k of which defined benefit obligations on the local government pension scheme is nil. The actuarial valuation reported a surplus of £13,499k at the end of the year which cannot be recovered. As a result this surplus has been written-off through the Statement of Comprehensive Income. Cash and short term investment balances were £4,669k at year end. The College wishes to continue to accumulate reserves and cash balances in order to create a contingency fund.

Tangible fixed asset additions during the year amounted to £2,298k.

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2023/24 the FE funding bodies provided 85.90% of the College's total income.

Treasury policies and objectives

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

The College has a separate treasury management policy in place.

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

Cash flows and liquidity

Net cash flow from operating activities was £117k (2022/23 £2,107k).

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

The College has a £8.5 million secured loan facility with Barclays. This facility was used to refinance existing borrowings, to provide working capital and to provide some capital finance. The loan is repayable over a 25 year period which commenced July 2005. Interest is fixed at 5.33% plus a lending margin of 1.00%. The balance outstanding as at the 31 July 2024 is £3,201k.

As part of a construction and refurbishment project the College arranged an additional secured loan facility of £3.5 million in December 2010 with Barclays. At year-end this attracted a variable rate of 7.1293%. This will be closely monitored but servicing this debt is not currently a cause for concern. The term of this loan is 25 years with £1,733k remaining at year-end.

Year end cash is strong, but includes capital monies received in advance. Budgeted surpluses in future years will help to generate additional cash. Cash flow projections do not indicate any significant concern, although this will require continual monitoring.

Reserves policy

To ensure that the College can meet its ongoing obligations the reserves policy will focus on the levels of cash balance available at the end of each financial year and the level of reserves. To enable the College to operate effectively, the impact on the reserves policy will be considered and any changes or amendments required for specific events will be notified to Corporation to approve an exception to the policy. This may occur where strategically important capital or strategic developments mean that the College must expend its reserves beyond the limits in the policy to achieve a greater public benefit and/or enable future obligations to be met such as the funding of a new building, capital redevelopment of an existing building or the procurement of additional business resource.

The College would wish to maintain a general reserve value of approximately 20% of the expected annual income at the end of the year to protect operations in the following year against in-year changes to funding rules, the uncertainties of student recruitment and commercial income generation. The required level of reserves excludes the impact of FRS102 (local government pension provision).

Cash balances of at least £1m will be retained on a monthly basis and an average daily cash balance of at least £1.5m.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

In 2023/24 the College had approximately 7,241 funded and 3,136 non-funded students ,and delivered activity that produced £22,813k in funding body main allocation funding (2022/23 – £20,854).

Student achievements

Achievement rates are a key performance indicator for the College. The final achievement rate in 2023/24 is 91%, maintaining the excellent performance recorded for many years. This improvement continues to reflect a variety of management initiatives undertaken during the course of the year as proactive measures to continually improve the quality of the College's provision.

Curriculum developments

Ofsted inspected the College in January 2023, and awarded the College an overall Grade 2 (Good). The report highlighted the College's overall effectiveness against eight key themes, including the 'quality of teaching, learning and assessment', '16-19 study programmes', 'adult learning programmes', and 'apprenticeships'. All themes were graded 2 (Good).

This confirms the Grade 2 awarded at the previous inspection in 2018, and is the first time that the College has retained its position in this way. The grading of apprenticeships as Good was a particular success, as this had previously been assessed as Requires Improvement.

The inspection framework also included for the first time an assessment of how effective the College is in meeting local skills needs. The College achieved the highest grade of Strong, particularly pleasing given the nature of College delivery.

Other Ofsted comments of which the College is especially proud included 'positive and welcoming culture', 'ambitious curriculum', 'additional learning needs are well supported', and particular recognition as 'a college of sanctuary'.

Further improving the quality of teaching, learning and assessment remains the College's primary focus. Continued changes to observation of learning practice have occurred and a sharpened focus upon performance management has seen considerable progress made in raising standards. Targeted improvements in attendance and high grade achievements will be a key focus of the coming years.

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

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

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

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

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

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

Reclassification of colleges into central government sector

On 29 November 2022 the Office for National Statistics published its decision to reclassify the statutory further education sector into the central government sector. The government have confirmed that colleges will retain their surpluses and be able to carry them over from one year to the next, but the transfer to the public sector will mean that colleges will be subject to the public sector framework for financial management as set out in the Managing Public Money document published by HM Treasury.

The College has carried out a self assessment and does not believe that there is any significant current impact from this change. The College will keep the situation under review and respond accordingly if necessary, although experience during 2023/24 suggests that currently the original self assessment remains valid.

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

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

1 Government funding

The College has considerable reliance on continued government funding through the further education sector funding bodies and through the Office for Students. In 2023/24, over 80% of the College's revenue was ultimately publicly funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms, with changes in the political landscape following the recent General Election only likely to become apparent over the next few months.

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

- Potential implications of the UK's exit from the EU, masked to a large extent by the pandemic but starting to have more of an impact in terms of price rises and delivery schedules
- Change in government, with potential impact on curriculum review, future funding, pay settlements and a range of other possible policy announcements
- Continuing Government priority to deliver apprenticeship targets
- Reforms in technical education
- Introduction of the Apprenticeship Levy from April 2017

This risk is mitigated in a number of ways:

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

2 Tuition fee policy

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

This risk is mitigated in a number of ways:

- By ensuring the College is rigorous in delivering high quality education and training, thus ensuring value for money for students

- Close monitoring of the demand for courses as prices change

3 Maintain adequate funding of pension liabilities

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

The Lancashire scheme is currently in surplus, but any potential impact will continue to be closely monitored.

4 National/global economic situation

The uncertainty caused by Brexit and covid has been exacerbated recently by other political and economic issues. The global energy market was already starting to become more volatile prior to the Russian invasion of Ukraine, but this has undoubtedly increased significantly the pressure on global supplies and therefore prices. This also has a knock on effect in terms of virtually all other prices of goods and services, which inevitably have some dependence on energy for production.

Political turmoil in the UK has also contributed significantly to financial uncertainty and rising costs. This will be a continuing risk, possibly for several years to come, although the size of the Labour Party parliamentary majority may lead to some greater certainty in terms of policy, although the financial picture will likely remain uncertain for some time.

Inflationary impacts have lessened in more recent months, but continue to be monitored closely for any impact on College operations, our students or our staff. The College's funding position for 2024/25 is positive, with some potential for further in-year growth.

Payment performance

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

Events after the end of the reporting period

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

Future prospects

The College began the implementation of its new Strategic Plan in August 2023, following the success of the previous Five Year Plan that had facilitated improvement in both quality of education and financial health, an even more notable achievement in the context of a global pandemic. This new Strategy, covering the period 2023 to 2026, will build on the successes achieved in recent years, whilst seeking to generate higher levels of financial surplus to generate cash for further investment in human and physical resources. Student numbers, and associated income, are expected to continue to grow during this period.

The College continues to build on successful market developments in apprenticeship delivery, particularly in the context of the Apprenticeship Levy, as well as other high performing markets such as fee generation and employer based delivery. Recruitment of 16 to 18 year old study programme learners has continued to grow. Strategies for recruiting from a wider range of local feeder schools, and improving retention and progression rates, remain in place. The grant funded adult market was more buoyant in 2023/24 than in the immediate aftermath of the pandemic and cost of living crisis, with contractual targets exceeded. Early enrolment figures for 2024/25 are excellent, with expected over-delivery of both 16 to 18 year old and adult contracts. Additional funding is expected to be earned, and continue into future years.

The College will continue to proactively monitor its funding position and consequent impacts on cash balances. Growth in 16 to 18 year old classroom based learner numbers has already led to increased funding since 2020/21, and with demographic trends continuing to move upwards until 2026, this is expected to continue. The pandemic, and particularly the economic recovery that has been needed, has presented challenges, but also opportunities to be at the forefront of re-skilling and providing training for the unemployed. Colleges in general, and Preston College in particular, is well placed at the heart of its community to respond quickly to changing needs.

The most significant additional risk faced by the College in 2023/24 related to staff recruitment in some shortage skills areas, especially Construction and Engineering teaching posts, where salaries available in the College were often not attractive compared to those available in industry. This led to some reliance on Agency staff, albeit less than some recent years, with consequent cost (and occasionally quality) implications. This was mitigated by compensating savings, and began to ease towards the end of the year as pay rates in the College improved. However, this will remain a key risk for the College to control.

Equality and diversity

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

The College's Equality and Diversity Statement and Corporate Equality Objectives meet the requirements of the Equality Act 2000 and the associated Public Sector Equality Duty. These are monitored by Governors, and the Board approved a new Equity, Diversity and Inclusion Strategy in July 2024. This sets out a number of commitments for both staff and students, and will be the basis of our work in this area going forward.

The College seeks to assure that it is working towards creating an environment which is inclusive, celebrates diversity and which does not discriminate on the grounds of age, disability, gender reassignment, marriage and civil partnerships, pregnancy and maternity, race, religion and belief, sex and sexual orientation.

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

Safeguarding statement

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

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

Disability statement

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

a) Accessibility is an important consideration in all of the College's capital dvelopments, most recently as part of the refurbishment of a new Digital Suite.
b) The College has appointed an Access Co-ordinator, who provides information, advice and arranges support where necessary for students with disabilities.
c) There is a list of specialist equipment, such as radio aids, which the College can make available for use by students and a range of assistive technology is available in the learning centre.

d) The admissions policy for all students is available on the College website. Appeals against a decision not to offer a place are dealt with under the complaints policy.
e) The College has made a significant investment in the appointment of specialist lecturers to support students with learning difficulties and/or disabilities. There are a number of student support assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.
f) Specialist programmes are described in College prospectuses, and achievements and destinations are recorded and published in the standard College format.

Counselling and welfare services are described on the College website, which is issued to students together with the Complaints and Disciplinary Procedure leaflets at induction.

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.

Numbers of employees who were relevant union officials during the relevant period	FTE employee number
5	4.7

Percentage of time	Number of employees
0%	2
1-50%	3
51-99%	0
100%	0

Total cost of facility time	£13,139.45
Total pay bill	£18,962,134.55
Percentage of total bill spent on facility time	0.069%

Time spent on paid trade union activities as a percentage of total paid facility time	N/A – 0%

Going concern

Despite the impact of the pandemic and lockdown period, followed by economic uncertainty on both a global and national level, the College has continued to deliver financial outturns in line with (or better than) bottom line budget assumptions, thus protecting financial health and complying fully with bank loan covenants.

In 2022/23, the College concluded a process with our bankers, Barclays, to grant security over the College estate as part of ongoing loan arrangements for previous capital schemes. Although these discussions commenced before public sector reclassification, formal completion was only achieved in July 2023. For this reason, Department for Education approval was sought to complete the transaction in accordance with new rules and this was granted.

Future year budgets have been set realistically to maintain longer term sustainability and ensure adequate cash balances continue to exist. These assumptions and targets have worked well, with financial performance continuing to improve. The College now assesses itself as being in 'Good' financial health, and expects this to be confirmed by the ESFA.

At the end of October 2024, the College maintained cash balances of c£5.1m. Whilst this level of cash is expected to decrease by the end of 2024/25 as capital grants are spent, cash is still expected to be in excess of £1.5m. This is continuously monitored so that mitigating actions can be taken where needed.

The accounting concept of going concern has always been an important part of accounts preparation, but in the further education sector has been historically relatively straightforward. Two recent developments have brought the concept higher up the list of important considerations for both managers and governors. The first is the Insolvency Act, which introduced for the first time the prospect that a College could become insolvent (previously the government was always regarded as the funder of last resort), and the second is the pandemic and consequent impact on income earning potential.

For governors, the key point in time to formulate a going concern opinion is in the year end accounts, however the most effective way of achieving this will be to have regular oversight of issues. This is already done to a large extent through management accounts and key performance indicators (Resources Committee and Board), risk register (Audit Committee and Board), and learner number/quality reports (Quality & Standards and Board), but all of this information is not necessarily consolidated into a going concern report.

Income decline, particularly over a prolonged period, is an indicator of potential going concern issues. The College has many monitoring mechanisms in place to quickly highlight any possible areas of concern. These include monthly income charts and management accounts, discussed at both Executive and Management Team meetings, monthly meetings with school and department heads to analyse trends through performance review, termly business planning meetings, in addition to which allareas of the College have designated links with both Finance and HR. Trends in the early part of 2024/25, particularly in the context of planned budgets, will be monitored as usual through the College's Student Numbers Group, College Management Team and business planning/review processes. Mitigating actions taken to date, and projected future trends, indicate that income decline should not be regarded as a going concern issue, indeed we would anticipate growth across all income streams, but this will of course be continually monitored and reported.

Cash balances are always the most significant indicator of the solvency of any organisation, and even allowing for some current cash effectively being capital grants paid in advance, the College's position remains strong and improving.

Relations with funders and bank are often a good qualitative indicator of going concern, and these have remained good over many years. The bank has been supportive, and the granting of security in relation to existing loans is viewed favourably. Bank loan covenant arrangements continue to be met, and regular meetings are a feature of our positive relationship..

Changes in management and/or governance can be seen as a potential going concern issue, and obviously the College began the 2022/23 year in a period of change with an interim Principal and some Board changes. These were introduced to the risk register, and whilst clearly these need to be considered, there was never any reason to regard these changes as significant concerns. The Board remains relatively stable and experienced, and the interim Principal had many years of experience in both the sector in general, and this College specifically. A longer term recruitment process took place during 2022/23, with the interim Principal confirmed in the permanent role in April 2023. Stable arrangements have been a feature of 2023/24.

A sensitivity analysis has been applied to College income budgets for 2024/25. A 5% reduction against all income streams, with the exception of 16-18 core grant which is funded on a lagged basis and some other income lines which are effectively "money in money out" and have no bottom line impact, would reduce College income for the year by £920k. A 10% reduction would be double this and so on.

A reduction in income of this scale, without mitigation, would inevitably lead to breach of bank covenants and a financial health score of inadequate. Cost savings would be required to avoid this, and would be proactively put in place in line with previous practice at the College.

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

Disclosure of information to auditor

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

Approved by order of the members of the Corporation on 12 December 2024 and signed on its behalf by:

Jose Sedano-Martinez
Chair of the Governing Body

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1st August 2023 to 31st July 2024 and up to the date of approval of the annual report and financial statements.

Governance Code

The College endeavours to conduct its business:

i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
ii. in accordance with the guidance to colleges from the Association of Colleges (AoC) in Further Education Code of Good Governance;

The College is committed to exhibiting best practice in all aspects of corporate governance.

At its meeting on 4 July 2024 the Board agreed to adopt the new version Association of Colleges code: the Further Education Code of Good Governance (the Code) 2023.

In the opinion of the Board, the College complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2024. This opinion is based on an a report considered by the Search and Governance Committee on 26 September 2024 and the board on 17 October 2024. 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.

Preston College is an exempt charity under the Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on page 15. 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.

Members of the Corporation
The members who served on the corporation during the year were as listed in the table below.

	Date of Appointment	Term of office	Status of appointment	Committee Membership	Attendance* Percentage %
Mr John Boydell	15/07/19 - 15/07/23 Renewal - second term Additional year – 15/07/24 extended until 17/10/24	4 years	Independent Chair of Corporation	Resources Search and Governance Senior Post Holder Remuneration	80 (4/5)
Mr Steve Browne	20/03/21 - 19/03/25 Renewal – third term	4 years	Independent	Audit and Risk Resources Senior Post Holder Remuneration	67 (4/6)

	Date of Appointment	Term of office	Status of appointment	Committee Membership	Attendance* Percentage %
Mrs Isara Cotton	18/01/23 - 17/01/27 Resigned 31/07/24	4 years	Independent	Audit and Risk	83 (5/6)
Miss Aoife Cullen	19/10/23 - 04/07/24	9 months	Student Governor	Quality and Standards	75 (3/4)
Mrs Helen Curtis	07/03/24 - 06/03/28	4 years	Independent	Quality and Standards	50 (1/2)
Mr Marcel Driver	17/10/19 - 16/10/23 Renewal - second term Additional year – 15/07/24 Retired 15/07/24	4 years	Independent	Audit and Risk	83 (5/6)
Mrs Georgia Dunn	15/10/20 - 15/10/24	4 years	Independent	Search and Governance	67 (4/6)
Mr Malcolm Goulding	08/09/22 - 07/09/26	4 years	Independent	Audit and Risk	67 (4/6)
Mrs Jane Hilton	15/12/22 - 14/12/24	2 years	Staff	Quality and Standards	33 (2/6)
Ms Joanne Jones	11/10/22 - 09/10/24 Renewal second term – 2 years	2 years	Independent	Resources Search and Governance Senior Post Holder Remuneration	67 (4/6)
Miss Lisa Keegan	17/03/22 - 16/03/24 Miss Keegan resigned from the Board on 14/12/23	2 years	Staff Governor	Resources	67 (2/3)
Mrs Sally Little	14/09/23 - 13/09/27	4 years	Independent	Audit and Risk	100 (6/6)
Mr Robert Marshall-Slater	16/09/21 - 15/09/25	4 years	Independent	Quality and Standards	67 (4/6)
Mrs Laura Mason	20/01/22 - 19/01/26	4 years	Independent	Quality and Standards	83 (5/6)

	Date of Appointment	Term of office	Status of appointment	Committee Membership	Attendance* Percentage %
Mrs Lynda Mason	04/10/22 - 03/10/26 Renewal - second term	4 years	Independent Vice Chair	Quality and Standards	67 (4/6)
Miss Amanda Morey	14/03/24 - 13/13/26	2 years	Staff	Resources	100 (2/2)
Mr Simon Nixon	11/07/22	-	Principal and Chief Executive	Quality and Standards Resources Search and Governance	100 (6/6)
Mr Jose Sedano-Martinez	15/03/23 - 14/03/27	4 years	Independent	Resources	100 (6/6)
Mr Richard Sellars	14/09/23 - 13/09/27 Resigned 23/11/23	4 years	Independent	Resources	50 (1/2)
Mrs Jen Walters	16/05/23 - 15/05/27	4 years	Independent	Quality and Standards	83 (5/6)
Mrs Helen Whittingham	20/09/23 - 13/09/27 Resigned 30/01/24	4 years	Independent	Search and Governance	67 (2/3)

Notes

*The above does not include committee attendance which is shown separately below.

The above Board attendance figures do not include the deep dive sessions held during 2023/24 or the Special Board meeting on 11 October 2023 to approve the appointment of the Vice Principal – Finance.

In year resignations and retirements are shown above.

Mr John Boydell, formerly Chair of the Governing Body, retired from the Board on 17 October 2024 after serving for two terms on the Board as Chair of the Governing Body. Mr Boydell served as an independent governor for 9.3 years in total. The Board appointed Mr Jose Sedano-Martinez as Chair of the Governing Body.

The following members joined the Board in September 2024 and are not shown in the table above:

- Janet Harrison
- Neil Fletcher

The governance framework

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 Board met either at College or video-conference (Zoom) during 2023/24. The Corporation usually has five Board meetings each year.

Mrs Clare Rayner was Clerk to the Board for the period 1st August 2023 to 31st July 2024.

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 Board, who is responsible to the Corporation for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Clerk are matters for the Corporation as a whole.

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

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

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

Appointments to the corporation

Any new member appointments to the corporation, and re-appointments, are a matter for the consideration of the corporation as a whole. The corporation has a Search and Governance Committee, consisting of four 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. Each member can serve two terms of office with a third term by exception. During 2023/24 the term of office of the Chair of the Audit and Risk Committee was extended by one year for succession planning purposes. The Chair of the Audit and Risk Committee retired following the last meeting of the academic year.

The Board is mindful that a successful board has an appropriate mix of governors with diverse skills, experience and backgrounds. The Search and Governance Committee identifies candidates who are enthusiastic about education and good governance and will widen the Board's perspective when discussing College matters and making decisions. The Board also values the diversity of our learners and staff, who come from a variety of ethnic, cultural and religious backgrounds. Through the work of the Search and Governance Committee, the Board is committed to reflecting this diversity amongst our Governing Body and encourages people from a range of backgrounds and experiences to apply. See below for a report on the work of the Search and Governance Committee.

Committees of the Board

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Resources, Audit and Risk, Quality and Standards, Senior Post Holder Remuneration and Search and Governance. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the college's website or from the Clerk to the Board at the College's registered address.

Where the committee does not have delegated powers for the determination of a matter it will make a recommendation for the Corporation Board to consider and confirm or otherwise.

The Audit and Risk Committee

The Audit and Risk Committee comprised of five members (minimum membership is four) during 2023/24. The Chair of the Audit and Risk Committee, Mr Marcel Driver, retired in July 2024. Mrs Sally Little has been appointed as Chair of the Audit and Risk Committee. A new independent governor, Mr Neil Fletcher, will join the Committee in autumn 2024.

During 2023/24 the Audit and Risk Committee fulfilled its purpose of ensuring the effectiveness of the College's internal control and management systems including those relating to risk and advising the Corporation as appropriate.

The Audit and Risk Committee meets at least on a termly basis and provides a forum for reporting by the College's internal auditors, reporting accountants and financial statements auditors, who have access to the Committee for independent discussion without the presence of college management. The Committee also receives and considers reports from the main FE funding bodies as they affect the college's business.

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 and Risk 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 and Risk Committee also advises the corporation on the appointment of internal auditors, reporting accountants and financial statements auditors and their remuneration for audit and non-audit work as well as reporting annually to the corporation.

During 2023/24 the Audit and Risk Committee met three times.

Audit and Risk Committee Attendance

	Total attended	**Possible**
Steve Browne	2	3
Isara Cotton	3	3
Marcel Driver (Chair)	3	3
Malcolm Goulding	2	3
Sally Little	2	3

Quality and Standards Committee

The Quality and Standards Committee comprised of seven members for most of 2023/24, including one student governor and one staff governor (minimum membership is eight). Mrs Laura Mason was appointed as Chair in October 2023. A new member, Mrs Helen Curtis, joined the Committee in March 2024.

During 2023/24 the Quality and Standards Committee fulfilled its role in advising the Corporation on the educational character of the College and, in particular, major curriculum changes which affect the educational character of the College with a view to:

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

During 2023/24 the Quality and Standards Committee met four times.

Quality and Standards Committee Attendance

	Total Attended	**Possible**
Aofie Cullen	1	3
Helen Curtis	1	1
Jane Hilton	4	4
Robert Marshall-Slater	3	4
Laura Mason (Chair)	4	4
Lynda Mason	4	4
Simon Nixon	4	4
Jen Walters	3	4

Resources Committee

The Resources Committee comprised of seven members for most of 2023/24; (Minimum membership is seven.) Two members resigned in the autumn term. A new member, Mrs Janet Harrison, will join in autumn 2024 .

During 2023/24 the Resources Committee fulfilled its role in advising, and where authorised, taking decisions relating to: finance, resources, health and safety, human resources, equality, diversity and inclusion, policy review and business planning, with a view to ensuring that the operations of the College are efficient and effective.

During 2023/24 the Resources Committee met five times.

Resources Committee Attendance

	Total	Possible
John Boydell	5	5
Steve Browne	4	5
Joanne Jones (Chair)	4	5
Lisa Keegan	2	2
Amanda Morey	1	2
Jose Sedano-Martinez	4	5
Simon Nixon	5	5
Richard Sellars	1	1

Search and Governance Committee

The Search and Governance Committee comprises of four members (minimum membership is four) for most of 2023/24. A new member, Neil Fletcher, will join in September 2024.

During 2023/24 the Search and Governance Committee fulfilled its role of: advising the Corporation on the appointment and reappointment of Board members, committee membership and other governance related matters.

When advertising governor vacancies the Committee is mindful:

- that the Corporation Board should be representative of the community served by the College;
- that there is a transparent and open selection process for applicants to the Board;
- of the importance of widely publicising Board vacancies to attract a diverse range of candidates with the skills the Board requires.

There is a process in place for interviewing potential governors. The interview questions are based on the independent governor person specification. The Search and Governance Committee uses the Board skills and experience audit to identify potential gaps on the Board. Following the last skills audit the Committee has advertised for governors with experience of: working/involvement in FE or education sector, business, audit, governance, risk or estates management.

The Search and Governance Committee reviewed the College's compliance with the Code of Good Governance and reviewed the College's constitutional documents and advised the Board. During 2023/24 the Search and Governance Committee reviewed seven governor applications and held four interviews and recommended to the Board three governor appointments.

The Committee also considered bids to conduct the College's external governance review and made a recommendation to the Board.

During 2023/24 the Search and Governance Committee held three formal meetings. Governor interviews were also held in February and July 2024.

Search and Governance Committee Attendance

	Total	Possible
John Boydell	3	3
Georgia Dunn (Turner)	3	3
Joanne Jones (Chair)	3	3
Simon Nixon	3	3
Jose Sedano-Martinez	2	2
Helen Whittingham	1	1

Senior Post Holder Remuneration Committee

By 31 July 2024 the Senior Post Holder (SPH) Remuneration Committee comprised of four members (minimum membership is six). Two vacancies were unfilled during 2023/24. Mr Jose Sedano-Martinez was appointed to the Committee on 4 July 2024.

The SPH Remuneration Committee was established in June 2020 to advise the Board in respect of: the remuneration and conditions of service of the Principal and Chief Executive and other Senior Post Holders, policies relating to SPH remuneration, the annual statement on SPH remuneration. The SPH Remuneration Committee also considers reports relating to Senior Post Holder performance.

The Board adopted the AoC's Senior Staff Remuneration Code in December 2019 which was implemented during the 2019/20 academic year and is reviewed annually by the SPH Remuneration Committee. The Annual Statement on Senior Post Holder Remuneration is published on the College's website and can be found here:

https://www.preston.ac.uk/the-college/governance/board-minutes-documents/

The Committee met four times in 2023/24.

Senior Post Holder Remuneration Committee Attendance

	Total	Possible
Steve Browne (Chair)	4	4
John Boydell	4	4
Joanne Jones	4	4
Lynda Mason	3	4

In November 2023 the Senior Post Holder Remuneration Committee considered the above SPH performance reports for 2022/23 and approved SPH performance targets for 2023/24.

Details of remuneration for the year ended 31st July 2024 are set out in note 7 of the financial statements.

Publication of information

Minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College website or from the Clerk to the Corporation Board crayner@preston.ac.uk

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

Register of interests

The Clerk to the Corporation maintains a register of financial and personal interests of the governors. The register is available for inspection at the above address. Where permission has been given, the register of interest is also published on the College's website. None of the members held any interest in the share capital of any of the College's subsidiary companies.

Activities undertaken over the year to develop governors and the Clerk

During 2023/24 individual governors have completed Continuing Professional Development (CPD) training on:

- Safeguarding and Prevent (Online training);
- Association of Colleges Masterclass sessions
- Eversheds CPD Webinars
- AoC/ETF – CPD sessions

The following CPD sessions have also been held with groups of governors:

- Data Protection, Cyber Security and Artificial Intelligence CPD session;
- Management accounts;
- Deep Dive session – stakeholder engagement;
- Learner walks.

(NB – Not all governors attended all sessions)

All governors have access to the ETF's online Governance Development Programme.

The Corporation is responsible for ensuring that appropriate induction/training is provided as required for new governors. During 2023/24, new governors have had a governance induction with the Clerk and Executive Leadership Team and some have also attended external webinars inductions delivered by the Association of College.

In 2023/24 the College also introduced the role of Curriculum and Skills link governors. The link governors met with College Schools during 2023/24 to gain a working knowledge of the education and training provision delivered within an agreed curriculum School and how it meets local skills needs, in particular local needs associated with securing suitable employment.

During 2023/24 the Clerk completed all required College mandatory CPD training and attended webinars delivered by external organisations including the AoC, ETF, RSM, Good Governance Institute/Improvement, Eversheds and Stone King. The Clerk also attended a ETF/AoC regional governance conference and the AoC Annual Governance Professionals Conference.

The Clerk completed the Chartered Governance Institute's Chartered Governance Qualifying Programme in 2024.

Reclassification of colleges as public sector organisations

The Department for Education and Education and Skills Funding Agency introduced new controls for the college on 29 November 2022 on the day that the Office for National Statistics reclassified colleges as public sector organisations in the national accounts. The ESFA chief executive communicated these changes to all college accounting officers and explained plans to introduce a college financial handbook in 2024. The College has reviewed its policies, procedures and approval processes in line with these new requirements to ensure there are systems in place to identify and handle any transactions for which DfE approval is required.

Corporation performance

In December 2024 the Board endorsed the College's Self Assessment Report for 2023/24 and its indicative grades.

On 19 October 2023 Board completed a self -evaluation of its performance during 2022/23. Members completed anonymous questionnaires and the Board considered a summary report. Following the session the Board agreed that, in addition to the actions stated above, to progress the following action points:

- to further review the length of Board papers and the size of Board packs. The Board noted that this would be considered further when the new Board/committee template was introduced during 2023/24.

- to explore the introduction of a Board key performance report/dashboard which includes key financial, people and learner experience performance indicators and RAG ratings.

In autumn 2023 the Board appointed Stone King to conduct the College's external governance review. The review took place in spring 2024. The Board discussed the report with Stone King at its meeting on 25 April 2024.

In summary, taking account of meeting observations, interviews and documentation shared, Stone King's review recognised that the governance of Preston College demonstrates governor commitment, ambition, positive culture and challenge. The review identified many areas of effective practice and identified some areas of practice that would benefit from further development.

To continue to improve the effectiveness of the Governing Board Stone King recommended:

• reviewing the structure and formation of the Governing Board agenda to produce a sharper focus to the

core business of the College;

• reviewing the reporting to the Governing Board to reduce the quantity of reports and improve the

accessibility of reports to Governors;

• reviewing succession arrangements for key Governing Board roles

• connecting the Governing Board's strategic plan to the corporate risk register to permit more integrated

understanding of planning intentions and risk mitigation;

• making arrangements for committee work to be better recognised by the Governing Board for providing

assurance and advice.

Stone King's full report included a number of key recommendations and supplementary suggestions . At its meeting on 4 July 2024, the Board agreed which actions to take forward and a post review action plan has been developed. A working group meeting was held on 29 August 2024 to discuss ideas for the format of the agenda for future Board meetings and the format of Board/committee reports. The Search and Governance Committee and the Board will monitor progress of the post review action plan during 2024/25.

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 they are personally responsible, in accordance with the responsibilities assigned to them in the Financial Memorandum between Preston College and the funding bodies. They are also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Preston College for the year ended 31st July 2024 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31st July 2024 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

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

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

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

Review of effectiveness

As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. 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 their review of the effectiveness of the system of internal control by the Audit Committee, which oversees the work of the internal auditor and other sources of assurance, and a plan to address weaknesses and ensure continuous improvement of the systems in place.

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

The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2024 meeting, the Corporation carried out the annual assessment for the year ended 31st July 2024 by considering documentation from the senior management team and internal audit, and taking account of events since 31st July 2024.

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 corporate body and the safeguarding of their assets"*.

Approved by order of the members of the Corporation on 12 December 2024 and signed on its behalf by:

Simon Nixon	**Jose Sedano-Martinez**
Accounting Officer	**Chair of the Governing Body**

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

As accounting officer, I confirm that the corporation has had due regard to the framework of authorities governing regularity, priority and compliance, and the requirements of grant funding agreements and contracts with ESFA, and has considered its responsibility to notify ESFA of material irregularity, impropriety and non-compliance with those authorities and terms and conditions of funding

I confirm on behalf of the corporation that after due enquiry, and to the best of my knowledge, I am able to identify any material irregular or improper use of funds by the corporation, or material non-compliance with the framework of authorities and the terms and conditions of funding under the corporation's grant funding agreements and contracts with ESFA, or any other public funder. This includes the elements outlined in the "Dear accounting officer" letter of 29 November 2022 and ESFA's bite size guides.

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

Simon Nixon

Accounting Officer

12th December 2024

Statement of the chair of governors

On behalf of the corporation, I confirm that the accounting officer has discussed their statement of regularity, propriety and compliance with the board and that I am content that it is materially accurate.

Jose Sedano-Martinez

Chair of the Governing Body

12th December 2024

Statement of Responsibilities of the Members of the Corporation

The members of the corporation, as charity trustees, are required to present audited financial statements for each financial year.

Within the terms and conditions of the corporation'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 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 corporation 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- assess whether the corporation is a going concern, noting the key supporting assumptions qualifications or mitigating actions as appropriate
- 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 Members' Report which describes what it is trying to do and how it is going about it, including information about the legal and administrative status of the corporation.

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 its 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 the ESFA and any other public funds are used only in accordance with the ESFA's grant funding agreements and contracts and any other conditions that may be prescribed from time to time by the ESFA or any other public funder. 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 corporation's resources and expenditure so that the benefits that should be derived from the application of public funds from the ESFA and other public bodies are not put at risk.

Approved by order of the members of the corporation on 12th December 2024 and signed on its behalf by:

Jose Sedano-Martinez

Chair of the Governing Body

Independent Auditor's Report to the Board of Governors of Preston College

Opinion

We have audited the financial statements of Preston College (the "College") for the year ended 31 July 2024 which comprise the Statement of Comprehensive Income and Expenditure, the Statement of Changes in Reserves, the Balance Sheet, the Statement of Cash Flows and notes to the financial statements including a summary of significant accounting policies in Note 1. 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 2024 and of the College's income and expenditure, gains and losses, and changes in reserves and cash flows, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with 2019 Statement of Recommended Practice – Accounting for Further and Higher Education, Accounts Direction 2023 to 2024 issued by the Education and Skills Funding Agency, and the Accounts Direction, for accounting periods beginning on or after 1 August 2019, issued by the Office for Students.

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

In auditing the financial statements, we have concluded that the Board of Governors use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the College's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Board of Governors with respect to going concern are described in the relevant sections of this report.

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 Board of Governors is responsible for the other information contained within the Report and Financial Statements. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Opinion on other matters prescribed by the Office for Students' Accounts Direction

We are required to report on the following matters by the Office for Students' Accounts Direction. In our opinion, in all material respects:

- funds from whatever source administered by the College for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the Office for Students, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and Department for Education have been applied in accordance with the relevant terms and conditions; and
- the requirements of the Office for Students' Accounts Direction for the relevant year's financial statements have been met.

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 2023 to 2024 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.

Further, we are required by the Office for Students' Accounts Direction to report to you if the results of our audit work indicate that the College's expenditure on access and participation activities for the financial year disclosed in Note 8a has been materially misstated.

- We are also required by the Office for Students' Accounts Direction to report to you where the results of our audit work indicate that the College's grant and fee income, as disclosed in Note 3 to the financial statements has been materially misstated.

We have nothing to report in these respects.

Responsibilities of the Board of Governors of Preston College

As explained more fully in the Statement of Responsibilities of the Members of the Corporation set out on page 28, the Board of Governors 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 Board of Governors 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 Board of Governors 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 Board of Governors 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.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the sector, including the legal and regulatory frameworks that the College operates in and how the College is complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud; and
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, Further and Higher Education SORP, the College Accounts Direction published by the Education and Skills Funding Agency, and Regulatory Advice 9: Accounts Direction published by the Office for Students'. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures.

The College is also subject to many other laws and regulations where the consequences of non-compliance could have a material impact on amounts or disclosures in the financial statements, including Further and Higher Education Act 1992, Charities Act 2011, taxation legislation, data protection, anti-bribery, employment, environmental and health and safety legislation. We performed audit procedures to inquire of management and those charged with governance whether the College is in compliance with these laws and regulations and inspected correspondence with licensing or regulatory authorities.

The audit engagement team identified the risk of management override of controls and revenue recognition as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included, but were not limited to, testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business, challenging judgments and estimates and inspecting funding agreements and allocations.

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 Board of Governors, as a body, in accordance with the Funding Agreement published by the Education and Skills Funding Agency and our engagement letter dated 25 July 2022. Our audit work has been undertaken so that we might state to the Board of Governors, 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 Board of Governors, as a body, for our audit work, for this report, or for the opinions we have formed.

Beever and Struthers

For and on behalf of

BEEVER AND STRUTHERS
One Express
1 George Leigh Street
Manchester
M4 5DL

Date: 16 December 2024

To: The Board of Governors of Preston College and Secretary of State for Education acting through the Education and Skills Funding Agency (the ESFA)

In accordance with the terms of our engagement letter dated 25 July 2022 and further to the requirements and conditions of funding in the ESFA's grant funding agreements and contracts, or those of any other public funder, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest, in all material respects, the expenditure disbursed and income received by Preston College during the period 1 August 2023 to 31 July 2024 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

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

Respective responsibilities of Preston College and the reporting accountant

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. 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 2023 to 31 July 2024 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them

Approach

We conducted our engagement in accordance with the Code issued by the ESFA. We performed a limited assurance engagement as defined in that framework.

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

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

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

The work undertaken to draw to our conclusion includes:

- Documenting the framework of authorities which govern the activities of the Board of Governors;

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

This 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.

Conclusion

In the course of our work nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2023 to 31 July 2024 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Signed:

Beever and Struthers

For and on behalf of

BEEVER AND STRUTHERS
One Express
1 George Leigh Street
Manchester
M4 5DL

Date: 16 December 2024

Statement of Comprehensive Income

	Notes	Year ended 31 July 2024 College £'000	Year ended 31 July 2023 College £'000
INCOME			
Funding body grants	2	27,055	24,432
Tuition fees and education contracts	3	2,319	2,206
Other grants and contracts	4	21	16
Other income	5	1,910	1,802
Investment income	6	838	125
Total income		**32,143**	**28,581**
EXPENDITURE			
Staff costs	7	20,631	19,655
Fundamental restructuring costs	7	-	118
Other operating expenses	8	8,225	7,669
Depreciation	11	1,310	1,148
Interest and other finance costs	9	367	406
Total expenditure		**30,533**	**28,996**
Surplus / (deficit) before other gains and losses		**1,610**	**(415)**
Loss on disposal of assets	11	-	-
Surplus / (deficit) before tax		**1,610**	**(415)**
Taxation	10	-	-
Surplus / (deficit) for the year		**1,610**	**(415)**
Unrealised surplus on revaluation of assets		-	-
Other reserve movement		-	-
Actuarial (loss) / gain in respect of pension schemes	22	(843)	2,375
Total Comprehensive Income for the year		**767**	**1,960**
Represented by:			
Unrestricted comprehensive income		767	1,960
		767	**1,960**

Statement of Changes in Reserves

	Income and expenditure account	Revaluation reserve	Total excluding Non-controlling interest	Non-controlling interest	Total
	£'000	£'000	£'000	£'000	£'000
College					
Balance at 1st August 2022	3,976	3,751	**7,727**	-	**7,727**
Deficit from the income and expenditure account	(415)	-	**(415)**	-	**(415)**
Other comprehensive income	2,375	-	**2,375**	-	**2,375**
Transfers between revaluation and income and expenditure reserves	42	(42)	-	-	-
	2,002	(42)	**1,960**	-	**1,960**
Balance at 31st July 2023	5,978	3,709	**9,687**	-	**9,687**
Surplus from the income and expenditure account	1,610	-	**1,610**	-	**1,610**
Other comprehensive loss	(843)	-	**(843)**	-	**(843)**
Transfers between revaluation and income and expenditure reserves	42	(42)	-	-	-
Total comprehensive income for the year	809	(42)	**767**	-	**767**
Balance at 31st July 2024	6,787	3,667	**10,454**	-	**10,454**

Balance sheet as at 31 July 2024

	Notes	College	College
		2024	**2023**
		£'000	**£'000**
Non current assets			
Tangible fixed assets	11	23,929	22,943
Investments	12	4	4
		23,933	**22,947**
Current assets			
Trade and other receivables	13	3,033	2,533
Cash and cash equivalents	18	4,669	3,462
		7,702	**5,995**
Less: Creditors – amounts falling due within one year	14	(7,980)	(5,705)
Net current (liabilities) / assets		**(278)**	**290**
Total assets less current liabilities		**23,655**	**23,237**
Creditors – amounts falling due after more than one year	15	(12,850)	(13,166)
Provisions			
Defined benefit obligations	17	-	
Other provisions	17	(351)	(384)
Total net assets/liabilities		**10,454**	**9,687**
Unrestricted reserves			
Income and expenditure account		6,787	5,978
Revaluation reserve		3,667	3,709
Total unrestricted reserves		**10,454**	**9,687**
Total Reserves		**10,454**	**9,687**

The financial statements on pages 35 to 61 were approved and authorised for issue by the Corporation on 12th December 2024 and were signed on its behalf on that date by:

Simon Nixon

Accounting Officer

Jose Sedano-Martinez

Chair of the Governing Body

Statement of Cash Flows

	Notes	2024	2023
		£'000	£'000
Cash flow from operating activities			
Surplus / (deficit) for the year		1,610	(415)
Adjustment for non-cash items			
Depreciation	11	1,310	1,148
Increase in debtors	13	(55)	(254)
Increase in prepayments and accrued income	13	(445)	(215)
Increase in trade creditors	14	201	181
(Decrease) / increase in taxation & social security	14	(14)	21
Increase / (decrease) in other creditors	14	54	(383)
(Decrease) / increase in accruals & deferred Income	14	(1,155)	1,661
Decrease in provisions	17	(68)	(14)
DCG released to income (Note 2)	2	(674)	(477)
Pensions costs less contributions payable	22	(178)	576
Adjustment for investing or financing activities			
Investment income	6	(838)	(125)
Interest payable	9	367	406
(Loss) / profit on disposal of fixed assets	11	2	(3)
Net cash flow from operating activities		117	2,107
Cash flows from investing activities			
Proceeds from sale of fixed assets		-	7
Investment income	6	190	125
Payments made to acquire fixed assets	11	(2,298)	(605)
Capital grants received		4,137	467
		2,029	(6)
Cash flows from financing activities			
Interest paid	9	(349)	(351)
Repayments of amounts borrowed	18	(590)	(564)
		(939)	(915)
(Decrease) / Increase in cash and cash equivalents in the year		**1,207**	**1,186**
Cash and cash equivalents at beginning of the year	18	3,462	2,276
Cash and cash equivalents at end of the year	18	4,669	3,462
Movement		**1,207**	**1,186**

Notes to the Accounts

1. Statement of accounting policies and estimation techniques

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

Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2019* (the 2019 FE HE SORP), the *College Accounts Direction for 2023 to 2024* 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.

Going concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Report of the Governing Body on page 3. The financial position of the College, its cashflow, liquidity and borrowings are presented in the Financial Statements and accompanying Notes.

At the 31 July 2024 the College had cash reserves of £4,668,648. At the end of October 2024, the College maintained cash balances of c£5.1m. Whilst this level of cash is expected to decrease by the end of 2024/25 as capital grants are spent and clawback put in place where appropriate, cash is still expected to be in excess of £1,500,000. This is continuously monitored so that mitigating actions can be taken where needed.

The College currently has £3,200,530 of loans outstanding with bankers on terms negotiated in 2005 and additionally a further £1,732,673 negotiated in 2010. These are secured by a charge over College properties. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

Accordingly the College has a reasonable expectation that it has sufficient cash to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

Recognition of income

Revenue grant funding

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

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

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

Capital grant funding

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

Fee income

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

Investment income

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

Agency arrangements

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

Accounting for post-employment benefits

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

Teachers' pension scheme

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

Lancashire local government pension scheme

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in interest and other finance costs.

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

Short term Employment benefits

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

Enhanced Pensions

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

Non-current assets - Tangible fixed assets

Tangible fixed assets are stated at cost / deemed cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Land and buildings

Freehold buildings are depreciated on a straight line basis over their expected useful lives as follows:

- 10 – 50 years

Freehold land is not depreciated as it is considered to have an infinite useful life.

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred income account within creditors, and are released to the income and expenditure account over the expected useful economic life of the related asset on a systematic basis consistent with the depreciation policy. The deferred income is allocated between creditors due within one year and those due after more than one year.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of any fixed asset may not be recoverable.

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1994, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

Assets under construction

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

Subsequent expenditure on existing fixed assets

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

Equipment

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

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

- Computer Software – 33%

Grouped assets

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

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

IT assets

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

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

Borrowing costs

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

Leased assets

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

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

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

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

Investments

Investments in subsidiaries

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

Inventories

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

Cash and cash equivalents

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

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

Financial liabilities and equity

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

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

Foreign currency translation

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

Taxation

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

Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

Provisions and contingent liabilities

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

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

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

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

Judgements in applying accounting policies and key sources of estimation uncertainty

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

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

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

Other key sources of estimation uncertainty

- *Tangible fixed assets*

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

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 22, 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 2023 has been used by the actuary in valuing the pensions liability at 31 July 2024. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2 Funding body grants

	Year ended 31 July 2024 College £'000	Year ended 31 July 2023 College £'000
Recurrent grants		
Education and Skills Funding Agency - Adult	6,026	5,686
Education and Skills Funding Agency – 16-18	12,316	10,978
Education and Skills Funding Agency – Apprenticeships	4,471	4,190
Office for Students	129	150
Local Authorities	654	643
Specific grants		
Education and Skills Funding Agency	2,785	2,308
Releases of government capital grants	674	477
Total	**27,055**	**24,432**

Analysis of OfS Income	2024 College £'000	2023 College £'000
Grant income from the Office for Students	129	150
Fee income from taught awards	752	773
	881	923

3 Tuition fees and education contracts

	Year ended 31 July 2024 College £'000	Year ended 31 July 2023 College £'000
Adult education fees	293	309
Non funding agency fees (full cost)	526	419
Apprenticeship fees and contracts	58	64
Fees for FE loan supported courses	172	254
Fees for HE loan supported courses	752	773
International students fees	0	12
Total tuition fees	1,801	1,831
Education contracts	518	375
Total	**2,319**	**2,206**

4 Other grants and contracts

	Year ended 31 July 2024 College £'000	Year ended 31 July 2023 College £'000
Other grants and contracts	21	16
Total	**21**	**16**

No funds relating to the Coronavirus Job Retention Scheme were received during 2023/24

5 Other income

	Year ended 31 July 2024 College £'000	Year ended 31 July 2023 College £'000
Catering and residences	873	721
Other income generating activities	308	257
Miscellaneous income	729	824
Total	**1,910**	**1,802**

Miscellaneous income of £729k (2022/23: £824k) consists of income generated through the sale of bus passes, curriculum kits and enrichment activities.

6 Investment income

	Year ended 31 July 2024 College £'000	Year ended 31 July 2023 College £'000
Other investment income	-	-
Other interest receivable	190	125
	190	**125**
Net return on pension scheme (note 22)	648	-
Total	**838**	**125**

7 Staff costs

The number of persons (including key management personnel) employed by the College during the year, calculated on an average headcount basis is as follows:

	2024	2023
	No.	No.
Teaching	252	244
Teaching support services	122	120
Administration & other support	112	114
Premises & catering	56	55
	542	**533**

Staff costs for the above persons

	2024	2023
	£'000	£'000
Teaching	10,822	9,650
Teaching support services	3,565	3,131
Administration & other support	4,338	3,852
Premises & catering	1,144	1,039
FRS102(28) pension credit	(178)	576
Payroll sub total	**19,691**	**18,248**
Contracted out staffing services	940	1,407
Sub-total	**20,631**	**19,655**
Restructuring costs - Contractual	-	118
- Non-Contractual	-	-
Total staff costs	**20,631**	**19,773**

Wages and salaries	15,354	13,836
Social security costs	1,459	1,287
Other pension costs	2,878	3,125
Payroll sub-total	**19,691**	**18,248**
Contracted out staffing services	940	1,407
	20,631	**19,655**
Restructuring costs - Contractual	-	118
- Non-Contractual	-	-
	20,631	**19,773**

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the College Leadership Team which comprises the Principal and Chief Executive, Vice Principal: Finance, Vice Principal: Corporate Services, Vice Principal: Curriculum Delivery and Planning and Vice Principal: Quality Teaching, Learning and Learner Support. 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

	2024	2023
	No.	No.
The number of key management personnel including the Accounting Officer was:	4	4

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

	Key management personnel		Other staff	
	2024	2023	2024	2023
	No.	No.	No.	No.
£60,001 to £65,000 p.a.	-	-	6	2
£65,001 to £70,000 p.a.	-	-	2	1
£65,001 to £70,000 p.a.	-	-	-	-
£75,001 to £80,000 p.a.	-	1	1	-
£85,001 to £90,000 p.a.	-	-	-	-
£90,001 to £95,000 p.a.	1	2	-	-
£95,001 to £100,000 p.a.	-	-	-	-
£100,001 to £105,000 p.a.	2	-	-	-
-				
£135,001 to £140,000 p.a.	-	-	-	-
£140,001 to £145,000 p.a.	-	1	-	-
£145,001 to £150,000 p.a.	-	-	-	-
£150,001 to £155,000 p.a.	-	-	-	-
£155,001 to £160,000 p.a.	1	-	-	-
	4	**4**	**9**	**3**

The table above excludes one member of higher paid staff who works part-time. If employed on a full-time basis they would have exceeded the £60,000 threshold.

Key management personnel compensation is made up as follows:

	2024	2023
	£'000	£'000
Salaries – gross of salary sacrifice and waived emoluments	495	407
Employers national insurance	63	52
	558	459
Pension contributions	106	81
Total key management personnel compensation	**664**	**540**

The above compensation includes amounts payable to the Principal & Chief Executive who is the Accounting Officer (and also the highest paid officer) of:

Total Principal's Costs	**2024**	**2023**
	£'000	**£'000**
Salaries	155	141
NI	20	19
Benefits in kind	-	-
	175	160
Pension contributions	29	24

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

The Principal and Chief Executive reports to the Chair of Governing Council, who undertakes an annual review of his performance against the College's overall objectives.

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

	2024	**2023**
Principal's basic salary as a multiple of the median of all staff	4.98	4.83
Principal's total remuneration as a multiple of the median of all staff	4.99	4.84

Compensation for loss of office paid to former key management personnel

	2024	**2023**
	£'000	**£'000**
Compensation paid to former post-holders	15	-

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

8 Other operating expenses

	2024	2023
	College	College
	£'000	£'000
Teaching costs	1,484	1,547
Teaching support services	1,740	1,367
Administration and central services	1,272	1,267
General education	1,780	1,436
Premises costs - Running costs	1,071	765
Premises costs - Rents & leases	-	-
Planned maintenance	688	1,052
Catering and residence operations	186	232
Income generating activities	4	3
Total	**8,225**	**7,669**

Other operating expenses include:	2024	2023
	£'000	£'000
Auditors' remuneration:		
Financial statements audit*	42	40
Internal audit**	18	18
Other services provided by the financial statement auditors:		
- Tax Advice	1	-
- Specific project audits	5	-
Other services provided by the internal auditors:		
- Sub-contracting Controls	-	4
- Specific project audits	-	4
- Tax Advice	-	-
Hire of assets under operating leases	88	89

* includes £41,516 in respect of the College (2022/23 £39,549)

** includes £18,144 in respect of the College (2022/23 £18,144)

8a Access and Participation Expenditure

As a provider of HE courses, Preston College has an Access and Participation Plan that has been approved by the OfS's Director of Fair Access and Participation. The full statement and plan can be found by clicking on the following link:

https://www.preston.ac.uk/higher-education/policies-and-procedures/

The OfS require registered Colleges to disclose expenditure on this activity as follows:

	2024	2023
	£'000	£'000
Access Investment	90	77
Financial Support to Students	1	-
Disability Support	9	23
Total	**100**	**100**

Of the total expenditure, £84k (2022/23: £73k) relates to staffing costs which are included within Note 7 – Staff Costs.

9 Interest and other finance costs – College

	2024	2023
	£'000	£'000
On bank loans, overdrafts and other loans	349	351
	349	351
On finance leases	-	-
On enhanced pension provision	18	14
Net interest on defined pension liability (note 22)	-	41
Total	**367**	**406**

10 Taxation

	2024	2023
	£'000	£'000
United Kingdom corporation tax at 19% per cent	-	-
Total	-	-

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

11 Tangible fixed Assets

College	Land and buildings Freehold	Equipment	Assets in the course of construction	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2023	**38,066**	**7,379**	**38**	**45,483**
Additions	-	1,254	1,044	2,298
Transfers to capital	-	38	(38)	-
Disposals	(39)	(478)	-	(517)
At 31 July 2024	**38,027**	**8,193**	**1,044**	**47,264**
Depreciation				
At 1 August 2023	**16,381**	**6,159**	-	**22,540**
Charge for the year	697	613	-	1,310
Elimination in respect of disposals	(37)	(478)	-	(515)
At 31 July 2024	**17,041**	**6,294**	-	**23,335**
Net book value at 31 July 2024	**20,986**	**1,899**	**1,044**	**23,929**
Net book value at 31 July 2023	**21,685**	**1,220**	**38**	**22,943**

NBV above analysed by source as follows:	Land and buildings Freehold	Equipment	Assets in the course of construction	Total
	£'000	£'000	£'000	£'000
Inherited	3,662	-	-	3,662
Financed by capital grant	7,752	1,463	1,044	10,259
Other	9,572	436	-	10,008
At 31 July 2024	**20,986**	**1,899**	**1,044**	**23,929**

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

Land and buildings with a net book value of £7,752,000 have been financed from exchequer funds, through for example the receipt of capital grants. Should these assets be sold, the College may be liable, under the terms of the financial memorandum with the funding body, to surrender the proceeds.

All land and buildings are held freehold. Land and buildings include properties with a net book value of £3,662,000 for which title deeds have been transferred to the College.

The receipt of capital grants in the current year was £4,137,242 (2022/23: £467,082). No provision has been made for other anticipated future receipts as the Education & Skills Funding Agency does not have the power to guarantee future funding streams and cannot guarantee that this funding will continue after the current year.

Assets under construction have increased significantly during 2023/24: £1,044k (22/23: £38k). This is due to considerable investment in creating a digital suite using T Level funds. This facility opened in time to welcome learners at the start of the 2024/25 academic year. At the 31 July the College was also in the process of replacing its existing lighting with energy efficient LED's.

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

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

12 Non-current investments

	College 2024 £'000	College 2023 £'000
Equities	4	4
Total	**4**	**4**

13 Trade and Other Receivables

	College 2024 £'000	College 2023 £'000
Amounts falling due within one year:		
Trade receivables	656	567
Other debtors	93	127
Prepayments and accrued income	2,284	1,839
Total	**3,033**	**2,533**

14 Creditors: amounts falling due within one year

	College 2024 £'000	College 2023 £'000
Bank loans and overdrafts	619	590
Trade payables	640	439
Other creditors	372	318
Other taxation and social security	338	352
Accruals	1,964	1,075
Deferred income - other	352	2,300

Deferred income - government capital grants	3,695	534
Amounts owed to the ESFA	-	97
Total	**7,980**	**5,705**

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

15 Creditors: amounts falling due after one year

	College 2024 £'000	College 2023 £'000
Bank loans	4,315	4,933
Deferred income - government capital grants	8,535	8,233
Total	**12,850**	**13,166**

16 Maturity of debt

Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	College 2024 £'000	College 2023 £'000
In one year or less	619	590
Between one and two years	648	619
Between two and five years	2,143	2,042
In five years or more	1,523	2,272
Total	**4,933**	**5,523**

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

As part of the construction and refurbishment of the then Tate and Hargreaves buildings the College arranged an additional secured loan facility of £3.5 million in December 2010 with Barclays. This was drawn in tranches of £1.5 million and £1.98 million. Both tranches currently attract a variable rate of 7.1293% . The term of this loan is 25 years.

17 Provisions

	Defined benefit obligations	Restructuring	Enhanced pensions	Total
	£'000	£'000	£'000	£'000
At 1 August 2023		26	358	384
Expenditure in the period	(1,180)	(26)	(42)	(1,248)
Transferred from income and expenditure account	1,180	-	35	1,215
At 31 July 2024	**-**	**-**	**351**	**351**

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government Pension Scheme. Further details are given in Note 22.

The release of the restructuring provision relates to provisions made in 2022/23. No provision was required for 2023/24.

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

The principal assumptions for this calculation are:

	2024	2023
Price Inflation	2.8%	2.8%
Discount Rate	4.8%	5.0%

18 Cash and cash equivalents

	At 1 August 2023	Cash flows	Other changes	At 31 July 2024
	£'000	£'000	£'000	£'000
Cash and cash equivalents	3,462	1,207	-	4,669
Total	**3,462**	**1,207**	**-**	**4,669**
Debt due after 1 year	**(4,933)**	**-**	**619**	**(4,314)**
Debt due within 1 year	**(590)**	**590**	**(619)**	**(619)**
	(5,523)	**590**	**-**	**4,933**
Total	**(2,061)**	**1,797**	**-**	**(264)**

19 Capital and other commitments

	College	
	2024	2023
	£'000	£'000
Commitments contracted for at 31 July	472	131
Authorised but not contracted for at 31 July	2,472	970

20 Lease obligations

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

	College	
	2024	2023
	£'000	£'000
Future minimum lease payments due		
Other		
Not later than one year	83	87
Later than one year and not later than five years	58	104
Total lease payments due	141	191

21 Contingent liabilities

Preston College is aware of the 2023 ruling in the Virgin Media vs NTL Pension Trustee case and subsequent court of appeal ruling published in July 2024.

These ruled that certain amendments made to the NTL Pension Plan were invalid because they were not accompanied by the correct actuarial confirmation.

There remains significant uncertainty as to whether the judgments will result in additional liabilities for UK pension schemes, and it is possible that the Department of Work & Pensions will introduce legislation to allow changes to be certified retrospectively.

A detailed review of historic documentation will be needed to determine whether the changes made by the Scheme were valid (assuming retrospective certification does not become an option), and such a review will take some time to complete.

As a result, Preston College cannot be certain of the potential implications (if any) and therefore a sufficiently reliable estimate of any effect on the obligation cannot be made.

22 Defined benefit obligations

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

Total pension cost for the year		2024		2023
		£'000		£'000
Teachers' Pension Scheme: contributions paid		1,871		1,572
Local Government Pension Scheme:				
Contributions paid	1,180		973	
FRS 102 (28) charge	(178)		576	
Charge to the Statement of Comprehensive Income		1,002		1,549
Enhanced pension charge to Statement of Comprehensive Income		5		4
Total Pension Cost for Year within staff costs		**2,878**		**3,125**

Valuation of the Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools, colleges and other educational establishments. Membership is automatic for teachers and lecturers at eligible institutions. Teachers and lecturers are able to opt out of the TPS.

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

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

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

The valuation of the TPS is carried out in line with regulations made under the Public Service Pension Act 2013. Valuations credit the teachers' pension account with a real rate of return assuming funds are invested in notional investments that produce that real rate of return.

The latest actuarial review of the TPS was carried out as at 31 March 2020. The valuation report was published by the Department for Education (the Department) in October 2023. The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service at the effective date of £262 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £222 billion giving a notional past service deficit of £40 billion (compared to £22 billion in the 2016 valuation).

As a result of the valuation, new employer contribution rates will rise to 28.68% from April 2024 (compared to 23.68% during 2018/19).

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

(https://www.teacherspensions.co.uk/news/employers/2023/10/valuation-result.aspx)

The pension costs paid to TPS in the year amounted to £1,871,000 (2023: £1,572,000)

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by the Lancashire Pension Service. The total contributions made for the year ended 31 July 2024 were £1,581,000, of which employer's contributions totalled £1,180,000 and employees' contributions totalled £401,000. The contribution rate was 18.0% until March 2024. Employee rates ranged from 5.5% to 12.5% depending on salary. From April 2024 the employer rate rose to 19.2%.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2023 by Mercer Limited.

	At 31 July 2024	At 31 July 2023
Rate of increase in salaries	4.10%	4.20%
Future pensions increases	2.70%	2.80%
Discount rate for scheme liabilities	4.90%	5.10%
Inflation assumption (CPI)	2.60%	2.70%
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 2024	At 31 July 2023
Retiring today		
Males	21.00	21.00
Females	23.50	23.40
Retiring in 20 years		
Males	22.20	22.20
Females	25.30	25.20

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

	Fair Value at 31 July 2024	Fair Value at 31 July 2023
	£'000	£'000
Equities	31,471	29,953
Bonds	132	248
Property	5,608	5,879
Cash	924	371
Other	27,842	25,436
Total fair value of plan assets	**65,977**	**61,887**
Actual return on plan assets	**4,183**	**1,341**

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

	2024	2023
	£'000	£'000
Fair value of plan assets	65,977	61,887
Present value of plan liabilities	(52,440)	(49,691)
Present value of unfunded liabilities	(38)	(41)
Net pension asset written off through SOCI	(13,499)	(12,155)
Net pensions (liability)/asset (Note 17)	-	-

FRS102 section 28.22 restricts the recognition of the net defined asset only to the extent that it is able to be recovered through reduced contributions in the future. The surplus cannot be recovered, therefore the net defined asset of £13,499k (2022/23: £12,155k an increase of £1,344) has been written off through the Statement of Comprehensive Income. The net asset is nil.

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

	2024	2023
	£'000	£'000
Amounts included in staff costs		
Current service cost	950	1,515
Curtailment cost	14	-
Administration Expenses	38	34
Total	**1,002**	**1,549**
Amounts included in interest and finance costs		
Net interest receivable	(648)	41
	(648)	**41**

Amount recognised in Other Comprehensive Income

Return on pension plan assets	1,029	(1,145)
Actuarial (gains) / losses on enhanced pensions	(17)	48
Changes in assumptions underlying the present value of plan liabilities	(511)	15,627
Amount recognised in Other Comprehensive Income	**501**	**14,530**

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

	2024	2023
	£'000	£'000
Net defined benefit (liability)/asset in scheme at 1 August	-	(1,710)
Movement in year:		
Current service cost	(950)	(1,515)
Employer contributions	1,180	973
Curtailments	(14)	-
Administration costs	(38)	(34)
Net interest on the defined (liability)/asset	648	(41)
Actuarial gain or loss	518	14,482
Net pension asset written off through SOCI	(1,344)	(12,155)
Net defined benefit (liability)/asset at 31 July	-	-

Asset and Liability Reconciliation

	2024	2023
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	49,732	62,578
Current service cost	950	1,515
Interest cost	2,507	2,173
Contributions by scheme participants	401	362
Changes in financial assumptions	511	(15,627)
Estimated benefits paid	(1,637)	(1,269)
Curtailments and settlements	14	-
Defined benefit obligations at end of period	**52,478**	**49,732**

	2024	2023
	£'000	£'000
Changes in fair value of plan assets		
Fair value of plan assets at start of period	61,887	60,868
Interest on plan assets	3,155	2,132
Return on plan assets	1,029	(1,145)
Administration expenses	(38)	(34)
Employer contributions	1,180	973
Contributions by scheme participants	401	362
Estimated benefits paid	(1,637)	(1,269)
Fair value of plan assets at end of period	**65,977**	**61,887**

The decisions of the Court of Appeal in the Sargeant/McCloud cases (generally referred to as "McCloud" for the LGPS) have ruled that the transitional protections afforded to older members when the Public Service Pension Schemes were amended constituted unlawful age discrimination. The Government has accepted that remedies relating to the McCloud judgement will need to be made in relation to all public service pension schemes, including the LGPS.

Mercers have calculated the additional liabilities and service costs for the 2020 exercise in line with the proposals contained within the consultation released by MHCLG on 16 July 2020. To the extent that the calculation will now apply retrospectively they are very confident that the effects of this retrospection are immaterial. Past service costs in relation to McCloud in the figures above are zero.

23 Related party transactions

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

The University of Central Lancashire is an organisation in which a Governor has declared an interest. Income earned was £0 (2023: £0) and expenditure incurred was £148,180 (2023: £0).

The Growth Company Limited is an organisation in which a Governor has declared an interest. Income earned was £879 (2023: £0) and expenditure incurred was £0 (2023: £0).

North Western Chamber of Commerce is an organisation in which a Governor has declared an interest. Income earned was £0 (2023: £0) and expenditure incurred was £1,890 (2023: £9,000).

The total expenses paid to or on behalf of the Governors during the year was £154; 1 governor (2022/23: £0; 0 governor).

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

24 Amounts disbursed as agent Learner support funds

	2024	2023
	£'000	£'000
Balance b/fwd re prior year	452	453
Funding body grants – bursary support	774	638
Other	5	13
	1,231	1,104
Disbursed to students	(865)	(638)
Disbursed - Other	(333)	-
Administration costs	(25)	(14)
Balance unspent as at 31 July	8	452

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.

25 Events after the reporting period

There are no events after the reporting period.