# *East Coast College*

# *Annual Report and Financial Statements*

## *For the Year Ended 31 July 2018*

# CONTENTS

## Reference and administrative details

### Senior Management Team

Stuart Rimmer - Principal and CEO; Accounting officer
Simon Eaton - Deputy Chief Executive (1 August 2017 to 31 July 2018)
Jackie Watts - Vice Principal – Curriculum and Quality (1 August 2017 to 16 November 2017)

### Board of Governors

A full list of Governors is given on pages 17 and 18 of these financial statements.

### Principal and Registered Office

St Peter's Street
Lowestoft
Suffolk
NR32 2NB

### Professional advisers:

### Financial statements auditors and reporting accountants:

Scrutton Bland LLP
Fitzroy House
Crown Street
Ipswich IP1 3LG

### Internal auditors:

RSM Risk Assurance Services LLP
The Pinnacle
170 Midsummer Boulevard
Milton Keynes
Bucks MK9 1BP

### Bankers:

Lloyds Bank plc
Endeavour House
Chivers Way
Histon
Cambridge CB24 9ZR

### Solicitors:

Steeles
Bedford House
21a St John Street
London WC1N 2BF

# Strategic report

## OBJECTIVES AND STRATEGY

The governing body present their annual report together with the financial statements and auditor's report for East Coast College for the year ended 31 July 2018.

On 1 August 2017, following public consultation, the Corporation of Great Yarmouth College dissolved with its assets and liabilities transferring to the Corporation of Lowestoft College under a Type B merger. Simultaneously the Corporation of Lowestoft College was renamed East Coast College. The two individual colleges continue to operate under their new name East Coast College, and a subsidiary of Lowestoft College (Lowestoft and Waveney Education Services Limited) is now part of the East Coast College Group.

For financial purposes the two colleges form a single entity and throughout this report will be referred to as the 'College' unless stated otherwise.

### Legal Status

The Corporation was established under The Further and Higher Education Act 1992 for the purpose of conducting Lowestoft College. The purposes of the corporation have expanded with the merger with Great Yarmouth College. The College is an exempt charity for the purposes of the Charities Act 2011.

### Mission, Vision, Strategy and Objectives

The vision of the college is *"To unlock potential through learning"*

The College's Mission, as approved by its members, following the merger is:
*"To develop individual, local and regional prosperity and well- being"*.

It aims to do this through the college's values:
- Integrity
- Happiness
- Supportive
- Inclusive
- Inspiring

### Financial Plan

In preparation for the merger, the federated colleges' Governors and management teams developed the East Coast College Strategic Plan which was adopted on merger.

The East Coast College Strategic Development Plan has four elements, each of which have objectives and ambitions:

### Winning our Market

**Objective**: Participation in education and training

**Ambitions**:
- Increasing participants in Apprenticeships
- Increasing the number of students each year studying higher, technical and professional qualifications at levels 3, 4 and 5
- Refocussing our adult curriculum on retraining for higher level employment and increasing take up of loan funded programmes
- Communicating our offer more clearly to our employers
- Shaping our curriculum offer by listening and responding to local and regional employers and recognising the priorities of New Anglia Local Enterprise Partnership
- Increasing our volumes of degree level and commercial technical training
- Develop a regional centre of specialism, recognised for excellence

**Student Success, Progression and Wellbeing**

**Objective**: Academic excellence and improving student wellbeing

**Ambitions**:
- Working with local partners to reduce local unemployment
- Ensuring that all students achieve their personal career plan goals and qualifications
- Implementing a wellbeing programme for students to enhance and support resilience and personal development
- Provide strong and effective tutorial programmes
- Ensure technological innovation enhances teaching and learning practices
- Ensure effective target setting for learners, including stretch, challenging and high grades
- Maintain consistent assessment for learning practices

**Improving our Business**

**Objective**: Reinvesting in the College's Mission

**Ambitions**:
- Generating annual surpluses for reinvestment and debt servicing
- Implementing a clear and published capital investment strategy for accommodation and equipment renewal
- Developing and completing a 5 year Information Technology investment plan to adopt technology for all curriculum and integrate support systems
- Seeking and attracting new income streams through projects and partnerships
- Realigning our resources to strategic priorities and seeking annual efficiencies
- Improving the marketing and communication of the College to ensure growth and improving reputation

**Learning, Development and Wellbeing**

**Objective**: Continuous improvement and improvement wellbeing

**Ambitions:**
- Implementing a wellbeing programme for staff to enhance and support resilience and personal development
- Developing an innovative staff development programme supporting leadership progression, industrial and professional practice
- Working collaboratively with local partners, helping staff and students feel safe and supported
- Increasing staff involvement by improving consultation and communication
- Ensure an ambitious leadership culture with high expectations, pursuing excellence
- Raise aspirations through shared outstanding teaching practices and new initiatives
- Recognise potential and support career progression

**Financial Objectives**

A key factor in the success of East Coast College will be strong financial health enabling it not only to continue but to thrive and to re-invest in facilities and the primary objective of the Financial Strategy is **"To ensure cash for investments"**

To meet this objective the college will:
- Ensure that East Coast College generates sufficient cash
- Manage procurement and ensuring value for money
- Maintain affordable levels of borrowing
- Manage financial risks
- Ensure that the College achieves Education and Skills Funding Agency financial health rating 'good' by 2019/20
- Appraise new ventures to ensure they contribute to the overall business without unduly increasing risk
- Update the Cash flow available for Debt service (CFADS) financial model to monitor progress against the business plan agreed by the transaction unit

To manage this the College will have the following objectives:

- Year on year to ensure that the College has positive cash generation with a positive EBITDA (earnings before tax, interest and depreciation)
- Cash holdings should never fall below a minimum figure of 30 cash days in hand
- Staffing costs should not exceed levels consistent with financially healthy colleges in the Further Education sector, currently this should be a maximum of 65%
- Total borrowings by East Coast College should never exceed 50% of turnover and should be reduced year on year to a sustainable level less than 40% or as determined by the East Coast College Board
- All activities undertaken by the college should deliver a positive contribution when taking into account direct costs, an expected contribution will be set on an annual basis as part of the business planning process
- East Coast College should plan to reduce its Local Government Pension deficit over a 15 year period to a balanced (Zero deficit) position

**Resources**

The College has various resources that it can deploy in pursuit of its strategic objectives. Tangible resources include the main site, Studio One, Alchemy Centres, Studios 2 & 3 and the Kier Centre for Construction.

**Financial**

The College has £3,853k of net liabilities (including £10,459k pension liability) and long term debt of £26,783k (including £16,915k of deferred capital grants).

**People**

The College employs 412 (2016/17 restated - 435) people (expressed as full time equivalents), of whom 183 (2016/17 restated – 206) are directly associated with delivery of teaching to students.

**Reputation**

The College has a good reputation locally and nationally, as well as internationally specifically in relation to the activities carried out by the College's subsidiary company Lowestoft and Waveney Education Services Limited which undertakes a large volume of commercial activity focused on the Maritime and Offshore energy sectors.

Maintaining a quality brand is essential for the College's success at attracting students and external relationships. East Coast College is building on this reputation by providing consistency scale, and much greater scope for wider commercial provision.

### Stakeholders

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

- Learners and their sponsors;
- Education sector funding bodies;
- FE Commissioner;
- Staff;
- Local employers (with specific links);
- Local Authorities;
- Government Offices/ Regional Development Agencies/LEPs;
- The local community;
- Other FE institutions;
- Trade unions;
- Professional bodies.

The College recognises the importance of these relationships and engages in regular communication with them through the College Internet site and by meetings.

## DEVELOPMENT AND PERFORMANCE

### Financial Results

Due to the merger of Great Yarmouth College and Lowestoft College all financial results for 2017 have been restated to include both former college's figures.

The Group generated an operating deficit in the year of £797k (2016/17 – restated deficit £1,629k). Total comprehensive income after adjustments for the pension scheme provision was £2,927k (2016/17 restated income of £2,320k).

At the year end the Group had an accumulated reserves deficit of £3,477k (2016/17 – restated deficit of £6,404k).

Cash balances at the year-end were £4,744k compared to a cash balance of £1,351k restated in 2016/17. The increase in cash primarily resulted from new loan funding from the ESFA in connection with the merger, and new capital grant funds received in the year.

### Student numbers

In 2017/18 the College delivered activity that produced £13,821k in Funding Council main allocation funding (2016/17 restated £15,528k). The College had approximately 4,282 ESFA and 2,511 non-Council-funded students.

### Reserves

The College has accumulated Income and Expenditure reserve deficits of £7,423k and restricted reserves amounting to £175k

### Sources of income

The Group has significant reliance on the ESFA for its principal funding source, largely from recurrent grants. In 2017/18, the ESFA provided 57% of the Group's total income (2016/17 restated 62%).

### Group companies

The College has one subsidiary company, Lowestoft and Waveney Education Services Limited. The principal activity of Lowestoft and Waveney Education Services Limited was the full cost (commercial) training to the Maritime and Offshore industry. Any surpluses generated by the subsidiaries are transferred to the College under deed of covenant. Lowestoft and Waveney Educational Services Limited Profit before tax amounted to £237k (2016/17 £155k).

## FUTURE PROSPECTS

### Developments

The implementation of the main aspects of the East Coast College Business Plan underpinning the merger have continued, which stated that the ambition of the East Coast College to be to inspire Norfolk and Suffolk's future business leaders and entrepreneurs and for them to see this as one of the best areas in the world to live and work.

East Coast College has been formed to create a new dynamic, strong institution to serve the needs of the sub-regional economy based on a significant number of benefits including:

- The creation of more opportunities for local people, employers and communities
- The building of a more resilient and efficient organisation responsive to economic needs
- The opportunity to join up the local skills system, to simplify things for employers and learners and to remove unnecessary competition and duplication
- The ability to provide better facilities and experiences for students; and
- The opportunity to share resources and best practice.

Central to the vision and purpose of the East Coast College is the creation of a national centre of excellence for the energy and maritime sectors under the government's proposed Energy and Maritime Skills Centre (Institute of Technology) programme due to commence in 2019. This new aspect of the College would represent a significant development to position East Coast College as one of the country's most advanced and forward thinking skills and training organisations, closely aligned to employers and the sub-regional economy.

### Curriculum Developments

In developing the curriculum for the 2017/18 year, East Coast College created a framework for the development of skills and the achievement of qualifications which supported effective progression into further or higher education and or employment.

When planning and shaping the curriculum the main influences were:

- Government education agenda e.g. Post 16 Skills Plan, Apprenticeship reforms, Sainsbury review
- 2016 Progress measures
- Utilisation of information from UK Commission for Employment and Skills data for key employment areas and specifically local information
- New Anglia Local Enterprise Partnership priority areas for employment and future growth
- Demand and specific local requirements through sector based work academies
- Overall demographic trends for 3-5 years
- Demographic and information on individual's specific needs, from local feeder schools
- Special Educational Needs and Disability reforms and the local 'Higher Education Local Offer'
- Availability of specialist and technical resources where required to underpin curriculum delivery, including staff
- Historic application and enrolment and retention trend information
- English, Maths and ICT skills development
- Promotion of equality of opportunity and diversity, Employability skills and British values within the curriculum

The curriculum offer ensured that for all provision the following objectives were met:

- An improvement in the quality of outcomes for all those who choose to study at East Coast College
- The aspirations of students, parents and employers
- The provision of effective preparation for progression
- Financial viability and the Colleges financial and funding principles

The curriculum offer was split into six key areas:

- Study programmes for 16-19 year olds
- Adult provision, including programmes for the unemployed
- Adult 24+ loan provision
- Apprenticeships and Traineeships
- Full cost provision
- Higher Education Provision

**Staff and Student Involvement**

The College considers good communication with its staff to be very important, and to this end it publishes a regular newsletter, which is available to all staff and there are meetings held each half term to which all staff are invited, held at each campus on the same day to ensure staff have easy access to the same communication opportunities. The College encourages staff and student involvement through membership of formal committees as well as more informal communication. There is an active student forum which meets six times a year with College managers. Surveys of staff and students are carried out annually, results are published and appropriate action taken.

**Taxation**

The College's activities are not subject to Corporation Tax. See accounting policies for further clarification.

**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 Principal. Such arrangements are restricted by limits in the College's Financial Memorandum previously agreed with the Education and Skills Funding Agency. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum.

**Cash flows**

Operating cash flow for the year was an inflow of cash of £1,279k (2016/17 - £1,274k), actual cash flow for the year resulted in an increase of £3,393k (2016/17 - £888k) after payment of interest and capital for outstanding debts of £1,005 (2016/17 - £1,275k) and receipt of additional loan and grant funding of £5.159k (2016/17 - £997k).

**Liquidity**

During the year, the College's liquidity position significantly improved with net current liabilities at the year end of £1,075k compared to a net current liability restated of £8,047k for the previous year. This was due to loans previously classified as due in less than one year being renegotiated and subsequently now falling due after more than one year.

The size of the College's total borrowing and its approach to interest rates have been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cash flow. Net debt reduced in the year from £6,004k restated in 2016/17 to £5,571k at 31 July 2018.

**Reserves**

The College has no formal Reserves Policy but recognises the importance of reserves in the financial stability of any organisation, and ensures that there are adequate reserves to support the College's core activities. The Group reserves include £175k (2017 restated: £175k) held as restricted reserves. As at the balance sheet date the Group's Income and Expenditure reserve deficit stands at £7,047k (2017 deficit restated: £10,074k). It is the Corporation's intention to increase reserves over the life of the strategic plan through the generation of annual operating surpluses.

**Intervention**

The college is under intervention from the ESFA and has monthly case conferences. Due to the restructuring fund it also has case conferences on a quarterly basis with the Transaction Unit.

**Going Concern**

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

**Notice of Concern**

In November 2016 the College was issued with a Notice of Concern for having inadequate financial health by the Funding council. This remained in place for the remainder of the year and expired at the point of merger, this was confirmed by the funding council on 2nd August 2017.

**Bank Covenants**

In the early part of the year and immediately post-merger, the College was technically in breach of one of its loan covenants however the bank has given no indication of any intention to act on this breach. From January 2018 the covenant criteria were redrafted and the College has complied with the covenants for the remainder of the financial year and to the date of signing these financial statements.

## PRINCIPAL RISKS AND UNCERTAINTIES

**Risk management**

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

Based on the strategic plan, the Risk Management Group undertakes a comprehensive review of the risks to which the College is exposed. They identify systems and procedures, including specific 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 Risk Management Group 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 the College level which is reviewed at least annually by the Audit Committee and more frequently where necessary. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

This is supported by a risk management training programme to raise awareness of risk throughout the College.

Outlined below is a description of 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 ESFA and HEFCE through University of Suffolk (UoS). In 2017/18, over 80% of the College's revenue was ultimately public 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 beyond the next 12 months.

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

- Budgets for both the ESFA are restricted in terms of overall size and are therefore unlikely to grow in real terms and are likely to remain static in cash terms
- The changes regarding Study Programmes for 16-18 students and the reduction in funding for learners who reach the age of 18 have already affected the College and will continue to create challenges for curriculum managers.
- Changes to the funding of work based learning introduced in May 2017 implemented a new 'Levy' funding system. So far the impact of this is uncertain but initially there has been a dip in apprenticeship recruitment. Additionally the changes mean that all SME businesses will have to make a cash contribution to training, as most clients of the College are SME it is not clear if this will have a significant impact on funding levels moving forward.
- The introduction of Advanced Learner loans for learners aged 19 or over on a level 3 course may prove successful for the College as it was relatively successful when it was introduced for learners over 24 for the College in the last couple of years, however at present the impact of this on fees overall is uncertain.
- Continuing changes to HE funding and increases in fees set by UoS continue to affect recruitment at the College and funding for HE. The College will continue to develop HE and the objective is to increase HE funding overall.
- The Board of Lowestoft Sixth Form College voted to dissolve and merge with East Coast College on 1 August 2018.
- For 2018/19 the high risk areas of operation are the Apprenticeship and commercial income.
- The College is aware that no pay rise was made in 2017/18. The Teachers' Pension Scheme has also indicated there will be an increase in contributions from April 2019. These factors, together with inflation, are likely to have an impact on 2018/19 and 2019/20 operational surplus.

This risk is mitigated in a number of ways:

- The merger with Lowestoft College will diversify income streams and will improve the critical mass of the organisation to provide efficiency savings.
- Funding is derived through a number of direct and indirect contractual arrangements, and as part of the new Strategic plan the College is trying to grow this income and has a number of projects planned moving forward
- By ensuring the College is rigorous in delivering high quality education and training
- The College has been successful with 24+ loans for the last two years and hopefully can continue this with the expansion of this to 19+ learners
- Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies and key partners
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding
- To increase the employer focus of the organisation to satisfy the needs of local employers to attract full cost income and additional apprenticeship income.
- The College will look to deliver its operation more efficiently to accommodate the cost increases due to Pension, inflation and salaries.

## 2. Tuition fee policy

Ministers have confirmed that the fee assumption remains at 50%. In line with the majority of other colleges, East Coast College will increase tuition fees in accordance with the rising 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:

- For 2017/18 the College continued to adopt Funding Council rates for all fees for mainstream delivery and work based apprentices and is using Learner Support Funds and project monies to support fee costs wherever possible
- The College continues to encourage 19+ loan students to access loans to meet fee costs and this has seen continued growth during 2017/18. From 1 August this was extended to the Advanced learner loan scheme and was extended to apply to all 19+ learners studying at level 3 and above where the qualification is not their first level 3 this has seen fee income grow overall.
- The College will continue to utilise Learner Support Funds (LSF) to support disadvantaged learners with materials, travel and fees wherever permitted.

**3. Maintain adequate funding of pension liabilities**

The financial statements report the share of the Local Government Pension Scheme deficit on the College's balance sheet in line with the requirements of FRS 102. For 2017/18 there has been a positive movement in the actuarial valuation. This now means that the overall Pension deficit is £10,459k.

This risk is mitigated by an agreed deficit recovery plan with the Suffolk County Council and Norfolk County Council Local Government Pension Scheme.

**4. Failure to maintain the financial viability of the College**

The College's current financial health grade is classified as inadequate. This is largely the consequence of poor liquidity, particularly cash. Since self funding a large element of the capital works the College has had limited cash and this has been made worse in recent years due to the failure to achieve full funding allocations. Notwithstanding that, the continuing challenge to the College's financial position remains the constraint on further education funding arising from the ongoing cuts in public sector spending whilst maintaining the student experience.
This risk is mitigated in a number of ways:

- By rigorous budget setting procedures and sensitivity analysis
- Regular in year budget monitoring
- Robust financial controls
- Exploring ongoing procurement efficiencies

**KEY PERFORMANCE INDICATORS**

| **Financial KPIs (based on three-year financial forecast criteria)** | **2017/18 Actual Outturn** | **ECC KPIs Benchmark** |
|---|---:|---:|
| EBITDA % of Income Education | 4.3% | >10% |
| Depreciation - Capital Investment (Whole life costing) Excl. Grants | 4.84% | >10% |
| Generate a cash inflow from operating activities | 17.9% | >5% |
| Maintain borrowing as a percentage of income | 46.13% | <40% |
| Current ratio (adjusted) | 1.14 | >1 |
| Pay cost as a percentage of income (Excl. franchised) | 68.19% | <65% |

**Student achievements**

Overall student qualification achievement rates are reasonable at 77.5% ( 77.3% in 2016/17).

Overall student achievement on apprenticeship programmes is good and improving at 72.0% (66.1% in 2016/17).

## OTHER INFORMATION

### Public Benefit

East Coast College is an exempt charity under the 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. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 17 and 18.

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

In determining its mission, this public values statement takes note of the guidance from the Charity Commissioner regarding the requirement to report on the public benefit on the role of the college in the advancement of education.

### Equality

East Coast college has a Single Equality scheme which includes the following statement of intent:

"We aim to go beyond legislation to actively promote equality, inclusion and value diversity across the community, including the following Protected Characteristics:

- Age
- Disability
- Sex
- Sexual orientation
- Gender reassignment
- Race
- Religion or belief
- Pregnancy and maternity
- Marriage and civil partnership"

The duties of the Single Equality Scheme will be met in the following ways:

- Staff, students, contractors, suppliers and other stakeholders are aware of the value placed upon equal opportunity and that action will be taken in the event of any breach of the scheme
- Governors and staff have access to relevant and appropriate information which assists them to plan, implement and monitor actions to carry out their responsibilities under the scheme
- The college's publicity material aim to present appropriate and positive messages with regards to the 9 characteristics
- Schemes of work, lesson content and teaching resources demonstrate sensitivity and positive promotion of age, disability, gender identity, gender, race, religion or belief, sexual orientation and cultural diversity issues
- All students can access appropriate support and facilities
- Applicants for employment are drawn from a wide pool with positive action to encourage applications from under-represented groups
- Recruitment and promotion procedures are designed and implemented to minimise discrimination
- Staff development schemes are designed to meet the particular needs and enhance the skills of individuals of all under-represented groups
- To consult with staff and students through surveys, focus meetings and student voice forums
- To monitor and review all College policies for their impact on equalities for staff and students
- To actively engage in partnership agreements with groups outside of the College to actively promote community cohesion
- To seek the views of students, staff and stakeholders on how the College is meeting its core values, and act on the findings
- Ensure the development of an effective and diverse workforce

- Continue to work in partnership with local, regional and national employers to identify future labour market demands to ensure the best possible progression opportunities are provided to all our students
- To monitor achievement gaps and ensure that the relevant strategies drive to reduce any possible inequalities

The Single Equality Scheme is available on the College's website.

**Disability Statement**

The College seeks to achieve the objectives set down in the Equality Act 2010, and in particular makes the following commitments:

a) As part of the redevelopment of the buildings it is installing lifts and ramps so that eventually most of the facilities will allow access to people with a disability;
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 lighting, audio facilities or wheelchairs, which the College can make available for use by students or visitors;
d) The admissions policy for all students is described in the College charter. 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 programme information guides, and achievements and destinations are recorded and published in the standard College format;
g) Counselling and welfare services are described in the College Student Guide, 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 period | FTE employee number |
|---|---|
| 4 | 3 |

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

| | |
|---|---|
| Total cost of facility time | £3,726 |
| Total pay bill | £12,475,756 |
| Percentage of total bill spent on facility time | 0.03% |

| | |
|---|---|
| Time spent on paid trade union activities as a percentage of total paid facility time | 100% |

**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%. For the accounting period 1 August 2017 to 31 July 2018, the College has paid over 75% of its invoices within the 30 day period. The College incurred no interest charges in respect of late payment for this period.

**EVENTS AFER THE REPORTING PERIOD**

Leaders have secured a second positive merger outcome with the Lowestoft Sixth Form College which has safeguarded the broad curriculum offer to students, local and regional employers and key stakeholders. As a result the College has, continued to enhance strong partnership working which gives students great work experience opportunities, good advice and support.

Leaders and managers have taken robust action to review and maintain the financial health of the College – introducing better forecasting and financial controls allowing sufficient resources to enhance learning and increase support and learner experience.

The College is valued and trusted by its local community as an agent of social mobility and civic leadership. The college is inclusive with good re-engagement strategies for the most vulnerable students.

Most teachers use their considerable vocational expertise to ensure that students develop their practical skills well demonstrated in vocational pass rates.

All staff effectively advocate the values of respect and tolerance, as a result behaviour is good and students feel valued by the College.

Wellbeing is a strong feature of College life with students receiving a wide range of information through support services activity, teaching and learning activity and wellbeing tutorial approach.

Leaders and governors have strong potential to lead future improvements within a clear strategic framework and strategy led by the Principal and Curriculum Leadership Team.

Governors, Leaders and Mangers are fully involved and committed to the self-assessment process and the subsequent action planning and monitoring of the quality improvement plan as the key driver to improvement and risk management.

The College holds excellent long term trusted relationships with employers leading to continuous development of "good" Apprenticeship provision.

Staff provide excellent 'wraparound' services to support learners' well-being and welfare.

Most learners and apprentices develop industry- standard practical skills that are highly relevant to their intended careers or job roles.

Leaders ensure that there is welcoming and tolerant culture within the college, which is well understood by staff and learners.

Leaders have established a highly responsive and well-considered curriculum that meets the needs of employers and apprentices and A Level Courses. The College has strong relationships with local and regional employers providing enhanced employability skills, access to relevant industrial placement and influence over the curriculum.

Learners studying childcare, art, hairdressing, beauty therapy and media make-up courses make good progress.

The College has, since the balance sheet date, entered into an agreement for £6m energy works to be carried out in 2018/19.

On 1 August 2018 East Coast College merged with Lowestoft Sixth Form college. The activities of East Coast College and Lowestoft Sixth Form College will continue under East Coast College and therefore the financial statements of East Coast College for the year ended 31 July 2018 have been prepared under the going concern basis.

**Disclosure of information to auditors**

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

**Approved by order of the members of the Corporation of East Coast College and signed on its behalf by:**

**Mr M Burrows**
**Chair**

**Date:** 4/12/18

## Governance Statement

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2017 to 31 July 2018 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

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

The college is committed to exhibiting best practice in all aspects of corporate governance and in particular the College / Board has adopted and complied with the Code.

In the opinion of the Governors, the College complies with all the provisions of the Code, and it has complied throughout the year by the Governance Remuneration and Search Committee and throughout the Government Self-Assessment process for 2017/18.

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

### The Corporation

The members who served on the Corporation of East Coast College during the year and up to the date of signature of this report were as listed in the table below.

**Table 1. Governors serving on the College Board during 2017/18**

| Name | Date of most recent appointment | Term of office | Date of resignation | Status of appointment | Committees served | Corporation meeting attendance |
|---|---|---|---|---|---|---|
| Mike Burrows | 1 8 17 | 4 | | Independent | Governance Remuneration and Search | 7 out of 7 |
| Albert Cadmore | 1 8 17 | 4 | | Independent | Quality and Standards and Audit | 6 out of 7 |
| Mick Castle | 1 8 17 | 4 | | Independent | Finance and General Purposes | 5 out of 7 |
| Alan Debenham | 1 8 17 | 4 | | Independent | Finance and General Purposes and Governance Remuneration and Search | 2 out of 7 |
| Tina Ellis | 1 8 17 | 4 | | Independent | Quality and Standards, Governance Remuneration and Search and Estates | 7 out of 7 |
| Rob Evans | 1 8 17 | 4 | | Independent | Quality and Standards, Governance Remuneration and Search and Audit | 5 out of 7 |
| Jane Fermor | 26 9 17 | 4 | 18 7 18 | Staff | Finance and General Purposes and Estates | 4 out of 6 |
| Simon Gray | 1 8 17 | 4 | 11 4 18 | Independent | Audit | 1 out of 4 |
| David Hill | 1 8 17 | 4 | | Independent | Finance and General Purposes | 2 out of 7 |
| Saul Humphrey | 1 8 17 | 4 | | Independent | Finance and General Purposes | 7 out of 7 |
| Tony Ing | 1 8 17 | 4 | 1 8 18 | Independent | Audit | 2 out of 7 |
| Karen Knight | 1 8 17 | 4 | | Independent | Quality and Standards | 3 out of 7 |
| Keith Monaghan | 1 8 17 | 4 | 22 2 18 | Independent | Finance and General Purposes and Estates | 2 out of 3 |
| Gwen Parsons | 1 8 17 | 4 | 1 8 18 | Independent | Quality and Standards | 6 out of 7 |
| Debbie Pring | 26 9 17 | 4 | | Staff | Quality and Standards | 5 out of 7 |
| | | | | | | Cont/.. |

| Name | Date of most recent appointment | Term of office | Date of resignation | Status of appointment | Committees served | Corporation meeting attendance |
|---|---|---|---|---|---|---|
| Stuart Rimmer | 1 8 17 | 4 | | Principal | Quality and Standards, Finance and General Purposes Governance Remuneration and Search and Estates | 7 out of 7 |
| Peter Lavender | 19 12 17 | 4 | | Independent | Quality and Standards and Audit | 4 out of 4 |
| Judy Nichols | 27 2 18 | 4 | | Student | Quality and Standards | 4 out of 4 |
| Michaela Kent | 27 2 18 | 4 | 4 9 18 | Student | Quality and Standards | 2 out of 4 |
| Roger Cracknell | 01 08 18 | 4 | | Independent | Quality and Standards | N/A |
| David Carlin | 01 08 18 | 4 | | Independent | Audit | N/A |
| Richard Durrant | 25 09 18 | 1 | | Independent | Finance and General Purposes | N/A |
| The Director of Governance is Wendy Stanger | | | | | | |

**Governance Statement (continued)**

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

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

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 Finance and General Purposes, Quality and Standards, Governance, Remuneration and Search, Audit and Estates. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available from the Director of Governance at:

East Coast College Corporation
East Coast College
St Peter's Street
Lowestoft
NR32 2NB
Web address: www.eastcoast.ac.uk
w.stanger@eastcoast.ac.uk

The Director of Governance maintains a register of financial and personal interests of the Governors. The register is available for inspection at the above address.

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

Formal agendas, papers and reports are supplied to Governors in a timely manner using a governors' portal, prior to Board meetings. Briefings and training are also provided on an ad-hoc basis and to cover areas identified as requiring development.

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 and Principal are separate and this division is set out in the Instrument and Articles and Standing Orders.

**Appointments to the Corporation**

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Governance Remuneration and Search committee comprised of not less than five members, 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 of between 1 and 4 years. Additional terms of office are subject to recommendation by the Governance Remuneration and Search Committee and based on the Governance need.

**Corporation performance**

The East Coast College Corporation considered the College's performance for the year at a special Self-Assessment Report meeting held on 13th November 2018 and considered leadership and management to be 3 on the OFSTED scale.

**Governance Remuneration and Search Committee**

The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Principal and other senior post-holders.

Details of remuneration for the year ended 31 July 2018 are set out in note 6 to the financial statements.

**Audit Committee**

The audit committee is comprised of not fewer than four independent members of the Corporation. The following are eligible to be members of the Committee:

- The Principal and other Senior Post Holders;
- Those with executive responsibilities at senior level;
- Members of the Finance & General Purposes Committee;
- The Chair of the Corporation and
- Governors who have significant interests in the college.

The committee operates in accordance with written terms of reference approved by the Corporation.

The Audit Committee meets on a termly basis and provides a forum for reporting by the College's internal 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 Committee.

Management is responsible for the implementation of agreed recommendations and internal audit undertake periodic follow up reviews to ensure that such recommendations have been implemented. An internal action plan is also in place to monitor audit recommendations implementation.

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

**Internal Control**

*Scope of responsibility*

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

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

*The purpose of the system of internal control*

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in East Coast College for the year ended 31 July 2018 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 ended 31 July 2018 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

*The risk and control framework*

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

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

East Coast College has an internal audit service, which operates in accordance with the requirements of the Education and Skills Funding Agency '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 and the regularity auditors, in their management letters and other reports.

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

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

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

*Going concern*

On 1 August 2018 East Coast College merged with Lowestoft sixth form college. The activities of East Coast College and Lowestoft Sixth Form College will continue under East Coast College and therefore the financial statements of East Coast College for the year ended 31 July 2018 have been prepared under the going concern basis.

Approved by order of the members of the Corporation of East Coast College and signed on its behalf by:

**Mr M Burrows**
**Chair**

**Date:** 4/12/18

**Mr S Rimmer**
**Accounting Officer**

**Date:** 4/12/18

**Statement of Regularity, Propriety and Compliance**

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

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

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

Approved by order of the members of the Corporation of East Coast College and signed on its behalf by:

**Mr S Rimmer**
**Accounting Officer**

**Date:** 4/12/18

**Mr M Burrows**
**Chair**

**Date:** 4/12/18

**Statement of the Responsibilities of the Members of the Corporation**

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

Within the terms and conditions of the College's grant funding agreements and contracts with ESFA, the corporation – through its accounting officer – is required to prepare financial statements and an operating and financial review for each financial year in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education, ESFA's college accounts direction and the UK's Generally Accepted Accounting Practice, and which give a true and fair view of the state of affairs of the college and its surplus / deficit of income over expenditure for that period.

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

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 College.

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

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

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

Approved by order of the members of the Corporation of East Coast College and signed on its behalf by:

Mr Mike Burrows
Chair

Date: 4/12/18

## Independent auditor's report to the Corporation of East Coast College

### Opinion

We have audited the consolidated financial statements of East Coast College and its Group (the 'College and the 'Group') for the year ended 31 July 2018which comprise the Consolidated and College Statements of Comprehensive income, the Consolidated and College Statements of Changes in Reserves, the Consolidated and College Balance Sheet, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including; the *Statement of Recommended Practice: Accounting for Further and Higher Education 2015* (the 2015 FE HE SORP), the *College Accounts Direction for 2017 to 2018* and in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the 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 Group's and College's affairs as at 31 July 2018 and of its surplus of income over expenditure for the year then ended.
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education.

### Basis for opinion

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

### Conclusions relating to going concern

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

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

### Other information

The Corporation is responsible for the other information. The other information comprises the information included in the College's Report and Financial Statements other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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

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

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- all the information and explanations required for the audit were not received; or
- conclusions relating to appropriateness of the use of the going concern basis of accounting and disclosures of material uncertainties, subject to the requirements of ISA 570 Going Concern, and whether the auditor has concluded that there is a material misstatement in other information, subject to the requirements of ISA 720 The Auditor's Responsibilities Relating to Other Information

**Responsibilities of the Members of the Corporation of East Coast College**

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

In preparing the financial statements, the Corporation is responsible for assessing the Group's and College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Corporation intend to cease operations, or have no realistic alternative but to do so.

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

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

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

**Use of our report**

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

Scrutton Bland LLP

Scrutton Bland LLP
Chartered Accountants and Statutory Auditor
Fitzroy House
Crown Street
Ipswich IP1 3LG

Date: 14 December 2018

Scrutton Bland LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

**Reporting accountant's assurance report on regularity**

**To: The corporation of East Coast College and Secretary of State for Education acting through the Department for Education ("The Department")**

In accordance with the terms of our engagement letter and further to the requirements of the funding agreement with the Education and Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by East Coast College during the period 1 August 2017 to 31 July 2018 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 Department. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record (ILR) returns, for which the Department has other assurance arrangements in place.

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

**Respective responsibilities of East Coast College and the reporting accountant**

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the 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 2017 to 31 July 2018 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

**Approach**

We conducted our engagement in accordance with the Code issued jointly by the Department. 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:

- A review of the College's Self Assessment Questionnaire for the period 1 August 2017 to 31 July 2018.
- A review of the evidence supplied by the College to support the Self Assessment Questionnaire and discussions with members of the College's staff.
- Tests of detail.

**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 by East Coast College during the period 1 August 2017 to 31 July 2018 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Scrutton Bland

Scrutton Bland LLP
Chartered Accountants
Fitzroy House
Crown Street
Ipswich IP1 3LG

Date: 14 December 2018

## CONSOLIDATED AND COLLEGE STATEMENTS OF COMPREHENSIVE INCOME AND EXPENDITURE YEAR ENDED 31 JULY 2018

| | Notes | Group 2018 £000 | College 2018 £000 | Restated* Group 2017 £000 | Restated College 2017 £000 |
|---|---|---|---|---|---|
| **Income** | | | | | |
| Funding body grants | 2 | **16,453** | **16,453** | 16,458 | 16,458 |
| Tuition fees and education contracts | 3 | **4,375** | **3,629** | 4,101 | 3,263 |
| Other grants and contracts | 4 | **502** | **502** | 484 | 484 |
| Other income | 5 | **2,821** | **3,230** | 3,188 | 3,588 |
| **Total income** | | **24,151** | **23,814** | 24,231 | 23,793 |
| **Expenditure** | | | | | |
| Staff costs | 6 | **15,427** | **15,427** | 16,578 | 16,315 |
| Other operating expenses | 7 | **6,636** | **6,300** | 6,294 | 6,119 |
| Depreciation | 10 | **2,004** | **1,997** | 2,195 | 2,185 |
| Interest and other finance costs | 8 | **881** | **881** | 793 | 793 |
| **Total expenditure** | | **24,948** | **24,605** | 25,860 | 25,412 |
| **(Deficit) for the year before other gains and losses** | | **(797)** | **(791)** | (1,629) | (1,619) |
| Actuarial gain in respect of pension schemes | 19 | **3,724** | **3,724** | 3,949 | 3,949 |
| **Total Comprehensive Income / (Expenditure) for the year** | | **2,927** | **2,933** | 2,320 | 2,330 |

Total comprehensive income expenditure is unrestricted and is in respect of continuing activities.

*The comparative balances, set out on a number of pages within these financial statements, have been restated to reflect the combined position of the former colleges. See note 22.

## CONSOLIDATED AND COLLEGE STATEMENTS OF CHANGES IN RESERVES

| YEAR ENDED 31 JULY 2018 | Income and expenditure account £000 | Restricted Reserve £000 | Revaluation Reserve £000 | Total £000 |
|---|---|---|---|---|
| **Group** | | | | |
| **Restated balance at 1 August 2016** | (12,491) | 134 | 3,592 | (8,765) |
| Deficit from the income and expenditure account as previously stated | (1,272) | - | - | (1,272) |
| Prior year adjustment (Note 22) | (357) | - | - | (357) |
| Other comprehensive income | 3,949 | - | - | 3,949 |
| Transfers between revaluation and income and expenditure reserves | 97 | - | (97) | - |
| Net movement in learner support funds | - | 41 | | 41 |
| **Total comprehensive income / (expenditure) for the year** | 2,417 | 41 | (97) | 2,361 |
| **Restated balance at 31 July 2017** | **(10,074)** | **175** | **3,495** | **(6,404)** |
| Deficit from the income and expenditure account | **(797)** | - | - | **(797)** |
| Other comprehensive income | **3,724** | - | - | **3,724** |
| Transfers between revaluation and income and expenditure reserves | **100** | - | **(100)** | - |
| Net movement in learner support funds | - | - | - | - |
| **Total comprehensive income / (expenditure) for the year** | **3,027** | - | **(100)** | **2,927** |
| **Balance at 31 July 2018** | **(7,047)** | **175** | **3,395** | **(3,477)** |
| **College** | | | | |
| **Restated balance at 1 August 2016** | (12,883) | 134 | 3,592 | (9,157) |
| Deficit from the income and expenditure account | (1,262) | - | - | (1,262) |
| Prior year adjustment (note 22) | (357) | - | - | (357) |
| Other comprehensive income | 3,949 | - | - | 3,949 |
| Transfers between revaluation and income and expenditure reserves | 97 | - | (97) | - |
| Net movement in learner support funds | - | 41 | - | 41 |
| **Total comprehensive income / (expenditure) for the year** | 2,427 | 41 | (97) | 2,371 |
| **Restated balance at 31 July 2017** | **(10,456)** | **175** | **3,495** | **(6,786)** |
| (Deficit) from the income and expenditure account | **(791)** | - | - | **(791)** |
| Other comprehensive income | **3,724** | - | - | **3,724** |
| Transfers between revaluation and income and expenditure reserves | **100** | - | **(100)** | - |
| Net movement in learner support funds | - | - | - | - |
| **Total comprehensive income / (expenditure) for the year** | **3,033** | - | **(100)** | **2,933** |
| **Balance at 31 July 2018** | **(7,423)** | **175** | **3,395** | **(3,853)** |

## CONSOLIDATED AND COLLEGE BALANCE SHEETS
## AS AT 31 JULY 2018

| | Notes | Group 2018 £000 | College 2018 £000 | Restated Group 2017 £000 | Restated College 2017 £000 |
|---|---|---|---|---|---|
| **Non current assets** | | | | | |
| Tangible fixed assets | 10 | **34,733** | **34,698** | 34,697 | 34,655 |
| Investments | 11 | **-** | **1** | - | 1 |
| | | **34,733** | **34,699** | 34,697 | 34,656 |
| **Current assets** | | | | | |
| Trade and other receivables | 12 | **555** | **1,026** | 696 | 828 |
| Cash and cash equivalents | 17 | **4,744** | **4,010** | 1,351 | 1,105 |
| Total current assets | | **5,299** | **5,036** | 2,047 | 1,933 |
| **Less: Creditors - amounts falling due within one year** | 13 | **(6,032)** | **(6,111)** | (9,753) | (9,980) |
| **Net current liabilities** | | **(733)** | **(1,075)** | (7,706) | (8,047) |
| **Total assets less current liabilities** | | **34,000** | **33,624** | 26,991 | 26,609 |
| Creditors: amounts falling due after more than one year | 14 | **(26,783)** | **(26,783)** | (19,871) | (19,871) |
| **Provisions** | | | | | |
| Defined benefit obligations | 16 | **(10,459)** | **(10,459)** | (13,267) | (13,267) |
| Other Provisions | 16 | **(235)** | **(235)** | (257) | (257) |
| **Total net liabilities** | | **(3,477)** | **(3,853)** | (6,404) | (6,786) |
| **Reserves** | | | | | |
| Income and expenditure account | | **(7,047)** | **(7,423)** | (10,074) | (10,456) |
| Revaluation reserve | | **3,395** | **3,395** | 3,495 | 3,495 |
| Restricted reserves | | **175** | **175** | 175 | 175 |
| **Total reserves** | | **(3,477)** | **(3,853)** | (6,404) | (6,786) |

The financial statements on pages 30 to 57 were approved and authorised for issue by the Corporation of East Coast College on 4 DECEMBER 2018 and were signed on its behalf on that date by:

**Mr M Burrows**
Chair

**Mr S Rimmer**
Principal, Chief Executive and Accounting Officer

## CONSOLIDATED STATEMENT OF CASH FLOWS
## YEAR ENDED 31 JULY 2018

| | Notes | 2018 £000 | Restated 2017 £000 |
|---|---|---|---|
| **Cash inflow from operating activities** | | | |
| Deficit for the year | | **(797)** | (1,629) |
| **Adjustment for non-cash items** | | | |
| Depreciation | | **2,004** | 2,196 |
| Decrease in debtors | | **140** | 272 |
| (Decrease)/ increase in creditors | | **(562)** | 4 |
| Increase in provisions | | **(22)** | (13) |
| Pension costs less contributions payable | | **916** | 290 |
| Increase in restricted reserves | | **-** | 41 |
| Release of deferred capital grant | | **(915)** | (421) |
| **Adjustment for investing or financing activities** | | | |
| Interest payable | | **515** | 534 |
| **Net cash flow from operating activities** | | **1,279** | 1,274 |
| **Cash flows from investing activities** | | | |
| Investment income | | - | - |
| Payments made to acquire fixed assets | | **(2,040)** | (108) |
| | | **(2,040)** | 1,166 |
| **Cash flows from financing activities** | | | |
| Interest paid | | **(515)** | (534) |
| New loan – Education and Skills Funding agency | | **3,450** | 997 |
| Repayments of amounts borrowed | | **(490)** | (741) |
| Capital grants received | | **1,709** | - |
| | | **4,154** | (278) |
| **Increase in cash and cash equivalents in the year** | | **3,393** | 888 |
| Cash and cash equivalents at the beginning of the year | 17 | **1,351** | 463 |
| Cash and cash equivalents at the end of the year | 17 | **4,744** | 1,351 |

**NOTES TO THE FINANCIAL STATEMENTS**
**YEAR ENDED 31 JULY 2018**

## 1 ACCOUNTING POLICIES

### Statement of accounting policies and estimation techniques

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

### Basis of preparation

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

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

### Merger and restatement of comparatives

Following the merger of Great Yarmouth College and Lowestoft College on 1 August 2017 to form East Coast College, the comparative figures have been restated to combine the results, assets and liabilities of the predecessor colleges. See Note 22.

### Basis of accounting

The financial statements have been prepared under the historical cost convention as modified by the use of previous valuations as deemed cost at transition for certain fixed assets in accordance with applicable United Kingdom Accounting Standards.

### Basis of consolidation

The consolidated financial statements of the Group include the financial statements of the College and its subsidiary undertaking, Lowestoft and Waveney Education Services Limited, controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Under the purchase method of accounting, the results of subsidiary and associated undertakings acquired or disposed of during the year are included in the consolidated income and expenditure account from or up to the date on which control of the undertaking passes. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS 102, the activities of the student union have not been consolidated because the College does not control those activities. All financial statements are made up to 31 July 2018.

### Going Concern

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

As explained in the Members' Report the merger with Lowestoft College to form East Coast College on 1 August 2017 has now taken place offering an innovative and forward thinking strategy to best preserve and expand its educational offer.

The College's forecasts and financial projections demonstrate that it will be able to operate within the funding allocations confirmed by the funding bodies.

**NOTES TO THE FINANCIAL STATEMENTS**
**YEAR ENDED 31 JULY 2018**

The College currently has £6,865k of loans outstanding with bankers on terms negotiated in 2008. The terms of the existing agreement are for up to another 15 years. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

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

**Recognition of income**

*Revenue grant funding*

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under achievement for the Adult Education Budget is adjusted for and 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

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, non-governmental, capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being 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 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 provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit schemes, which are externally funded and contracted out of the State Second Pension.

**NOTES TO THE FINANCIAL STATEMENTS**
**YEAR ENDED 31 JULY 2018**

## 1 ACCOUNTING POLICIES

### Post-employment benefits continued

*Teachers' Pension Scheme (TPS)*

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

*Local Government Pension Scheme (LGPS)*

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

Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in interest and other finance costs.

Actuarial gains and losses are recognised immediately in 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 the service to the College. Any unused benefits are accrued and measured as an additional amount the College expects to pay as a result of the unused entitlement.

### Enhanced Pensions

The actual cost of any enhanced ongoing pensions to former members of staff is paid by the College annually. An estimate of the expected future cost of any enhancement to the ongoing pensions of former members of staff is charged in full to the College's income and expenditure account 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.

Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

## NOTES TO THE FINANCIAL STATEMENTS
## YEAR ENDED 31 JULY 2018

### 1 ACCOUNTING POLICIES

*Land and buildings*

Freehold land is not depreciated.

Freehold buildings are depreciated on a straight line basis over their expected useful economic life to the College of between 20 and 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic 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 capital grant account within creditors and are released to the income and expenditure account over the expected useful economic life of the related asset on a 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 the fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the Statement of Comprehensive Income and Expenditure.

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1996, at a 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 the 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 £500 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost.

All other equipment is depreciated over its useful economic life on a straight line basis as follows:

| | |
|---|---|
| Motor vehicles and general equipment | - 25% per year |
| Computer equipment | - 33.3% per year |
| Furniture and fittings | - 10% per year |

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

**NOTES TO THE FINANCIAL STATEMENTS**
**YEAR ENDED 31 JULY 2018**

## 1 ACCOUNTING POLICIES

### Borrowing Costs

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

### Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term to the Statement of Comprehensive Income and Expenditure. Any lease premiums or incentives relating to leases signed after 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 an obligation under finance leases. 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*

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

### 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 investment when it has a maturity of 3 months or less from the date of acquisition.

### Financial liabilities and equity

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

All loans, investments and short term deposits held by the Group are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction cost (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.

**YEAR ENDED 31 JULY 2018**

## 1 ACCOUNTING POLICIES

### Taxation

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

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

As the VAT on supplies and services received exceeds the VAT on sales, VAT represents a net cost to the College.

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

### Provisions and contingent liabilities

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

Where the effect of 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 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.

### Maintenance of premises

The cost of routine corrective maintenance is charged to the Statement of Comprehensive Income and Expenditure in the period it is incurred.

### Learner Support Fund

The Learner Support Fund grant from the funding bodies is available solely for students; the College acts only as a paying agent. The grants and related disbursements are therefore excluded from the income and expenditure account and are shown separately in note 21, except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant.

**YEAR ENDED 31 JULY 2018**

## 1 ACCOUNTING POLICIES

### 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 risk and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

- Determine whether there are indicators of impairment of the Group's tangible assets. 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 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 programs 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 19, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2018. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

**NOTES TO THE FINANCIAL STATEMENTS**
**YEAR ENDED 31 JULY 2018**

## 2 FUNDING BODY GRANTS

| | Group 2018 £000 | College 2018 £000 | Restated Group 2017 £000 | Restated College 2017 £000 |
|---|---|---|---|---|
| **Recurrent grants** | | | | |
| Education and Skills Funding Agency – adult | **1,711** | **1,711** | 1,936 | 1,936 |
| Education and Skills Funding Agency – 16-18 | **9,805** | **9,805** | 11,210 | 11,210 |
| Education and Skills Funding Agency - Work Based Learning including apprenticeships | **2,305** | **2,305** | 2,382 | 2,382 |
| **Specific grants** | | | | |
| Releases of Government capital grants | **915** | **915** | 930 | 930 |
| Exceptional grants for merger costs | **1,717** | **1,717** | - | - |
| | **16,453** | **16,453** | 16,458 | 16,458 |

## 3 TUITION FEES AND EDUCATION CONTRACTS

| | Group 2018 £000 | College 2018 £000 | Restated Group 2017 £000 | Restated College 2017 £000 |
|---|---|---|---|---|
| Adult education fees | **746** | - | 838 | - |
| Apprenticeship fees and contracts | **8** | 8 | 2 | 2 |
| Fees for FE Loan supported courses | **693** | 693 | 703 | 703 |
| Fees for HE Loan supported courses | **2,385** | 2,385 | 2,331 | 2,331 |
| **Total tuition fees** | **3,832** | 3,086 | 3,874 | 3,036 |
| Education contracts | **543** | 543 | 227 | 227 |
| Total | **4,375** | 3,629 | 4,101 | 3,263 |

**NOTES TO THE FINANCIAL STATEMENTS**
**YEAR ENDED 31 JULY 2018**

## 4 OTHER GRANTS AND CONTRACTS

| | Group 2018 £000 | College 2018 £000 | Restated Group 2017 £000 | Restated College 2017 £000 |
|---|---|---|---|---|
| Other | **502** | **502** | 484 | 484 |
| | **502** | **502** | 484 | 484 |

## 5 OTHER INCOME

| | Group 2018 £000 | College 2018 £000 | Restated Group 2017 £000 | Restated College 2017 £000 |
|---|---|---|---|---|
| Catering and residences | **239** | 239 | 313 | 313 |
| Other income generating activities | **1,818** | 1,818 | 1,799 | 1,799 |
| Miscellaneous income | **764** | 1,173 | 1,076 | 1,476 |
| | **2,821** | 3,230 | 3,188 | 3,588 |

**NOTES TO THE FINANCIAL STATEMENTS**
**YEAR ENDED 31 JULY 2018**

## 6 STAFF COSTS – GROUP

### Staff numbers

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

| | 2018 Number | Restated 2017 Number |
|---|---|---|
| Teaching staff | **183** | 206 |
| Non-teaching staff | **229** | 229 |
| | **412** | 435 |

### Staff costs

| | 2018 £000 | Restated 2017 £000 |
|---|---|---|
| Wages and salaries | **11,519** | 12,779 |
| Social security costs | **896** | 1,095 |
| Other pension costs (note 19) | **2,577** | 2,439 |
| | **14,992** | 16,313 |
| Contracted out staffing costs | **145** | 98 |
| Restructuring costs | **290** | 167 |
| Total Staff costs | **15,427** | 16,578 |

### 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, Vice Principal and Deputy Chief Executive and other senior staff. Staff costs include any compensation paid to key management personnel for loss of office.

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

The number of key management personnel including the Accounting Officer was:

| | 2018 No. | Restated 2017 No. |
|---|---|---|
| | **6** | 12 |

**NOTES TO THE FINANCIAL STATEMENTS**
**YEAR ENDED 31 JULY 2018**

## 6 STAFF COSTS - GROUP CONTINUED

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** | |
|---|---|---|---|---|
| | | Restated | | Restated |
| | **2018** | 2017 | **2018** | 2017 |
| £ 30,001 to £ 40,000 | 1 | - | - | - |
| £ 40,001 to £ 50,000 | 1 | - | - | - |
| £ 50,001 to £ 60,000 | 1 | 3 | - | - |
| £ 60,001 to £ 70,000 | - | 3 | - | - |
| £ 70,001 to £ 80,000 | 1 | 2 | - | - |
| £ 80,001 to £ 90,000 | - | - | - | - |
| £ 90,001 to £100,000 | - | - | - | - |
| £100,001 to £110,000 | - | 1 | - | - |
| £110,001 to £120,000 | 1 | 3 | - | - |
| £130,001 to £140,000 | 1 | - | - | - |
| | **6** | 12 | **-** | **-** |

The above table shows annualised salaries for individuals who held posts, although a number of these were only for a part of the year. The actual amounts therefore paid to these individuals are proportionate to their tenure.

**Key management personnel emoluments are made up as follows:**

| | **2018** | Restated 2017 |
|---|---|---|
| | **£000** | £000 |
| Salaries | **626** | 512 |
| Employers' National Insurance | **71** | 55 |
| Benefits in Kind | **-** | - |
| | **697** | 567 |
| Pension contributions | **124** | 73 |
| **Total emoluments** | **821** | 640 |

There were no amounts due to key management personnel that were waived in the year, nor any salary sacrifice arrangements in place.

**NOTES TO THE FINANCIAL STATEMENTS**
**YEAR ENDED 31 JULY 2018**

## 6 STAFF COSTS - GROUP CONTINUED

The Key management personnel emoluments includes amounts payable to the Accounting Officer (who is also the highest paid officer) of:

| | 2018 £000 | Restated 2017 £000 |
|---|---|---|
| Salaries | **151** | 116 |
| Employers national insurance | **19** | 7 |
| Benefits in kind | **-** | - |
| | **170** | 123 |
| Pension contributions | **24** | 14 |

The pension contributions in respect of the Principal and senior post-holders are in respect of employer's contributions to the Teachers' Pension Scheme and Local Government Pension Scheme and are paid at the same rate as for other employees.

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

## 7 OTHER OPERATING EXPENSES

| | Group 2018 £000 | College 2018 £000 | Restated Group 2017 £000 | Restated College 2017 £000 |
|---|---|---|---|---|
| Teaching costs | **696** | **555** | 1,213 | 1,103 |
| Non-teaching costs | **4,533** | **4,337** | 3,774 | 3,709 |
| Premises costs | **1,407** | **1,408** | 1,307 | 1,307 |
| | **6,636** | **6,300** | 6,294 | 6,119 |

Other operating expenses include :

| | 2018 £000 | Restated 2017 £000 |
|---|---|---|
| Auditor's remuneration: | | |
| - Financial statements audit | **24** | 48 |
| - Internal audit fees | **38** | 55 |
| - Other services provided by the external auditors | **1** | 9 |
| Hire of assets under operating leases | **69** | 55 |

**NOTES TO THE FINANCIAL STATEMENTS**
**YEAR ENDED 31 JULY 2018**

## 8 INTEREST AND OTHER FINANCE COSTS - GROUP

| | **2018** | Restated 2017 |
|---|---|---|
| | **£000** | £000 |
| On bank loans, overdrafts and other loans | **515** | 391 |
| Pension finance costs (note 19) | **366** | 402 |
| | **881** | 793 |

## 9 TAXATION

The members do not believe the Colleges were liable for any corporation tax arising out of their activities during either period with the exception of the amount liable in respect of retained profits within the subsidiary company.

## 10 TANGIBLE FIXED ASSETS

| | **Freehold Land and Buildings** | **Equipment** | **Assets in the course of construction** | **Total** |
|---|---|---|---|---|
| | **£000** | **£000** | **£000** | **£000** |
| **Cost or valuation** | | | | |
| At 1 August 2017 restated | **39,797** | **10,658** | **416** | **50,871** |
| Additions | **10** | **186** | **1,844** | **2,040** |
| Disposals | **-** | **-** | **-** | **-** |
| At 31 July 2018 | **39,807** | **10,844** | **2,260** | **52,911** |
| **Depreciation** | | | | |
| At 1 August 2017 restated | **11,780** | **4,394** | **-** | **16,174** |
| Charge for the year | **1,174** | **830** | **-** | **2,004** |
| Disposals | **-** | **-** | **-** | **-** |
| At 31 July 2018 | **12,954** | **5,224** | **-** | **18,178** |
| **Net book values** | | | | |
| At 31 July 2018 | **26,853** | **5,620** | **2,260** | **34,733** |
| At 31 July 2017 | 28,017 | 6,264 | 416 | 34,697 |

Land and buildings inherited from the local education authority were valued in 1996 at depreciated replacement cost by Suffolk County Council Surveyors, a firm of independent chartered surveyors, in accordance with the RICS Statement of Asset Valuation Practice and Guideline notes. Other tangible fixed assets inherited from the local education authority at incorporation have been valued by the Group on a depreciated replacement cost basis with the assistance of independent professional advice.

**NOTES TO THE FINANCIAL STATEMENTS**
**YEAR ENDED 31 JULY 2018**

## 10 TANGIBLE FIXED ASSETS CONTINUED

### College

| | Freehold Land and Buildings £000 | Equipment £000 | Assets in the course of construction £000 | Total £000 |
|---|---|---|---|---|
| **Cost or valuation** | | | | |
| At 1 August 2017 restated | **39,797** | **10,274** | **416** | **50,487** |
| Additions | **10** | **186** | **1,844** | **2,040** |
| Disposals | - | - | - | - |
| At 31 July 2018 | **39,807** | **10,460** | **2,260** | **52,527** |
| **Depreciation** | | | | |
| At 1 August 2017 restated | **11,780** | **4,052** | - | **15,832** |
| Charge for the year | **1,174** | **823** | - | **1,997** |
| Disposals | | | | |
| At 31 July 2018 | **12,954** | **4,875** | - | **17,829** |
| **Net book values** | | | | |
| At 31 July 2018 | **26,853** | **5,585** | **2,260** | **34,698** |
| At 31 July 2017 | 28,017 | 6,222 | 416 | 34,655 |

## 11 INVESTMENTS – College only

| | 2018 £000 | Restated 2017 £000 |
|---|---|---|
| **Amounts falling due within one year :** | | |
| Investments in subsidiary companies | **1** | 1 |
| | **1** | 1 |

The College owns 100% of the issued share capital of Lowestoft and Waveney Education Services Limited, a company incorporated in Great Britain and registered in England and Wales. The principal business activity of Lowestoft and Waveney Education Services Limited is the provision of education and training services. The results of the company are included within these consolidated financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**
**YEAR ENDED 31 JULY 2018**

## 12 DEBTORS

| | Group 2018 £000 | College 2018 £000 | Restated Group 2017 £000 | Restated College 2017 £000 |
|---|---|---|---|---|
| **Amounts falling due within one year :** | | | | |
| Trade receivable | **239** | **197** | 357 | 219 |
| Amounts owed by the Education and Skills Funding Agency | **168** | **168** | 15 | 15 |
| Subsidiary | **-** | **512** | - | 270 |
| Prepayments and accrued income | **148** | **149** | 324 | 324 |
| | **555** | **1,026** | 696 | 828 |

## 13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | Group 2018 £000 | College 2018 £000 | Restated Group 2017 £000 | Restated College 2017 £000 |
|---|---|---|---|---|
| Bank loans and overdrafts | 324 | **324** | 3,523 | 3,523 |
| Other loans | 123 | **123** | 25 | 25 |
| Trade creditors | 708 | **648** | 709 | 547 |
| Other taxation and social security | 250 | **234** | 281 | 258 |
| Other creditors and accruals | 2,610 | **2,182** | 1,072 | 999 |
| Subsidiary undertakings | - | **180** | - | 485 |
| Deferred income – Government capital grants | 954 | **938** | 1,011 | 1,011 |
| Amounts owed to Education and Skills Funding Agency | 356 | **783** | 2,230 | 2,230 |
| Other creditors | 707 | **699** | 902 | 902 |
| | **6,032** | **6,111** | 9,753 | 9,980 |

## 14 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | Group 2018 £000 | College 2018 £000 | Restated Group 2017 £000 | Restated College 2017 £000 |
|---|---|---|---|---|
| Bank loans | **6,541** | **6,541** | 3,657 | 3,657 |
| Deferred income – Government capital grants | **16,915** | **16,915** | 16,064 | 16,064 |
| Other loans | **3,327** | **3,327** | 150 | 150 |
| | **26,783** | **26,783** | 19,871 | 19,871 |

The bank loans due after 5 years are secured by charges over the College's freehold properties and repayable by instalments. They attract interest at commercial fixed and variable rates.

**NOTES TO THE FINANCIAL STATEMENTS**
**YEAR ENDED 31 JULY 2018**

## 15 MATURITY OF DEBT

### (a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

| | Group 2018 £000 | College 2018 £000 | Restated Group 2017 £000 | Restated College 2017 £000 |
|---|---|---|---|---|
| In one year or less | **324** | **324** | 5,773 | 5,773 |
| Between one and two years | **347** | **347** | 181 | 181 |
| Between two and five years | **1,269** | **1,269** | 610 | 610 |
| In five years or more | **4,925** | **4,925** | 2,866 | 2,866 |
| | **6,865** | **6,865** | 9,430 | 9,430 |

The bank loans are secured by charges over the College's freehold properties and repayable by instalments as follows:

Loan 1 - £414k repayable by instalments falling due between 1 August 2017 and 30 September 2026 and subject to interest of 6.% per annum.

Loan 2 - £3,252k repayable by instalments falling due between 1 August 2017 and 1 September 2033 and subject to interest of 6.19% per annum.

Loan 3 - £3,199k repayable by instalments falling due between 1 August 2017 and 1 September 2033 and subject to interest of 6.38% per annum.

## 16 PROVISIONS - GROUP

| | Defined benefit obligations £000 | Enhanced pensions £000 | Total £000 |
|---|---|---|---|
| At 1 August 2017 - restated | 13,279 | 245 | 13,524 |
| (Decrease) in provision in the period | (2,820) | (10) | (2,830) |
| At 31 July 2018 | **10,459** | **235** | **10,694** |

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government Pension Scheme. Further details are given in Note 19.

The enhanced pension provision relates to the cost of staff that have already left the College's employ. This provision has been recalculated in accordance with ESFA requirements.

The principal assumptions for this calculation are:

| | **2018** | 2017 |
|---|---|---|
| Price inflation (CPI) | 2.4% | 2.50% |
| Discount rate | 2.8% | 2.70% |

**NOTES TO THE FINANCIAL STATEMENTS**
**YEAR ENDED 31 JULY 2018**

## 17 CASH AND CASH EQUIVALENTS - GROUP

| | Restated At 1 August 2017 £000 | Cashflows £000 | Other Changes £000 | **At 31 July 2018 £000** |
|---|---|---|---|---|
| Cash and cash equivalents | 1,351 | 3,393 | - | **4,744** |
| | 1,351 | 3,393 | - | **4,744** |

## 18 LEASE OBLIGATIONS - GROUP

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

| **Future minimum lease payments due** | **2018 £000** | Restated 2017 £000 |
|---|---|---|
| **Other** | | |
| Not later than one year | **82** | 162 |
| Later than one year and not more than five years | **295** | 343 |
| | **377** | 505 |

## 19 DEFINED BENEFIT OBLIGATIONS - GROUP

The Groups's employees belong to two principal post-employment benefit plans, the Teachers' Pension Scheme England and Wales (TPS), for academic and related staff, and the Local Government Pension Scheme (LGPS), for non-teaching staff, which is split into two further plans managed by Suffolk County Council and Norfolk County Council respectively. Both schemes are multi-employer defined-benefit plans.

**Total pension cost for the year**

| | | **2018 £000** | **2018 £000** | 2017 £000 | Restated 2017 £000 |
|---|---|---|---|---|---|
| TPS: | Contributions payable | | **750** | | 951 |
| LGPS: | Contributions paid | **1,253** | | 1,308 | |
| | FRS 102 (28) charge | **538** | | 180 | |
| | | | **1,791** | | 1,488 |
| **Total pension cost for year** | | | **2,541** | | 2,439 |

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

Contributions amounting to £212k (2016/17 restated £157k) were payable to the schemes at 31 July 2018 and are included within creditors.

**NOTES TO THE FINANCIAL STATEMENTS**
**YEAR ENDED 31 JULY 2018**

## 19 DEFINED BENEFIT OBLIGATIONS - GROUP

### 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 and other educational establishments, including colleges. 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 2012. The valuation report was published by the Department for Education (the Department) on 9 June 2014. The key results of the valuation are:

- New employer contribution rates were set at 16.48% of pensionable pay (including administration fees of 0.08%);
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £191,500 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176,600 million giving a notional past service deficit of £14,900 million;
- An employer cost cap of 10.9% of pensionable pay will be applied to future valuations.
- The assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. the assumed notional rate of return is 5.06%.

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

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

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

The pension costs paid to TPS in the year amounted to £750k (2016/17 restated £951k).

**NOTES TO THE FINANCIAL STATEMENTS**
**YEAR ENDED 31 JULY 2018**

## 19 DEFINED BENEFIT OBLIGATIONS - GROUP

### Local Government Pension Scheme

The LGPS is two funded defined benefit plans, with the assets held in separate funds administered by Norfolk County Council and Suffolk County Council. The total contribution payable for the year ended 31 July 2018 was £1,892k (2016/17: restated £1,620k) of which employer's contributions totalled £1,354k (2016/17: restated £1,327k) and employees' contributions totalled £538k (2016/17: restated £293k). The agreed contribution rates for future years are between 20.5% and 28% for employers and range from 5.5% to 12.5% for employees depending on salary.

### Principal Actuarial Assumptions

The following information is based upon the latest actuarial valuation of the Funds as at 31 March 2016, updated to 31 July 2017, by a qualified independent actuary. The major assumptions used by the actuary were:

### Norfolk County Council

| | At 31.7.18 | At 31.7.17 |
|---|---|---|
| Rate of increase in salaries | 2.70% | 2.80% |
| Rate of increase in pension payments | 2.40% | 2.50% |
| Discount rate for scheme liabilities | 2.80% | 2.70% |
| Inflation assumptions (CPI) | 2.40% | 2.50% |

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

| | At 31.7.18 | At 31.7.17 |
|---|---|---|
| Retiring today: | | |
| Males | **22.10** | 22.10 |
| Females | **24.40** | 24.40 |
| Retiring in 20 years: | | |
| Males | **24.40** | 24.10 |
| Females | **26.40** | 26.40 |

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

| | % of total plan assets at 31 July 2018 | Fair Value at 31.7.18 £000 | Restated % total plan assets at 31 July 2017 | Restated Fair Value at 31.7.17 £000 |
|---|---|---|---|---|
| Equities | 53% | **9,008** | 62% | 9,635 |
| Other bonds | 33% | **5,609** | 25% | 3,885 |
| Property | 12% | **2,039** | 11% | 1,710 |
| Cash | 2% | **340** | 2% | 311 |
| **Total market value of assets** | | **16,996** | | 15,541 |
| **Weighted average expected long term rate of return** | | **7.4%** | | 8.4% |
| **Actual return on plan assets** | | **1,204** | | 1,264 |

**NOTES TO THE FINANCIAL STATEMENTS**
**YEAR ENDED 31 JULY 2018**

## 19 DEFINED BENEFIT OBLIGATIONS – GROUP

### Suffolk County Council

| | **At 31.7.18** | **At 31.7.17** |
|---|---|---|
| Rate of increase in salaries | 2.70% | 2.80% |
| Rate of increase in pension payments | 2.40% | 2.50% |
| Discount rate for scheme liabilities | 2.80% | 2.50% |
| Inflation assumptions (CPI) | 2.40% | 2.50% |

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

| | **At 31.7.18** | Restated At 31.7.17 |
|---|---|---|
| Retiring today: | | |
| Males | **21.90** | 21.90 |
| Females | **24.40** | 24.40 |
| | | |
| Retiring in 20 years: | | |
| Males | **23.90** | 23.90 |
| Females | **26.40** | 26.40 |

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

| | **% of total plan assets at 31 July 2018** | **Fair Value at 31.7.18 £000** | Restated % total plan assets at 31 July 2017 | Restated Fair Value at 31.7.17 £000 |
|---|---|---|---|---|
| Equities | 62% | **11,895** | 62% | 11,829 |
| Other bonds | 27% | **5,180** | 25% | 3,653 |
| Property | 10% | **1,918** | 11% | 1,740 |
| Cash | 1% | **192** | 2% | 173 |
| **Total market value of assets** | | **19,185** | | 17,395 |
| | | | | |
| **Weighted average expected long term rate of return** | | **7.8%** | | 9.8% |
| | | | | |
| **Actual return on plan assets** | | **1,427** | | 1,668 |

**NOTES TO THE FINANCIAL STATEMENTS**
**YEAR ENDED 31 JULY 2018**

## 19 DEFINED BENEFIT OBLIGATIONS - GROUP

### Local Government Pension Scheme

The amount included in the balance sheet in respect of the two defined benefit pension plans Is as follows:

| | 2018 £000 | Restated 2017 £000 |
|---|---|---|
| Fair value of plan assets | **36,181** | 32,936 |
| Present value of plan liabilities | **(46,640)** | (44,636) |
| Present value of unfunded liabilities | - | (1,579) |
| **Net pensions liability (Note 16)** | **(10,459)** | (13,279) |

is as follows :

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

| **Amounts included in staff costs** | 2018 £000 | Restated 2017 £000 |
|---|---|---|
| Current service cost | **1,892** | 1,504 |
| Past service cost | - | 3 |
| **Total** | **1,892** | 1,507 |
| **Amounts included in interest and other finance costs** | | |
| Net interest cost | **(366)** | (402) |
| | (366) | (402) |
| **Amounts recognised in Other Comprehensive Income** | | |
| Return on pension plan assets | **1,630** | 245 |
| Experience losses arising on defined benefit obligations | **(7)** | 4,624 |
| Changes in assumptions underlying the present value of plan liabilities | **2,101** | (920) |
| **Amount recognised in Other Comprehensive Income** | **3,724** | 3,949 |

**Movement in net defined benefit liability**

| | | |
|---|---|---|
| Net defined benefit in scheme at 1 August 2017 - restated | (13,279) | (16,646) |
| Movement in year: | | |
| Current service cost | (1,892) | (1,504) |
| Past service cost | - | (3) |
| Employer contributions | 1,354 | 1,308 |
| Losses / gains on curtailments and settlements | - | 3,624 |
| Contributions in respect of unfunded benefits | - | 19 |
| Net interest on the defined liability | (366) | (402) |
| Actuarial gain | 3,724 | 325 |
| **Net defined benefit liability at 31 July 2018** | (10, 459) | (13,279) |

**NOTES TO THE FINANCIAL STATEMENTS**
**YEAR ENDED 31 JULY 2018**

## 19 DEFINED BENEFIT OBLIGATIONS - GROUP

### Local Government Pension Scheme

### Asset and liability reconciliation

| | 2018 £000 | 2017 £000 |
|---|---|---|
| **Changes in the present value of defined benefit obligation** | | |
| Defined benefit obligation at start of period – restated | 46,215 | 47,861 |
| Current service cost | 1,892 | 1,507 |
| Interest cost | 1,264 | 1,159 |
| Contributions by scheme participants | 284 | 293 |
| Change in financial assumptions | (2,101) | (4,624) |
| Experience gains and losses on defined benefit obligations | 7 | 920 |
| Estimated benefits paid | (921) | (901) |
| **Defined benefit obligation at end of period** | **46,640** | 46,215 |

| | 2018 £000 | 2017 £000 |
|---|---|---|
| **Changes to fair value of plan assets** | | |
| Fair value of assets at start of period - restated | 32,936 | 31,215 |
| Interest on plan assets | 898 | 757 |
| Return on plan assets | 1,630 | 245 |
| Employer contributions | 1,354 | 1,327 |
| Contributions by scheme participants | 284 | 293 |
| Estimated benefits paid | (921) | (901) |
| **Fair value of plan assets at end of period** | **36,181** | 32,936 |

## 20 RELATED PARTY TRANSACTIONS - GROUP

Owing to the nature of the College's operations and the composition of the Board of Governors (some being drawn from local public and private sector organisations) it is inevitable that transactions will take place with organisations in which a Member of the Board of Governors may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures. No transactions were identified which should be disclosed under FRS 102 33 and the 2015 SORP section 25.

The total expenses paid to or on behalf of the Governors during the year was £924 – 6 Governors (2016/17: £2,925 - 6 Governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor Meetings and charity events in their official capacity.

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

**NOTES TO THE FINANCIAL STATEMENTS**
**YEAR ENDED 31 JULY 2018**

## 21 AMOUNTS DISBURSED AS AGENT

### Learner support funds

| | 2018 | Restated 2017 |
|---|---|---|
| | £000 | £000 |
| **Access Funds** | | |
| Funding body grants | 541 | 854 |
| Disbursed to and on behalf of students | (406) | (822) |
| Administration costs | (23) | (38) |
| **Balance for year** | 112 | (6) |
| Balance as at 1 August 2017 | 41 | 47 |
| **Balance as at 31 July 2018** | 153 | 41 |

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.

## 22 MERGER OF GREAT YARMOUTH COLLEGE AND LOWESTOFT COLLEGE

On 1 August 2017, Great Yarmouth College merged with Lowestoft College. This was effected through a legal transfer of undertakings whereby the activities, assets and liabilities of Great Yarmouth College where transferred to Lowestoft College. The name of the merged college was changed to East Coast College.

The net assets of each college at 1 August 2017 were as follows:

| | Great Yarmouth 2017 | Lowestoft Consolidated 2017 |
|---|---|---|
| | £000 | £000 |
| Non current assets | 18,947 | 15,750 |
| Current assets | 766 | 1,281 |
| Current liabilities | (1,811) | (7,581) |
| Creditors amounts falling due after more than one year | (14,174) | (5,697) |
| Provisions | (6,299) | (7,225) |
| **Balance as at 31 July 2017** | (2,571) | (3,472) |

## 22 MERGER OF GREAT YARMOUTH COLLEGE AND LOWESTOFT COLLEGE

Total income, the net deficit for the year and total comprehensive expenditure for the year ended 31 July 2017 for each college was as follows:

| | Great Yarmouth College | East Coast College Consolidated |
|---|---|---|
| | 2017 | 2017 |
| | £000 | £000 |
| Total Income | 12,155 | 12,437 |
| Deficit for the year after pension gains/losses | (12,330) | (9,585) |
| Prior year adjustment (note 23) | - | (357) |
| **Total comprehensive (expenditure)/income for the year** | (175) | 2,495 |

The restated comparative figures for 2017 reflect the merger of the two entities as above. Some reclassification of income and expenditure for 2017 has been made to ensure consistency between the two merged entities. A prior year adjustment has been made in respect of the previously published results of East Coast College (formerly Lowestoft College) (see note 23)

## 23 PRIOR YEAR ADJUSTMENT

Following the merger and after the 2016/17 financial statements were approved, a number of prior year adjustments in respect of accounting errors on the opening balance sheet of East Coast College were identified and accounted for as follows:

- An understatement of the clawback of ESFA funding for the 2016/17 year of £208,000.
- Unrecoverable debtor balances in respect of funding and grant receivables amounting to some £127,000.
- Debit balances on the purchase ledger relating to unrecorded liabilities totalling some £22,000.

The adjustment of £357,000 has resulted in a reduction in the 2016/17 total comprehensive income of the College and a commensurate increase in the opening reserve deficit.