



***Great Yarmouth College***  
***Annual Report and Financial Statements***  
***For the Year Ended 31 July 2017***

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

### **Key management personnel**

**Key management personnel are defined as members of the College Leadership Team and were represented by the following in 2016/17:**

Stuart Rimmer - Principal and CEO; Accounting officer  
Simon Eaton – Deputy Chief Executive  
Ruth Harrison – Vice Principal – Curriculum and Quality

### **Board of Governors**

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

### **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 TSB Bank plc  
41 Prince of Wales Road  
Norwich  
Norfolk NR1 1BL

#### **Solicitors:**

Norfolk County Council  
Martineau Lane  
County Hall  
Norwich  
Norfolk NR2 1NH

## CONTENTS

	Page number
<b>Members' Report</b>	<b>3</b>
<b>Statement of Corporate Governance and Internal Control</b>	<b>14</b>
<b>Governing Body's statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding</b>	<b>20</b>
<b>Statement of Responsibilities of the Members of the Corporation</b>	<b>21</b>
<b>Independent Auditor's Report to the Corporation of East Coast College</b>	<b>22</b>
<b>Reporting Accountant's Assurance Report on Regularity</b>	<b>24</b>
<b>Statement of Comprehensive Income</b>	<b>26</b>
<b>Statement of Changes in Reserves</b>	<b>27</b>
<b>Balance Sheet</b>	<b>28</b>
<b>Statement of Cash Flows</b>	<b>29</b>
<b>Notes to the Accounts</b>	<b>30</b>

## Members' Report

### NATURE, OBJECTIVES AND STRATEGIES

The members present their report and the audited financial statements for the year ended 31 July 2017.

#### Legal Status

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

The Corporation was incorporated as Great Yarmouth College of Further Education and traded as Great Yarmouth College.

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. This Members' Report and the financial statements that follow are the final set of accounts for Great Yarmouth College; and have been prepared by the Board of East Coast College with respect to Great Yarmouth College.

#### Vision & Mission

The College's vision, as approved by its members, is:

*'To transform through learning.'*

To achieve this, the College's Mission is to:

*'To develop individuals to contribute, learn and achieve for themselves, the community and the economy.'*

#### Public Benefit

Great Yarmouth 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 page 15.

The delivery of public benefit is covered throughout the Members' report.

#### Implementation of Strategic Plan

In the year ended 31 July 2015 the College adopted a new strategic plan for the period 2015 to 2020. This plan was structured around a series of key themes with objectives within each theme. The key elements of the strategic plan have subsequently been incorporated into that of East Coast College.

The College's strategic themes were:

#### Theme 1: We will ensure success and support progression

This will be achieved by:

- i) Increasing participation in Apprenticeships and Traineeships.
- ii) Working with local partners to reduce local NEET.
- iii) Ensuring that all students achieve their personal career plan goals and qualifications.
- iv) Implementing the 'GYC job guarantee', supporting all students progressing to an apprenticeship or higher level study.
- v) Increasing the number of students studying higher, technical and professional qualifications at levels 3, 4 and 5.
- vi) Information, advice and guidance linked to local labour market information and employer demand. There will be clear and well supported progression ladders for Level 1 to degree.
- vii) Refocussing our adult curriculum on retraining for higher level employment and increasing take up of loan funded programmes.

#### How will we know we have achieved?

- Participation rates for Further Education, Apprenticeships, Traineeships and degree level courses to increase by 5% each year.
- Progression rate above 90% for jobs and higher education.

- Success rates in the top 10% nationally for all our provision.
- Increasing the number of adult students accessing loans for Further Education and Higher Education by 20%.

**Theme 2: We will work with our regional and local employers to drive economic outcomes**

We will do this by:

- i) Communicating our offer more clearly to our employers.
- ii) Establishing strong key account management, underpinned by an effective Customer Relationship Management system.
- iii) Treating employers as our 'ultimate customers' and celebrating their successes.
- iv) Shaping our curriculum offer by listening and responding to local and regional employers and recognising the priorities of New Anglia Local Enterprise Partnership.
- v) Increasing our volumes of degree level and technical training.
- vi) Working alongside employer representative groups such as Chamber of Commerce, Federation of Small Businesses, East of England Energy Group and Enterprise GY.

**How will we know we have achieved?**

- Increasing project and commercial income by 25% per year.
- Increasing number of new large and Small Medium Enterprise (SME) employers we engage with by 10% per year.
- Improving success rates for Apprentices to top 10% nationally.
- Increasing participation on Traineeships and Apprenticeships by 10% per year.
- All students on Study Programmes to access work experience.
- Improving employer satisfaction rates to above 90%.

**Theme 3: We will focus on developing wellbeing for our staff and students**

We will action this by:

- i) Implementing a wellbeing programme for staff and students to enhance and support resilience and personal development.
- ii) Developing an innovative staff development programme supporting progression, industrial and professional practice.
- iii) Introducing a new strategy to recruit and retain the highest calibre staff and leaders to Great Yarmouth College.
- iv) Working collaboratively to signpost local support, helping staff and students feel safe and supported.
- v) Increasing staff and student involvement by improving consultation and communication.
- vi) Introducing industry best codes of practice for safety and behaviours linked to our values.

**How will we know we have achieved?**

- Over 500 people to participate in our GYC wellbeing programme.
- Increasing staff satisfaction rates.
- Increasing student satisfaction rates and all students report feeling safe.
- Absence rates for staff and students will be reduced.
- Achieving IIP Gold rating by 2020 and / or achieve Times100 Best Companies Listing.
- Increasing staff qualification rates and industrial skills.
- Investing in developing leadership capabilities for staff and students.

#### **Theme 4: We will build a long term sustainable college**

We will do this by:

- i) Exploring options for working collaboratively and actively seeking College and employer partnerships to meet the needs of our community.
- ii) Linking with local schools to support pre-16 offer alongside academies, free schools and University Technical Colleges (UTCs).
- iii) Generating annual surpluses for reinvestment.
- iv) Implementing a clear and published capital investment strategy for accommodation and equipment renewal.
- v) Developing and completing a 5-year Information Technology investment plan to adopt technology for all curriculum and integrate support systems.
- vi) Seeking and attracting new income streams through projects and partnerships.
- vii) Realigning our resources to strategic priorities and seeking annual efficiencies.
- viii) Improving the marketing and communication of the College to ensure growth and improving reputation.

#### **Financial Objectives**

The College's financial objectives as set out in the revised strategic plan were:

- Staff versus income ratio to 60%.
- Generating average annual trading surplus of at least 1.5% of income.
- Increasing project and full cost income by 25% per year.
- Investing £3M over next 5 years in capital (equipment and buildings).
- Substantially increasing income over the five year plan.
- Improving cash days in hand to 60.

A series of performance indicators were also agreed to monitor the successful implementation of the plan by the Corporation.

#### **Performance Indicators**

For the year 1<sup>st</sup> August 2016 to 31<sup>st</sup> July 2017 the College considers its financial health to be inadequate, this view is supported by the performance indicators provided by the funding bodies.

Funding for 16-18 learners provided by the Education and Skills Funding Agency (ESFA) exceeded allocation by £470,626 or 8.1% although no additional funding was received in the year to account for this.

During the year the College achieved and exceeded its classroom based allocation from the Education and Skills Funding Agency by £6,942 or 0.7%; no additional funding was received to account for this.

Funding for Apprentices was below the original allocation by £191,725 or 14.9%.

Funding from the Education and Skills Funding Agency for 19+ learners exceeded the original total allocation but did not achieve the Apprenticeship allocation so additional funding was not paid.

Achievement rates for all qualifications and all ages were 87.3% in the year.

The College is committed to observing the importance of sector measures and indicators and uses the FE Choices data available on the GOV.UK website which looks at measures such as success rates. The College is required to complete the annual Finance Record for the Education and Skills Funding Agency (ESFA). The Finance Record produces a financial health grading. The rating of inadequate is a disappointing outcome and reinforces the need to implement the recommendations of the ESFA Area Review, namely the merger with Lowestoft College to create East Coast College which occurred on 1<sup>st</sup> August 2017.

## **FINANCIAL POSITION**

### **Financial Results**

The College generated an operating deficit in the year of £292,000 (2015/16 – deficit £681,000). Total comprehensive expenditure after adjustments for the pension scheme provision was £175,000 (2015/16 £1,595,000).

At the year end the College had an accumulated reserves deficit of £3,301,000 (2015/16 - accumulated deficit of £3,134,000). This has increased slightly since last year due to the operating deficit in the year which was offset by a decrease on the pension reserve which improved the deficit by £117,000.

Cash balances at the year-end were £514,000 compared to a negative cash balance of £71,000 in 2015/16. The improvement in cashflow primarily resulted from an increase in income from externally funded projects which mitigated the decrease in other income sources, plus a reduction in expenditure arising from lower staff costs.

The College has significant reliance on the ESFA for its principal funding source, largely from recurrent grants. In 2016/17, the ESFA provided 65% of the College's total income (2015/16 66%).

### **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 2<sup>nd</sup> August 2017.

### **Bank Covenants**

Due to the introduction of FRS102 accounting policies, relating to pension deficits/reserves, the College had a number of technical breaches of its bank covenants. The Bank informed the College in Autumn 2016 that it would not issue revised covenants and would take no action in respect of the breach on the basis that the merger with Lowestoft College was proceeding. The merger did take place as planned on 1<sup>st</sup> August 2017 and the bank loans of both Great Yarmouth College and Lowestoft College have been allowed to continue with the new East Coast College. On that basis the accounts have been prepared on the basis that the loan can be treated as a long term liability.

### **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 £1,200,000 (2015/16 - £363,000), actual cash flow for the year resulted in an increase of £585,000 after payment of interest and capital for outstanding debts of £528,000.

### **Liquidity**

During the year, the College's liquidity position improved with net current liabilities at the year end of £1,045,000 compared to a net current liability of £1,391,000 for the previous 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 £4,065,000 in 2015/16 to £3,316,000 at 31<sup>st</sup> July 2017.

### **Reserves Policy**

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 College reserves include £135,000 (2015/16: £98,000) held as restricted reserves. As at the balance sheet date the Income and Expenditure reserve stood at a deficit of £3,301,000 (2015/16: deficit £3,134,000).



## **CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE**

### **Student numbers**

In 2016/17 the College delivered activity that produced £7,921,000 in Funding Council main allocation funding (2015/16 £7,959,000). The College had approximately 2,644 ESFA and 1,003 non-Council-funded students.

### **Student Achievements**

Overall student achievement remains strong at 87.3% (89.6% in 2015/16).

### **Curriculum Developments**

Approaches to teaching, learning and assessment are under continuous review and development in order to ensure that the curriculum meets the needs of the local community.

During October 2013 the college was inspected for the third time in 3 years achieving a judgment of 'Good', grade 2. Whilst the quality of provision has improved significantly the need to continue to review curriculum has not decreased. The introduction of Study programmes in 2013/14 and the raising of the participation age along with the need to respond to mandatory English and Maths delivery as a condition of funding means curriculum review remains of significant importance. Since inspection the College has completed three further rounds of self-assessment all of which have graded provision as 'Good', grade 2.

The College continues to cater for students with low levels of prior educational achievement with a significant number of students studying at levels one and two. From 2015/16 a new approach to level 1 delivery is being delivered, based around the teaching of English and Maths qualifications alongside the development of the softer skills of communication, responsibility, initiative and teamwork. These changes have been made to address the increasing concerns around those students with lower level attainment in schools being appropriately supported to increase their personal resilience, studentship and employability skills.

Demand for apprenticeship continues to grow, however the introduction of the apprenticeship levy in May of this year and the introduction of new standards has had an impact on recruitment in the final few months of the year. It is hoped that this is a temporary lull and that the levy will ultimately increase the overall demand for apprentices.

The College offers a range of courses for adults and in particular prepares students for university through Access courses and demand for this has remained strong, with Arts, Media and Computing Access courses being added to the offer to students.

The College is optimistic that it has halted the reduction in HE numbers which occurred in previous years and student numbers were strong during the year which helped maintain the level of HE income despite an increased top slice from the University of Suffolk. Further development of higher education courses for future years is on target for completion and student numbers have grown again for the 2017/18 intake.

### **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 2016 to 31 July 2017, the College has paid over 90% of its invoices within the 30 day period. The College incurred no interest charges in respect of late payment for this period.

## **Events after the end of the reporting period**

On 1 August 2017 Great Yarmouth College of Further Education and Lowestoft College merged to form East Coast College, operating from two campuses in Great Yarmouth and Lowestoft. With a combined enrolment of over 5,000 students and a combined income of £24 million, the two founding colleges will create an improved education and training provision locally.

A full range of vocational and traditional academic courses is offered, with integrated degree level opportunities, while maintaining a more solid financial footing at a time when public funding is under increasing pressure.

Because of the particular legal form of both Great Yarmouth College and Lowestoft College as a further education corporation (FEC) established under the Further and Higher Education Act 1992 there are a limited number of ways to effect the merger. The Government and our other regulators preferred a merger route that is known by Government as a "Type B merger" where one college (Great Yarmouth College of Further Education) chooses to dissolve and transfer its assets and liabilities to the other (Lowestoft College); this is the route used in the overwhelming majority of mergers between Further Education Colleges. This merger method is also the least time consuming and least administratively complex. Accordingly, following public consultation, Great Yarmouth College of Further Education dissolved with its assets transferred to Lowestoft College. Simultaneously the Corporation of Lowestoft College was renamed the East Coast College. There is no significance in the selection of Great Yarmouth College as the college to dissolve.

As a founding partner in the largest Further Education organisation in the East Coast area, Great Yarmouth College has strengthened to secure its viability in the future despite difficult operating conditions. On this basis, the Board of the East Coast College confirms, in respect of going concern and risk management reporting, that the Combined College believes it will be able to continue in operation and meet its liabilities taking into account the current position and principal risks for the foreseeable future. For this reason, it will continue to adopt the going concern basis in the preparation of its Financial Statements.

## **Future Prospects**

During the prior and current period the College completed two key elements of the property strategy. Firstly the refurbishment of the B block tower was completed in August 2016 and was opened for student use for the start of the 2016 academic year and secondly the College has refurbished the gym area and created a new fitness suite and studio from refurbished rooms on the groundfloor by the sporthall. These facilities were 50% funded by grant from Sports England and opened during Spring term 2016. As part of this work several areas on C corridor were also improved.

These facilities greatly improve the College infrastructure and mean that several areas have been significantly improved for students.

## **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. The College encourages staff and student involvement through membership of formal committees.

## **Taxation**

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

## **Resources**

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

## **Financial**

The College has £2,571,000 of net liabilities (including £6,054,000 pension liability) and long term debt of £3,657,000.

## **People**

The College employs 229 (2015/16 - 243) people (expressed as full time equivalents), of whom 112 (2015/16 – 115) are directly associated with delivery of teaching to students.

## **Reputation**

The College has a good reputation locally and nationally. Maintaining a quality brand is essential for the College's success at attracting students and external relationships. The College was inspected in October 2013 and was graded 2 'Good' in all areas and 'Good' overall including for leadership and management.

## PRINCIPAL RISKS AND UNCERTAINTIES

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

Based on the strategic plan, the 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 2016/17, 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.

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.

## **2. Tuition fee policy**

Ministers have confirmed that the fee assumption remains at 50%. In line with the majority of other colleges, Great Yarmouth 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 2016/17 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 2016/17. From 1<sup>st</sup> 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 2016/17 there has been an adverse movement in the actuarial valuation for the second year running. This now means that the overall Pension deficit is £6,054,000.

This risk is mitigated by an agreed deficit recovery plan with the 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 as described above. 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

## **STAKEHOLDER RELATIONSHIPS**

In line with other colleges and with universities, Great Yarmouth 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.

## Equality

The College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, gender, sexual orientation, disability, religion or belief and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry. This policy is resourced, implemented and monitored on a planned basis. The College's Equality Policy is published on the College's Intranet site.

The College publishes an Annual Equality Report and Equality Objectives to ensure compliance with all relevant equality legislation including the Equality Act 2010. The College undertakes equality impact assessments on all new policies and procedures and publishes the results. Equality impact assessments are also undertaken for existing policies and procedures on a prioritised basis.

The College is a 'Positive about Disabled' employer and has committed to the principles and objectives of the Positive about Disabled standard. The College considers all employment applications from disabled persons, bearing in mind the aptitudes of the individuals concerned, and guarantees an interview to any disabled applicant who meets the essential criteria for the post. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion which, as far as possible, provide identical opportunities to those of non-disabled employees.

## Disability Statement

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

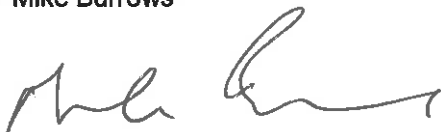
- a) as part of the redevelopment of the buildings it is installing lifts and ramps so that eventually most of the facilities will allow access to people with a disability;
- b) there is a list of specialist equipment, such as lighting, audio facilities or wheelchairs, which the College can make available for use by students or visitors;
- c) 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
- d) 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;
- e) specialist programmes are described in programme information guides, and achievements and destinations are recorded and published in the standard College format;
- f) counselling and welfare services are described in the College charter.

## 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 on 28<sup>th</sup> November 2017 and signed on its behalf by:**

Mr Mike Burrows



Chair

Date: 12/12/17



## **Statement of Corporate Governance and Internal Control**

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2016 to 31 July 2017 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 ended 31 July 2017. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of Code of Good Governance for English Colleges which it formally adopted in July 2015 and this was reviewed through the Governance Self-Assessment process for 2016/17.

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 Great Yarmouth College during the year and up to the date of dissolution of the Corporation were as listed in Table 1.

The Governors of East Coast College at the date of approval of this report are:

Mrs Jane Fermor  
Mrs Debbie Pring  
Mr Mike Burrows (Chair)  
Mr David Hill  
Mr Mick Castle  
Mr Stuart Rimmer (Principal and Accounting Officer)  
Mr Alan Debenham  
Mr Keith Monaghan  
Mrs Tina Ellis  
Mrs Gwen Parsons  
Mr Albert Cadmore  
Mr Saul Humphrey  
Ms Karen Knight  
Mr Simon Gray  
Mr Tony Ing

**Table 1. Governors serving on the College Board during 2016/17**

<b>Name</b>	<b>Date of most recent appointment</b>	<b>Term of office</b>	<b>Date of resignation (if prior to 1 August 2017)</b>	<b>Status of appointment</b>	<b>Committees served</b>	<b>Corporation meeting attendance</b>
Jane Beck	Re-appointed on 17.5.16	4 years		Independent		0/8
Albert Cadmore	16.07.13	4 years		Independent	GR&S, Audit, Standards	6/8
Linda Dyble	21.05.13	4 years		Associate Governor	Standards	N/A
Rob Evans	Re-appointed on 17.5.16	4 years		Independent	GR&S	8/8
Sam Sirdar	25.11.14	4 years		Independent	Standards and Audit	8/8
Brian Wilson	21.05.13	4 years		Independent	Standards and F&GP	7/8
Stuart Rimmer	15.07.14			Principal	F&GP, GRS and Standards	6/8
Mick Castle	15.07.14	4 years		Independent	F&GP	7/8
Fiona McDiarmid	15.07.14	4 years		Independent	Audit and Standards	6/8
Tony Wright	22.04.14	4 years		Independent	F&GP	5/8
David Hill	25.02.14	4 years		Independent	F&GP	6/8
Mike Burrows	15.12.15	4 years		Independent	Audit	7/8
Gary Crompton	20.05.14	4 years		Staff	F&GP	5/8
Mal Crozier	30.9.15	4 years		Staff	Standards and GR&S	6/8
Ryan Edmonds	24.11.15	4 years		Staff	GR&S	5/8
Jacqueline Blyth	24.03.15		13.9.16	HE Student	Standards	0/0
Lesley White	4.11.15		21.01.17	FE Student	Standards	0/3
<b>Mrs Wendy Stanger acts as Head of Governance</b>						



### **Statement of Corporate Governance and Internal Control (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, Standards, Governance, Remuneration and Search, Estates and Audit. 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](http://www.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 Clerk to the Corporation, 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, prior to Board meetings. Briefings are also provided on an ad-hoc basis.

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

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

### **Appointments to the Corporation**

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a 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 not exceeding four years, although members may serve more than one term of office but not normally more than two.

### **Corporation performance**

The East Coast College Corporation considered the College's performance for the year, as the review was after merger, at a special Self-Assessment Report meeting held on 7<sup>th</sup> November 2017 and considered leadership and management to be 'Inadequate' on the OFSTED scale. The Corporation noted that there was capacity to improve and that plans were in place to improve East Coast College.

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

### **Governance Remuneration and Search committee**

The committee's responsibilities include 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 2017 are set out in note 7 to the financial statements.

### **Audit Committee**

The audit committee comprises of four members of the Corporation (excluding the Principal and Chair). 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.

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 Great Yarmouth 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 Great Yarmouth College for the year ended 31 July 2017.

**Statement of Corporate Governance and Internal Control (continued)***Capacity to handle risk*

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ended 31 July 2017 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.

Great Yarmouth 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 senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior management team and the audit committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The audit committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the audit committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its 21<sup>st</sup> November 2017 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2017 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2017.

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

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 2017, the merger took place between Great Yarmouth College and Lowestoft College, to form East Coast College. The activities of Great Yarmouth College will continue under East Coast College and therefore the financial statements of Great Yarmouth College for the year ended 31 July 2017 have been prepared on a going concern basis.

Approved by order of the members of the Corporation of East Coast College on 28<sup>th</sup> November 2017 and signed on its behalf by:



**Mr Mike Burrows**  
Chair



**Mr Stuart Rimmer**  
Accounting Officer

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

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


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

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

Approved by order of the members of the Corporation of East Coast College on 28<sup>th</sup> November 2017 and signed on its behalf by:


**Stuart Rimmer**  
**Accounting Officer**

Date

  
30/11/17

**Mike Burrows**  
**Chair**

Date

  
12/12/17

## 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 Financial Memorandum between the Education and Skills Funding Agency and the Corporation of the College, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education* and with the College Accounts Direction 2016 - 2017 issued by the ESFA, and which give a true and fair view of the state of affairs of the College and the result for that year.

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 the relevant legislation of incorporation and other relevant accounting standards. It is responsible for taking steps that are reasonably open to it in order to safeguard the assets of the College and to prevent and detect fraud and other irregularities.

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

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from the ESFA are used only in accordance with the Financial Memorandum with the ESFA 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.

Great Yarmouth College dissolved on 1 August 2017. The above responsibilities of the Corporation have therefore been dealt with by the Corporation of East Coast College.

Approved by order of the members of the Corporation of East Coast College on 28<sup>th</sup> November 2017 and signed on its behalf by:



Mr Mike Burrows  
Chair



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

We have audited the financial statements of Great Yarmouth College for the year ended 31 July 2017 which comprise the Statement of Comprehensive Income, the Statement of Changes in Reserves, the Balance Sheet and Statement of Cash Flows and the related notes for the year ended 31 July 2017. 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 2016 to 2017 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).

This report is made solely to the Corporation of East Coast College, as a body, in accordance with Article 22 of Great Yarmouth College's Articles of Government. Our audit work has been undertaken so that we might state to the Corporation, as a body, 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.

### **Opinion on financial statements**

In our opinion, the financial statements

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the College's affairs as at 31 July 2017 and of the College's deficit of income over expenditure for the year then ended; and
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice 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 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 Annual 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 Great Yarmouth College**

As explained more fully in the Statement of the Responsibilities of the Members of the Corporation set out on Page 21, the Corporation is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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 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.

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

Date:

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 financial memorandum 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 Great Yarmouth College during the period 1 August 2016 to 31 July 2017 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 2016 to 31 July 2017 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 2016 to 31 July 2017.
- 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 Great Yarmouth College during the period 1 August 2016 to 31 July 2017 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

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

Date:

## STATEMENT OF COMPREHENSIVE INCOME

### YEAR ENDED 31 JULY 2017

<b>Income</b>	<b>Notes</b>	<b>2017 £000</b>	<b>2016 £000</b>
Funding body grants	2	9,256	9,332
Tuition fees and education contracts	3	1,673	1,748
Other grants and contracts	4	402	122
Other income	5	824	842
Investment income	6	-	-
<b>Total income</b>		<b>12,155</b>	<b>12,044</b>
<b>Expenditure</b>			
Staff costs	7	7,988	8,239
Other operating expenses	8	2,943	2,762
Depreciation	11	1,160	1,331
Interest and other finance costs	9	356	393
<b>Total expenditure</b>		<b>12,447</b>	<b>12,725</b>
<b>(Deficit) for the year before other gains and losses</b>		<b>(292)</b>	<b>(681)</b>
Actuarial gain / (loss) in respect of pension scheme		117	(914)
<b>Total Comprehensive Expenditure for the year</b>		<b>(175)</b>	<b>(1,595)</b>

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

## STATEMENT OF CHANGES IN RESERVES

### YEAR ENDED 31 JULY 2017

	Income and expenditure account £000	Restricted Reserve £000	Revaluation Reserve £000	Total £000
<b>Restated balance at 1<sup>st</sup> August 2015</b>	(1,578)	56	642	(880)
Deficit from the income and expenditure account	(681)	-	-	(681)
Other comprehensive expenditure	(914)	-	-	(914)
Transfers between revaluation and income and expenditure reserves	39	-	(39)	-
Net movement in learner support funds	-	42	-	42
<b>Total comprehensive expenditure for the year</b>	<b>(1,556)</b>	<b>42</b>	<b>(39)</b>	<b>(1,553)</b>
<b>Balance at 31<sup>st</sup> July 2016</b>	<b>(3,134)</b>	<b>98</b>	<b>603</b>	<b>(2,433)</b>
(Deficit) from the income and expenditure account	(292)	-	-	(292)
Other comprehensive income	117	-	-	154
Transfers between revaluation and income and expenditure reserves	8	-	(8)	-
Net movement in learner support funds	-	37	-	-
<b>Total comprehensive expenditure for the year</b>	<b>(167)</b>	<b>37</b>	<b>(8)</b>	<b>(138)</b>
<b>Balance at 31 July 2017</b>	<b>(3,301)</b>	<b>135</b>	<b>595</b>	<b>(2,571)</b>

## BALANCE SHEET AS AT 31 JULY 2017

	Notes	2017 £000	2016 £000
<b>Fixed assets</b>			
Tangible fixed assets	11	18,947	20,020
<b>Total fixed assets</b>		<b>18,947</b>	<b>20,020</b>
<b>Current assets</b>			
Trade and other receivables	12	252	325
Cash and cash equivalents	17	514	87
<b>Total current assets</b>		<b>766</b>	<b>412</b>
<b>Less: Creditors - amounts falling due within one year</b>	13	<b>(1,811)</b>	<b>(1,803)</b>
<b>Net current (liabilities)</b>		<b>(1,045)</b>	<b>(1,391)</b>
<b>Total assets less current liabilities</b>		<b>17,902</b>	<b>18,629</b>
Creditors: amounts falling due after more than one year	14	(14,174)	(14,924)
<b>Provisions</b>			
Defined benefit obligations	16	(6,054)	(5,881)
Other Provisions	16	(245)	(257)
<b>Total net (liabilities)</b>		<b>(2,571)</b>	<b>(2,433)</b>
<b>Reserves</b>			
Income and expenditure account		(3,301)	(3,134)
Revaluation reserve		595	603
Restricted reserves		135	98
<b>Total reserves</b>		<b>(2,571)</b>	<b>(2,433)</b>

The financial statements on pages 26 to 50 were approved and authorised for issue by the Corporation of East Coast College on 28<sup>th</sup> November 2017 and were signed on its behalf on that date by:



**Mr Mike Burrows**  
Chair



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

## STATEMENT OF CASH FLOWS

### YEAR ENDED 31 JULY 2017

	Notes	2017 £000	2016 £000
<b>Cash inflow from operating activities</b>			
Deficit for the year		(292)	(681)
<b>Adjustment for non-cash items</b>			
Depreciation		1,160	1,331
Decrease in debtors		73	29
(Decrease)/ increase in creditors due within one year		166	(191)
(Decrease)/ increase in creditors due after one year		(577)	(825)
(Decrease)/ Increase in provisions		(13)	15
Pension costs less contributions payable		290	250
Increase/(decrease) in restricted reserves		37	42
<b>Adjustment for investing or financing activities</b>			
Interest payable		356	393
<b>Net cash flow from operating activities</b>		<u>1,200</u>	<u>363</u>
<b>Cash flows from investing activities</b>			
Investment income		-	-
Payments made to acquire fixed assets		(87)	(894)
		<u>(87)</u>	<u>(894)</u>
<b>Cash flows from financing activities</b>			
Interest paid		(356)	(393)
Receipt of capital grants		-	150
Repayments of amounts borrowed		(172)	(155)
		<u>(528)</u>	<u>(398)</u>
<b>Increase / (Decrease) in cash and cash equivalents in the year</b>		<u>585</u>	<u>(929)</u>
Cash and cash equivalents at the beginning of the year	17	<u>(71)</u>	<u>858</u>
Cash and cash equivalents at the end of the year	17	<u>514</u>	<u>(71)</u>

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 JULY 2017

### 1 ACCOUNTING POLICIES

#### **Statement of accounting policies**

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

#### **Basis of preparation**

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2015* (the 2015 FE HE SORP), the College Accounts Direction for 2016 to 2017 and in accordance with Financial Reporting Standard 102 – “*The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland*” (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

#### **Basis of accounting**

The financial statements 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.

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 31 JULY 2017

#### 1 ACCOUNTING POLICIES

##### 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 for 2017/18

The College currently has £3,830,221 of loans outstanding with bankers on terms negotiated in 2008. The terms of the existing agreement are for up to another 16 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. The bank confirmed that the overdraft facility would remain in place until the merger.

##### Recognition of income

Funding body recurrent grants are recognised in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the ESFA adult learner responsive funding element 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 at the end of November following the year end. Employer responsive grant income is recognised based on a year-end reconciliation of income claimed and actual delivery with the ESFA. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

Non-recurrent grants from the funding bodies or other bodies received in respect of the acquisition of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets under the accrual model as permitted by FRS 102. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the Balance Sheet and released to income as conditions are met.

Income from tuition fees is recognised in the period for which it is receivable and includes all fees payable by students or their sponsors, for example the National Health Service. Income from grants, contracts and other services rendered is included to the extent of the completion of the contract or service concerned.

All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned. Income from specific endowments not expended in accordance with the restrictions of the endowment is transferred from the income and expenditure reserve to restricted reserves.

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. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the Balance Sheet and released to income as conditions are met.



## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 JULY 2017

### 1 ACCOUNTING POLICIES

#### 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.

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.

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 a 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 cost 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

##### (a) Land and buildings

Land and buildings inherited from the Local Education Authority (LEA) are stated in the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable. The associated credit is included in the revaluation reserve. The difference between the depreciation charged on the historic cost of assets and the actual charge for the year calculated on the revalued amount is released to the income and expenditure reserve on an annual basis. Land and buildings acquired and building improvements made since incorporation are included in the balance sheet at cost.

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 31 JULY 2017

#### 1 ACCOUNTING POLICIES

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

Finance costs which are directly attributable to the construction of land and buildings are not capitalised a part of the cost of those assets

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. An impairment review will also be carried out if there have been favourable events or changes in circumstances since the impairment loss was recognised that would indicate that the impairment loss no longer exists or may have decreased.

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and building, which were revalued in 1996, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

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 meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis:

- Market value of the fixed asset has subsequently improved
- Asset capacity increases
- Substantial improvement in the quality of output or reduction in operating costs
- Significant extension of the asset's life beyond that conferred by repairs and maintenance

#### (b) Buildings owned by third parties

Where land and buildings are used, but the legal rights are held by a third party, for example a charitable trust, they are only capitalised if the College has rights or access to ongoing future economic benefit. These assets are then depreciated over their expected useful economic life.

#### (c) 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.

Capitalised equipment is depreciated on a straight line basis as follows:

- |                                        |   |                       |
|----------------------------------------|---|-----------------------|
| • Motor vehicles and general equipment | - | seven and five years  |
| • Computer equipment                   | - | four years            |
| • Furniture and fittings               | - | seven and five years. |

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

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 31 JULY 2017

#### 1 ACCOUNTING POLICIES

##### 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. Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright and are capitalised at their fair value at the inception of the lease (or if lower the present value of minimum lease payments) and depreciated over the shorter of the lease term or the useful economic lives of equivalently owned assets. The corresponding liability to the lessor is included in the balance sheet within obligations under finance leases. 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. Where finance lease payments are funded in full from funding council capital equipment grants, the associated assets are designated as grant-funded assets.

##### 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.

##### 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 received no similar exemption in respect of Value Added Tax. For this reason the College is generally unable to recover input VAT it suffers on goods and services purchased. Non-pay expenditure is therefore shown inclusive of VAT with any partial recovery netted off against these figures.

##### 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.

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 31 JULY 2017

#### 1 ACCOUNTING POLICIES

##### **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 College 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.

##### **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.

##### **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 College's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

*Other key sources of estimation uncertainty:*

- *Tangible fixed assets*

Tangible fixed assets 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.

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 31 JULY 2017

#### 1 ACCOUNTING POLICIES

- *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 2017. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

#### 2 FUNDING BODY GRANTS

	2017 £000	2016 £000
<b>Recurrent grants</b>		
Education and Skills Funding Agency – adult	1,032	891
Education and Skills Funding Agency - 16-18	5,782	5,853
Education and Skills Funding Agency - Work Based Learning including apprenticeships	1,107	1,215
<b>Specific grants</b>		
Releases of Government capital grants	590	603
Other/Local Initiative Funds	745	770
	<b>9,256</b>	<b>9,332</b>

#### 3 TUITION FEES AND EDUCATION CONTRACTS

	2017 £000	2016 £000
UK Higher Education students	1,127	1,149
UK Further Education students	415	368
Other contracts	43	25
Other contracts – LEA and Schools	48	112
Other contracts – full cost	40	94
<b>Total tuition fees</b>	<b>1,673</b>	<b>1,748</b>
Education contracts	-	-
<b>Total</b>	<b>1,673</b>	<b>1,748</b>

Included within the above amounts are tuition fees funded by Learner Support Funds of £25,847 (2016: £30,943).

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 JULY 2017

### 4 OTHER GRANTS AND CONTRACTS

	2017 £000	2016 £000
Other	402	122
	<u>402</u>	<u>122</u>

### 5 OTHER INCOME

	2017 £000	2016 £000
Catering and residences	301	352
Other income generating activities	275	283
Miscellaneous income	248	207
	<u>824</u>	<u>842</u>

### 6 INVESTMENT INCOME

	£000	£000
Other interest received	-	-
	<u>-</u>	<u>-</u>

### 7 STAFF COSTS

#### Staff numbers

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

	2017 Number	2016 Number
Teaching staff	112	115
Non-teaching staff	117	128
	<u>229</u>	<u>243</u>

#### Staff costs

	2017 £000	2016 £000
Wages and salaries	6,317	6,661
Social security costs	504	469
Other pension costs (note 19)	1,167	1,109
	<u>7,988</u>	<u>8,239</u>

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 31 JULY 2017

#### 7 STAFF COSTS

##### 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, Deputy Chief Executive and Vice Principal – Curriculum & Quality.

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

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

2017	2016
No.	No.
3	3

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	
	2017	2016	2017	2016
£ 60,001 to £ 70,000	1	1	-	-
£ 70,001 to £ 80,000	1	1	-	-
£ 80,001 to £ 90,000	-	-	-	-
£ 90,001 to £100,000	-	-	-	-
£100,001 to £110,000	1	1	-	-
	3	3	-	-

##### Key management personnel compensation is made up as follows:

	2017 £000	2016 £000
Salaries	249	249
Employers' National Insurance	31	29
Benefits in Kind	-	-
	280	278
Pension contributions	40	38
Total emoluments	320	316

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 2017

#### 7 STAFF COSTS

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

	2017 £	2016 £
Salaries	106,050	106,050
Benefits in kind	-	-
	<u>106,050</u>	<u>106,050</u>
Pension contributions	<u>17,477</u>	<u>17,267</u>

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.

#### 8 OTHER OPERATING EXPENSES

	2017 £000	2016 £000
Teaching costs	688	455
Non-teaching costs	1,568	1,533
Premises costs	687	774
	<u>2,943</u>	<u>2,762</u>
Other operating expenses include :		
Auditor's remuneration:		
- Financial statements audit	18	16
- Internal audit fees	55	27
- Other services provided by the external auditors	7	1
	<u>7</u>	<u>44</u>

#### 9 INTEREST AND OTHER FINANCE COSTS

	2017 £000	2016 £000
On bank loans, overdrafts and other loans	213	222
Pension finance costs (note 19)	143	171
	<u>356</u>	<u>393</u>



## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 31 JULY 2017

#### 10 TAXATION

The College was not liable for any Corporation Tax arising out of its activities during the year.

#### 11 TANGIBLE FIXED ASSETS

	<b>Freehold Land and Buildings £000</b>	<b>Equipment £000</b>	<b>Total £000</b>
<b>Cost or valuation</b>			
At 1 August 2016	28,669	3,180	31,849
Additions	50	37	87
Disposals	-	(56)	(56)
At 31 July 2017	<u>28,719</u>	<u>3,161</u>	<u>31,880</u>
<b>Depreciation</b>			
At 1 August 2016	9,392	2,437	11,829
Charge for the year	859	301	1,160
Disposals	-	(56)	(56)
At 31 July 2017	<u>10,251</u>	<u>2,682</u>	<u>12,933</u>
<b>Net book values</b>			
At 31 July 2017	<u>18,468</u>	<u>479</u>	<u>18,947</u>
At 31 July 2016	<u>19,277</u>	<u>743</u>	<u>20,020</u>

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 31 JULY 2017

#### 12 DEBTORS

	2017 £000	2016 £000
<b>Amounts falling due within one year :</b>		
Trade receivable	81	160
Amounts owed by the Education and Skills Funding Agency	-	2
Prepayments and accrued income	171	163
	<u>252</u>	<u>325</u>

#### 13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £000	2016 £000
Bank loans and overdrafts	173	321
Trade creditors	322	243
Other taxation and social security	126	102
Other creditors and accruals	600	530
Deferred income – Government capital grants	590	603
Amounts owed to Education and Skills Funding Agency	-	4
	<u>1,811</u>	<u>1,803</u>

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

	2017 £000	2016 £000
Bank loans	3,657	3,830
Deferred income – Government capital grants	10,517	11,094
	<u>14,174</u>	<u>14,924</u>

The bank loans due after 5 years are unsecured and repayable through instalments. They attract interest at commercial fixed and variable rates.

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 31 JULY 2017

#### 15 MATURITY OF DEBT

##### (a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	2017 £000	2016 £000
In one year or less	173	321
Between one and two years	181	173
Between two and five years	610	577
In five years or more	2,866	3,081
	<u>3,830</u>	<u>4,152</u>

The bank loans are unsecured and repayable through instalments as follows:

Loan 1 - £450,677 repayable by instalments falling due between 1 August 2017 and 30 September 2026 and subject to interest of 5.7% per annum.

Loan 2 - £3,379,545 repayable by instalments falling due between 1 August 2017 and 1 September 2033 and subject to interest of 5.41% per annum.

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 31 JULY 2017

#### 16 PROVISIONS

	Defined benefit obligations £000	Enhanced pensions £000	Total £000
At 1 August 2016	5,881	257	6,138
Increase / (decrease) in provision in the period	173	(12)	161
At 31 July 2017	<u>6,054</u>	<u>245</u>	<u>6,299</u>

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:

	2017	2016
Price inflation (CPI)	2.5%	1.30%
Discount rate	2.7%	2.30%

#### 17 CASH AND CASH EQUIVALENTS

	At 1 August 2016 £000	Cashflows £000	Other Changes £000	At 31 July 2017 £000
Cash and cash equivalents	87	427	-	514
Overdrafts	(158)	158	-	-
	<u>(71)</u>	<u>585</u>	<u>-</u>	<u>514</u>

#### 18 EVENTS AFTER THE REPORTING PERIOD

On 1<sup>st</sup> August 2017, following public consultation, the Corporation of Great Yarmouth College dissolved with its assets and liabilities transferring to the Corporation of Lowestoft College. Simultaneously the Corporation of Lowestoft College was renamed East Coast College. More detail is given on page 9.

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 JULY 2017

### 19 DEFINED BENEFIT OBLIGATIONS

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

#### Total pension cost for the year

	2017 £000	2017 £000	2016 £000	2016 £000
TPS: Contributions payable		526		579
LGPS: Contributions paid	494		451	
FRS 102 (28) charge	147		79	
		641		530
<b>Total pension cost for year</b>		<b>1,167</b>		<b>1,109</b>

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

Contributions amounting to £109,913 (2015/16 £165,988) were payable to the schemes at 31 July 2017 and are included within creditors.

#### Teachers' Pension Scheme

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

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 JULY 2017

### 19 DEFINED BENEFIT OBLIGATIONS

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

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

The Teachers' Pensions Regulations 2010 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension increases). From 1 April 2001, the Account has been credited with a real rate of return which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

#### Valuation of the Teachers' Pension Scheme

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

- New employer contribution rates were set at 16.48% of pensionable pay (including administration fees of 0.08%);
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- An employer cost cap of 10.9% of pensionable pay 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 assessed and will be payable from 1 April 2019.

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

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

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 JULY 2017

### 19 DEFINED BENEFIT OBLIGATIONS

#### Scheme Changes

Following the Hutton report in March 2011 and the subsequent consultations with trade unions and other representative bodies on reform of the TPS, the Department published a Proposed Final Agreement, setting out the design for a reformed TPS to be implemented from 1 April 2015.

The key provisions of the reformed scheme include: a pension based on career average earnings; an accrual rate of 1/57<sup>th</sup>; and a Normal Pension Age equal to State Pension Age, but with options to enable members to retire earlier or later than their Normal Pension Age. Importantly, pension benefits built up before 1 April 2015 will be fully protected.

In addition, the Proposed Final Agreement includes a Government commitment that those within 10 years of Normal Pension Age on 1 April 2012 will see no change to the age at which they can retire, and no decrease in the amount of pension they receive when they retire. There will also be further transitional protection, tapered over a three and a half year period, for people who would fall up to three and a half years outside of the 10 year protection.

Regulations giving effect to a reformed Teachers' Pension Scheme came into force on 1 April 2014 and the reformed scheme commenced on 1 April 2015. The pension costs paid to TPS in the year amounted to £526,000 (2015/16 £579,000)

#### FRS 102 (28)

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

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

#### Local Government Pension Scheme

The LGPS is a funded defined benefit plan, with the assets held in separate funds administered by Norfolk County Council. The total contribution payable for the year ended 31 July 2017 was £640,000 (2015/16: £598,000) of which employer's contributions totalled £513,000 (2015/16: £470,000) and employees' contributions totalled £127,000 (2015/16: £128,000). The agreed contribution rates for future years are 20.5% 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 Fund as at 31 March 2013, updated to 31 July 2017, by a qualified independent actuary. The major assumptions used by the actuary were:

	At 31.7.17	At 31.7.16
Rate of increase in salaries	2.80%	2.90%
Rate of increase in pension payments	2.50%	1.90%
Discount rate for scheme liabilities	2.70%	2.40%
Inflation assumptions (CPI)	2.50%	1.90%

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 31 JULY 2017

#### 19 DEFINED BENEFIT OBLIGATIONS

##### Local Government Pension Scheme

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

	At 31.7.17	At 31.7.16
Retiring today:		
Males	22.10	22.10
Females	24.40	24.30
Retiring in 20 years:		
Males	24.10	24.50
Females	26.40	26.90

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

	% of total plan assets at 31 July 2017	Fair Value at 31.7.17 £000	% total plan assets at 31 July 2016	Fair Value at 31.7.16 £000
Equities	62%	9,635	59%	8,588
Other bonds	25%	3,885	27%	3,930
Property	11%	1,710	12%	1,747
Cash	2%	311	2%	291
<b>Total market value of assets</b>		<b>15,541</b>		<b>14,556</b>
<b>Actual return on plan assets</b>		<b>8.4%</b>		<b>2.3%</b>

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

	2017 £000	2016 £000
Fair value of plan assets	15,541	14,556
Present value of plan liabilities	(21,286)	(20,121)
Present value of unfunded liabilities	(309)	(316)
<b>Net pensions liability</b>	<b>(6,054)</b>	<b>(5,881)</b>



## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 JULY 2017

### 19 DEFINED BENEFIT OBLIGATIONS

#### Local Government Pension Scheme

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

	2017 £000	2016 £000
<b>Amounts included in staff costs</b>		
Current service cost	657	549
Past service cost	3	-
<b>Total</b>	<b>660</b>	<b>549</b>
<b>Amounts included in interest and other finance costs</b>		
Net interest cost	(143)	(171)
	<b>(143)</b>	<b>(171)</b>
<b>Amounts recognised in Other Comprehensive Income</b>		
Return on pension plan assets	380	1,141
Experience losses arising on defined benefit obligations	550	267
Changes in assumptions underlying the present value of plan liabilities	(813)	(2,322)
<b>Amount recognised in Other Comprehensive Income</b>	<b>117</b>	<b>(914)</b>
<b>Movement in net defined benefit liability</b>		
Net defined benefit in scheme at 1 August 2016	(5,881)	(4,717)
Movement in year:		
Current service cost	(657)	(549)
Past service cost	(3)	-
Employer contributions	494	470
Contributions in respect of unfunded benefits	19	-
Net interest on the defined liability	(143)	(171)
Actuarial gain / (loss)	117	(914)
<b>Net defined benefit liability at 31 July 2017</b>	<b>(6,054)</b>	<b>(5,881)</b>

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 31 JULY 2017

#### 19 DEFINED BENEFIT OBLIGATIONS

##### Local Government Pension Scheme

##### Asset and liability reconciliation

	2017 £000	2016 £000
<b>Changes in the present value of defined benefit obligation</b>		
Defined benefit obligation at start of period	20,437	17,432
Current service cost	660	549
Interest cost	495	633
Contributions by scheme participants	127	128
Change in financial assumptions	813	2,322
Other experience (gains)/losses	(550)	(267)
Estimated benefits paid	(387)	(360)
<b>Defined benefit obligation at end of period</b>	<b>21,595</b>	<b>20,437</b>
<b>Changes to fair value of plan assets</b>		
Fair value of assets at start of period	14,556	12,715
Interest on plan assets	352	462
Return on plan assets less interest	380	1,141
Employer contributions	513	470
Contributions by scheme participants	127	128
Estimated benefits paid	(387)	(360)
<b>Fair value of plan assets at end of period</b>	<b>15,541</b>	<b>14,556</b>

#### 20 RELATED PARTY TRANSACTIONS

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 organisations in which a member of the Board of Governors may have an interest 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 £2,289 - 5 Governors (2015/16: £967 - 4 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 2017

### 21 AMOUNTS DISBURSED AS AGENT

#### Learner support funds

	2017 £000	2016 £000
<b>Access Funds</b>		
Funding body grants	427	441
Disbursed to and on behalf of students	(411)	(415)
Administration costs	(19)	(21)
	<u>2</u>	<u>5</u>
<b>Balance as at 31 July 2017</b>	<u>2</u>	<u>5</u>

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. The income and expenditure consolidated in the College's financial statements relates to the purchase of some equipment from the access fund and the payment of accommodation by the College on the student's behalf.

