

Great Yarmouth College
Annual Report and Financial Statements
For the Year Ended 31 July 2016

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 2015/16:

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 13 of these financial statements.

Professional advisers:

Financial statements auditors and reporting accountants:

Scrutton Bland
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

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Member's Report

NATURE, OBJECTIVES AND STRATEGIES

The members present their report and the audited financial statements for the year ended 31 July 2016.

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 trades as 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

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 College's strategic themes are:

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 are to be:

- 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 has also been agreed to monitor the successful implementation of the plan and is monitored regularly by the Corporation.

Performance indicators

For the year 1st August 2015 to 31st July 2016 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 Funding Agency (EFA) exceeded allocation by £28,348 or 0.5% 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 Skills Funding Agency by £64,785 or 7.3%, no additional funding was received to account for this.

Funding for Apprentices was below the original allocation by £135,466 or 9.9%.

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

Success rates for all qualifications and all ages were 78.8% in the year with long qualifications at 77.4% and short qualifications at 85%.

The College is committed to observing the importance of sector measures and indicators and uses the FE Choices website which looks at measures such as success rates. The College is required to complete the annual Finance Record for the SFA. The Finance Record produces a financial health grading. The current rating of inadequate is a disappointing outcome and reinforces the need to implement the recommendations of the SFA Area Review.

FINANCIAL POSITION

Financial Results

The College generated an operating deficit in the year of £681,000 (2014/15 as restated - £78,000). Total comprehensive expenditure after adjustments for the pension scheme provision was £1,569,000 (2014/15 as restated £603,000).

At the year end the College has accumulated reserves deficit of £3,134,000 (2014/15 as restated - accumulated deficit of £1,579,000). This has increased significantly since last year due to the large deficit increase on the pension reserve which has increased the deficit by £1,164,000.

Cash balances at the year-end were overdrawn by £71,000 compared to a positive cash balance of £858,000 in 2014/15. The deterioration in cashflow was resulted from the spending of capital funds to support the campus redevelopment all of which had been received prior to the previous year end but not spent until this period.

The College has significant reliance on the SFA and EFA for its principal funding source, largely from recurrent grants. In 2015/16, the SFA and EFA provided 66% of the College's total income (2014/15 68.5%).

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 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 £192,000 (2014/15 as restated - £930,000), actual cash flow for the year resulted in a decrease of £929,000 after payment of interest and capital for outstanding debts of £222,000 (excluding expenditure on the major capital project).

Liquidity

During the year, the College's liquidity position deteriorated with net current liabilities at the year end of £1,391,000 compared to a net current liability of £615,000 for the previous year. This is associated with the trading deficit achieved during the year and the deterioration in the cash holdings of the College.

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. During the year this margin was not achieved due to the trading deficit generated despite a continued drive to reduce all debt. Net debt increased in the year from £3,290,000 in 2014/15 to £4,065,000 at 31st July 2016.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

In 2015/16 the College has delivered activity that has produced £8,585,978 in Funding Council main allocation funding (2014/15 £8,861,000). The College had approximately 1,296 SFA and EFA funded and 1,226 non-Council-funded students.

Student Achievements

Overall student achievement remains strong at 89.6% (95% in 2014/15).

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. For 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.

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 part as a result of the increase in tuition fees. New courses for this year include HNC/D Engineering and BA(Hons) Applied Care Practice. Further development of higher education courses for future years is on target for completion.

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 2015 to 31 July 2016, the College has paid over 95% 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

Since the end of the accounting period the College has been issued with a Financial Notice of Concern by the SFA based on the financial performance of the College. The financial health is judged to be inadequate for 2015/16. The College has a financial forecast prepared in May 2016 that projects that the College will address this and will return to a satisfactory rating by the end of the forecast period. However the ongoing work to merge with Lowestoft College should address this issue during 2016/17

As part of the merger process the Corporation has resolved to dissolve and a Notice of Dissolution will be published on 30 November 2016 to take effect from 31 March 2017.

Future Prospects

During the 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.

Going concern

Area Review

The College took part in what is now referred to as wave zero of the College Area Reviews. This was led by the then FE commissioner, Dr David Collins, alongside Peter Mucklow, the Sixth Form College Commissioner, national funding agencies and representatives from the Department of Business, Innovation and Skills. The review involved five local colleges and recommended a number of options including the merger of the Great Yarmouth College with Lowestoft College.

This project to merge the two colleges is now significantly advanced with an approved business plan for the merged entity which will be called East Coast College. The plan involves Great Yarmouth College dissolving and all assets, liabilities and staff transferring to Lowestoft College in the Spring of 2017. At the time of signing these accounts the business plan has been approved by both college boards and has been subject to due diligence by RSM. This plan forms the basis of an application to the Transaction Unit (TU) of the SFA for financial support for the merger. The colleges will know the outcome of this application early in 2017 with a planned merger implementation date of 1st April 2017. The Corporation has resolved to dissolve Great Yarmouth College on 31 March 2017 and a Notice to Dissolve will be published on 30 November 2016. Should the application to the TU not be successful then the planned merger will not be able to proceed and the Notice to Dissolve will be withdrawn.

Going concern

The College has made significant progress in the implementation of the planned merger with Lowestoft College. The Corporation anticipates that the financial support required from the TU will be forthcoming.

The College has secured continuation of banking facilities including loans and overdraft until the point of merger. It has set a budget which can be implemented as a 'standalone' organisation should the necessary financial support not be provided by the TU. However detailed financial forecasts are not available for the stand alone college as all focus is on the merged entity.

The College considers the merger to be the preferred way forward to secure provision in the area and if the merger were to be cancelled the College would look at alternative providers to achieve a similar solution.

As the Corporation believes that the merger will go ahead, the College's accounts have been prepared on a "going concern" basis.

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 £2,433,000 of net liabilities (including £5,881,000 pension liability) and long term debt of £3,830,000.

People

The College employs 243 (2014/15 - 240) people (expressed as full time equivalents), of whom 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 the SFA/EFA and HEFCE through University of Suffolk (UoS). In 2015/16, 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 SFA and EFA 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 planned for May 2017 will introduce a new 'Levy' funding system for this activity and the impact of this is uncertain. 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 after May.
- 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:

- 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 price elasticity of adult learning for the College is not yet fully understood. The risk for the College is that demand falls off as fees increase.

This risk is mitigated in a number of ways:

- For 2015/16 the College adopted Funding Council rates for all fees for mainstream delivery and work based apprentices and is using project monies to support fee costs wherever possible
- The College continues to encourage 24+ loan students to access loans to meet fee costs and this has seen continued growth during 2015/16. From 1st August this becomes the Advanced learner loan scheme and is extended to apply to all 19+ learners studying at level 3 and above where the qualification is not their first level 3
- The College will continue to utilise Learner Support Funds (LSF) to support disadvantaged learners with fees wherever permitted.

3. Maintain adequate funding of pension liabilities

The financial statements report the share of the pension scheme deficit on the College's balance sheet in line with the requirements of FRS 102. For 2015/16 there has been a significant adverse movement in the actuarial valuation for the second year running. This now means that the overall Pension deficit is £5,881,000.

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.

Equal Opportunities and Employment of Disabled Persons

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 Equal Opportunities 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:

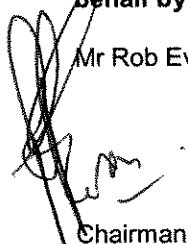
- a) as part of the redevelopment of the buildings it is installing lifts and ramps so that eventually most of the facilities will allow access to people with a disability;
- b) there is a list of specialist equipment, such as lighting, audio facilities or wheelchairs, which the College can make available 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 on 29th November 2016 and signed on its behalf by:

Mr Rob Evans



Chairman

Date:

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 2015 to 31 July 2016 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 which replaced the foundation code of governance.

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 of Good Governance for English Colleges.

In the opinion of the Governors, the College complies with all the provisions of the Code of Good Governance for English Colleges, and it has complied throughout the year ended 31 July 2016. 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 2015/16.

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 during the year and up to the date of signature of this report were as listed in Table 1.

Table 1. Governors serving on the College Board during 2015/16

Name	Date of most recent appointment	Term of office	Date of resignation	Status of appointment	Committees served	Corporation meeting attendance
Jane Beck	22.11.11 Re-appointed on 17.5.16 as per Corporation Item C/16/05/5	4 years		Independent	Estates*	1/7
Albert Cadmore	16.07.13	4 years		Independent	GR&S, Audit, Standards	6/7
Linda Dyble	21.05.13	4 years		Associate Governor	Standards	0/3
Rob Evans	20.03.12 Re-appointed on 17.5.16 as per Corporation Item C/16/05/5	4 years		Independent	GR&S	6/7
Susan Robertson	16.01.12	4 years	11.1.16	Independent	Standards, Audit, GR&S	0/3
Sam Sirdar	25.11.14	4 years		Independent	Standards, Estates* and Audit from June 2016	7/7
Tif Ward	22.11.11	4 years	21.11.15	Staff	GR&S	1/2
Brian Wilson	21.05.13	4 years		Independent	Standards, F&GP	7/7
Stuart Rimmer	15.07.14			Principal	Estates*, F&GP, GRS, Standards	6/7
Mick Castle	15.07.14	4 years		Independent	GR&S	7/7
Fiona McDiarmid	15.07.14	4 years		Independent	Audit, Standards	5/7
Tony Wright	22.04.14	4 years		Independent	F&GP, Estates*	6/7
David Hill	25.02.14	4 years		Independent	F&GP	4/7
Mike Burrows	15.12.15	4 years		Independent	Audit from June 2016	3/4
Gary Crompton	20.05.14	4 years		Staff	F&GP	5/7
Mal Crozier	30.9.15	4 years		Staff	Standards, GR&S	6/6
Ryan Edmonds	24.11.15	4 years		Staff	Estates	5/5
Tamsin Poulter	27.01.15	4 years	17.5.16	Independent	Audit, Standards	3/5
Jacqueline Blyth	24.03.15		13.9.16	HE Student	Standards	2/7
Lesley White	4.11.15			FE Student	Standards	5/6
Mrs Wendy Stanger acts as Head of Governance						

* Last Estates Meeting held on 29.2.16 as programme now complete

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 Head of Governance at:

Great Yarmouth College
Southtown
Great Yarmouth
Norfolk
NR31 0ED
Web address: www.gyc.ac.uk

The Head 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 College Corporation considered its performance for the year at a special Self-Assessment Report meeting held on 18th October 2016 and considered its performance as Good. The Corporation considered it was good against all four themes of the College's strategic plan.

Statement of Corporate Governance and Internal Control (continued)

Governance Remuneration and Search committee

In the year ended 31 July 2015 the College's remuneration committee was amalgamated with the Governance and Search Committee to form the Governance Remuneration and Search Committee and comprised five members. 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 2016 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 SFA/EFA. 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 2016 and up to the date of approval of the annual report and accounts.

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 2016 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 EFA and SFA's Joint 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 Principal 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 29 November 2016 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2016 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2016.

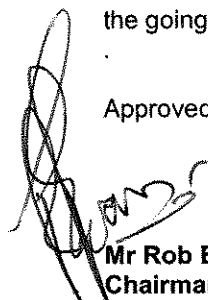
Based on the advice of the Audit Committee and the Principal, the Corporation is of the opinion that the College has an adequate and effective framework for governance, risk management and control, and has fulfilled its statutory responsibility for "the effective and efficient management of resources,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

Statement of Corporate Governance and Internal Control (continued)

Going concern

After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. This is subject to the merger plans identified above arising from the recommendations of the SFA Area Review. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

Approved by order of the members of the Corporation on 29th November 2016 and signed on its behalf by:



Mr Rob Evans
Chairman



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 Skills Funding Agency of material irregularity, impropriety and non-compliance with Skills Funding Agency terms and conditions of funding, under the financial memorandum in place between the College and the Skills Funding Agency. As part of its consideration the Corporation has had due regard to the requirements of the financial memorandum/funding agreement.

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 Skills Funding Agency's terms and conditions of funding under the College's financial memorandum.

We confirm that no instances of material irregularity, impropriety or funding noncompliance have been discovered to date. If any instances are identified after the date of this statement, these will be notified to the Skills Funding Agency.

Approved by order of the members of the Corporation on 29th November 2016 and signed on its behalf by:


Stuart Rimmer
Accounting Officer


Rob Evans
Chairman

Date

Date

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/Funding Agreement between the Skills Funding Agency/Education Funding Agency and the Corporation of the College, the Corporation, through its Principal, 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 2015 - 2016 issued jointly by the Skills Funding Agency and the Education Funding Agency, 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.

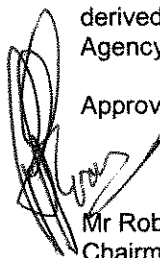
The Corporation is also required to prepare a Members' Report which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College.

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 Skills Funding Agency and Education Funding Agency are used only in accordance with the Financial Memorandum with the Skills Funding Agency and Education Funding Agency 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 Skills Funding Agency and Education Funding Agency are not put at risk.

Approved by order of the members of the Corporation on 29th November 2016 and signed on its behalf by:



Mr Rob Evans
Chairman

Independent auditor's report to the Corporation of Great Yarmouth College

We have audited the financial statements of Great Yarmouth College for the year ended 31 July 2016 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 2016. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Corporation, as a body, in accordance with statutory requirements. 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.

Respective responsibilities of members and auditors

As explained more fully in the Statement of the Responsibilities of the Members of the Corporation, the Corporation is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the College's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Corporation; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the College as at 31 July 2016 and of its deficit of income over expenditure for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education

Emphasis of matter

We draw attention to Note 1 in the financial statements which sets out the basis of preparation of the financial statements. The outcome of the application for funding to the Transaction Unit is currently not known and should it not be successful the viability of the college on a standalone basis will need to be carefully considered and appropriate funding secured. Therefore a material uncertainty exists that may cast doubt about the Colleges ability to continue as a going concern for the next 12 months. The financial statements do not include any adjustment that would be required should the College be unable to continue as a going concern. Our opinion is not qualified in respect of this matter.

Opinion on other matters prescribed by the Joint Audit Code of Practice issued jointly by the Skills Funding Agency and Education Funding Agency:

We have nothing to report in respect of the following matters where the Joint Audit Code of Practice 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.

Scrutton Bland

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

Date: 19 December 2016

Scrutton Bland 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 Great Yarmouth College and Secretary of State for Education acting through Skills Funding Agency

In accordance with the terms of our engagement letter and further to the requirements of the financial memorandum with 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 2015 to 31 July 2016 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 Joint Audit Code of Practice issued jointly by Skills Funding Agency and Education Funding Agency. 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 Skills Funding Agency has other assurance arrangements in place.

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

Respective responsibilities of Great Yarmouth College and the reporting accountant

The corporation of Great Yarmouth 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 Joint Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2015 to 31 July 2016 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 Joint Audit Code of Practice issued jointly by Skills Funding Agency and Education Funding Agency. 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 2015 to 31 July 2016.
- 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 during the period 1 August 2015 to 31 July 2016 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Scrutton Bland

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

Date: 19 December 2016

STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 JULY 2016

Income	Notes	2016 £000	2015 £000 Restated
Funding body grants	2	9,332	9,968
Tuition fees and education contracts	3	1,748	1,745
Other grants and contracts	4	122	375
Other income	5	842	846
Investment income	6	-	-
Total income		12,044	12,934
Expenditure			
Staff costs	7	8,239	8,591
Other operating expenses	8	2,762	3,096
Depreciation	11	1,331	939
Interest and other finance costs	9	393	386
Total expenditure		12,725	13,012
(Deficit) for the year before other gains and losses		(681)	(78)
Actuarial loss in respect of pension scheme		(914)	(525)
Total Comprehensive Expenditure for the year		(1,595)	(603)

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

STATEMENT OF CHANGES IN RESERVES


YEAR ENDED 31 JULY 2016

	Income and expenditure account £000	Restricted Reserve £000	Revaluation Reserve £000	Total £000
Restated balance at 1st August 2014	(1,080)	69	747	(264)
Deficit from the income and expenditure account	(78)	-	-	(78)
Other comprehensive expenditure	(525)	-	-	(525)
Transfers between revaluation and income and expenditure reserves	105	-	(105)	-
Net movement in learner support funds		(13)		(13)
Total comprehensive expenditure for the year	(498)	(13)	(105)	(616)
Balance at 31st July 2015	(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
Total comprehensive expenditure for the year	(1,556)	42	(39)	(1,553)
Balance at 31 July 2016	(3,134)	98	603	(2,433)

BALANCE SHEET AS AT 31 JULY 2016

	Notes	2016 £000	2015 £000 Restated
Fixed assets			
Tangible fixed assets	11	20,020	20,457
Total fixed assets		20,020	20,457
Current assets			
Trade and other receivables	12	325	354
Cash and cash equivalents	17	87	858
Total current assets		412	1,212
Less: Creditors - amounts falling due within one year	13	(1,803)	(1,827)
Net current (liabilities)		(1,391)	(615)
Total assets less current liabilities		18,629	19,842
Creditors: amounts falling due after more than one year	14	(14,924)	(15,763)
Provisions			
Defined benefit obligations	19	(5,881)	(4,717)
Other Provisions	16	(257)	(242)
Total net (liabilities)		(2,433)	(880)
Reserves			
Income and expenditure account		(3,134)	(1,578)
Revaluation reserve		603	642
Restricted reserves		98	56
Total reserves		(2,433)	(880)

The financial statements on pages 24 to 49 were approved and authorised for issue by the Corporation on 29th November 2016 and were signed on its behalf on that date by:



Mr Rob Evans
Chairman



Mr Stuart Rimmer
Principal, Chief Executive and
Accounting Officer

STATEMENT OF CASH FLOWS

YEAR ENDED 31 JULY 2016

	Notes	2016 £000	Restated 2015 £000
Cash inflow from operating activities			
Deficit for the year		(681)	(78)
Adjustment for non-cash items			
Depreciation		1,331	940
Decrease in debtors		29	156
(Decrease)/ increase in creditors due within one year		(191)	(156)
(Decrease)/ increase in creditors due after one year		(825)	(382)
Increase in provisions		15	3
Pension costs less contributions payable		250	265
Increase/(decrease) in restricted reserves		42	(6)
Adjustment for investing or financing activities			
Interest payable		222	188
Net cash flow from operating activities		192	930
Cash flows from investing activities			
Investment income		-	-
Payments made to acquire fixed assets		(894)	(4,676)
		(894)	(4,676)
Cash flows from financing activities			
Interest paid		(222)	(242)
Receipt of capital grants		150	4,118
Repayments of amounts borrowed		(155)	(147)
		(227)	3,729
Decrease in cash and cash equivalents in the year		(929)	(17)
Cash and cash equivalents at the beginning of the year	17	858	875
Cash and cash equivalents at the end of the year	17	(71)	858

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 JULY 2016

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 2015 to 2016 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.

Transition to the 2015 FE HE SORP

The College is preparing its Financial Statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the College has amended certain accounting policies to comply with FRS 102 and the 2015 FE HE SORP. The Governors have also taken advantage of certain exemptions from the requirements of FRS 102 permitted by FRS 102 Chapter 35 “Transition to the FRS”.

An explanation of how the transition to the 2015 FE HE SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the College is provided in note 22.

The 2015 FE HE SORP requires Colleges to prepare a single statement of comprehensive income, and not the alternative presentation of a separate income statement and a statement of other comprehensive income. This represents a change in accounting policy from the previous period where separate statements for the Income and Expenditure account and for the Statement of Total Recognised Gains and Losses were presented.

The application of first time adoption allows certain exemptions from the full requirements of the FRS 102 and the 2015 FE HE SORP in the transition period. The following exemptions have been taken in these financial statements:

- Revaluation as deemed cost – at 1st August 2014, the College has retained the carrying values of freehold properties as being deemed cost and measured at fair value

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 2016

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.

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 2016/17. However, given the considerable uncertainties affecting future funding allocations, and the outcome of the Area Review, the Corporation has decided that a merger with Lowestoft College offers an innovative and forward thinking strategy to best preserve and expand its educational offer.

As explained in the Members' Report, the merger with Lowestoft College is dependent on sufficient financial support being provided by the Transaction Unit (TU). An application has been made and the outcome will be known by early 2017.

The College currently has £3,933,000 of loans outstanding with bankers on terms negotiated in 2008. The terms of the existing agreement are for up to another 17 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 has confirmed that the overdraft facility will remain in place until the merger.

Should the application to the TU not be successful the merger will not be able to proceed. Should this happen the College would need to extend its detailed financial forecasts beyond 2016/17 to consider the viability of a standalone college.

The members of the Corporation believe that the application to the TU will be successful and that the merger will proceed. Therefore the members of the Corporation have a reasonable expectation that the College has adequate resources to continue in operational existence for a period of at least twelve months from the date of signing of these statements. For this reason the College will continue to adopt the going concern basis in the preparation of its annual financial statements.

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 SFA 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 SFA. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 JULY 2016

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 the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. 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 other gains and losses.

Actuarial gains and losses are recognised immediately in other recognised 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 2016

1 ACCOUNTING POLICIES

Freehold land is not depreciated. Freehold buildings are depreciated on a straight line basis over their expected useful economic life to the College of between 20 and 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life.

Where land and buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account within creditors and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

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. 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 2016

1 ACCOUNTING POLICIES

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term. 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 income and expenditure account 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 2016

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 2016

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 2013 has been used by the actuary in valuing the pensions liability at 31 July 2016. 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

	2016	2015
	£000	£000
Recurrent grants		
EFA and SFA Recurrent grant	6,744	7,486
Work Based Learning	1,215	1,375
Specific grants		
Releases of Government capital grants	603	382
Other/Local Initiative Funds	770	725
	<u>9,332</u>	<u>9,968</u>

3 TUITION FEES AND EDUCATION CONTRACTS

	2016	2015
	£000	£000
UK Higher Education students	1,149	1,087
UK Further Education students	368	387
Other contracts	25	17
Other contracts – LEA and Schools	112	141
Other contracts – full cost	94	113
Total tuition fees	<u>1,748</u>	<u>1,745</u>
Education contracts	-	-
Total	<u>1,748</u>	<u>1,745</u>

Included within the above amounts are tuition fees funded by Learner Support Funds of £30,943 (2014/15: £43,817).

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 JULY 2016

4 OTHER GRANTS AND CONTRACTS

	2016 £000	2015 £000
Other	122	375
	<u>122</u>	<u>375</u>

5 OTHER INCOME

	2016 £000	2015 £000
Catering and residences	352	362
Other income generating activities	283	279
Miscellaneous income	207	205
	<u>842</u>	<u>846</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:

	2016 Number	2015 Number
Teaching staff	115	121
Non-teaching staff	128	119
	<u>243</u>	<u>240</u>

Staff costs

	2016 £000	2015 £000
Wages and salaries	6,923	7,385
Social security costs	469	452
Other pension costs (note 19)	847	754
Redundancy costs	-	-
	<u>8,239</u>	<u>8,591</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2016

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:

2016	2015
No.	No.
3	3
<u>3</u>	<u>3</u>

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

	Key management personnel		Other Staff	
	2016	2015	2016	2015
£ 60,001 to £ 70,000	1	1	-	-
£ 70,001 to £ 80,000	1	1	-	-
£ 90,001 to £120,000	1	1	-	-
	<u>3</u>	<u>3</u>	<u>-</u>	<u>-</u>

Key management personnel emoluments are made up as follows:

	2016 £000	2015 £000
Salaries	249	243
Benefits in Kind	-	-
	<u>249</u>	<u>243</u>
Pension contributions	38	28
	<u>38</u>	<u>28</u>
Total emoluments	<u>287</u>	<u>271</u>

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 2016

7 STAFF COSTS

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

	2016 £000	2015 £000
Salaries	106,050	105,348
Benefits in kind	-	-
	<u>106,050</u>	<u>105,348</u>
Pension contributions	<u>17,267</u>	<u>12,827</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

	2016 £000	2015 £000
Teaching costs	455	785
Non-teaching costs	1,533	1,587
Premises costs	774	724
	<u>2,762</u>	<u>3,096</u>
Other operating expenses include :		
Auditor's remuneration:		
- Financial statements audit	16	16
- Internal audit fees	27	21
- Other services provided by the internal auditors	1	1
	<u>44</u>	<u>38</u>

9 INTEREST AND OTHER FINANCE COSTS

	2016 £000	2015 £000
On bank loans, overdrafts and other loans	222	226
Pension finance costs (note 19)	171	160
	<u>393</u>	<u>386</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2016

10 TAXATION

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

11 TANGIBLE FIXED ASSETS

	Freehold Land and Buildings £000	Equipment £000	Total £000
Cost or valuation			
At 1 August 2015	28,298	2,657	30,955
Additions	663	231	894
Transfers	(292)	292	-
At 31 July 2016	28,669	3,180	31,849
Depreciation			
At 1 August 2015	8,419	2,079	10,498
Charge for the year	973	358	1,331
At 31 July 2016	9,392	2,437	11,829
Net book values			
At 31 July 2016	19,277	743	20,020
At 31 July 2015	19,879	578	20,457

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2016

12 DEBTORS

	2016 £000	2015 £000
Amounts falling due within one year :		
Trade receivable	160	69
Amounts owed by the Skills Funding Agency	2	-
Prepayments and accrued income	163	285
	<u>325</u>	<u>354</u>

13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016 £000	2015 £000 Restated
Bank loans and overdrafts	321	154
Trade creditors	243	301
Other taxation and social security	102	141
Other Creditors and Accruals	530	579
Deferred income – Government capital grants	603	382
Amounts owed to Skills Funding Agency	4	270
	<u>1,803</u>	<u>1,827</u>

14 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2016 £000	2015 £000 Restated
Bank loans	3,830	3,994
Deferred income – Government capital grants	11,094	11,769
	<u>14,924</u>	<u>15,763</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 2016

15 MATURITY OF DEBT

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	2016 £000	2015 £000
In one year or less	321	154
Between one and two years	173	154
Between two and five years	577	420
In five years or more	3,081	3,420
	<u>4,152</u>	<u>4,148</u>

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

Loan 1 - £486,798 repayable by instalments falling due between 1 August 2016 and 30 September 2026 and subject to interest of 5.41% per annum.

Loan 2 - £3,506,878 repayable by instalments falling due between 1 August 2016 and 1 September 2033 and subject to interest of 5.7% per annum.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2016

16 PROVISIONS

	Defined benefit obligations £000	Enhanced pensions £000	Total £000
At 1 August 2015	4,717	242	4,959
Expenditure in the period	(470)	-	(470)
Increase in provision in the period	1,634	15	1,649
At 31 July 2016	<u>5,881</u>	<u>257</u>	<u>6,138</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 SFA and EFA requirements.

The principal assumptions for this calculation are:

	2016	2015
Price inflation	1.30%	1.00%
Discount rate	2.30%	3.55%

17 CASH AND CASH EQUIVALENTS

	At 1 August 2015 £000	Cashflows £000	Other Changes £000	At 31 July 2016 £000
Cash and cash equivalents	858	(771)	-	87
Overdrafts	-	(158)	-	(158)
	<u>858</u>	<u>(929)</u>	<u>-</u>	<u>(71)</u>

18 CAPITAL COMMITMENTS

	2016 £000	2016 £000
Commitments contracted for at 31 July	<u>-</u>	<u>435</u>

Capital commitments related to projects which were partly funded by the SFA.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2016

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

	2016 £000	2016 £000	2015 £000	2015 £000
TPS: Contributions payable		579		322
LGPS: Contributions payable	268		432	
FRS 102 (28) charge	79		66	
		347		498
Total pension cost for year		926		820

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 2013.

Contributions amounting to £nil (2015 £Nil) were payable to the schemes at 31 July 2016 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 2016

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.

The Teachers' Pensions Regulations require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of 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:

- 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 new employer contribution rate for the TPS was implemented in September 2015.

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 2016

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 1/57th; and a Normal Pension Age equal to State Pension Age, but with options to enable members to retire earlier or later than their Normal Pension Age. Importantly, pension benefits built up before 1 April 2015 will be fully protected.

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

Regulations giving effect to a reformed Teachers' Pension Scheme came into force on 1 April 2014 and the reformed scheme commenced on 1 April 2015. The pension costs paid to TPS in the year amounted to £579,000 (2015 £322,000)

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 2016 was £598,000 (2015: £563,000) of which employer's contributions totalled £470,000 (2015: £432,000) and employees' contributions totalled £128,000 (2015: £131,000). The agreed contribution rates for future years are 13% 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 2016, by a qualified independent actuary. The major assumptions used by the actuary were:

	At 31.7.16	At 31.7.15
Rate of increase in salaries	2.90%	3.50%
Rate of increase in pension payments	1.90%	2.60%
Discount rate for scheme liabilities	2.40%	3.60%
Inflation assumptions (CPI)	1.90%	2.60%

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2016

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 31.7.16	At 31.7.15
Retiring today:		
Males	22.10	22.00
Females	24.30	24.00
Retiring in 20 years:		
Males	24.50	25.00
Females	26.90	27.00

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

	Fair Value at 31.7.16 £000	Fair Value at 31.7.15 £000
Equities	8,588	7,502
Other bonds	3,930	3,306
Property	1,747	1,526
Cash	291	381
Total market value of assets	14,556	12,715
Weighted average return expected	25.0%	25.0%
Actual return on plan assets	2.3%	3.1%

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

	2016 £000	2015 £000
Fair value of plan assets	14,556	12,715
Present value of plan liabilities	(20,121)	(17,084)
Present value of unfunded liabilities	(316)	(348)
Net pensions liability	(5,881)	(4,717)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2016

19 DEFINED BENEFIT OBLIGATIONS

Local Government Pension Scheme

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

	2016 £000	2015 £000 Restated
Amounts included in staff costs		
Current service cost	549	498
Past service cost	-	1
Total	549	499
Amounts included in interest and other finance costs		
Net interest cost	(171)	(160)
	(171)	(160)
Amounts recognised in Other Comprehensive Income		
Return on pension plan assets	1,141	591
Experience losses arising on defined benefit obligations	267	111
Changes in assumptions underlying the present value of plan liabilities	(2,322)	(1,227)
Amount recognised in Other Comprehensive Income	(914)	(525)
Movement in net defined benefit liability		
Net defined benefit in scheme at 1 August 2015	(4,717)	(3,965)
Movement in year:		
Current service cost	(549)	(498)
Past service cost	-	(1)
Employer contributions	470	432
Net interest on the defined liability	(171)	(160)
Actuarial (loss)	(914)	(525)
Net defined benefit liability at 31 July 2016	(5,881)	(4,717)

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 JULY 2016

19 DEFINED BENEFIT OBLIGATIONS

Local Government Pension Scheme

Asset and liability reconciliation

	2016 £000	2015 £000
Changes in the present value of defined benefit obligation		
Defined benefit obligation at start of period	17,432	15,393
Current service cost	549	498
Interest cost	633	621
Contributions by scheme participants	128	131
Change in financial assumptions	2,322	1,116
Other experience (gains)/losses	(267)	1
Estimated benefits paid	(360)	(328)
Defined benefit obligation at end of period	20,437	17,432
Changes to fair value of plan assets		
Fair value of assets at start of period	12,715	11,428
Interest on plan assets	462	461
Return on plan assets less interest	1,141	591
Employer contributions	470	432
Contributions by scheme participants	128	131
Estimated benefits paid	(360)	(328)
Fair value of plan assets at end of period	14,556	12,715

20 RELATED PARTY TRANSACTIONS

Owing to the nature of the Colleges 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 £967; 4 Governors (2015: £2,732; 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.

Transactions with the funding bodies are detailed in notes 2, 12 and 13.

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 JULY 2016

21 AMOUNTS DISBURSED AS AGENT

Learner support funds

	2016 £000	2015 £000
Access Funds		
Funding body grants	441	522
Disbursed to and on behalf of students	(415)	(503)
Administration costs	(21)	(23)
Balance as at 31 July 2016	5	(4)

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

22 TRANSITION TO FRS 102 AND THE 2015 FE HE SORP

The year ended 31st July 2016 is the first year that the College has presented its financial statements under FRS 102 and the 2015 FE HE SORP. The following disclosures are required in the year of transition. The last financial statements prepared under previous UK GAAP were for the year ended 31st July 2015 and the date of transition to FRS 102 and the 2015 FE HE SORP was therefore 1st August 2014. As a consequence of adopting FRS 102 and the 2015 FE HE SORP, a number of accounting policies have changed to comply with those standards.

An explanation of how the transition to FRS 102 and the 2015 FE HE SORP has affected the College's financial position, financial performance and cash flows, is set out below.

	Note	1 st August 2014 £000	31 st July 2015 £000
Financial Position			
Total reserves under previous SORP		(29)	(644)
Employee leave accrual	(a)	(236)	(236)
Total effect of transition to FRS 102 and 2015 FE HE SORP		(236)	(236)
Total reserves under 2015 FE HE SORP		(265)	(880)

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 JULY 2016

	Note	
Financial performance		
Surplus for the year after tax under previous SORP		120
Pensions provision – actuarial loss	(b)	(525)
Changes to measurement of net finance cost on defined benefit plans	(b)	(198)
Total effect of transition to FRS 102 and 2015 FE HE SORP		(723)
Total comprehensive income for the year under 2015 FE HE SORP		(603)

a) Recognition of short term employment benefits

No provision for short term employment benefits such as holiday pay was made under the previous UK GAAP. Under FRS 102 the costs of short term employee benefits are recognised as a liability and an expense. The annual leave year runs to 31st August each year for teaching and 30 April each year for non-teaching staff meaning that, at the reporting date, there was an average of 15 days unused leave for teaching staff and 17.4 days unused leave for non-teaching staff. In addition, certain non-teaching employees are entitled to carry forward up to 5 days of any unused holiday entitlement at the end of the leave year. The cost of any unused entitlement is recognised in the period in which the employee's services are received. An accrual of £236,000 was recognised at 1 August 2014, and £236,000 at 31 August 2015. Following a re-measurement exercise in 2015/16, the movement on this provision of £Nil has been released to comprehensive income in the year ended 31 July 2016.

b) Change in recognition of defined benefit plan finance cost

The net pension finance cost recognised in the Income and Expenditure account for the year ended 31st July 2015 under the previous UK GAAP was the net of the expected return on pension plan assets and the interest on pension liabilities. FRS 102 requires the recognition in the Statement of Comprehensive Income, of a net interest cost, calculated by multiplying the net plan obligations by the market yield on high quality corporate bonds (the discount rate applied). The change has had no effect on net assets as the measurement of the net defined pension plan obligation has not changed. Instead, the decrease in the surplus for the year has been mirrored by a reduction in the actuarial losses presented within Other Comprehensive Income.

c) Presentation of actuarial gains and losses within Total Comprehensive Income

Actuarial gains and losses on the Colleges defined benefit plans were previously presented in the Statement of Total Recognised Gains and Losses (STRGL), a separate statement to the Income and Expenditure account. All such gains and losses are now required under FRS 102 to be presented within the Statement of Comprehensive Income, as movements in Other Comprehensive income.