EAST COAST COLLEGE
(FORMERLY LOWESTOFT COLLEGE)

Report and Financial Statements

for the year ended 31 July 2017

Key Management Personnel, Board of Governors and Professional advisers

Key management personnel

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

Jason King	**Interim Principal; Accounting Officer (from 1st August 2016 to 21st November 2016)**
Malcolm Cowgill	**Interim Principal; Accounting Officer (from 22nd November 2016 to 30th March 2017)**
Stuart Rimmer	**Accounting Officer (from 31st March 2017)**
Simon Eaton	**Deputy Chief Executive (from 31st March 2017)**
Rachel Bunn	**Interim Deputy Principal (from 1st August 2016 to 30th March 2017)**
Ruth Harrison	**Deputy Principal (from 31st March 2017)**
Lee Johnson	**Director for HE and E-Learning (from 1st August 2016 to 31st December 2016)**
Christine McGuinness	**Director for Students and Community (from 1st August 2016 to 30th March 2017)**
Ian Pease	**Commercial Executive Director (from 1st August 2016 to 30th March 2017)**

Board of Governors

A full list of Governors is given on pages 18 to 21 of these financial statements.

Mr T Bright acted as Clerk to the Corporation throughout the period.

On 1st August 2017 Lowestoft College acquired the assets and liabilities of Great Yarmouth College to form the merged East Coast College.

Professional advisers

Financial statements auditors and reporting accountants:
KPMG LLP
Dragonfly House
2 Gilders Way
Norwich
NR3 1UB

Bankers - Barclays
Barclays Bank
Barclays Corporate
PO Box 216 Brightwell Court
Martlesham Health
Ipswich BX3 2BB

Bankers - Lloyds
Lloyds Bank
Endeavor House
Chivers Way
Histon
Cambridge, CB24 92R

Capital Loan
Lloyds TSB Corporate Markets
25 Gresham Street
London
EC2V 7HN

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

CONTENTS

Members' Report

NATURE, OBJECTIVES AND STRATEGIES:

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

In the following pages, pre-merger is used to denote the strategies and position for the College pre-merger (i.e. up to 31 July 2017) and post-merger has been used in reporting the forward looking aspects of this report.

Legal status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting Lowestoft College. The College is an exempt charity for the purposes of the Charities Act 1993 as amended by the Charities Act 2011 and following the Machinery of Government changes in July 2016 is regulated by the Secretary of State for Education.

The College entered into a Federation Agreement with Great Yarmouth College on 31 March 2017 in preparation for a merger of the two Colleges which took place on 1 August 2017 to form East Coast College.

Lowestoft College Mission (pre-merger)

To motivate and inspire all students, through learning and development that is challenging and supportive; where students are able to achieve their full potential and make progress towards rewarding futures within employment and make a positive contribution within their communities.

East Coast College Mission (post-merger)

To develop individual, local and regional prosperity and wellbeing.

Public Benefit

Lowestoft College, which became known as East Coast College on 1st August 2017, is an exempt charity under Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Business, Innovation and Skills as Principal Regulator for all FE Corporations in England. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 18 to 21.

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

In determining its vision and core values this public values statement takes note of the guidance from the Charity Commissioner regarding the requirement to report on the public benefit on the role of the College in the advancement of education.

Lowestoft College Vision (pre-merger)

The vision of the College was to be ***'The College of Choice; Delivering Excellence'***

It aimed to achieve this through the following College values:

- Students come first
- Our priority is learning and teaching
- Providing a welcoming and safe environment
- Respecting everyone as an individual
- Expecting the best of ourselves and others
- Achieving more by working together

Members of the public could measure the success of the College and the value that it added to the communities it worked with via:

- Student, employer and staff surveys reports
- Published College accounts
- Published public records of College Corporation meetings
- Inspection reports including Ofsted
- Audit reports produced by both the Internal and Financial Reporting Auditors.

The governors of the College periodically reviewed and updated this Public Values Statement as part of the Strategic Plan review process.

Implementation of the Lowestoft College Strategic Plan (pre-merger)

A new Strategic Plan was developed in the Autumn Term of 2014, following consultation with staff management groups, leadership team and the Board of Governors.

The Lowestoft College Strategic Development Plan 2014 - 2017 was underpinned by the Quality Improvement Plan (updated annually) which provided detail of the targets and actions essential in building upon strengths and addressing areas for improvement, as well as its Risk Management Register.

The Lowestoft College Strategic Ambitions and Objectives (pre-merger)

The Strategic Ambitions were high-level outcomes that the College worked towards during the period of this Strategic Plan up until merger. The Strategic Objectives broke these Ambitions down further, with component elements identified to guide the development and delivery of the full range of Lowestoft College services.

- **Ambition One - Outcomes and Experience** - To deliver outstanding vocational skills and employment-related education and training
- **Ambition Two - Secure our Future** - To secure the financial future and growth of the college
- **Ambition Three - Effective and Productive Partnerships -** To have excellent relationships with employers and local education providers
- **Ambition Four - High Performing Aspirational and Collaborative Culture -** To create a positive, vibrant organisation culture, where staff and students are encouraged to commit and give of their best and constantly strive for high quality and outstanding outcomes.

The last full Ofsted inspection of Lowestoft College took place in June 2016, when the College was graded as "requires improvement".

East Coast College (post-merger)

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

East Coast College Vision (post-merger)

The Vision of the College is **'To unlock potential through learning.'**

It aims to do this through the College's values:

- Integrity
- Happiness
- Supportive
- Inclusive
- Inspiring

East Coast College Strategic Plan (post-merger)

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

Winning Our Market

Objective: Participation on education and training

Ambitions:

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

Student Success, Progression and Wellbeing

Objective: Academic excellence and improving student wellbeing

Ambitions:

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

Improving Our Business

Objective: Reinvesting in the College's mission

Ambitions:

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

Learning, Development and Wellbeing

Objective: Continuous improvement and improving wellbeing

Ambitions:

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

Financial Objectives

Lowestoft College (pre-merger)

The College's financial objective was **"Secure our Future"**

In order to provide students with the outstanding outcomes they deserve, it was fundamental that the College was financially robust through meeting funding allocations and enrolment targets, whilst maximizing operational efficiency by ensuring that curriculum models were viable and that support areas provided value for money. It was equally important that investment continued in the campus and resources so that they were fit for purpose, inspiring and supporting the ever changing needs of students and the future workforce.

There have been many recent changes to funding methodology, including the funding of apprenticeships through the levy in April 2017. The College had to be responsive to these changes and look for innovative solutions to generate future growth and profitable income.

Key Financial Objectives per the Lowestoft College Financial Recovery Plan were:

- Renewing College Leadership
- Sound curriculum & financial planning
- Effective delivery of the plan
- A high quality College & Brand
- The longer term

A series of key performance indicators linked into the Strategic Aims were agreed to monitor the successful implementation of the policies and to maintain/ improve the College's financial health status as assessed by the Education and Skills Funding Agency.

Performance Indicators

Lowestoft College was committed to observing the importance of sector measures and indicators and the FE Choices website which looks at measures such as success rates and satisfaction levels. The College was required to complete the annual Finance Record for the Education and Skills Funding Agency. The Finance Record produces a financial health grading. Performance for 2015/16 was graded satisfactory by the Education and Skills Funding Agency and for 2016/17 it was graded satisfactory with the forecast that is in place. A detailed recovery plan was regularly reviewed and monitored throughout the year.

East Coast College (post-merger)

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

To meet this objective the College will:

- Ensure that ECC generates sufficient cash
- Manage procurement and ensuring value for money
- Maintain affordable levels of borrowing
- Manage financial risks
- Ensure that ECC achieves SFA financial health rating 'good' by 2019/20
- Appraise new ventures to ensure they contribute to the overall business without unduly increasing risk
- Update the 'CFADS' financial model to monitor progress against the business plan agreed by the Transaction Unit.

To manage this, the College will have the following objectives:

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

FINANCIAL POSITION

Financial results

The Group generated a consolidated operating deficit in the year of £976k (2016: surplus of £15k). The loss in the year is after accounting for restructuring costs of £167 k (2015/16: £34k).

The Group has £3,472k of net liabilities (2015/16: £6,332k net liabilities) including the pension liability of £7,225k (2015/16: £10,765k liability) and net consolidated cash balances of £837k (2015/16: £534k) with borrowings in respect of the property strategy amounting to £3,350k at 31st July 2017 (2015/16: £3,494k) Group tangible fixed asset additions during the year amounted to £21k (2015/16: £48k). For both years additions related to equipment acquired.

The Group has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2016/17 the FE funding bodies provided 64% of the Group's total income.

The College has one subsidiary company, Lowestoft and Waveney Education Services Limited (LOWES). The principal business activity of LOWES during the year was full cost (commercial) training to the Maritime and Offshore industry. Any surpluses generated by the subsidiary can be subsequently transferred to the College under a Deed of Covenant.

Name	Nature of business	Profit before tax
LOWES LIMITED	Commercial Training	£155 k (2015/16: £169k)

Treasury policies and objectives

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

The College has a separate treasury management policy in place.

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

Cash flows and liquidity

The cash in-flow from operating results this year was £74k (2015/16 £643k). The College has net current liabilities of £6,300k (2015/16 £5,511k).

Reserves Policy

The College has no formal Reserves Policy but recognises the importance of reserves in the financial stability of any organisation, and ensures that there are adequate reserves to support the College's core activities. The College reserves include £40k held as restricted reserves. As at the balance sheet date the College Income and Expenditure reserve stands at £6,794k (2016: £9,749k). It is the Corporation's intention to increase reserves over the life of the strategic plan through the generation of annual operating surpluses.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers and funding

In 2016/17 the College has delivered activity that has produced £6,154k in main allocation funding (2015/16 £6,202k). Employer Responsive learning activity generated funding totalling £1,275k (2015/16: £1,636k). The numbers of 16 -18 year old learners has fallen with approximately 882 students in college during 2016/17 down from 996 in the previous year.

Student achievements

The table below details the actual achievements for the College in Further Education for the period 2014/15 to 2016/17. Success rates for both age groups fell slightly during the 2016/17 year.

Age range	2014/15	2015/16	2016/17
16 – 18	84.1%	69.1%	65.4%
19+	80.5%	77.4%	76.0%
Total	83.4%	71.4%	68.0%

The success rates for Work Based Learning are:

	2014/15	2015/16	2016/17
Overall work based success rates	83.9%	77.4%	75.1%

Lowestoft College Curriculum Developments (pre-merger)

Lowestoft College continued to develop its curriculum in line with national and local priorities taking account of employer needs. The local economy is served well with a range of provision supporting the key employment areas of engineering, care and hospitality. Courses operated at a range of levels from Foundation to Higher Education. Developments in offshore renewable energy and Southern North Sea Gas were supported with a range of specialist courses. Investments have been made in college facilities to improve the student experience and specifically to upgrade the engineering facilities so they will meet the needs of the local economy.

East Coast College Curriculum Developments (post-merger)

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

When planning and shaping the curriculum the main influences were:

- Government education agenda e.g. Post 16 Skills Plan, Apprenticeship Reforms, Sainsbury Review

- 2016 Progress measures
- Utilisation of information from UKCES data for key employment areas and specifically local information
- New Anglia LEP priority areas for employment and future growth
- Demand and specific local requirements through sector based work academies and JCP
- Overall demographic trends for 3-5 years
- Demographic and information on individual's specific needs, from local feeder schools
- SEND reforms and 'he Local Offer'
- Availability of specialist and technical resources where required to underpin curriculum delivery, including staff
- Historic application and enrolment and retention trend information
- English, Maths and ICT skill development
- Promotion of equality of opportunity and diversity , Employability skills and British values within the curriculum

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

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

The curriculum offer was split into six key areas:

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

Reputation

The College has a good international reputation specifically in relation to the activities carried out by the College's subsidiary company LOWES which undertakes a large volume of commercial activity focused on the Maritime and Offshore energy sectors.

Maintaining a quality brand is essential for the College's success at attracting students and protecting external relationships.

East Coast College will build on this reputation by providing consistency, scale and much greater scope for wider commercial provision.

Lowestoft College saw growth in its Apprenticeship provision and also has key strengths in Health and Social Care and Engineering.

Staff and student involvement

The College considers good communication with its staff to be very important. A regular staff newsletter, which is available to all staff, is published and there are meetings held each half term to which all staff are invited. The College operates an open style of communication encouraging staff and student involvement through membership of committees and more informal communication. There is an active student forum which meets six times per year with College managers. Surveys of staff and students are carried out annually, results are published and appropriate actions taken.

Following the merger, these methods of staff and student involvement have continued with whole staff meetings being held at each campus on the same day to ensure that staff have easy access to the same communication opportunities.

The Student Union which previously operated at Great Yarmouth College has expanded its operations to incorporate the East Coast College Lowestoft Campus.

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During the accounting period 1 August 2016 to 31 July 2017, the College paid 64.5% of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

Events after the end of the reporting period

The College entered into formal discussions with Great Yarmouth College throughout the 2016/17 year, which resulted in a merged institution from 1st August 2017. At that time, Great Yarmouth College merged into Lowestoft College under the new college name of East Coast College which assumed the assets and liabilities of Great Yarmouth College.

As at 31 July 2017 Lowestoft College breached two of the financial covenants attaching to its long-term loan from Lloyds Bank. The Bank indicated that it would review the suite of financial covenants associated with the loan to the College once the merger was completed and this was done in Autumn 2017.

Future Prospects

Following the establishment of a Federation between the two Colleges on 31 March 2017 the implementation the main aspects of the ECC Business Plan underpinning the merger commenced.

The Business Plan stated the ambition of the new College to be to inspire Norfolk and Suffolk's future business leaders and entrepreneurs and for them to see this as one of the best areas in the world to live and work.

The merger of the two Colleges has formed a new, dynamic, strong institution to serve the needs of the sub-regional economy is based on a significant number of benefits including:

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

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

As stated in page 26 of the Members Report and Note 1 of the Notes to the Accounts, the College requires the continuing support of its bankers and the Education and Skills Funding Agency and has therefore prepared a note on "going concern" assumptions contained in the financial statements.

RESOURCES:

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

The College has total net liabilities of £3,854k (2015/16: £6,332k) including £7,225 k (2015/16: £10,765k) pension liability.

The College incurred restructuring costs in the year of £167k (2015/16: £34k). The restructure followed the ACAS code, consulting with unions and staff and the result was a reduction in16.7 FTEs (2015/16: 1 FTE's).

Lowestoft College employed 206 people (2015/16: 217) (expressed as full time equivalents), of whom 94 (2015/16: 89) were teaching staff.

PRINCIPAL RISKS AND UNCERTAINTIES:

Lowestoft College (pre-merger)

Based on the strategic plan, the College Executive Team and Governors undertook a comprehensive review of the risks to which the College was exposed. They identified systems and procedures, including specific preventable actions which should mitigate any potential impact on the College and internal controls were implemented. In addition to an annual review, the College Executive Team and Governors also considered any risks which might arise as a result of a new area of work being undertaken by the College.

The College maintained a strategic and operational risk register. The strategic risk register was reviewed at least termly by senior management and the updated register was included as appropriate in the monthly management accounts pack. It was also reviewed at every meeting of the Audit Committee.

Management were encouraged to make changes to the operational risk register as circumstances changed with a formal review twice a year. The operational risk register was also reviewed by Audit Committee annually. The risk register identified 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 were prioritised using a consistent scoring system.

This was 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 were identified for Lowestoft College. Not all the factors were within the College's control.

The College's Financial Position (High Risk & Improving)

The College had low cash reserves for much of the year and was reliant on a BIS Exceptional Financial Support ("EFS") during the period. Following the appointment of an interim principal in the Autumn term a reforecasting exercise was undertaken to reduce expenditure. After the College federated in April 2017, tighter financial controls introduced to preserve cashflow which helped support the application to the Transaction unit for merger support which was provided shortly after the year end.

The latest Comprehensive Spending Review by the government does not yet appear to have added any further uncertainty over funding.

Leadership & Management (High Risk & Improving)

Following the change in College leadership in August 2016 an interim leadership team was put in place to help prepare the College for the planned merger.

The changes to the College's Governance structure which had been introduced the previous year were embedded and the Committees met regularly to scrutinise the College's performance and its preparation for merger.

Human Resources Issues (High Risk)

In preparation for merger, the Governors and Executive were aware of the need to maintain good communications and involvement with staff to mitigate against the potential for a lowering of staff morale.

Area Review, Shadow Board, Structural Change & Due Diligence (High Risk & Increasing)

Following on from a pilot Area Review, the College prepared throughout the year for a merger with Great Yarmouth College which was took place on 1 August 2017. This required the attention and time of college leaders. Leaders mitigated the risks associated with this project through:

(1) utilising skills from key Corporation members
(2) having a clear cost-benefit business case
(3) seeking legal advice
(4) undertaking comprehensive due diligence
(5) appointing and supporting an experienced merger specialist project manager

East Coast College (post-merger)

The East Coast College Strategic Business Plan stated that the College would have a responsible approach to risk management, seeking to recognise and manage its exposure to risks. In pursuit of achieving its strategic aims and academic mission the College would, therefore, accept a degree of risk, commensurate with the potential reward. The risk that the College will be willing to take is within defined tolerances for risk appetite, as agreed by Corporation for Key Risk Areas identified by SMT.

The Key Risk Areas and Risk Appetite Thresholds will be reviewed and approved by Corporation on an annual basis. Assessments of risk in all of the Key Risk Areas will be considered with particular attention to the impact of risk on the core activities of education and research.

Government funding (High Risk)

The College has considerable reliance on continued government funding through the further education sector funding bodies. In 2016/17, 75% of the College's revenue was ultimately publicly funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

The College is aware of several issues which may impact on future funding, including apprenticeship reforms and the devolution of the adult education budget. The College, in conjunction with its key stakeholders, is developing a strategy for growth in response to the devolution agenda and to the apprenticeships reform. It is recognised that the introduction of the apprenticeship levy will significantly affect that marketplace though the full implications are not yet known as government policy continues to develop.

Introduction of the Apprenticeship levy early in 2017, as well as later changes resulting from the post-16 Sainsbury review of skills.

This risk is mitigated in a number of ways:

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

Tuition fee policy (High Risk)

Ministers have confirmed that the fee assumption remains at 50%, i.e. Funding Council will meet half the fee with an expectation that the student will pay the other half. In line with the majority of other colleges, East Coast College will seek to increase tuition fees in accordance with the fee assumptions. The risk for the College is that demand falls off as fees increase. This will impact on the growth strategy of the College.

This risk is mitigated in a number of ways:

- By ensuring the College is rigorous in delivering high quality education and training, thus ensuring value for money for students
- Close monitoring of the demand for courses as prices change

HE Fees are set by the University of Suffolk ("UoS"). Lowestoft College is a part of the UoS network of colleges and East Coast College has maintained the relationship with the UoS.

Maintain adequate funding of pension liabilities (High Risk)

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

STAKEHOLDER RELATIONSHIPS

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

- Students;
- Funding Agencies;
- FE Commissioner;
- Staff;
- Local employers;
- Local Authorities;
- Local Enterprise Partnerships;
- The local community;
- Other FE institutions;
- University Campus Suffolk;
- Schools:
- 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

Lowestoft College (pre-merger)

Lowestoft College is committed to ensuring equality of opportunity for all who learn and work here. The College respects and values positively differences in race, gender, sexual orientation, those with disabilities, religious belief, class and age. The College strives vigorously to remove conditions which place people at a disadvantage and will actively combat discrimination on any grounds. The Equal Opportunities Policy is resourced, implemented and monitored on a planned basis. The Equal Opportunities Policy and Race Relations Policy were published on the College's internet site.

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

a) As part of its accommodation strategy the College updated its access audit. Experts in this field conducted a full access audit during 2008/09, and the results of this formed the basis of funding capital projects aimed at improving access.

b) The College has appointed an Access Co-ordinator, who provide information, advice and arranges support where necessary for students with disabilities.

c) There is a list of specialist equipment, such as radio aids, which the College can make available for use by students and a range of assistive technology is available in the learning centre.

d) The admissions policy for all students is described in the College charter. Appeals against a decision not to offer a place are dealt with under the complaints policy.

e) The College made a significant investment in the appointment of specialist lecturers to support students with learning difficulties and/or disabilities. There are a number of student support assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.

f) Specialist programmes are described in College prospectuses, and achievements and destinations are recorded and published in the standard College format.

g) Counselling and welfare services are described in the College Student Guide, which is issued to students together with the Complaints and Disciplinary Procedure leaflets at induction.

East Coast College (post merger)

East Coast College has a Single Equality Scheme which includes the following statement of intent:

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

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

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

- Staff, students, contractors, suppliers and other stakeholders are aware of the value placed upon equal opportunity and that action will be taken in the event of any breach of the Scheme
- Governors and staff have access to relevant and appropriate information which assists them to plan, implement and monitor actions to carry out their responsibilities under the Scheme
- The College's publicity materials aim to present appropriate and positive messages with regards to the 9 characteristics

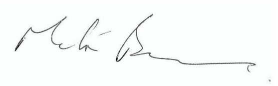
- Schemes of work, lesson content and teaching resources demonstrate sensitivity and positive promotion of age, disability, gender identity, gender, race, religion or belief, sexual orientation and cultural diversity issues
- All students can access appropriate support and facilities
- Applicants for employment are drawn from a wide pool with positive action to encourage applications from under-represented groups
- Recruitment and promotion procedures are designed and implemented to minimise discrimination
- Staff development schemes are designed to meet the particular needs and enhance the skills of individuals of all under-represented groups
- To consult with staff and students through surveys, focus meetings and student voice forums
- To monitor and review all College policies for their impact on equalities for staff and students
- To actively engage in partnership arrangements with groups outside of the College to actively promote community cohesion
- To seek the views of students, staff and stakeholders on how the College is meeting its core values, and act on the findings
- Ensure the development of an effective and diverse workforce
- Continue to work in partnership with local, regional and national employers to identify future labour market demands to ensure the best possible progression opportunities are provided to all our students
- To monitor achievement gaps and ensure that the relevant strategies drive to reduce any possible inequalities

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

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 auditor is 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 auditor is aware of that information.

Approved by order of the members of the Corporation on 7 March 2018 and signed on its behalf by



Mr M Burrows

Chair

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1st August 2016 to 31st July 2017 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);

ii. in accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges ("the Code"); and

iii. having due regard to the UK Corporate Governance Code 2014 insofar as it is applicable to the further education sector

The College is committed to exhibiting best practice in all aspects of corporate governance. We did not adopt and therefore did not comply with the Code during the year. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the further education sector and best practice.

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 below.

Name	Date of Appointment	Term of office	Date of resignation	Status of appointment	Committees served	Corporation meeting attendance
Mrs T Ellis	Reappointed May 2014 New Term of Office ECC 1 8 17	4 years*	-	Member	Chair of Corporation Member of Governance & Remuneration; Member of Finance & Resources; Director of LOWES Ltd For ECC Vice Chair & Member of	11/11 ECC 3/3
Mr K Monaghan	October 2014 New Term of Office ECC 1 8 17	3 Years*	27 2 18	Member	Vice-Chair of Corporation; Chair of Finance & Resources For ECC Member of	11/11 ECC 2/3
Miss L Bland	April 2015	4 years	January 2017	Staff Member	Member of Curriculum, Quality & Standards (until November 2016); Member of Finance & Resources (from November 2016)	5/7
Mrs R Bunn	April 2014	4 years	October 2016	Staff Member	-	2/2

Name	Date of Appointment	Term of office	Date of resignation	Status of appointment	Committees served	Corporation meeting attendance
Mr M Cowgill	November 2016	N/A	March 2017	Principal	Member of Curriculum, Quality & Standards; Member of Finance & Resources	4/4
Mr A Debenham	Reappointed June 2017 New Term of Office ECC 1 8 17	1 year*	-	Member	Chair of Governance & Remuneration; Member of Audit Committee For ECC Member	5/11 ECC 1/3
Mr J Eade	July 2002	N/A	On merger	Assistant Governor	Member of Audit	N/A
Mr S Gray	September 2016	3 years*	-	Member	- ECC Member of	3/10 ECC 0/3
Mr A King	Reappointed June 2017	1 year	On merger	Member	Member of Governance & Remuneration	7/11
Mr J King	September 2016	N/A	November 2016	Principal	Member of Finance & Resources	4/4
Mr D Lees	August 2015	3 Years	January 2017	Member	Member of Curriculum, Quality & Standards	0/6
Mr B Lynes	July 2015	3 Years	On merger	Member	Member of Finance & Resources	7/11
Mrs G Parsons	August 2015 New Term of Office ECC 1 8 17	3 Years*	-	Member	Member of Standards	10/11 ECC 3/3
Mr B Provan	Reappointed July 2016	3 Years	On merger	Member	Member of Audit; Director of LOWES Ltd	7/11

Name	Date of Appointment	Term of office	Date of resignation	Status of appointment	Committees served	Corporation meeting attendance
Mr L Poulson	February 2014	4 Years	On merger	Member	Chair of Curriculum, Quality & Standards	8/11
Mr A Reynolds	June 2009	N/A	On merger	Assistant Governor	Member of Governance & Remuneration	N/A
Mr C Reynolds	November 2015	3 Years	On merger	Member	Member of Audit Committee	11/11
Mr S Rimmer	May 2017	N/A	-	Principal	-	1/2
Mr T Skinner	June 2015	3 Years	March 2017	Member	-	5/8
Mr N Smith	October 2016	3 Years	On merger	Staff Member	Member of Curriculum, Quality & Standards	6/9
Mr A Stannard	October 2015	Whilst a Student	On merger	Student Member	Member of Curriculum, Quality & Standards	2/11
Mrs A Swietlik	December 2014	N\A	December 2016	Assistant Governor	Member of Audit	N/A
Mr R Evans	ECC 01 08 18	4 years		Member	Member of Audit and Standards	2/3
Mr M Burrows	ECC 01 08 18	4 years		Member	Chair of ECC Corporation Member of	3/3
Mr D Hill	ECC 01 08 18	4 years		Member	Vice Chair of ECC Corporation Member of	1/3
Mr A Cadmore	ECC 01 08 18	4 years		Member	Member of Audit and Standards	3/3
Mr M Castle	ECC 01 08 18	4 years		Member	Member of Finance & General	2/3
Mr S Humphrey	ECC 01 08 18	4 years		Member	Member of Finance & General	3/3

Name	Date of Appointment	Term of office	Date of resignation	Status of appointment	Committees served	Corporation meeting attendance
Mr T Ing	ECC 01 08 18	4 years		Member	Member of Audit	0/3
Mrs K Knight	ECC 01 08 18	4 years		Member	Member of Standards	1/3
Mrs D Pring	ECC 26 09 18	4 years		Staff Governor	Member of Standards	2/3
Mrs J Fermor	ECC 26 09 18	4 years		Staff Governor	Member of Finance & General	2/3
Note – A new Term of Office for Governors indicated with a * was started from the date of merger, i.e. 1st August 2017						
Mr T Bright, Clerk to the Corporation until merger, and Wendy Stanger from 01/08/2018						

Following a resolution by the Lowestoft College Corporation at its meeting on 17th July 2017 Mike Burrows, Albert Cadmore, Mick Castle, Rob Evans, David Hill, Saul Humphrey, Tony Ing and Karen Knight were appointed as Governors and Alison Ashby as an Associate Governor of the East Coast College Corporation and Wendy Stanger was appointed as Director of Governance upon Lowestoft College's merger with Great Yarmouth College on 1st August 2017.

The Term of Office for all Governors, those continuing from Lowestoft College and new appointments, was resolved to start from the date of merger, i.e. 1st August 2017.

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 at least termly.

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 Audit, Curriculum Quality & Standards, Finance & Resources, Governance & Remuneration. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available from the Director of Governance at:

East Coast College
St Peters Street
Lowestoft
Suffolk
NR32 2NB

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

All governors are able to take independent professional advice in furtherance of their duties at the College's expense and have access to the Director of Governance, who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Director of Governance 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 Chairman 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. Lowestoft College Corporation had a Governance & Remuneration Committee, consisting of four members of the Corporation, plus an experienced Assistant Governor, 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 three years.

East Coast College has a Governance, Remuneration and Search Committee which can have up to five members of the Corporation and up to two Associate Governors which is responsible for making recommendations to the Corporation in respect of procedures for the appointment of new members and developing and recommending to the Corporation, policies and procedures for the induction and training of Corporation members.

Corporation performance

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

Governance & Remuneration Committee

During the year ending 31 July 2017, Lowestoft College's Governance & Remuneration Committee comprised four members of the Corporation, plus an experienced Assistant Governor. The Committee's purpose was to advise the Corporation on matters relating to governance, including making recommendations to the Corporation on the remuneration and benefits of the Principal and other senior post-holders and advising the Corporation on the appointment and re-appointment of governors. The Governance & Remuneration Committee met three times in 2016/17.

Details of remuneration for the year ended 31 July 2017 are set out in note 7 to the financial statements.

East Coast College has a Governance, Remuneration and Search Committee which can have up to five members of the Corporation and up to two Associate Governors which is responsible for making recommendations to the Corporation in respect of procedures for the appointment of new members and developing and recommending to the Corporation, policies and procedures for the induction and training of Corporation members. In addition it is responsible for considering and advising the Corporation on the framework of pay and conditions of Senior Post Holders.

Audit Committee

The Lowestoft College Audit Committee comprised a minimum of three members of the Corporation (excluding the Principal and Chair); in 2016/17 the Committee comprised 3 members of the Corporation plus two experienced Assistant Governors. The Committee's purpose included advising the Corporation on the adequacy and effectiveness of the College's audit arrangements, framework of governance, risk management and control, and processes for the effective and efficient use of resources, the solvency of their institution and the safeguarding of its assets.

The Audit Committee met once in 2016/17.

The approach of the Audit Committee to the Audit Framework and plan was significantly based and impacted on by the aims of the merger programme with Great Yarmouth College. As a consequence the opinions of the Audit Committee have been significantly influenced by the outcomes of the extensive due diligence activity required by the proposed merger, together with the on-going scrutiny of the College by both the Education and Skills Funding Agency and Lloyds Bank PLC.

East Coast College has an Audit Committee which can have up to four members of the Corporation and up to two Associate Governors who have an appropriate mix of skills and experience to allow it to discharge its duties effectively. The purpose of the Committee includes reviewing and advising the Corporation on the adequacy and effectiveness of the college's systems of internal control and its arrangements for risk management, control and governance processes, and for securing economy, efficiency and effectiveness and on the scope and objectives of the work of the Internal and External Auditors and the funding auditor (where appointed).

Finance & Resources Committee

During 2016/17 the Lowestoft College Finance & Resources Committee comprised 5 members of the Corporation, one of whom is an accountant. The Committee's purpose included determining and\or advising the Corporation on matters relating to finance and estates so as to ensure the effective and efficient use of resources, the solvency of the institution and the safeguarding of its assets. The Finance & Resources Committee met four times in 2016/17.

East Coast College has a Finance and General Purpose Committee which can have up to four members of the Corporation plus the Principal/Chief Executive and one Staff Governor and up to two Associate Governors.

The Committee has overall responsibility, on behalf of the Corporation, for the conduct of the College's financial affairs and for other matters delegated by the Corporation. The Committee's advice and decisions shall be directed to the protection and enhancement of the College's assets and the best use of its income to meet the objects of the College.

Curriculum, Quality & Standards Committee

During the 2016/17 year, the Lowestoft College Curriculum, Quality & Standards Committee comprised seven members of the Corporation. The Committee's purpose included determining and\or advising the Corporation on matters relating to the curriculum, quality and standards, the experience of students and overseeing the strategic direction and performance of the College in these areas. The Committee met four times in 2016/17.

East Coast College has a Quality and Standards Committee which can have up to four members of the Corporation plus the Principal/Chief Executive and one Staff Governor and up to two Associate Governors. The Committee's role included advising the Corporation on arrangements for assuring the quality and standards of educational activities in the College and of its subsidiaries

Lowestoft College had a Risk Management Framework & Audit Schedule providing oversight over internal control, risk management and governance processes in place at the College. The Audit Committee oversees the framework, which is a key part of the wider College Improvement Framework.

Management is responsible for the implementation of agreed audit recommendations and the internal Risk Management Framework to ensure such recommendations have been implemented. This is through the Quality Improvement Policy actions and Financial Recovery Plan.

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.

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 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 she is personally responsible, in accordance with the responsibilities assigned to her in the Financial Memorandum between Lowestoft College and the funding bodies. The Principal 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 Lowestoft College for the year ended 31 July 2017.

A similar system has been agreed for East Coast College for the period from 1 August 2017 up to the date of approval of the annual report and accounts.

Capacity to handle risk

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

A similar process has been agreed for East Coast College for the period from 1 August 2017 up to the date of approval of the annual report and accounts.

This process is regularly reviewed by the Corporation.

The risk and control framework

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

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

Lowestoft College had an internal Risk Management Framework, which operated in accordance with the requirements of the ESFA's Joint Audit Code of Practice. The Audit Committee's approach to the Audit Framework and plan was significantly based and impacted on by the aims of the merger programme with Great Yarmouth College which originally anticipated the merger would be completed in January 2017. As a consequence the Audit Committee did not develop a detailed formal assurance programme and its work was significantly influenced by the outcomes of the extensive due diligence activity required by the proposed merger and the on-going scrutiny of the College by both the Education and Skills Funding Agency and Lloyds Bank. The Committee also sought confirmation from the College's management which allowed it to monitor how the internal Risk Management Framework was being applied in accordance with the Committee's expectations. The Audit Committee monitored the risk register as part of the Risk Management Framework and reported its findings to the Corporation.

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 internal Risk Management Framework
- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework
- comments made by the College's financial statements auditors, the reporting accountant for regularity assurance, the appointed funding auditors (for colleges subject to funding audit) in their management letters and other reports.

The Accounting Officer has been advised on the implications of the result of their review of the effectiveness of the system of internal control by the Audit Committee and that whilst the Audit Committee did not develop a detailed formal assurance programme its work was significantly influenced by the outcomes of the extensive due diligence activity required by the proposed merger and the on-going scrutiny of the College by both the Education and Skills Funding Agency and Lloyds Bank together with monitoring of the application of the internal Risk Management Framework.

The Principal and senior management team received 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 Principal and senior management team and the Audit Committee also receive regular reports from the pre-merger due diligence activities and feedback from the Education and Skills Funding Agency and Lloyds Bank 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 November 2017 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2017 by considering documentation from the senior management team including a report on the Risk Management Framework, and taking account of events since 31 July 2017.

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

Going concern

During 2016/17 Lowestoft College was in discussions with the ESFA Transaction Unit and bankers regarding ongoing support for the College. The College together with Great Yarmouth College developed a Business Plan for merger. This was supported by the Transaction Unit and bankers and with a combination of grant and loan from the Transaction Unit the merger was supported. The Plan for the merged East Coast College shows that with the support provided by the Transaction Unit the College remains solvent and improves financial health up to 2020 which is the final year of the Plan. The Transaction Unit support was received in the Autumn of 2017.

Although the College had breached covenants with the Lloyds bank loan no further action was taken by the bank on the basis that the planned merger with support from the Funding Council would remedy the situation. The bank supported the College throughout the year and upon receipt of the Transaction Unit support the bank loans were restructured and the covenants reset.

Based on the above, the Corporation believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Approved by order of the members of the Corporation on 7 March 2018 and signed on its behalf by:

Mr M Burrows	**Mr S Rimmer**
Chair	**Principal**

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

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

We confirm, on behalf of the Corporation, that after due enquiry, **and to the best of our knowledge**, we are able to identify any material irregular or improper use of funds by the College, or material non-compliance with the Education and 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 non-compliance have been discovered to date. If any instances are identified after the date of this statement, these will be notified to the Education and Skills Funding Agency**.**

Approved by order of the members of the Corporation on 7 March 2018 and signed on its behalf by:

Mr M Burrows

Chair

7 March 2018

Mr S Rimmer

Principal

7 March 2018

Statement of Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the Financial Memorandum agreed between the Education and Skills Funding Agency and the Corporation of the College, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the *2015 Statement of Recommended Practice – Accounting for Further and Higher Education* and with the *College Accounts Direction 2016-17* issued by the Education and Skills 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
- use the going concern basis of accounting unless they either intend to liquidate the College or to cease operations, or have no realistic alternative but to do so.

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.

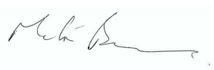
The Corporation is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the College, and which enable it to ensure that the financial statements are prepared in accordance with the relevant legislation of incorporation and other 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 Education and Skills Funding Agency are used only in accordance with the Financial Memorandum with the Education and Skills 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 Education and Skills Funding Agency are not put at risk.

Approved by order of the members of the Corporation on **7 March 2018** and signed on its behalf by:



Mr M Burrows - Chair

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF EAST COAST COLLEGE

We have audited the financial statements of East Coast College (formerly Lowestoft College) for the year ended 31 July 2017 which comprise the group and College Statements of Comprehensive Income, Statements of Changes in Reserves, Balance Sheet and the Statement of Cash Flows and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the College's affairs as at 31 July 2017, and of the Group's and the College's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended; and

- Have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland,* and with the 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education*.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information

The Corporation is responsible for the other information, which comprises the Members' Report and the Corporation's statement of corporate governance and internal control, the Corporation's Statement on the College's Regularity & Propriety and Compliance with Funding Body Terms and Conditions of Funding. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

Matters on which we are required to report by exception

Under the Post-16 Audit Code of Practice 2016 to 2017 (March 2017) issued jointly by the Skills Funding Agency and the Education Funding Agency we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent College; or
- the parent College's financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Corporation's responsibilities

As explained more fully in their statement set out on page 27, the Corporation is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the group or the parent College or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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

SBeavis
Stephanie Beavis
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
KPMG LLP, Dragonfly House, 2 Gilders Way, Norwich, NR3 1UB

16 March 2018

Reporting Accountant's Report on Regularity to the Corporation of East Coast College and the Secretary of State for Education acting through the Education and Skills Funding Agency

In accordance with the terms of our engagement letter dated 13 October 2017 and further to the requirements of the financial memorandum with the Education and Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Lowestoft College during the period 1 August 2016 to 31 July 2017 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Post-16 Audit Code of Practice issued jointly by the Skills Funding Agency and the 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 Education and Skills Funding Agency has other assurance arrangements in place.

This report is made solely to the corporation of East Coast College and the Education and 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 East Coast College and Education 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 East Coast College and the Education and Skills Funding Agency for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of East Coast College and the reporting accountant

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

Our responsibilities for this engagement are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Post-16 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 2016 to 31 July 2017 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Post-16 Audit Code of Practice issued jointly by the Skills Funding Agency and the 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 our conclusion included:

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

This list is not exhaustive and we performed additional procedures designed to provide us with sufficient appropriate evidence to express a limited assurance conclusion on regularity consistent with the requirements of the Post-16 Audit Code of Practice.

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 2016 to 31 July 2017 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

SBeavis

Stephanie Beavis
For and on behalf of KPMG LLP, Reporting Accountant
Chartered Accountants
KPMG LLP, Dragonfly House, 2 Gilders Way, Norwich, NR3 1UB

16 March 2018

Consolidated Statements of Comprehensive Income

	Notes	Year ended 31 July 2017		Year ended 31 July 2016	
		Group	College	Group	College
		£'000	£'000	£'000	£'000
INCOME					
Funding body grants	2	7,769	7,769	8,408	8,408
Tuition fees and education contracts	3	3,275	2,437	3,600	2,726
Other grants and contracts	4	-	-	82	82
Other income		1,393	1,793	992	1,263
Investment income	5	-	-	1	1
Total income		12,437	11,999	13,083	12,480
EXPENDITURE					
Staff costs	6	8,423	8,160	8,286	7,897
Restructuring costs		167	167	34	34
Other operating expenses	8	3,351	3,176	3,123	2,912
Depreciation		1,035	1,025	1,102	1,088
Interest and other finance costs	9	437	437	523	523
Total expenditure		**13,413**	**12,965**	**13,068**	**12,454**
(Deficit)/surplus before other gains and losses		**(976)**	**(966)**	**15**	**26**
Loss on disposal of assets		-	-	-	-
(Deficit)/Surplus before tax		**(976)**	**(966)**	**15**	**26**
Taxation		-	-	-	-
(Deficit)/surplus for the year		**(976)**	**(966)**	**15**	**26**
Unrealised surplus on revaluation of assets					
Actuarial gain / (loss) in respect of pensions schemes		3,832	3,832	(1,678)	(1,678)
Total Comprehensive Gain / (Loss) for the year		**2,856**	**2,866**	**(1,663)**	**(1,652)**

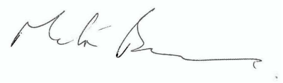
Consolidated and College Statement of Changes in Reserves

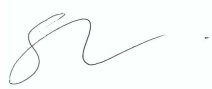
	General Reserve (including pension reserve)	Revaluation reserve	Restricted reserve	Total
	£'000	£'000	£'000	£'000
Group				
Balance at 31st July 2015	(7,782)	3,077	36	(4,669)
Surplus from the income and expenditure account	15			15
Other comprehensive loss	(1,678)			(1,678)
Transfers between revaluation and income and expenditure reserves	88	(88)		-
	(1,575)	(88)	-	1,663
Balance at 31st July 2016	(9,357)	2,989	36	(6,332)
Loss from the income and expenditure account	(976)			(976)
Other comprehensive income	3,832			3,832
Transfers between revaluation and income and expenditure reserves	89	(89)		-
Total comprehensive income for the year	2,945	(89)	-	2,856
Increases in reserves	-	-	4	4
Balance at 31 July 2017	(6,412)	2,900	40	(3,472)
College				
Balance at 31st July 2015	(8,185)	3,077	36	(5,072)
Surplus from the income and expenditure account	26			26
Other comprehensive loss	(1,678)			(1,678)
Transfers between revaluation and income and expenditure reserves	88	(88)		-
	(1,564)	(88)	-	(1,652)
Balance at 31st July 2016	(9,749)	2,989	36	(6,724)
Loss from the income and expenditure account	(966)	-	-	(966)
Other comprehensive income	3,832			3,832
Transfers between revaluation and income and expenditure reserves	89	(89)		-
Total comprehensive income for the year	(2,955)	(89)	-	(2,866)
Increases in reserves			4	4
Balance at 31 July 2017	(6,794)	2,900	40	(3,854)

Balance Sheets as at 31 July

	Notes	Group	College	Group	College
		2017	**2017**	**2016**	**2016**
		£'000	**£'000**	**£'000**	**£'000**
Non current assets					
Tangible Fixed assets	11	15,750	15,708	16,765	16,719
Investments	12	-	1	-	1
		15,750	**15,709**	**16,765**	**16,720**
Current assets					
Stocks				-	-
Trade and other receivables	13	444	576	641	642
Cash and cash equivalents		837	591	534	464
		1,281	**1,167**	**1,175**	**1,106**
Less: Creditors – amounts falling due within one year	14	(7,581)	(7,808)	(6,686)	(6,964)
Net current liabilities		**(6,300)**	**(6,641)**	**(5,511)**	**(5,858)**
Total assets less current liabilities		**9,450**	**9,068**	**11,256**	**10,864**
Creditors – amounts falling due after more than one year	15	(5,697)	(5,697)	(6,821)	(6,821)
Provisions					
Defined benefit obligations	17,23	(7,225)	(7,225)	(10,765)	(10,765)
Total net assets/(liabilities)		**(3,472)**	**(3,854)**	**(6,332)**	**(6,724)**
Restricted reserve		40	40	36	36
Unrestricted Reserves					
Income and expenditure account		(6,412)	(6,794)	(9,357)	(9,749)
Revaluation reserve		2,900	2,900	2,989	2,989
Total deficit		**(3,472)**	**(3,854)**	**(6,332)**	**(6,724)**

The financial statements on pages 33 to 60 were approved and authorised for issue by the Corporation on **7 March 2018** and were signed on its behalf by:





Mr M Burrows

Chair

Mr S Rimmer

Principal

Consolidated Statement of Cash Flows

	Notes	2017	2016
		£'000	£'000
Cash flow from operating activities			
Surplus/(Deficit) for the year		(976)	15
Adjustment for non-cash items			
Depreciation		1,036	1,102
(Increase)/decrease in stocks			-
(Increase)/decrease in debtors		199	178
Increase/(decrease) in creditors		54	(690)
Deferred capital grants released to income (notes 2 and 4)	2&4	(421)	(453)
FRS102 adjustment (net)			286
Increase in restricted reserves		4	
Adjustment for investing or financing activities			
Investment income			(1)
Interest payable		178	206
Net cash flow from operating activities		74	643
Cash flows from investing activities			
Interest received			1
Interest paid		(178)	(206)
Deferred capital grants received			-
Payments made to acquire fixed assets		(21)	(48)
		(199)	(253)
Cash flows from financing activities			
New loans – Skills Funding Agency		997	-
Repayment of amounts borrowed		(569)	(236)
		428	(236)
Increase / (decrease) in cash and cash equivalents in the year		**303**	**154**
Cash and cash equivalents at beginning of the year	18	534	380
Cash and cash equivalents at end of the year	18	837	534

Notes to the Accounts

1. Statement of accounting policies and estimation techniques

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

Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 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.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets and in accordance with applicable United Kingdom Accounting Standards.

Basis of consolidation

The consolidated financial statements of the group include the financial statements of the College and its subsidiary undertakings, together with the group's share of the profit less losses and reserves of associated undertakings. The results of subsidiary and associated undertakings acquired or disposed of during the year are included in the consolidated income and expenditure account from or up to the date on which control of the undertaking passes. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS 102, the activities of the student union have not been consolidated because the College does not control those activities. All financial statements are made up to 31 July 2017.

Going concern

During 2016/17 Lowestoft College was in discussions with the ESFA Transaction Unit and bankers regarding ongoing support for the College. The College together with Great Yarmouth College developed a Business Plan for merger. This was supported by the Transaction Unit and bankers and with a combination of grant and loan from the Transaction Unit the merger was supported. The Plan for the merged East Coast College shows that with the support the College remains solvent and improves financial health up to 2020 which is the final year of the Plan. The Transaction Unit support was received in the Autumn of 2017.

Although the College had breached covenants with the Lloyds bank loan no further action was taken by the bank on the basis that the planned merger with support from the Funding Council would remedy the situation. The bank supported the College throughout the year and upon receipt of the Transaction Unit support the bank loans were restructured and the covenants reset.

Notes (Contd)

Based on the above, the Corporation believe that it remains appropriate to prepare the financial statements on a going concern basis.. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Recognition of income

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

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

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual method as permitted by FRS 102. Other capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met.

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

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

Accounting for post-employment benefits

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

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 periods during which services are rendered by employees.

Notes (Contd)

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

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

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

Further details of the pension schemes are given in note 23.

Short term Employment benefits

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

Non-current Assets - Tangible fixed assets

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

Land and buildings

Freehold land is not depreciated.

Freehold buildings are depreciated 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 of between 20 and 50 years.

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

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

Notes (Contd)

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

Assets under construction

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

Subsequent expenditure on existing fixed assets

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

Equipment

Equipment costing less than £500 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost.

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

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

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

Borrowing costs

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

Leased assets

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

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

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Notes (Contd)

Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

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

Investments

Investments in subsidiaries

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

Inventories

Stocks are stated at the lower of their cost and net realisable value. Net realisable value is based on estimated selling price, less any further costs of realisation

Cash and cash equivalents

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

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

Financial liabilities and equity

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

All loans held by the Group are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however the 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.

Maintenance of premises

The cost of long term and routine corrective maintenance is charged to the income and expenditure account in the period it is incurred.

Notes (Contd)

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 Chapter 3 Part 11 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. Subsidiary companies are liable to corporation tax.

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

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

Provisions and contingent liabilities

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

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

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

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

Agency arrangements

The College acts as an agent in the collection and payment of learner support funds. Related income received from the Learning and Skills Council and its successor organisations and subsequent disbursements to and on behalf of students are excluded from the income and expenditure account and are shown separately in note 25, except for the 5% of the grant received which is available to the College to cover administration costs relating to the grant. The College employs 1 member of staff dedicated to the administration of Learner Support Fund applications and payments.

Notes (Contd)

Judgements in applying accounting policies and key sources of estimation uncertainty

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

- Determined whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determined whether there are indicators of impairment of the group's tangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

- *Tangible fixed assets*

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

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 23, 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.

Notes (Contd)

2 Funding body grants	Year ended 31 July		Year ended 31 July	
	2017	**2017**	**2016**	**2016**
	Group	**College**	**Group**	**College**
	£'000	**£'000**	**£'000**	**£'000**
Recurrent grants				
Skills Funding Agency	1,265	1,265	1,019	1,019
Education Funding Agency	4,889	4,889	5,183	5,183
Specific grants				
Employer Responsive (All SFA)	1,275	1,275	1,636	1,636
Other non-recurrent grants: Local Authorities			149	149
SFA	-	-	-	-
EFA			50	50
Releases of deferred capital grants (All SFA)	340	340	371	371
Total	**7,769**	**7,769**	**8,408**	**8,408**

3 Tuition fees and education contracts	Year ended 31 July		Year ended 31 July	
	2017	**2017**	**2016**	**2016**
	Group	**College**	**Group**	**College**
	£'000	**£'000**	**£'000**	**£'000**
Adult education fees	932	94	1,246	372
Apprenticeship fees and contracts	2	2	32	32
Fees for FE loan supported courses	288	288	190	190
Fees for HE loan supported courses			-	-
International students fees	849	849	770	770
Total tuition fees	2,071	1,233	2,238	1,364
Education contracts	1,204	1,204	1,362	1,362
Total	**3,275**	**2,437**	**3,600**	**2,726**

4 Other grants and contracts	Year ended 31 July		Year ended 31 July	
	2017	**2017**	**2016**	**2016**
	Group	**College**	**Group**	**College**
	£'000	**£'000**	**£'000**	**£'000**
European Commission			-	-
Other grants and contracts	-	-	82	82
Total	**-**	**-**	**82**	**82**

Notes (Contd)

5 Investment Income	Year ended 31 July		Year ended 31 July	
	2017	2017	2016	2016
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other interest receivable	-	-	1	1
Total	**-**	**-**	**1**	**1**

6 Staff costs – Group

The average number of persons (including senior post holders) employed by the group during the year, described as full-time equivalents, was:

	2017	2016
	No.	No.
Teaching staff	94	89
Non-teaching staff	112	128
	206	**217**

Staff costs for the above persons		
	2017	**2016**
	£'000	**£'000**
Wages and salaries	6,462	6,460
Social security costs	591	424
Other pension costs (see Note 23)	1,272	1,109
Payroll sub total	**8,325**	**7,993**
Contracted out staffing services	98	293
	8,423	**8,286**
Restructuring costs		
Contractual	167	34
Non-contractual	-	-
Total Staff costs	**8,590**	**8,320**

Notes (Contd)

7 Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the College Leadership Team which comprises the Principal, and other staff listed before the Contents page at the very start of the report. Staff costs include compensation paid to key management personnel for loss of office.

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

	2017 No.	2016 No.
The number of key management personnel including the Accounting Officer was:	9	5

The number of staff, including senior post-holders and the Principal, who received annualised emoluments excluding pension contributions but including benefits in kind in the following ranges was:

	Senior post-holders		Other staff	
	2017 No.	**2016 No.**	**2017 No.**	**2016 No.**
£50,001 to £60,000 p.a.	3	3	-	-
£60,001 to £70,000 p.a.	2	1	-	-
£70,001 to £80,000 p.a.	1	-	-	-
£100,001 to £110,000 p.a.		-	-	-
£110,001 to £120,000 p.a.	3	1	-	-
	9	**5**		**-**

The above table shows annualised salaries for individuals who held posts, although a number of these were only for a part of the year. The actual amounts therefore paid to these individuals are proportionate to their tenure. **Key management personnel emoluments are made up as follows:**

	2017 £'000	2016 £'000
Salaries	263	340
Employers National Insurance	24	38
Benefits in kind	-	2
	287	380
Pension contributions	33	53
Total emoluments	320	433

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

Notes (Contd)

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

	2017	2016
	£'000	£'000
Salaries	116	110
Employers National Insurance	7	13
Benefits in kind	-	1
	123	124
Pension contributions	14	18

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

No bonuses or other salary enhancements were awarded to senior post-holders or other higher paid staff.

8 Other Operating Expenses

	2017	2017	2016	2016
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Teaching costs	648	538	638	520
Non-teaching costs	2,197	2,132	1,861	1,768
Premises costs	506	506	624	624
Total	**3,351**	**3,176**	**3,123**	**2,912**

Other operating expenses include:	**2017**	**2016**
	£'000	**£'000**
Auditors' remuneration:		
Financial statements audit*	30	30
Internal audit**	-	-
Other services provided by the financial statements auditor	2	2
Other services provided by the internal auditors	-	-
Discontinuing costs for Lound	-	34
Hire of assets under operating leases	193	267

* in respect of the College £30,000 (2015/16 £28,588)

** in respect of the College £nil (2015/16 £nil)

Notes (Contd)

9 Interest and other finance costs – Group and College	2017	2016
	£'000	£'000
On other loans:		
Repayable within five years, by instalments	178	206
	178	206
Pension finance costs (note 23)	259	317
Total	**437**	**523**

10 Taxation

The members do not believe the College was liable for any corporation tax arising out of its activities during either period with the exception of the amount liable in respect of retained profits within the Subsidiary Company.

11 Tangible Fixed assets

Group	**Freehold**	**Equipment**	**Assets in the course of construction**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Cost or valuation				
At 1 August 2016	15,045	11,352	413	26,810
Additions	3	18		21
At 31 July 2017	**15,048**	**11,370**	**413**	**26,831**
Accumulated depreciation				
At 1 August 2016	5,120	4,925	-	10,045
Charge for year	358	678	-	1,036
At 31 July 2017	**5,478**	**5,603**	**-**	**11,081**

Notes (Contd)

Net book value				
At 31 July 2017	**9,570**	**5,767**	**413**	**15,750**
At 31 July 2016	9,925	6,427	413	16,765

College	**Freehold**	**Equipment**	**Assets in the course of Construction**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Cost or valuation				
At 1 August 2016	15,045	10,974	413	26,432
At 31 July 2017	**15,048**	**10,987**	**413**	**26,448**
Depreciation				
At 1 August 2016	5,120	4,593	-	9,713
Charge for year	358	668	-	1,026
At 31 July 2017	**5,478**	**5,261**	**-**	**10,739**
Net book value				
At 31 July 2017	**9,981**	**5,727**	**-**	**15,708**
At 31 July 2016	9,925	6,381	413	16,719

Notes (Contd)

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

Land and buildings with a net book value of £2,418K have been partly financed from exchequer funds, through for example the receipt of capital grants. Should these assets be sold, the College may be liable, under the terms of the financial memorandum with the Skills Funding Agency, to surrender the proceeds.

12 College only	**2017**	**2016**
	£'000	**£'000**
Investments in subsidiary companies	1	1
Total	**1**	**1**

The College owns 100% of the issued ordinary £1 shares of Lowestoft and Waveney Education Services Limited, a company incorporated in Great Britain and registered in England and Wales. The principal business activity of Lowestoft and Waveney Education Services Limited is the provision of education and training services. The results of the company are included in these consolidated financial statements.

13 Debtors

	Group	**College**	**Group**	**College**
	2017	**2017**	**2016**	**2016**
	£'000	**£'000**	**£'000**	**£'000**
Amounts falling due within one year:				
Trade receivables	276	138	270	91
Amounts owed by group undertakings:				
Subsidiary undertakings	-	270	-	181
Prepayments and accrued income	153	153	185	184
Amounts owed by the ESFA	15	15	186	186
Total	**444**	**576**	**641**	**642**

Notes (Contd)

14 Creditors: amounts falling due within one year

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
Bank Loan	3,350	3,350	3,542	3,542
Payments received on account	558	485	454	441
Other Creditors- Salix Loan & SCC	25	25	-	-
Trade creditors	387	225	268	213
Amounts owed to group undertakings:				
Subsidiary undertakings	-	485	-	401
Other taxation and social security	276	253	310	283
Accruals	153	153	413	382
Deferred income - government capital grants	421	421	420	420
Amounts owed to the ESFA	2,230	2,230	1,065	1,065
Other Creditors (including holiday pay accrual)	181	181	214	217
Total	**7,581**	**7,808**	**6,686**	**6,964**

The Lloyds loan was reclassified as a current liability after the College breached 2 out of 4 of the covenants held on the loan. No further action was taken by the bank on the basis that the planned merger with support from the Funding Council would remedy the situation. Refer to note 22 for more information relating to the restructuring of the loan after year end.

15 Creditors: amounts falling due after one year

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
Bank loans	-	-	-	-
Other Creditors- Salix Loan & SCC	150	150	150	150
Deferred income - government capital grants	5,547	5,547	5,971	5,971
ESFA	-	-	700	700
Total	**5,697**	**5,697**	**6,821**	**6,821**

Notes (Contd)

16 Maturity of debt

Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	Group	College	Group	College
	2017	2017	2016	2016
	£'000	£'000	£'000	£'000
In one year or less	5,600	5,600	4,273	4,273
Between one and two years	-	-	725	725
Between two and five years	-	-	75	75
In five years or more	-	-	50	50
Total	**5,600**	**5,600**	**5,123**	**5,123**

The fixed term bank loan of £3,350 million at 31 July 2017 is secured, bears interest at a fixed rate of 5.465% and has been repayable by instalments falling due between 2 January 2009 and 1 January 2032.

However, the College had not met all the financial covenants contained within the term loan. Accordingly the Bank could request immediate repayment of the entire term loan, as a formal waiver had not been obtained from the Bank. As a consequence of this, the balance sheet has been presented on the basis that all debt due to Lloyds Bank could technically become repayable within one year and therefore £3,350k has been reclassified as current.

The loan of £2,230k from the ESFA is unsecured and interest-free. An amount of £1,050k was waived by the ESFA upon merger. A further £712k will be recovered through offset and the remainder will be repaid in 2017/18.

As at 31 July 2017 the College had paid its loan in respect of Salix Finance Efficiency loan programme in full. This loan – originally for £184k when drawn on 20 September 2012 - was repayable over 8 equal instalments with a completion date of 1 September 2016.

17 Provisions

	Defined benefit obligations
	£'000
At 1 August 2016	10,765
Reductions in the period (contributions to scheme)	292
Additions in period	(3,832)
At 31 July 2017	**7,225**

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government pension Scheme. Further details are given in Note 23.

Notes (Contd)

18 Cash and cash equivalents – Group

	At 1 August 2016	Cash flows	Other changes	At 31 July 2017
	£'000	£'000	£'000	£'000
Cash and cash equivalents	534	303	-	837
Overdrafts	-	-	-	-
Total	**534**	**303**	**-**	**837**

19 Capital and other commitments

	Group and College	
	2017	2016
	£'000	£'000
Commitments contracted for at 31 July	-	-
Authorised but not yet contracted for at 31 July	-	-

20 Lease obligations

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

	Group and College	
	2017	2016
	£'000	£'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	-	-
Later than one year and not later than five years	-	-
Later than five years	-	-
		-
Other		
Not later than one year	162	193
Later than one year and not later than five years	343	283
Later than five years	-	168
	505	644

Notes (Contd)

21 Contingent liabilities

There were no significant contingent liabilities at 31 July 2017 (2016: nil).

22 Events after the reporting period

The College formally merged with the Great Yarmouth College on 1 August 2017 to form East Coast College.

Further, the loan with Lloyds Bank (as per note 14) was restructured and the covenants reset upon receipt of the Transaction Unit support.

23 Defined benefit obligations

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

Total pension cost for the year		**2017**		**2016**
		£000		**£000**
Teachers' Pension Scheme: contributions paid		425		424
Local Government Pension Scheme:				
Contributions paid	814		633	
FRS 102 charge/(credit)	33		(31)	
Other pension schemes: contribution paid	-		4	
Charge to the Statement of Comprehensive Income		847		606
Enhanced pension charge to Statement of Comprehensive Income		-		79
Total Pension Cost for Year within staff costs		**1,272**		**1,109**

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the LGPS was 31 March 2013 updated to 31 July 2017.

Contributions amounting to £47 k (2016: £34k) were payable to the scheme at 31st July 2017 and are included within creditors.

Notes (Contd)

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.

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

Valuation of the Teachers' Pension Scheme

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

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 (Contd)

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 £425k (2016: £424k).

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 the anticipated contribution rates.

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The total contribution made for the year ended 31 July 2017 was £980k (2015/16: £784k) of which employers contributions totalled £814k (2015/16: £633k) and employees' contributions totalled £166k (2015/16: £151k). Agreed contribution rates for future years are 28.0% for employers and between 5.5% and 12.5% dependent on the employee's salary range.

Notes (Contd)

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2013 updated to 31 July 2017 by a qualified independent actuary.

	At 31 July 2017	**At 31 July 2016**
Rate of increase in salaries	2.8%	3.9%
Rate of increase in pensions CPI	2.5%	1.9%
Inflation assumption (CPI)	2.5%	1.9%
Expected return on assets	2.5%	2.4%
Discount rate for liabilities	2.5%	2.4%

On advice from our actuaries we have assumed that 25% of employees retiring after 6 April 2008 will take advantage of the option to commute part of their future annual pension to a lump sum payment on

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

	At 31 July 2017 years	**At 31 July 2016 Years**
Retiring today		
Males	21.9	22.4
Females	24.4	24.4
Retiring in 20 years		
Males	23.9	24.3
Females	26.4	26.9

Notes (Contd)

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

	Long-term rate of return expected at 31 July 2017	Value at 31 July 2017 £'000	Long-term rate of return expected at 31 July 2016	Value at 31 July 2016 £'000
Equity instruments	2.5%	11,829	2.4%	11,495
Bonds	2.5%	3,653	2.4%	3,332
Property	2.5%	1,740	2.4%	1,666
Cash		173	2.4%	166
Total market value of plan assets		**17,395**		**16,659**
Weighted average expected long term rate of return	2.5%		**2.4%**	
Actual return on plan assets		**(135)**		**1,597**

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

	2017 £'000	2016 £'000
College's estimated asset share	**17,395**	**16,659**
Present value of scheme liabilities	**(23,350)**	**(26,119)**
Present value of unfunded liabilities	**(1,270)**	**(1,305)**
Surplus/(deficit) in the scheme	**(7,225)**	**(10,765)**

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

	2017 £'000	2016 £'000
Amounts included in staff costs		
Current service cost	847	680
Past service cost	-	-
Losses on Curtailments and settlements	-	-
Total	**847**	**680**
Amounts included in (interest payable)\investment income		
Net interest income (cost – in interest payable)	(259)	(317)
	(259)	**(317)**

Notes (Contd)

Amount recognised in Other Comprehensive Income

	2017 £'000	2016 £'000
Return on pension plan assets	(135)	1,062
Experience losses arising on defined benefit obligations	4,074	305
Changes in assumptions underlying the present value of plan liabilities	(107)	(3,045)
Amount recognised in Other Comprehensive Income	**3,832**	**(1,678)**

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

	2017 £'000	2016 £'000
Net defined benefit (liability)/asset in scheme at 1 August	(10,765)	(8,801)
Movement in year:		
Current service cost	(847)	(680)
Employer contributions	814	711
Losses/Gains on Curtailments	3,624	(1,678)
Net interest on the defined (liability)/asset	(259)	(317)
Actuarial gain or loss	208	-
Net defined benefit (liability)/asset at 31 July	**(7,225)**	**(10,765)**

Asset and Liability Reconciliation

	2017 £'000	2016 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	27,424	23,483
Current service cost	847	680
Interest cost	664	852
Contributions by Scheme participants	166	151
Experience gains and losses on defined benefit obligations	(4,074)	(305)
Changes in financial assumptions	107	3,045
Estimated benefits paid	(514)	(482)
Past Service cost	-	-
Curtailments and settlements	-	-
Defined benefit obligations at end of period	**24,620**	**27,424**
Liabilities in respect of unfunded liabilities included in above	**1,270**	**1,305**

Notes (Contd)

Changes in fair value of plan assets

Fair value of plan assets at start of period	16,659	14,682
Interest on plan assets	405	535
Return on plan assets	(135)	1,062
Employer contributions	814	711
Contributions by Scheme participants	166	151
Estimated benefits paid	(514)	(482)
Fair value of plan assets at end of period	**17,395**	**16,659**

24 Related party transactions

The estimated value of employer contributions for the year ended 31st July 2017 is £629k. Due to the nature of the College's operations and the composition of the Board of Governors (being drawn from local public and private sector organisations) it is inevitable that transactions will take place with organisations in which a member of the Board of Governors may have an interest. All transactions involving 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 Financial Reporting Standard 102 'Related Party Disclosures'.

Transactions with the LSC and its successor funding bodies and the College are detailed in notes 2, 14, 15 and 16.

The total expenses paid to or on behalf of the Governors during the year was £636; 2 governors (2016: £2,155; 3 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 governors received any remuneration or waived payments from the College or its subsidiaries during the year (2016: None)

25 Amounts disbursed as agent	**2017**	**2016**
Learner support funds	**£'000**	**£'000**
Funding body grants	427	481
Disbursed to students	(411)	(438)
Administration costs	(19)	(21)
Balance for year	(3)	22
Previous balance	42	20
Balance unspent as at 31 July, included in creditors	**39**	**42**