LOWESTOFT COLLEGE

Report and Financial Statements

for the year ended 31 July 2016

Key Management Personnel, Board of Governors and Professional advisers

Key management personnel

Key management personnel are defined as members of the College Leadership Team and were represented by the following in 2015/16:

Joanne Pretty	**Principal & CEO; Accounting Officer (resigned 31st July 2016)**
Jason King	**Director of Funding, Finance & Resources (until 31st July 2016). Interim Principal; Accounting Officer (from 1st August 2016: resigned 22nd November 2016)**
Malcolm Cowgill	**Interim Principal; Accounting Officer (from 22nd November 2016)**
Rachel Bunn	**Director of Curriculum and Quality until 31st July 2016. Interim Deputy Principal (from 1st August 2016)**
Lee Johnson	**Director of Curriculum and Quality until 31st July 2016. Director for HE and E-Learning (from 1st August 2016)**
Christine McGuinness	**Director of Student Services and Employability until 31st July 2016. Director for Students and Community (from 1st August 2016)**
Ian Pease	**Commercial Executive Director**

Board of Governors

A full list of Governors is given on pages 11 to 13 of these financial statements.
Mrs R Witt acted as Clerk to the Corporation until she resigned on 20th July 2016 when she was replaced by Mr T Bright.

Professional advisers

Financial statements auditors and reporting accountants:
KPMG LLP
Botanic House
100 Hills Road
Cambridge
CB2 1AR

Bankers - Barclays

Barclays Bank
Barclays Corporate
PO Box 216Brightwell 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

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Members' Report

NATURE, OBJECTIVES AND STRATEGIES:

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

Legal status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting Lowestoft College. The College is an exempt charity for the purposes of the Charities Act 1993 as amended by the Charities Act 2011.

Mission

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.

Public Benefit

Lowestoft College 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 12 to 14.

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.

College Vision:

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

It aims 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 can measure the success of the College and the value that it adds to the communities it works 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 will periodically review and update this Public Values Statement as part of the Strategic Plan review process.

Implementation of strategic plan

A new Strategic plan for 2014 to 2015 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 is underpinned by our Quality Improvement Plan (updated annually) which provides detail of the targets and actions essential in building upon strengths and addressing areas for improvement, as well as its Risk Management Register.

Lowestoft College sits at the heart of our local community and its priority is empowering our students to achieve their best by increasing skills that enable improved life experiences, including progression to employment and higher education.

The college strategic ambitions and objectives

The Strategic Ambitions are high-level outcomes that the College will work towards during the period of this Strategic Plan. The Strategic Objectives break these ambitions down further, with component elements identified to guide the development and delivery of the full range of Lowestoft College services. These component elements will form the basis of the one year Operational Plan for 2015/16:

- **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.

Performance against the College's strategic plan is monitored regularly through its KPIs. This is monitored by Corporation, as well as its requisite sub-committees and at Senior Executive level. The College broadly met its financial targets (Ambition 2) paying back over £700k to the SFA for amounts received in 2014/15 which had not been earned.

Steady progress was made with Ambitions 3 and 4. However, there is still work to do on progressing Ambition 1 and its recognition as a "Good" College by OfSTED.

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

Financial objectives

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

In order to provide our students with the outstanding outcomes they deserve, it is fundamental that our organization is financially robust. We must meet our funding allocations and enrolment targets, whilst maximizing our operational efficiency by ensuring that curriculum models are viable and that our support areas provide value for money. Equally it is important that we continue to invest in our campus and resources so that they are fit for purpose, inspiring and support the ever changing needs of our students and the future workforce.

There have been many recent changes to funding methodology and further reforms are anticipated, such as reforms affecting the funding of apprenticeships in 2015 and the expectation of online learning content within every student's learning programme. We must be responsive to these changes and look for innovative solutions to generate future growth and profitable income.

Key Financial Objectives per the College's Financial Recovery Plan are:

- 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 have been agreed to monitor the successful implementation of the policies and to maintain/ improve the College's financial health status as assessed by the Skills Funding Agency.

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

Performance indicators

The College is 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 is required to complete the annual Finance Record for the Skills Funding Agency. The Finance Record produces a financial health grading. Performance for 2014/15 was graded inadequate by the Skills Funding Agency but for 2015/16 it is graded satisfactory with the forecast that is in place. A detailed recovery plan will be regularly reviewed and monitored throughout the year.

FINANCIAL POSITION

Financial results

The Group generated a consolidated operating surplus in the year of £15k, after the inclusion of £286K (net) pension cost adjustments relating to the new accounting standard FRS102 (2014/15 restated deficit of £410k, after the inclusion of £241k changes to measurement of net finance cost on pensions for FRS102). The loss in the year is after accounting for restructuring costs of £34k (2014/15 of £297k).

The Group has £6,332k of net liabilities (2014/15: restated figure of £4,669k net liabilities) including the pension liability of £10,765k (2014/15: £8,801k liability) and net consolidated cash balances of £534k (2014/15: £380k) with borrowings in respect of the property strategy amounting to £3,494k at 31st July 2016 (2014/15: £3,634k) Group tangible fixed asset additions during the year amounted to £48k (2014/15: £1,225k). 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 2015/16 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	Surplus generated
LOWES LIMITED	Commercial Training	£169k (2014/15: £213k)

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**.**

Short term borrowing for temporary revenue purposes is authorised by the Principal. All other borrowing shall comply with the requirements of the Financial Memorandum.

Cash flows and liquidity

The cash in-flow from operating results this year was £643k (2014/15 out-flow of £515k). The College has net debt of £4,589k (2014/15 £4,979k).

Reserves Policy

As the College is progressing its merger discussions with Great Yarmouth College, it has not adopted a Reserves Policy at this point in time.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers and funding

In 2015/16 the College has delivered activity that has produced £6,202k in main allocation funding (2014/15 £6,906k). Employer Responsive learning activity generated funding totalling £1,636k (2014/15: £1,788k). The numbers of 16 -18 year old learners has remained stable with approximately 1,100 students in college during 2015/16.

Student achievements

The table below details the actual achievements for the College in Further Education for the period 2013/14 to 2015/16. Success rates for both age groups improved significantly during the 2014/15 year. Rates declined in 2015/16, partly as a result of cost cutting of quality roles, which have recently been boosted through the implementation of 'Quality Leads' within each main vocational area.

Age range	**2013/14**	**2014/15**	**2015/16**
16 – 18	**78.7%**	**84.1%**	**69.1%**
19+	**78.2%**	**80.5%**	**77.4%**
Total	**78.6%**	**83.4%**	**71.4%**

The success rates for Work Based Learning are:

	2013/14	**2014/15**	**2015/16**
Overall work based success rates	81.1%	83.9%	77.4%

Curriculum developments

The College continues 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 operate at a range of levels from Foundation to Higher Education. Developments in offshore renewable energy and Southern North Sea Gas are 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.

Reputation

The College has a good reputation locally, nationally and internationally. Maintaining a quality brand is essential for the College's success at attracting students and protecting external relationships.

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.

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 2015 to 31 July 2016, the College paid 44.7% 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 has entered into formal discussions with Great Yarmouth College, which, if successful, will result in a merged institution from 31st March 2017. At that time, Great Yarmouth College will merge into Lowestoft College under the new college named East Coast College and the new institution will assume the assets and liabilities of Great Yarmouth College

The College has breached one of the financial covenants attaching to its long-term loan from Lloyds Bank. The Bank has indicated that it will review the suite of financial covenants associated with the loan to the College once the new merged structure is known.

Future prospects

As indicated above, the College is in merger discussions with Great Yarmouth College. Once the merger has been completed, the College will begin to implement the main aspects of the Business Plan underpinning the merger.

As stated in page 17 of the Members Report and Note 1 of the Notes to the Accounts, the College requires the continuing support of its bankers and the 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

Financial

The College has total net liabilities of £6,332k (2014/15: re-stated £4,669k net liabilities) including £10,765k (2014/15: £8,801k) pension liability and long term debt of £850k (2014/15: £1.629 million).

The College incurred .restructuring costs in the year of £34k (2014/15: £297k). The restructure followed the ACAS code, consulting with unions and staff and the result was a reduction in 1 FTEs (2014/15: 33 FTE's).

People

The College employs 217 people (2014/15: 250) (expressed as full time equivalents), of whom 89 (2014/15: 98) are teaching staff.

PRINCIPAL RISKS AND UNCERTAINTIES:

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

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

The College maintains a strategic and operational risk register. The strategic risk register is reviewed at least termly by senior management and the updated register is included as appropriate in the monthly management accounts pack. It is also reviewed at every meeting of the Audit Committee which meets up to six times a year.

Management is encouraged to make changes to the operational risk register as circumstances change but a formal review is carried out twice a year. The operational risk register is also reviewed by Audit Committee annually. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

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

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

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

The College has low cash reserves and has been reliant on a BIS Exceptional Financial Support ("EFS") Loan. The College concluded significant restructuring exercises in 2014/15, removing £1.5M of staffing costs to return an operating surplus of £301k in 2015/16 (before net FRS102 pension adjustment of £286k) and has a budgeted operating surplus in 2016/17 and 2017/18, allowing repayment of the EFS support during 2016/17 and 2017/18. A robust Financial Recovery Plan has been implemented, which was externally validated by the FE Commissioners Team.

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

2 Leadership & Management (High Risk & Improving)

A new Executive Team was formed in the period July – October 2014, following the change of College leadership in Summer 2014. The Executive Team undertook a restructuring of the middle management tier to ensure a structure fit for the task of improving both Financial and Quality Performance. A comprehensive continuing professional development leadership programme has been delivered, and the new team has proved effective. The middle management tier is now well established. However, curriculum managers are stretched, lacking capacity to effect positive change. A new team of 'Quality Leads' has been put in place to aid & support these managers. The College's governance structure has also undergone change with many new members bringing specialist skills, particularly in Finance and Curriculum Delivery. The structure of the Corporation has shifted to specialist committees to allow for better application of skills & scrutiny: there is now a dedicated Finance & Resources Committee as well as Curriculum. A new Chair to the Corporation has brought a fresh approach in terms of Governors' skills deployment.

3 Human Resources Issues (High Risk)

The three restructuring exercises which the College undertook during the 2014/15 financial year threatened the stability of the College and could have resulted in a considerable lowering of staff morale at a time when improvement was being sought in both curriculum delivery and business support functions. This has stabilised and improved. Running through into merger, the Governors and Executive are aware of the need to maintain good communications and involvement.

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

Following on from a pilot area Review, the College is in the advanced stages of merger. This is a major project and the proposed merger date is 31st March 2017. This will require the attention and time of college leaders. Leaders are mitigating 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

5 Government funding

The College has considerable reliance on continued government funding through the further education sector funding bodies. In 2015/16, 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:

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

6 Tuition fee policy

Ministers have confirmed that the fee assumption remains at 50%. In line with the majority of other colleges, Lowestoft 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.

7 Maintain adequate funding of pension liabilities

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

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

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

The College's recruitment procedures operate under the "Positive about disabled people" guidelines. This means that where applicants declare disabilities and they meet the essential selection criteria they will be guaranteed an interview. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities to all staff equally. An equalities plan is published each year and monitored by managers and governors.

Disability statement

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 provides information, advice and arranges support where necessary for students with disabilities.

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

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

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

f) Specialist programmes are described in 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.

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 28th November 2016 and signed on its behalf by

Mrs T Ellis

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 2015 to 31st July 2016 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
ii. 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 have not adopted and therefore do not apply the UK Corporate Governance Code. 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 in the table below.

Name	**Date of Appointment**	**Term of office**	**Date of resignation**	**Status of appointment**	**Committees served**	**Corporation meeting attendance**
Mr R Perkins	Reappointed December 2014	4 years	December 2015	Member to December 2015; thereafter Director of LOWES Ltd	Chair: Corporation (to September 2015); Director of LOWES Ltd; Member of Governance & Remuneration.	1/3
Mr A Debenham	Reappointed June 2013	4 years		Member	Member of Finance & Resources; Chair of Governance & Remuneration	7/10
Mrs A Swietlik	December 2014	N\A		Assistant Governor	Member of Audit	N/A
Mrs T Ellis	Reappointed May 2014	4 years		Member	Chair of Corporation (from September 2015); Member of Governance & Remuneration; Director of LOWES Ltd	9/10
Mr J Eade	July 2002	N/A		Assistant Governor	Member of Audit	N/A
Mrs R Bunn	April 2014	4 years		Staff Member	Member of Audit and Curriculum, Quality & Standards	9/10
Miss L Bland	April 2015	4 years		Staff Member	Member of Curriculum, Quality & Standards	10/10

Name	**Date of Appointment**	**Term of office**	**Date of resignation**	**Status of appointment**	**Committees served**	**Corporation meeting attendance**
Mr A King	Reappointed June 2013	4 years		Member	Member of Governance & Remuneration	7/10
Mr A Reynolds	June 2009	N/A		Assistant Governor	Member of Governance & Remuneration	N/A
Mr B Provan	Reappointed July 2016	3 Years		Member	Member of Audit; Director of LOWES Ltd	8/10
Mr T Crane	May 2014	4 Years	June 2016	Member	Member of Finance & Resources; Chair of LOWES Ltd	4/8
Mr L Poulson	February 2014	4 Years		Member	Chair of Curriculum, Quality & Standards	9/10
Mrs J Pretty	July 2014	N/A	July 2016	Principal	Member of Governance & Remuneration Director of LOWES Ltd (resigned June 2016)	10/10
Mr B Lynes	July 2015	3 Years		Member	Member of Finance & Resources	8/10
Mr K Monaghan	October 2014	3 Years		Member	Vice-Chair of Corporation; Chair of Finance & Resources	8/10
Mr T Skinner	June 2015	3 Years		Member		9/10
Mr D Lees	August 2015	3 Years		Member	Member of Curriculum, Quality & Standards	2/9
Mrs G Parsons	August 2015	3 Years		Member	Chair of Audit	6/9

Name	Date of Appointment	Term of office	Date of resignation	Status of appointment	Committees served	Corporation meeting attendance
Mr A Stannard	October 2015	Whilst a Student		Student Member	Member of Curriculum, Quality & Standards	8/9
Mr C Reynolds	November 2015	3 Years		Member	Member of Audit Committee	5/8
Ms R Witt, Clerk to the Corporation (resigned July 2016) Mr T Bright, Clerk to the Corporation (appointed July 2016)						

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 Clerk to the Corporation at:

Lowestoft College
St Peters Street
Lowestoft
Suffolk
NR32 2NB

The Clerk to the Corporation maintains a register of financial and personal interests of the governors. The register is available for inspection at the above address.

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

Formal 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. The Corporation has a Governance & Remuneration Committee, consisting of six members of the Corporation, which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

Members of the Corporation are appointed for a term of office not exceeding three years.

Corporation performance

The College undertook a self-assessment process during the year and produced a report which considered 26 areas of good practice. In each of these areas a review of the Corporation's performance for 2014/15 was carried out and actions for 2015/16 were identified. The review identified that the College's performance in 2014/15 had resulted in an appropriate level of activity and monitoring for each area and the actions identified for the 2015/16 year would ensure that this situation continued and the Corporation's performance continued to address all the identified areas of good practice.

Governance & Remuneration Committee

During the year ending 31 July 2016, the College's Governance & Remuneration Committee comprised 4 members of the Corporation, plus an experienced Assistant Governor. The Committee's purpose is 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 five times in 2015/16.

Details of remuneration for the year ended 31 July 2016 are set out in note 7 to the financial statements.

Audit Committee

The Audit Committee comprises a minimum of three members of the Corporation (excluding the Principal and Chair); in 2015/16 the Committee comprised 4 members of the Corporation plus two experienced Assistant Governors.. The Committee's purpose includes 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 three times in 2015/16.

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 Skills Funding Agency and Lloyds Bank PLC.

Finance & Resources Committee

During 2015/16 the Finance & Resources Committee comprised 5 members of the Corporation, one of whom is an accountant. The Committee's purpose includes 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 2015/16.

Curriculum, Quality + Standards Committee

During the 2015/16 year, the Curriculum, Quality + Standards Committee comprised six members of the Corporation. The Committee's purpose includes 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 three times in 2015/16.

The College has 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 has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which 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 2016 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2016 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

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

- comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the governing body
- regular reviews by the governing body of periodic and annual financial reports which indicate financial performance against forecasts
- setting targets to measure financial and other performance

- clearly defined capital investment control guidelines
- the adoption of formal project management disciplines, where appropriate.

Lowestoft College has an internal Risk Management Framework, which operates in accordance with the requirements of the SFA'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 by Spring 2016. 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 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 has continued to monitor the risk register as part of the Risk Management Framework and reports 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 Skills Funding Agency and Lloyds Bank together with monitoring of the application of the internal Risk Management Framework. ,.

The Principal and senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Principal and senior management team and the Audit Committee also receive regular reports from the pre-merger due diligence activities and feedback from the 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 2016 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2016 by considering documentation from the senior management team including a report on the Risk Management Framework, and taking account of events since 31 July 2016.

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

As detailed in note 16, the College has a breach in one of its financial covenants at 31st July 2016, therefore its term loan of £3,494k has been wholly classified as due within one year. Subsequent to the year end, the College has discussed its position with Lloyds Bank, who have confirmed they remain supportive of the College and senior management team. The Bank has not reset the College's covenant suite in 2015/16 pending developments on the merger. The College has an overdraft of £250k agreed until 31st January 2017. It is anticipated that the overdraft will be extended after this date, until the merger is completes. The College expects the merger to be completed on 31st March 2017 and is in discussion with the Skills Funding Agency's recently established Transaction Unit about financial support required post-merger in order to make the new East Coast College a success financially as well as providing a high quality learning experience for students.

Whilst the College is in breach of its banking covenants, it has received verbal indications from the Bank that it will not call in the loans but will discuss a new set of covenants during 2016/17 at a time that is most appropriate given the ongoing discussions arising from the area reviews. The College anticipates an agreement to extend the overdraft but also considers that it has alternative measures it could take to manage the cash position if this should become necessary.

Based on the above, the Corporation believe that it remains appropriate to prepare the financial statements on a going concern basis. However, it is acknowledged that the breach in the covenants which could trigger a request for the immediate repayment of the outstanding loan represents a material uncertainty which may cast significant doubt on the College's ability to continue as a going concern. 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 28 November 2016 and signed on its behalf by:

Mrs T Ellis	**Mr M Cowgill**
Chair	**Interim 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 Skills Funding Agency of material irregularity, impropriety and non-compliance with Skills Funding Agency terms and conditions of funding, under the financial memorandum in place between the College and the Skills Funding Agency. As part of 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 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 Skills Funding Agency.

Approved by order of the members of the Corporation on 28 November 2016 and signed on its behalf by:

Mrs T Ellis	**Mr M Cowgill**
Chair	**Interim Principal / Accounting Officer**
28 November 2016	**28 November 2016**

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

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

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the College will continue in operation.

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

The Corporation is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the College, and which enable it to ensure that the financial statements are prepared in accordance with the relevant legislation of incorporation and other relevant accounting standards. It is responsible for taking steps that are reasonably open to it in order to safeguard the assets of the College and to prevent and detect fraud and other irregularities.

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

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from the Skills Funding Agency are used only in accordance with the Financial Memorandum with the 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 Skills Funding Agency are not put at risk.

Approved by order of the members of the Corporation on 28 November 2016 and signed on its behalf by:

T Ellis

Mrs T Ellis
Chair

Independent auditor's report to the Corporation of Lowestoft College

We have audited the Group and College financial statements ("the financial statements") of Lowestoft College for the year ended 31 July 2016 set out on pages 24 to 52. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

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

Respective Responsibilities of the Corporation of Lowestoft College and Auditor

As explained more fully in the Statement of the Responsibilities of the Members of the Corporation set out on page 19, the Corporation is responsible for the preparation of financial statements which give a true and fair view.

Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the College's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Corporation; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Members' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the College's affairs as at 31 July 2016 and of the Group's and of the College's income and expenditure, gains and losses, changes in reserves and cash flows for the year then ended; and

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education.

Emphasis of matter - Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in the Statement of Accounting Policies on pages 29 and 30 concerning the College's ability to continue as a going concern. At the end of July 2016, the College had net current liabilities of £5,511,000 along with net total liabilities of £6,332,000 and its cash flow forecasts indicate an ongoing need for an overdraft facility. The College has breached a financial covenant in respect of its bank loan and at this time the bank could request immediate repayment of its loan. As a result the College is reliant on the support of its bankers for the continued provision of existing loans and overdraft facilities. These conditions, along with the other matters explained in the Statement of Accounting Policies indicate the existence of a material uncertainty which may cast significant doubt on the College's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the College were unable to continue as a going concern.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Joint Audit Code of Practice (June 2016) issued jointly by the Skills Funding Agency and the Education Funding Agency requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the College; or
- the College 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.

SBeavis

Stephanie Beavis 21 **December 2016**
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Botanic House, 100 Hills Road, Cambridge, CB2 1AR

Reporting accountant's assurance report on regularity

To: The Corporation of Lowestoft College and the Secretary for Education acting through Skills Funding Agency

In accordance with the terms of our engagement letter dated 31 January 2013 and further to the requirements of the financial memorandum with Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Lowestoft College during the period 1 August 2015 to 31 July 2016 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Joint Audit Code of Practice issued jointly by Skills Funding Agency and Education Funding Agency. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record (ILR) returns, for which the Skills Funding Agency has other assurance arrangements in place.

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

Respective responsibilities of Lowestoft College and the reporting accountant

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Joint Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2015 to 31 July 2016 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Joint Audit Code of Practice issued jointly by the Skills Funding Agency and Education Funding Agency. We performed a limited assurance engagement as defined in that framework.

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

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

Reporting accountant's assurance report on regularity (continued)

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 negative conclusion on regularity consistent with the requirements of the Joint 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 2015 to 31 July 2016 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

SBeavis

Stephanie Beavis 21 **December 2016**
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Botanic House, 100 Hills Road, Cambridge, CB2 1AR

Consolidated Statements of Comprehensive Income

	Notes	Year ended 31 July 2016		Year ended 31 July 2015 Restated	
		Group	**College**	**Group**	**College**
		£'000	**£'000**	**£'000**	**£'000**
INCOME					
Funding body grants	2	8,408	8,408	9,290	9,289
Tuition fees and education contracts	3	3,600	2,726	3,579	2,546
Other grants and contracts	4	82	82	236	236
Other income		992	1,263	1,143	1,436
Investment income	5	1	1	1	1
Total income		13,083	12,480	**14,249**	13,508
EXPENDITURE					
Staff costs	6	8,286	7,897	9,343	8,828
Restructuring costs		34	34	297	297
Other operating expenses	8	3,123	2,912	3,405	3,186
Depreciation		1,102	1,088	1,100	1,078
Interest and other finance costs	9	523	523	514	514
Total expenditure		**13,068**	**12,454**	**14,659**	**13,903**
(Deficit)/surplus before other gains and losses		**15**	**26**	**(410)**	**(395)**
Loss on disposal of assets		-	-	-	-
(Deficit)/Surplus before tax		15	**26**	**(410)**	**(395)**
Taxation		-	-	-	-
(Deficit)/surplus for the year		**15**	**26**	**(410)**	**(395)**
Unrealised surplus on revaluation of assets					
Actuarial loss in respect of pensions schemes		(1,678)	(1,678)	(721)	(721)
Total Comprehensive Loss for the year		**(1,663)**	**(1,652)**	**(1,131)**	**(1,116)**

Consolidated and College Statement of Changes in Reserves

	General Reserve (including pension reserve)	Revaluation reserve	Restricted reserve	Total
	£'000	£'000	£'000	£'000
Group				
Restated Balance at 1st August 2014	(6,738)	3,164	36	(3,538)
Deficit from the income and expenditure account	(410)	-	-	(410)
Other comprehensive loss	(721)	-	-	(721)
Transfers between revaluation and income and expenditure reserves	87	(87)	-	-
	(1,044)	(87)	-	(1,131)
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)		-
Total comprehensive income for the year	(1,575)	(88)		(1,663)
Balance at 31 July 2016	(9,357)	2,989	36	(6,332)
College				
Restated Balance at 1st August 2014	(7,156)	3,164	36	(3,956)
Deficit from the income and expenditure account	(395)	-	-	(395)
Other comprehensive loss	(721)	-	-	(721)
Transfers between revaluation and income and expenditure reserves	87	(87)	-	-
	(1,029)	(87)	-	(1,116)
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)		-
Total comprehensive income for the year	(1,564)	(88)		(1,652)
Balance at 31 July 2016	(9,749)	2,989	36	(6,724)

Balance sheets as at 31 July

	Notes	Group	College	Group	College
				Restated	
		2016	2016	2015	2015
		£'000	£'000	£'000	£'000
Non current assets					
Tangible Fixed assets	11	16,765	16,719	17,819	17,759
Investments	12	-	1	-	1
		16,765	**16,720**	**17,819**	**17,760**
Current assets					
Stocks		-	-	-	-
Trade and other receivables	13	641	642	819	899
Cash and cash equivalents		534	464	1,130	807
		1,175	**1,106**	**1,949**	**1,706**
Less: Creditors – amounts falling due within one year	14	(6,686)	(6,964)	(7,616)	(7,717)
Net current assets/(liabilities)		**(5,511)**	**(5,858)**	**(5,667)**	**(6,011)**
Total assets less current liabilities		**11,256**	**10,864**	**12,152**	**11,749**
Creditors – amounts falling due after more than one year	15	(6,821)	(6,821)	(8,020)	(8,020)
Provisions					
Defined benefit obligations	17,23	(10,765)	(10,765)	(8,801)	(8,801)
Total net assets		**(6,332)**	**(6,724)**	**(4,669)**	**(5,072)**
Restricted reserve		36	36	36	36
Unrestricted Reserves					
Income and expenditure account		(9,357)	(9,749)	(7,782)	(8,185)
Revaluation reserve		2,989	2,989	3,077	3,077
Total deficit		**(6,332)**	**(6,724)**	**(4,669)**	**(5,072)**

The financial statements on pages 24 to 52 were approved and authorised for issue by the Corporation on 28 November **2016** and were signed on its behalf by:

Mrs T Ellis
Chair

Mr M Cowgill
Interim Principal

Consolidated Statement of Cash Flows

	Notes	2016	Restated 2015
		£'000	£'000
Cash flow from operating activities			
Surplus/(Deficit) for the year		15	(410)
Adjustment for non-cash items			
Depreciation		1,102	1,100
(Increase)/decrease in stocks		-	17
(Increase)/decrease in debtors		178	107
Increase/(decrease) in creditors		(690)	(1,302)
Deferred capital grants released to income (notes 2 and 4)	2&4	(453)	(449)
FRS102 adjustment (net)		286	221
Decrease in restricted reserves			-
Adjustment for investing or financing activities			
Investment income		(1)	(1)
Interest payable		206	202
Net cash flow from operating activities		643	(515)
Cash flows from investing activities			
Interest received		1	1
Interest paid		(206)	(202)
Deferred capital grants received		-	293
Payments made to acquire fixed assets		(48)	(1,442)
		(253)	(1,350)
Cash flows from financing activities			
New loans – Skills Funding Agency		-	1,431
Repayment of amounts borrowed		(236)	(256)
		(236)	1,175
Increase / (decrease) in cash and cash equivalents in the year		**154**	**(690)**
Cash and cash equivalents at beginning of the year	20	380	1,070
Cash and cash equivalents at end of the year	20	534	380

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.

Transition to the 2015 FE HE SORP

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

An explanation of how the transition to the 2015 FE HE SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the College is provided in note 28.

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

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

- Revaluation as deemed cost – at 1st August 2014, the College has retained the carrying values of freehold properties as being deemed cost and measured at fair value
- Lease incentives – the College has continued to recognise the residual benefits associated with lease incentives on the same basis as that applied at the date of transition
- The College has taken advantage of the exemptions provided in FRS 102 1.12 and the 2015 FE HE SORP 3.3, and has not included a separate statement of its own cash flows. These cash flows are included within the Consolidated Statement of Cash Flows, and the College balance sheet discloses cash at both the current and preceding reporting dates.

Notes (Contd)

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 2, the activities of the student union have not been consolidated because the College does not control those activities. All financial statements are prepared to 31 July 2015. All financial statements are made up to 31 July 2016.

Going concern

The College has £6,332k of net liabilities, including pension liability of £10,765k (2014/15: £4,669k net liabilities including pension liability of £8,801k) and loans of £3,494k (2014/15: £3,634k) repayable on demand at the year end. The activities of the College, together with the factors likely to affect its future development and performance are set out in the Operating and Financial Review. The financial position of the College, its cash flow, liquidity and borrowings are described in the Financial Statements and accompanying Notes.

During 2014/15, the College received loans from the SFA (BIS loan) totalling £1,431k and undertook three restructuring exercises in order to reduce pay costs within a framework which minimised the effect on teaching and learning.

The receipt of the first loan from the SFA (BIS loan) triggered a review by the FE Commissioner, in early March 2015, to determine whether he considered the College had sufficient capacity and capability to deliver financial recovery. After a searching scrutiny by the FE Commissioner and his team over several days, he made a series of recommendations (many of which were already being implemented). The Commissioner noted that the Interim Principal and new leadership team had already set about addressing the financial issues with determination and flair and gained the support of staff and stakeholders alike. Staff welcomed the change of culture and there was a positive response from both within and outside the College to what had already been achieved. The Commissioners view was that despite the difficulties of staff restructuring, there was a positive mood within the College and a view that the College could make the required improvements and concluded the case for a college led recovery.

The College has adopted a 'golden rule' that pay costs must not exceed 65% of income and the Corporation has approved the 2016/17 budget, which shows a projected operating surplus of £291k with a slightly larger operating surplus forecast in 2017/18.

Using the financial modelling available from the Skills Funding Agency for producing its Two-Year Financial Plan, the College believes that the achievement of the operating surpluses in the next two financial years will enable it to continue to make repayments on the term loan with the Bank and repay the exceptional financial support before the end of 2017/18 (£381k has subsequently been repaid in August\September 2016). Based on the College's two year forecast the automated scoring process indicates the College will be satisfactory for 2015/16 and 2016/17.

Notes (Contd)

As detailed in note 16, the College has a breach in one of its financial covenants at 31st July 2016, therefore its term loan of £3,494k has been wholly classified as due within one year. Subsequent to the year end, the College has discussed its position with Lloyds Bank, who have confirmed they remain supportive of the College and senior management team. The Bank has not reset the College's covenant suite in 2015/16 pending developments on the merger. The College has an overdraft of £250k agreed until 31st January 2017. It is anticipated that the overdraft will be extended after this date, until the merger is completes. The College expects the merger to be completed on 31st March 2017 and is in discussion with the Skills Funding Agency's recently established Transaction Unit about financial support required post-merger in order to make the new East Coast College a success financially as well as providing a high quality learning experience for students.

Whilst the College is in breach of its banking covenants, it has received verbal; indications from the Bank that it will not call in the loans but will discuss a new set of covenants during 2016/17 at a time that is most appropriate given the ongoing discussions arising from the area reviews. The College anticipates an agreement to extend the overdraft but also considers that it has alternative measures it could take to manage the cash position if this should become necessary.

Based on the above, the Corporation believe that it remains appropriate to prepare the financial statements on a going concern basis. However, it is acknowledged that the breach in the covenants which could trigger a request for the immediate repayment of the outstanding loan represents a material uncertainty which may cast significant doubt on the College's ability to continue as a going concern. 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.

Notes (Contd)

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.

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 20.

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.

Notes (Contd)

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

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

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 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.

Notes (Contd)

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

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

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

Investments

Investments in subsidiaries

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

Inventories

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.

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.

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.

Notes (Contd)

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 30, 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.

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 26, 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	
	2016	**2016**	**2015**	**2015**
	Group	**College**	**Group**	**College**
	£'000	**£'000**	**£'000**	**£'000**
Recurrent grants				
Skills Funding Agency	1,019	1,019	**1,305**	1,305
Education Funding Agency	5,183	5,183	**5,601**	5,601
Specific grants				
Employer Responsive (All SFA)	1,636	1,636	1,788	1,788
Other non-recurrent grants: Local Authorities	149	149	190	190
SFA	-	-	38	37
EFA	50	50	-	-
Releases of deferred capital grants (All SFA)	371	371	368	368
Total	**8,408**	**8,408**	**9,290**	**9,289**

3 Tuition fees and education contracts	Year ended 31 July		Year ended 31 July	
	2016	**2016**	**2015**	**2015**
	Group	**College**	**Group**	**College**
	£'000	**£'000**	**£'000**	**£'000**
Adult education fees	1,246	372	1,349	83
Apprenticeship fees and contracts	32	32	42	42
Fees for FE loan supported courses	190	190	232	232
Fees for HE loan supported courses	-	-	-	
International students fees	770	770	643	
Total tuition fees	2,238	1,364	2,266	1,233
Education contracts	1,362	1,362	1,313	1,313
Total	**3,600**	**2,726**	**3,579**	**2,546**

4 Other grants and contracts	Year ended 31 July		Year ended 31 July	
	2016	**2016**	**2015**	**2015**
	Group	**College**	**Group**	**College**
	£'000	**£'000**	**£'000**	**£'000**
European Commission	-	-	155	155
Other grants and contracts	82	82	81	81
Total	**82**	**82**	**236**	**236**

Notes (Contd)

5 Investment income	Year ended 31 July		Year ended 31 July	
	2016	2016	2015	2015
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other interest receivable	1	1	1	1
Total	**1**	**1**	**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:

	2016	2015
	No.	No.
Teaching staff	89	98
Non-teaching staff	128	152
	217	**250**

Staff costs for the above persons		
	2016	2015
	£'000	£'000
Wages and salaries	6,460	7,325
Social security costs	424	465
Other pension costs (see Note 24)	1,109	1,065
Payroll sub total	**7,993**	**8,855**
Contracted out staffing services	293	488
	8,286	**9,343**
Restructuring costs		
Contractual	34	271
Non-contractual	-	26
Total Staff costs	**8,318**	**9,640**

Notes (Contd)

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

	2016 No.	2015 No.
The number of key management personnel including the Accounting Officer was:	5	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	
	2016 No.	**2015 No.**	**2016 No.**	**2015 No.**
£50,001 to £60,000 p.a.	3	3	-	-
£60,001 to £70,000 p.a.	1	1	-	-
£70,001 to £80,000 p.a.	-	-	-	-
£100,001 to £110,000 p.a.	-	-	-	-
£110,001 to £120,000 p.a.	1	1	-	-
	5	**5**	**-**	**-**

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

	2016 £'000	**2015 £'000**
Salaries	340	285
Employers National Insurance	38	30
Benefits in kind	2	1
	380	316
Pension contributions	53	40
Total emoluments	433	356

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:

	2016	2015
	£'000	£'000
Salaries	110	101
Employers National Insurance	13	12
Benefits in kind	1	1
	124	114
Pension contributions	18	14

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

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

8 Other operating expenses

	2016	2016	2015	2015
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Teaching costs	638	520	816	686
Non-teaching costs	1,861	1,768	1,924	1,862
Premises costs	624	624	665	665
Total	**3,123**	**2,912**	**3,405**	**3,213**

Other operating expenses include:	2016	2015
	£'000	£'000
Auditors' remuneration:		
Financial statements audit*	30	23
Internal audit**	-	1
Other services provided by the financial statements auditor	2	2
Other services provided by the internal auditors	-	-
Losses on disposal of non-current assets	-	-
Discontinuing costs for Lound	34	258
Hire of assets under operating leases	267	275

* in respect of the College £28,588 (2014/15 £21,489)

** in respect of the College £Nil (2014/15 £931)

Notes (Contd)

9 Interest and other finance costs – Group and College

	2016 £'000	2015 £'000
On other loans:		
Repayable within five years, by instalments	206	202
	206	202
Pension finance costs (note 20)	317	312
Total	**523**	**514**

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 £'000	Equipment £'000	Assets in the course of construction £'000	Total £'000
Cost or valuation				
At 1 August 2015	15,045	11,304	413	26,762
Additions		48		48
At 31 July 2016	**15,045**	**11,352**	**413**	**26,810**
Accumulated depreciation				
At 1 August 2015	4,751	4,192	-	8,943
Charge for year	369	733		1,102
At 31 July 2016	**5,120**	**4,925**	**-**	**10,045**

Notes (Contd)

Net book value				
At 31 July 2016	**9,925**	**6,427**	**413**	**16,765**
At 31 July 2015	10,294	7,112	413	17,819

College

	Freehold	Equipment	Assets in the course of Construction	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2015	15,045	10,926	413	26,384
Additions		48		48
At 31 July 2016	**15,045**	**10,974**	**413**	**26,432**
Depreciation				
At 1 August 2015	4,752	3,873	-	8,625
Charge for year	368	720		1,088
At 31 July 2016	**5,120**	**4,593**	**-**	**9,713**

Notes (Contd)

Net book value				
At 31 July 2016	**9,925**	**6,381**	**413**	**16,719**
At 31 July 2015	10,293	7,053	413	17,759

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 Non-current investments

College only	2016 £'000	2015 £'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 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
Amounts falling due within one year:				
Trade receivables	270	91	290	143
Amounts owed by group undertakings:				
Subsidiary undertakings		181	-	233
Prepayments and accrued income	185	184	300	294
Amounts owed by the Skills Funding Agency	186	186	229	229
Total	**641**	**642**	**819**	**899**

Notes (Contd)

14 Creditors: amounts falling due within one year

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
Bank loans and overdrafts	-	-	750	750
Bank Loan	3,542	3,542	3,730	3,730
Payments received on account	454	441	488	469
Trade creditors	268	213	428	396
Amounts owed to group undertakings:				
Subsidiary undertakings	-	401	-	217
Other taxation and social security	310	283	287	247
Accruals	413	382	372	347
Deferred income - government capital grants	420	420	452	452
Amounts owed to the Skills Funding Agency	1,065	1,065	855	855
Other Creditors (including holiday pay accrual)	214	217	254	254
Total	**6,686**	**6,964**	**7,616**	**7,717**

15 Creditors: amounts falling due after one year

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
Bank loans	-	-	-	-
Other Creditors- Salix Loan & SCC	150	150	198	198
Deferred income - government capital grants	5,971	5,971	6,391	6391
Skills Funding Agency	700	700	1,431	1,431
Total	**6,821**	**6,821**	**8,020**	**8,020**

Notes (Contd)

16 Maturity of debt

Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	Group	College	Group	College
	2016	2016	2015	2015
	£'000	£'000	£'000	£'000
In one year or less	4,273	4,273	4,480	4,480
Between one and two years	725	725	779	779
Between two and five years	75	75	775	775
In five years or more	50	50	75	75
Total	**5,123**	**5,123**	**6,109**	**6,109**

The fixed term bank loan of £3.494 million at 31 July 2016 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. The fixed term loan of £300k was repaid on 28 November 2014.

However, as noted in pages 29 and 30, the College has 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 has 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 £3,494k has been reclassified within current liabilities.

As at 31 July 2016 the College had one outstanding loan in respect of Salix Finance Efficiency loan programme for £23k. This loan – originally for £184k when drawn on 20 September 2012 - is repayable over 8 equal instalments with a completion date of 1 September 2016.

The loan from the Skills Funding Agency is unsecured and interest-free: £731k is repayable in 2016/17 and the remainder in 2017/18.

17 Provisions

	Defined benefit obligations
	£'000
At 1 August 2015	8,801
Reductions in the period (contributions to scheme)	(711)
Additions in period	2,675
At 31 July 2016	**10,765**

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 2015	Cash flows	Other changes	At 31 July 2016
	£'000	£'000	£'000	£'000
Cash and cash equivalents	1,130	(596)	-	534
Overdrafts	(750)	750	-	-
Total	**380**	**154**	**-**	**534**

19 Capital and other commitments

	Group and College	
	2016	2015
	£'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	
	2016	2015
	£'000	£'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	-	18
Later than one year and not later than five years	-	-
Later than five years	-	-
	-	18
Other		
Not later than one year	193	237
Later than one year and not later than five years	283	326
Later than five years	168	216
	644	779

Notes (Contd)

21 Contingent liabilities

There were no significant contingent liabilities at 31 July 2016 (2015: nil).

22 Events after the reporting period

There are no events after the reporting period.

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		**2016**		**2015**
		£000		**£000**
Teachers' Pension Scheme: contributions paid		424		423
Local Government Pension Scheme:				
Contributions paid	633		649	
FRS 102 charge/(credit)	(31)		(91)	
Other pension schemes: contribution paid	4		2	
Charge to the Statement of Comprehensive Income		606		560
Enhanced pension charge to Statement of Comprehensive Income		79		82
Total Pension Cost for Year within staff costs		**1,109**		**1,065**

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2012 and of the LGPS 31 March 2013.

Contributions amounting to £34k (2015 £9k) were payable to the scheme at 31st July 2016 and are included within creditors.

Teachers' Pension Scheme

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

Notes (Contd)

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

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 £424k (2015: £423k).

Notes (Contd)

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 2016 was £796k (2014/15: £812k) of which employers contributions totalled £633k (2014/15: £649k) and employees' contributions totalled £163k (2014/15: £163k). 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.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2013 updated to 31 July 2016 by a qualified independent actuary.

	At 31 July 2016	**At 31 July 2015**
Rate of increase in salaries	3.9%	4.5%
Rate of increase in pensions CPI	1.9%	2.6%
Inflation assumption (CPI)	1.9%	2.6%
Expected return on assets	2.4%	3.6%
Discount rate for liabilities	2.4%	3.6%

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 2016	**At 31 July 2015**
	years	Years
Retiring today		
Males	22.4	22.4
Females	24.4	24.4
Retiring in 20 years		
Males	24.3	24.3
Females	26.9	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 2016	**Value at 31 July 2016 £'000**	**Long-term rate of return expected at 31 July 2015**	**Value at 31 July 2015 £'000**
Equity instruments	2.4%	11,495	3.6%	10,131
Bonds	2.4%	3,332	3.6%	2,936
Property	2.4%	1,666	3.6%	1,468
Cash	2.4%	166	3.6%	147
Total market value of plan assets		**16,659**		**14,682**
Weighted average expected long term rate of return	**2.4%**		**3.6%**	
Actual return on plan assets		**1,597**		**1,269**

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

	2016 £'000	**2015 £'000**
College's estimated asset share	**16,659**	**14,682**
Present value of scheme liabilities	**(26,119)**	**(22,133)**
Present value of unfunded liabilities	**(1,305)**	**(1,350)**
Surplus/(deficit) in the scheme	**(10,765)**	**(8,801)**

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

	2016 £'000	**2015 £'000**
Amounts included in staff costs		
Current service cost	680	662
Past service cost	-	-
Losses on Curtailments and settlements	-	63
Total	**680**	**725**
Amounts included in (interest payable)\investment income		
Net interest income (cost – in interest payable)	(317)	(312)
	(317)	**(312)**

Notes (Contd)

Amount recognised in Other Comprehensive Income		
Return on pension plan assets	1,062	743
Experience losses arising on defined benefit obligations	305	148
Changes in assumptions underlying the present value of plan liabilities	(3,045)	(1,612)
Amount recognised in Other Comprehensive Income	**(1,678)**	**(721)**

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

	2016	**2015**
	£'000	**£'000**
Net defined benefit (liability)/asset in scheme at 1 August	(8,801)	(7,859)
Movement in year:		
Current service cost	(680)	(662)
Employer contributions	711	816
Losses/Gains on Curtailments	-	(63)
Net interest on the defined (liability)/asset	(317)	(312)
Actuarial gain or loss	(1,678)	(721)
Net defined benefit (liability)/asset at 31 July	**(10,765)**	**(8,801)**

Asset and Liability Reconciliation

	2016	**2015**
	£'000	**£'000**
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	23,483	**20,768**
Current service cost	680	662
Interest cost	852	838
Contributions by Scheme participants	151	163
Experience gains and losses on defined benefit obligations	(305)	(148)
Changes in financial assumptions	3,045	1,612
Estimated benefits paid	(482)	(475)
Past Service cost	-	-
Curtailments and settlements	-	63
Defined benefit obligations at end of period	**27,424**	**23,483**
Liabilities in respect of unfunded liabilities included in above	**1,305**	**1,350**

Notes (Contd)

Changes in fair value of plan assets

Fair value of plan assets at start of period	14,682	12,909
Interest on plan assets	535	526
Return on plan assets	1,062	743
Employer contributions	711	816
Contributions by Scheme participants	151	163
Estimated benefits paid	(482)	(475)
Fair value of plan assets at end of period	**16,659**	**14,682**

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 £2,155; 3 governors (2015: £2,555; 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 Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2015: None).

Notes (Contd)

25 Transition to FRS 102 and the 2015 FE HE SORP

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

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

	Note	1st August 2014		31st July 2015	
		Group	**College**	**Group**	**College**
		£'000	**£'000**	**£'000**	**£'000**
Financial Position					
Total reserves under previous SORP		(6,455)	(6,873)	(7,560)	(7,963)
Employee leave accrual	(a)	(283)	(283)	(222)	(222)
Total effect of transition to FRS 102 and 2015 FE HE SORP		(283)	(283)	(222)	(222)
Total reserves under 2015 FE HE SORP		(6,738)	(7,156)	(7,782)	(8,185)

		Year ended 31st July 2015	
		Group	**College**
		£'000	**£'000**
Financial performance			
Surplus\(Deficit) for the year after tax under previous SORP		(230)	(215)
Reduction in Employee leave accrual	(a)	61	61
Pensions provision – actuarial loss		(721)	(721)
Changes to measurement of net finance cost on defined benefit plans	(b)	(241)	(241)
Total effect of transition to FRS 102 and 2015 FE HE SORP		(901)	(901)
Total comprehensive income for the year under 2015 FE HE SORP		(1,131)	(1,116)

Notes (Contd)

a) Recognition of short term employment benefits

No provision for short term employment benefits such as holiday pay was made under the previous UK GAAP. Under FRS 102 the costs of short-term employee benefits are recognised as a liability and an expense. The annual leave year runs to 31st August each year for both teaching and non-teaching staff meaning that, at the reporting date, there was an average of 15.4 days unused leave for teaching staff and 7.2 days unused leave for non-teaching staff. In addition, certain non-teaching employees are entitled to carry forward up to 5 days of any unused holiday entitlement at the end of the leave year. The cost of any unused entitlement is recognised in the period in which the employee's services are received. An accrual of £283k was recognised at 1 August 2014, and £222k at 31 August 2015. Following a re-measurement exercise in 2015/16, the reduction on this provision of £50k has been credited to Comprehensive Income in the year ended 31 July 2016.

b) Change in recognition of defined benefit plan finance costs

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

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

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

d) Change in the presentation of deferred capital grants

In prior years, the balance sheet presented deferred capital grants together with total reserves to arrive at total funds which were balanced against net assets. Under FRS102, deferred capital grants are presented in creditors, falling due within or after more than one year as appropriate, and are therefore included in total net assets, which are balanced against total unrestricted reserves.