EAST NORFOLK
Sixth Form College

**Report and financial statements**
**for the year ended 31 July 2018**

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## Reference and Administrative Details

### Board of Governors

L Anderson
H Canham
J Clare
J Dack
C Denny
P Dixon
D Dyer
S Knights
N Loveday
D Marsh
M Marsh
B McGrellis
B Miller
W Notcutt
C Richards
L Smith
I Tooley
J Zuniga

**Governance Adviser** J McDonnell

### Senior Management Team

Dr Catherine Richards, Principal and CEO, Accounting Officer
Dr Simon Fox, Deputy Principal
Joseph Santori, Vice Principal
Andy Cooper, Assistant Principal

**Principal and Registered Office** Church Lane, Gorleston, Great Yarmouth

### Professional Advisers

| | |
|---|---|
| Financial statement and regularity auditors | MHA MacIntyre Hudson |
| Internal auditors | Scrutton Bland |
| Bankers | Lloyds Bank<br>Nationwide Building Society |
| Solicitors | Steeles Law |

## Report of the Governing Body

**Objectives and Strategies**
We, the members of the Corporation, present our report and the audited financial statements for the year ended 31 July 2018.

**Legal status**
The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting East Norfolk Sixth Form College. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

**Mission**
The College's mission as approved by us is:

"Excellence and Care: The College is working for its Community":

| | |
|---|---|
| *Excellence* | *The College will give all learners the best possible opportunities to achieve and fulfil their individual potential through high quality teaching, learning and assessment and a broad range of provision which offers choice and progression.* |
| *Care* | *The College will provide a supportive environment, which responds to individual needs and encourages respect.* |
| *Community* | *The College will serve our local and national community by responding and adapting to the needs of our learners and of our stakeholders.* |

**Delivery of Our Mission**
The consequences of delivering our mission include: (a) continually reviewing our curriculum to ensure it meets the needs and interests of potential learners, (b) maintaining our enrolment access policy and providing a wide range of courses to allow new students to enrol on programmes which suit their abilities, interests and future aspirations, (c) employing staff and developing our procedures to support students with additional learning needs and (d) ensuring that the quality of teaching and learning is constantly under review to deliver strong value added.

We once again enrolled more high needs learners (HNL) in 2017-18 than were included in our funding agreement with the ESFA. As a result, the Norfolk and Suffolk Local Authorities together provided us with £60,000 of Element 2 funding and £143,000 of Element 3 funding to enable us to support these students.

OFSTED, in their inspection report published in January 2017, determined that we were rated as "Good" for overall effectiveness and in all sub-categories. The report made the following statements about the College: "High standards of teaching, learning and assessment in the large majority of provision enable the large majority of students to make good progress from their starting points" and "Most students progress to positive destinations upon completion of their courses, including a high proportion taking up apprenticeships and courses at prestigious universities."

There was a small decrease on our A Level achievement in 2018 to 98.0%. We are continuing to work towards achieving a grade of "Outstanding" at a future Ofsted inspection.

**Strategic Plan**
We have approved a three-year strategic plan and regularly review the College's mission. Our strategic objectives are:

1. We will provide outstanding learning experiences for our students.
2. We will provide study programmes which offer choice and match students' abilities and aspirations.

**Report of the Governing Body** (continued)

3. We will support students and their parents/carers, where relevant, through the provision of information, advice, guidance and support pre and post enrolment.
4. We will lead, develop, support and invest in all members of the College community to ensure that each individual understands their role and that their contribution is recognised and valued.
5. We will foster high ethical and professional standards in our work and relationships which are built on the premise of mutual respect.
6. We will maintain a sound financial base to enable the provision of resources to support the delivery of high quality learning within a vibrant learning environment.
7. We will strive to make a positive impact within our community.

**Financial objectives**

Our overriding financial objective is to maintain a sound financial position to ensure we can continue to provide a high standard of education to learners with sufficient resources, including staffing, accommodation and equipment. This will be achieved by:

1. Delivering a balanced operating budget in each financial year, wherever possible.
2. Ensuring a sufficient balance of cash is maintained (we set a minimum target of £500,000 at the end of the financial year) to provide flexibility for implementing actions in response to future funding challenges or unexpected developments.
3. Maintaining a financial health grade of at least satisfactory.

We met all of these objectives in 2017-18.

We will also strive to maintain the confidence of other organisations. To this end, we will:

1. Meet the deadlines established by the Education and Skills Funding Agency (EFSA) for the submission of financial and learner data returns.
2. Ensure we meet the conditions set by the bank for the loan financing provided.
3. Strive to ensure all suppliers are paid within the payment terms agreed with the College.

In 2017-18, we submitted our learner data returns on time and provided all requests for financial information before the deadline. We continue to meet the loan conditions set by the bank. Whilst we believe it to be very important to pay all of our suppliers on a timely basis, there will inevitably be occasions when this is not the case. This could be the result of a query about an invoice, an invoice not being received or simply being misfiled. No interest charges were levied against us in 2017-18 as a result of late payments.

The monthly management accounts allow members to monitor the delivery of the financial objectives including the meeting of the bank covenants.

**RESOURCES**

**Financial**

The College has £2.8 million of net assets (including a pension liability of £1.7 million) and total debt of £2.1 million (£0.3 million short-term and £1.8 million long-term).

**People**

The College employs 138 staff (expressed as full time equivalents), of whom 67 are teaching staff.

**Reputation**

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

**STAKEHOLDER RELATIONSHIPS**

Like all colleges in the sector, we have many stakeholders. They include:

- Students
- Staff
- Trade Unions

**Report of the Governing Body** (continued)

- Parents and Carers
- FE Commissioner
- Employers and Local Business Organisations
- Local Enterprise Partnership (LEP)
- Community and Voluntary Organisations
- Funding Agencies
- Local Authorities
- Partner Schools and Local Colleges
- Universities

We recognise the importance of these relationships and engage in regular communication with them through meetings and our website.

## DEVELOPMENT AND PERFORMANCE

### Financial Results

We generated a surplus for the year before the transfer of the revaluation reserve of £72,000 (2016-17 deficit of £175,000), with total comprehensive income of £773,000 (2016-17 comprehensive income of £228,000).

Our accumulated reserves are £2,439,000 and our cash balances are £1,174,000. The College would like to maintain reserves and cash balances in order to protect against unexpected future events.

The balance sheet shows net current assets at 31 July 2018 of £153,000 (2016-17 net current liabilities of £299,000).

We have significant reliance on the ESFA as our principal funding source, largely from recurrent grants. In 2017-18, our 16-18 recurrent funding grant represented 89.6% of total income (2016-17 89.0%).

Following a consideration of our financial health ratios, we believe that a score of “Good” in 2017-18 to be appropriate. Given the loans we required to improve student accommodation, this is considered to be acceptable. The monthly management accounts include a calculation of financial health and other information to enable Governors and management to regularly monitor the College’s performance.

### Student Numbers

Our student number funding target for the year was 1,640. We recruited fewer students than this in 2017-18. As we do annually, we reviewed the curriculum offer and all course entry requirements. We also undertook a review of our marketing materials and presentations. Indications are that we will meet, if not slightly exceed, our planned number of students in 2018-19.

### Student Achievements

The College’s achievement rate increased slightly in 2017-18. We are proud of the fact that we continue to deliver a high achievement rate despite our admission criteria for incoming students being lower than that of many other educational establishments.

### High Needs Learners

The number of high needs learners enrolled in 2017-18 once again exceeded our funding target. The vast majority of these students were retained throughout the year and many progressed to employment or further education.

### Curriculum Developments

We take pride in the fact that the breadth of our curriculum offer ensures we can provide a wide range of study programmes for students based on their ability, interests and future aspirations. This includes extensive work to increase student employability skills including work placements, industry specific visits and professional mentoring.

**Report of the Governing Body** (continued)

## FUTURE PROSPECTS

### Developments

With the conversion to Academy status, we look forward to improving our existing links with the local colleges and high schools and expand them, wherever possible, to the primary school sector. We will continue to maintain and seek to improve our premises for the benefits of our students and staff.

### Financial Plan

We continually review our future operations and financial projections to ensure we can meet the needs of our students and staff and pay our creditors promptly. We will be able to continue in operation and meet our liabilities taking account of our current position and the principal risks we face for at least the next few years. We approved a three-year financial plan in July 2018 which set objectives up to July 2020.

### Treasury policies and objectives

Treasury management is the management of our cash flows and banking transactions, the effective control of the risks associated with these activities and the pursuit of optimum performance consistent with those risks.

We have a separate treasury management policy in place which is included in our Financial Regulations.

Short term borrowing for temporary revenue purposes, were it to be necessary, would be authorised by the Principal, who is our Accounting Officer. Such arrangements are restricted by limits in the funding agreement previously agreed with the ESFA. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the funding agreement.

### Cash Flows

We had a positive cash flow of £99,000 (2016-17 negative cash flow of £310,000). The College had a slightly higher net cash inflow from operations but spent less on capital expenditure in the year.

### Liquidity

The level of borrowing and our approach to interest rates has been agreed to ensure a reasonable cushion between the total cost of servicing debt and operating cashflow. The financial position and compliance with the covenants set by the bank are regularly monitored.

### Reserves Policy

We have no formal Reserves Policy but recognise the importance of reserves in the financial stability of any organisation and ensure that there are adequate reserves to support the College's core activities. As at the balance sheet date, the Income and Expenditure reserve stands at £2,439,000 (2016-17 £1,615,000). We believe that we should utilise the funding we receive for the benefit of our students and do not have any plans to increase reserves unless this is to support future capital investment.

### Going Concern

As noted above, we have approved the dissolution of the Corporation on 1 August 2018 in order to become an Academy from this date. As a result of the conversion, East Norfolk Sixth Form College will no longer exist as a legal entity from that date. It therefore cannot be considered to be a going concern. On the day of conversion, the College will transfer all of its assets and liabilities to East Norfolk Multi Academy Trust which will carry on the work of the College. It is therefore considered to be reasonable not to make any adjustments to the preparation of these accounts.

## PRINCIPAL RISKS AND UNCERTAINTIES

We continue to develop our system of internal control, including financial, operational and risk management, which is designed to protect our assets and reputation.

The members of the senior management team 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 operation of the College. Internal controls are then implemented with an appraisal conducted in the subsequent year to assess their effectiveness and progress made against risk mitigation strategies. In addition to the preparation of an annual review,

**Report of the Governing Body** (continued)

there is also the consideration of any risks which may arise as a result of a new area of work being undertaken by the College. The effectiveness of our internal control and risk management systems is evaluated by the internal auditors and their findings are reported to the Audit Committee.

A risk register is maintained at College level and is reviewed regularly by the Audit Committee. The risk register identifies the key strategic risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce or mitigate these risks. Risks are prioritised using a consistent scoring system.

The principal risks we face are outlined below. These risks are monitored on an on-going basis. Not all of the factors are within our control. There are other factors besides those listed below that may adversely affect the College operations.

**1. Failure to Meet Our Student Number Targets**

Given our reliance on recurrent funding, meeting our student number targets is essential to delivering the financial plan. Local competition for enrolling students will continue in future. In addition to academic courses, students may also opt for apprenticeships, vocational courses and obtaining employment if they feel that university is too expensive.

This risk is lowered to a satisfactory level by:

- Continued monitoring of local demographics and how they will impact future student numbers. We also consider the implications of future recruitment on accommodation and staffing needs. To ensure that student numbers are as high as possible, we review our curriculum offer and consider the introduction of new courses which will appeal to current and prospective students.
- Ensuring we are offering courses that suit the abilities, interests and future aspirations of prospective students.
- A continuing review of our marketing strategy and how we communicate with students who might attend the College and their parents.
- Maintaining dialogue with our local partner high schools about how we can best tailor our curriculum offer to meet the need of their pupils and having effective transition arrangements in place.

**2. Lower Retention Rates**

Once students have enrolled on courses, it is essential that they are retained and achieve their learning aims. Given the employment situation locally and concerns about the cost of higher education, a number of students leave the College during the course of the year to take up employment opportunities or apprenticeships.

**3. Higher Wage Costs**

Staffing is our most significant asset. Wage costs in 2017-18 were 68% of income. Future wage increases are therefore a significant risk to the delivery of the financial plan. There is continuing upward pressures on employer pension contributions, including a significant increase in the Teachers' Pensions rate anticipated in September 2019. Staff expectations for higher wage increases and the future increase in the living wage will also be difficult to meet without an increase in our funding.

**Performance indicators**

We agree targets for a range of key performance indicators including: student numbers, success rate, retention, achievement, attendance and overall financial results including financial health, cash flow and closing cash balance. We also regularly monitor performance against the covenants established by the bank as part of the loan agreement with the College.

**Report of the Governing Body** (continued)

**Public Benefit**

East Norfolk Sixth Form College is an exempt charity under the Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on page xi.

In setting and reviewing the College's strategic objectives, we have had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education.

In delivering its mission, the College provides the following identifiable public benefits through the advancement of education to 1,599 students including 47 high needs learners:

- High-quality teaching
- Widening participation and supporting students with learning needs
- Excellent record for student progression to higher education and employment
- Strong student support systems
- Growing links with employers, industry and commerce.

**Equal Opportunities**

The College's core values are Excellence, Care, Diversity and Integrity. We promote equality of opportunity and an awareness and appreciation of diversity for all members of our community. We oppose all forms of unlawful and unfair treatment of groups and individuals and promote and respect the personal dignity and human rights of every individual coming into contact or association with the College.

All staff are treated fairly and equally. Selection for employment, promotion, training or any other benefit is on the basis of aptitude, ability and qualifications. All employees are helped and encouraged to develop their full potential and the talents and resources of the workforce are fully utilised to maximise the efficiency of the organisation.

All students are treated fairly and in accordance with their assessed needs. We seek to enhance the self-esteem of all we serve and provide an environment in which each individual is encouraged and supported to fulfil their potential.

Our commitment to equality of opportunity and an awareness and appreciation of diversity is a fundamental principle that pervades all of our activities. Updating, creation of new employment policies and the fair and consistent application of existing policies is monitored by the Senior Management Team, HR team and the Joint Association Forum. All members of the College community are expected to uphold the College's Equality and Diversity policy and the EN core values and ensure their actions embody the commitments and requirements of the Equality Act 2010. All relevant policy documents are made available to new staff and are accessible to all on SharePoint. Students learn about them in the tutorial programme and through posters around the College.

**Disability Statement**

We seek to achieve the objectives set down in the Equality Act 2010 and the Children and Families Act 2013 and the revised Special Educational Needs Code of Practice 2015.

a. all student accommodation is on ground floor level or is accessible via lifts.

b. support is available for students who are assessed as needing help in literacy, language, numeracy and IT to allow them to make progress on their overall course of study by these best endeavours:

    Basic Skills screening at enrolment is conducted to identify levels of numeracy, literacy and language for appropriate curriculum choices at level 1 or 2 in a small class with a Learning Support Assistant

    Out of class specialist support is provided on a 1:1 basis for Level 2 and Level 3 learners with Special Educational Needs, Disabilities or Medical Health Needs. For example, we can support

**Report of the Governing Body** (continued)

students with Specific Learning Difficulties, Social, Emotional and Mental Health Needs or Autistic Spectrum Disorder amongst a range of barriers to learning.

Specialist assessment for exam access arrangements or screening for Specific Learning Difficulties is undertaken.

Among the curriculum modifications we can make include placing students on lighter timetables with fewer subjects to study (two subjects and study programmes to develop social and emotional skills), allowing them to share classes with friends for buddy support, assigning them specific teachers, participating in study programmes designed for supporting students with social, emotional and mental health needs or designing their learning programme across 2 levels of study.

c. we employ an Additional Learning Support Manager, Assistant SENDCO, Learning Support Assistant Supervisor, Learning Support Assistants, College Nurse, Student Mentors and a Student Welfare Coordinator to help students with their additional physical, learning and welfare needs.

d. assistive technology and specialist equipment can be made available for use by students.

e. the admissions policy for all students is available on request; appeals against a decision not to offer a place are dealt with under the complaints policy.

g. we provide counselling and welfare services.

h. best endeavours are made for learners with disabilities, where practical.

i. in discussion with appropriate organisations such as the Local Authorities and ESFA, funding is obtained to support learners with complex disabilities as noted above.

j. we ensure there is an effective transition to post-16 education by identifying learners with difficulties and / or disabilities from year 10 (and from year 9 where this is identified by the school or Local Authority).

k. exam access arrangements and arrangements for course based studies incorporate personalised adjustments for learners with difficulties and disabilities (e.g. additional time, use of laptop, coloured overlays, scribes, rest breaks, separate rooms, prompters, etc.).

l. we encourage strong participation of learners with difficulties and / or disabilities in their own teaching, learning and assessment. For example, we invite students with high needs and their parents / carers to attend focus groups in May and June to provide feedback on the SEN Report and Local Offer Annual Report.

m. we endeavour to provide co-operative communication within College between teaching and learning support staff and out of College between families and other agencies supporting learners with difficulties and / or disabilities for health, care, financial, residential and education purposes.

n. we constantly review our provision in order to provide an adaptive curriculum that extends or modifies studies for learners with difficulties and / or disabilities via a SEN Report and Local Offer which is accessible on our website.

o. parent/carer relationships are important for student academic attainment, attendance and their wellbeing so we promote and encourage early engagement for an effective transition to College and assign a Learning Support Assistant or Mentor experienced in the student's particular learning need.

p. if a student requires medical, social or personal care to complete their studies, then we will engage with the student, parent/carer and other professionals to provide a curriculum and support plan that will meet those needs. Funding will come from the Local Authority either via the student and their parent/carer or directly from established local and national government sources.

q. we endeavour to identify and meet the needs of learners with eventual independence for successful university completion or employment with case studies included on our website.

r. we will identify alternative education and work-related routes for students with disabilities, providing adequate funding is available to support this.

**Report of the Governing Body** (continued)

s. we will work closely with other educational providers, social and health providers for integrated assessment of need, preparation for College exit and complementary curriculum support for students with high and complex needs as required.

t. publishing a SEN Report and Local Offer of our provision for Special Educational Needs, Disabilities or Medical Health Needs on our website. This is co-produced annually with students and their parent/carers alongside a provision map.

**Trade Union Facility Time**

There were four members of staff who served as trade union representatives during the year (3.6 FTE). All representatives were given facility time of between 1 and 50% of their contractual working week. The total cost of this facility time was £8k which represented 0.15% of our total wages bill (excluding restructuring costs). The expectation is that this is a sufficient amount of time for representatives to support their members. The College is flexible in allowing additional time, if necessary, for representatives to use from their other paid time.

**Events After the End of the Reporting Period**

The College became an Academy on 1 August 2018 transferring all assets and liabilities to the East Norfolk Multi Academy Trust.

**Disclosure of information to auditors**

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

**Approved by order of the members of the Corporation on 11 December 2018 and signed on its behalf by:**

Lorna Anderson
**Chair of Governors**

**Statement of Corporate Governance and Internal Control**

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

We endeavour to conduct our business in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership) and having due regard to the UK Corporate Governance Code 2016 insofar as it is applicable to the further education sector.

We recognise that, as a body entrusted with both public and private funds, we have a particular duty to observe the highest standards of corporate governance at all times. 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. We, who are also the Trustees for the purposes of the Charities Act 2011, confirm that we have had due regard for the Charity Commission's guidance on public benefit and particularly on its supplementary guidance on the advancement of education and that the required statements appear elsewhere in these financial statements.

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

**The Corporation**

The members who served on the Corporation during the year and up to the date of signature of this report were as follows:

| Name | Month of Appointment | Term (years) | Month of Resignation | Status | Committees | 2017-18 Attendance<br>Board, Committees |
|---|---|---|---|---|---|---|
| Mrs L Anderson, *Chair* | Nov 2016 | 4 | July 2018 | Independent | C/Q*, E/R, S/G | 6/6, 6/10 |
| Dr W Notcutt, *Vice Chair* | Sep 2015 | 4 | July 2018 | Independent | E/R*, S/G*, Spe* | 4/6, 3/3 |
| Mrs H Canham | Oct 2014 | 4 | July 2018 | Independent | A * | 5/6, 3/3 |
| Mr J Clare | Oct 2014 | 4 | July 2018 | Independent | Spe, A | 5/6, 2/3 |
| Mr J Dack | May 2017 | 2 | July 2018 | Staff | | 6/6 |
| Mr C Denny | Mar 2016 | 4 | July 2018 | Independent | F | 4/6, 4/5 |
| Mr P Dixon | Dec 2016 | 2 | July 2018 | Parent | A | 4/6, 2/3 |
| Ms D Dyer | May 2017 | 2 | July 2018 | Staff | C/Q | 6/6, 4/4 |
| Ms S Knights | Sep 2014 | 4 | July 2018 | Independent | C/Q | 4/6, 3/4 |
| Mr N Loveday | Mar 2015 | 4 | July 2018 | Independent | F | 0/6, 0/5 |
| Mr D Marsh | May 2018 | 4 | July 2018 | Independent | E/R, F* | 5/6, 6/6 |
| Ms M Marsh | May 2017 | 4 | July 2018 | Independent | A | 2/6, 2/3 |
| Mr B McGrellis | Sep 2016 | 2 | July 2018 | Parent | C&Q | 3/6, 4/4 |
| Mr B Miller | Sep 2017 | 1 | July 2018 | Student | | 4/6 |
| Dr C Richards | Aug 2015 | - | July 2018 | Principal | C/Q, E/R, F, S/G | 6/6, 12/12 |
| Mrs L Smith | Sep 2015 | 4 | July 2018 | Independent | C/Q, S/G, Spe | 5/6, 5/6 |
| Ms M Strong | May 2017 | 4 | May 2018 | Independent | C&Q | 3/5, 3/4 |
| Mr I Tooley | Oct 2014 | 4 | July 2018 | Independent | F | 5/6, 3/5 |
| Mr J Zuniga | Sep 2017 | 1 | July 2018 | Student | | 5/6 |

Joanne McDonnell is the Governance Adviser and Clerk to the Governors

**<u>Committees</u>**

**A** – Audit; **C / Q** – Curriculum and Quality; **E/R** - Employment and Remuneration; **F** – Finance; **S / G** – Search and Governance; **Spe** – Special

* denotes Chair

Except as where noted, all members are shown to have resigned in July 2018 when, in accordance with Article 26 of its Articles of Government, the Corporation chose by resolution to dissolve itself and provide for the transfer of its property, rights and liabilities to East Norfolk Multi Academy Trust.

For the purpose of public interest the following individuals, each of whom were Corporation members throughout 2017/18, have accepted positions within the governance structure of East Norfolk Multi Academy Trust.

**Members**: L Anderson*, W Notcutt (resigned July 2018), L Smith

**Trustees**: L Anderson*, H Canham, C Denny, P Dixon, D Marsh, M Marsh, B McGrellis, S Knights, C Richards

**Committee (LGB) Members**: J Dack, D Dyer

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

It is our responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

We are 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.

There were 6 scheduled Board meetings held during the 2017-18 financial year and no special meetings.

We conduct our business through a number of committees.

Our committees are: Audit, Curriculum and Quality, Employment and Remuneration, Finance, Search and Governance and Special. All Committees operate in accordance with written terms of reference approved by us. Full minutes of all meetings, except those deemed to be confidential, are available on the College's website or from the Governance Adviser at:

East Norfolk Sixth Form College, Church Lane, Gorleston NR31 7BQ

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

We are able to take independent professional advice in furtherance of our duties at the College's expense and have access to the Governance Adviser, who is responsible to us for ensuring that we comply with all applicable procedures and regulations. The Governance Adviser undertakes regular training. She is also an active member of the Clerk's network (JISCMAIL) and attends meetings with other local clerks, including those organised by the Association of Colleges in the Eastern Region (ACER) and the Sixth Form Colleges' Association (SFCA). The appointment, evaluation and removal of the Governance Adviser are matters for us as a whole.

Formal agendas, papers and reports are supplied to us in a timely manner, prior to meetings. Briefings and training sessions precede most Board meetings.

We have a strong and independent non-executive element and no individual or group dominates our decision-making process. Attendance at meetings is monitored and procedures are in place to address any issues. We consider that each of our 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.

We are encouraged to participate in regular training. Specific training is organised for those of us who identify training needs. For instance, there was induction training for newly appointed Governors. We also engage in training at the start of each meeting of the Board of Governors where there is a briefing, generally delivered by staff members, on various issues relating to College operations or new or updated legislation.

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

**Appointments to the Corporation**

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. We have a Search and Governance Committee which is comprised of the Chair, Vice Chair, Principal and other non-Executive members of the Corporation. Members of the Corporation are appointed for a term of office not exceeding four years. Upon expiration of their term, a member can apply to be re-appointed. There is no limit to the number of repeat terms of office that may be served; however, re-appointments are subject to the review and recommendation of the Search and Governance Committee and the approval of the Corporation.

**Corporation performance**

The performance of the Board is evaluated in a number of ways.

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

**External Assessments**

In 2016-17 external validation of governance resulted from the Area Review Wave 5. The resulting recommendation from this intensive exercise recognised that leadership within the institution was sufficiently strong and robust that the college could and should continue as an independent institution i.e. that EN "should explore academisation or remain as a stand-alone sixth form college". The Corporation opted to pursue academisation.

As part of the process to convert to academy status, throughout 2017-18 the governance structure of the college has been examined in detail by a number of bodies, including the Head teacher Board, the Department for Education, legal advisers as employed by the College to assist with the conversion process, and the legal team engaged by Lloyds bank to handle the loan novation necessitated by academisation. Permission to establish a multi academy trust (East Norfolk Multi Academy Trust) and for the College to convert to academy status was given. The College converted to become East Norfolk Sixth Form College Academy on 1 August 2018.

**Internal Assessments**

Attendance of Governors at meetings, which can be used as a key performance indicator, is routinely monitored and the details are a matter of public record. The regular and rigorous review of the College's financial performance, as monitored and approved by the Board via the Financial Plan, also acts as a useful assessment of Board performance. Monthly management accounts, which are routinely reviewed by the Board of Governors, are allocated a financial health score using the same criteria as the College's annual financial performance. For the Plan submitted to the ESFA in July 2017, the score was externally verified by the ESFA who confirmed that the College's financial health was "Good".

**Search and Governance Committee**

The Committee met on 2 occasions. The Committee is responsible for the selection and nomination of any new member for our consideration excepting those nominated and elected by peers (student, staff and parent governors) and for ensuring that appropriate training is provided, as required, and a mentoring scheme is also in place for new members.

The Committee also looks at governance issues and makes recommendations to us if it feels that changes are necessary.

**Employment and Remuneration Committee**

The Committee met on 1 occasion. Its responsibilities are to make recommendations to us on the remuneration and benefits of the Principal, other senior post-holders and the Governance Adviser. The Committee bases its recommendations on independent research data provided by the Sixth Form Colleges' Association and the advice of other industry representatives as considered appropriate. Account is taken of the breadth of responsibilities, period in post and any changes in salary levels to compensate for inflation. The Committee is also responsible for ensuring we fulfil our role for setting the framework for the pay and conditions of service for all other staff. The Committee members are non-Executive Governors and the Principal as noted on page xi. Meeting procedures ensure that neither the Principal nor the Governance Adviser take part in discussions or decisions relating to their own remuneration.

Details of remuneration of the senior post-holders for the year ended 31 July 2018 are set out in note 7 to the financial statements.

**Audit Committee**

The Audit Committee met on 3 occasions and provides a forum for reporting by our internal, regularity and financial statements auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the main FE funding bodies as they affect the College's business.

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

Our internal auditors monitor the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input and report their findings to management and the Audit Committee.

Management is responsible for the implementation of agreed audit recommendations and internal audit undertakes periodic follow-up reviews to ensure such recommendations have been implemented.

The Audit Committee also advises us on the appointment of internal, regularity and financial statements auditors and their remuneration for both audit and non-audit work.

**Finance Committee**

The Finance Committee met on 5 occasions and monitors the financial health of the College, reviews the financial plan including the annual budget, monthly management accounts, compliance with bank loan covenants, the financial impact of proposed building projects, benchmarking data and our financial regulations. The Committee also scrutinises our capital expenditure plans.

**Curriculum and Quality Committee**

The Curriculum and Quality Committee met on 4 occasions and ensures we meet our responsibility for the determination and periodic review of the educational character and mission of the College. It provides recommendations to us on matters of oversight including the consideration of exam results and other performance measures and monitors the operation of the College through the review of the annual Self-Assessment Report. The Committee will also review the results of Ofsted Inspections and monitor the development and implementation of post-Inspection action plans.

**Internal control**

*Scope of responsibility*

We are ultimately responsible for the 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.

We have 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 our 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 funding agreement / Financial Memorandum between East Norfolk Sixth Form College and the funding bodies. She is also responsible for reporting to us 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 our policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in East Norfolk Sixth Form College for the year ended 31 July 2018 and up to the date of approval of the annual report and accounts.

*Capacity to handle risk*

We have 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. We are 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 2018 and up to the date of approval of the annual report and accounts. We regularly review this process.

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

*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:

- an annual budget and mid-year forecast approved by us
- regular reviews of the monthly accounts including variances with budget and forecast
- procedures for the Finance Committee to review budgets and financial forecasts and recommend them to us for approval
- an approved set of financial regulations
- regular reports about significant capital projects
- agreed financial and non-financial targets to measure performance.

East Norfolk Sixth Form College has an internal audit service, which has continued to operate in accordance with the requirements of the *Post-16 Audit Code of Practice*. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by us on the recommendation of the Audit Committee. At a minimum annually, the Head of Internal Audit (HIA) provides us with a report on internal audit activity. The report includes the HIA's independent opinion on the adequacy and effectiveness of the system of risk management, controls and governance processes.

*Review of effectiveness*

As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. Her review of the effectiveness of the system of internal control is informed by the work of the internal auditors, the work of the executive manager within the College who has responsibility for the development and maintenance of the internal control framework and comments made by our financial statements auditor, the reporting accountant for regularity assurance in their management letters and other reports.

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

The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior management team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. Our 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 the December 2018 meeting, we carried out the annual assessment for the year ended 31 July 2018 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2018.

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

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

Approved by order of the members of the Corporation on 11 December 2018 and signed on its behalf by:

| | |
|---|---|
| Lorna Anderson | Dr Catherine Richards |
| **Chair of Governors** | **Principal / Accounting Officer** |

**Statement of Regularity, Propriety and Compliance**

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

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

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

| | |
|---|---|
| Lorna Anderson | Dr Catherine Richards |
| **Chair of Governors** | **Principal / Accounting Officer** |

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

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

Within the terms and conditions of the College's funding agreement agreed with the ESFA, the Corporation, through its Accounting Officer, is required to prepare financial statements and an operating and financial review for each financial year in accordance with the 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education Institutions,* the *College Accounts Direction for 2017-18* issued by the ESFA and which give a true and fair view of the state of affairs of the College and the financial results for that year.

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

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

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

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

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

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

Approved by order of the members of the Corporation on 11 December 2018 and signed on its behalf by:

Lorna Anderson
**Chair of Governors**

**INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF EAST NORFOLK SIXTH FORM COLLEGE**

**Opinion**

We have audited the financial statements of East Norfolk Sixth Form College for the year ended 31 July 2018 which comprise the Statement of Comprehensive Income, the Statement of Changes in Reserves, the Balance Sheet, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Governors, as a body, in accordance with the College's Articles of Government. Our audit work has been undertaken so that we might state to the Governors, 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 Governors, as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion, the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2018 and of the surplus for the year then ended;
- have been properly prepared in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education.

**Basis for opinion**

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

**Conclusions relating to going concern**

Following the dissolution of the College Corporation on 1 August 2018 and the conversion to an Academy Trust,the financial statements have been prepared on a basis other than going concern

**Other information**

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

In the light of the knowledge and understanding of the College and its environment obtained in the course of the audit, we have not identified material misstatements in the members' report or operating and financial review or the statement of corporate governance and internal control.

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

- adequate accounting records have not been kept; or
- the annual accounts are not in agreement with the accounting records; or
- we have not received all the information and explanations required for our audit.

**Responsibilities of Governors**

As explained more fully in the Governors' responsibilities statement, the Governors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Governors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Governors.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

MHA MacIntyre Hudson

MHA MacIntyre Hudson
Chartered Accountants and Statutory Auditors
New Bridge Street House
30-34 New Bridge Street
London
EC4V 6BJ

18 December 2018

**Reporting Accountant's Assurance Report on Regularity**

To: The Corporation of East Norfolk Sixth Form College and the Secretary of State for Education acting through the Department for Education ("the Department")

In accordance with the terms of our engagement letter dated 20 September 2018 and further to the requirements of the funding agreement with the Education and Skills Funding Agency, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by East Norfolk Sixth Form College ("the College") during the period 1 August 2017 to 31 July 2018 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Post-16 Audit Code of Practice ("the Code") issued by the Department. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record (ILR) returns, for which the Department has other assurance arrangements in place.

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

**Respective responsibilities of East Norfolk Sixth Form College and the reporting accountant**

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2017 to 31 July 2018 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

**Approach**

We conducted our engagement in accordance with the Code issued by the Department. We performed a limited assurance engagement as defined in that framework.

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

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

Our engagement includes examination, on a test basis, of evidence relevant to the regularity of the College's income and expenditure.

The work undertaken to draw to our conclusion includes:

- Documentation and walkthrough of relevant controls on significant transaction streams to assess the adequacy of design of relevant controls and whether they appear to have been implemented;
- Review of the books and records of the Corporation, along with associated minutes and registers as appropriate for matters relevant to the regularity requirements;
- Review of the College Corporation's completed Self-assessment Questionnaire (Annex C of the Post-16 Audit Code of Practice) for the Corporation's responses and supporting evidence to each of the regularity requirements;
- Testing of material income streams for matters relevant to the regularity requirements;
- Testing of specific areas required to provide a limited assurance opinion, including but not limited to, Learner Support Funds and Governors' and Senior Management Team's expenses.

**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 2017 to 31 July 2018 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

MHA MacIntyre Hudson

MHA MacIntyre Hudson
Chartered Accountants
London

Date: 18 December 2018

**Statement of Comprehensive Income**

| | Notes | 2018<br>£000 | 2017<br>£000 |
|---|---|---|---|
| **Income** | | | |
| Funding Body Income | 2 | 7,440 | 7,322 |
| Tuition Fees and Charges | 3 | - | - |
| Other Grants and Contracts | 4 | 228 | 170 |
| Other Operating Income | 5 | 396 | 431 |
| Investment Income | 6 | 4 | 5 |
| **Total Income** | | **8,068** | **7,928** |
| | | | |
| **Expenditure** | | | |
| Staff Costs | 7 | 5,482 | 5,424 |
| Fundamental Restructuring Costs | 7 | 34 | 218 |
| Other Operating Expenses | 8 | 1,726 | 1,654 |
| Depreciation | 11 | 604 | 646 |
| Interest and other finance costs | 9 | 150 | 161 |
| **Total Expenditure** | | **7,996** | **8,103** |
| | | | |
| **Surplus / (Deficit) before other gains and losses and tax** | | **72** | **(175)** |
| | | | |
| Taxation | 10 | - | - |
| | | | |
| **Surplus / (Deficit) for the year** | | **72** | **(175)** |
| | | | |
| Actuarial gain in respect of pensions schemes | 21 | 701 | 403 |
| | | | |
| **Total Comprehensive Income for the year** | | **773** | **228** |

The statement of comprehensive income is in respect of continuing activities.

*The notes on pages 5 to 20 form part of the financial statements.*

**Statement of Change in Reserves**

| | Income and Expenditure Account £000 | Revaluation Reserve £000 | Total £000 |
|---|---|---|---|
| **Balance at 1 August 2016** | 1,309 | 469 | 1,778 |
| (Deficit) from the income and expenditure account | (175) | - | (175) |
| Other comprehensive income | 403 | - | 403 |
| Transfers between revaluation and income and expenditure reserves | 78 | (78) | - |
| **Total comprehensive income for the year** | 306 | (78) | 228 |
| **Balance at 31 July 2017** | 1,615 | 391 | 2,006 |
| Surplus from the income and expenditure account | 72 | - | 72 |
| Other comprehensive income | 701 | - | 701 |
| Transfers between revaluation and income and expenditure reserves | 51 | (51) | - |
| **Total comprehensive income for the year** | 824 | (51) | 773 |
| **Balance at 31 July 2018** | 2,439 | 340 | 2,779 |

*The notes on pages 5 to 20 form part of the financial statements.*

**Balance Sheet as at 31 July**

| | Notes | 2018 £000 | 2017 £000 |
|---|---|---|---|
| **Non-Current Assets** | | | |
| Tangible Fixed Assets | 11 | **11,171** | **11,701** |
| **Current Assets** | | | |
| Stock | | 4 | 10 |
| Trade and other receivables | 12 | 305 | 125 |
| Cash and cash equivalents | 17 | 1,174 | 1,075 |
| | | **1,483** | **1,210** |
| **Less: Creditors – amounts falling due within one year** | 13 | (1,330) | (1,509) |
| **Net Current Assets / (Liabilities)** | | **153** | **(299)** |
| **Total Assets Less Current Liabilities** | | **11,324** | **11,402** |
| Creditors falling due after more than one year | 14 | (6,888) | (7,326) |
| Provisions: Defined benefit obligations | 16 | (1,657) | (2,070) |
| **Total Net Assets** | | **2,779** | **2,006** |
| **Unrestricted Reserves** | | | |
| Income and Expenditure Account | | 2,439 | 1,615 |
| Revaluation Reserve | | 340 | 391 |
| **Total Unrestricted Reserves** | | **2,779** | **2,006** |

The financial statements on pages 1 to 20 were approved and authorised for issue by the Corporation on 11 December 2018 and are signed on its behalf on that date by:

Lorna Anderson
Chair of Governors

Dr Catherine Richards
Principal / Accounting Officer

*The notes on pages 5 to 20 form part of the financial statements.*

## Statement of Cash Flows

| | Notes | 2018 £000 | 2017 £000 |
|---|---|---|---|
| **Cash Flow from Operating Activities** | | | |
| Surplus / (Deficit) for the year | | 72 | (175) |
| **Adjustment for non-cash items** | | | |
| Depreciation | 11 | 604 | 646 |
| Decrease / (Increase) in stocks | | 6 | (2) |
| (Increase) / Decrease in debtors | | (180) | 14 |
| (Decrease) in creditors due within one year | | (161) | (163) |
| (Decrease) in creditors due after one year | | (155) | (155) |
| Pension costs less contributions payable | | 229 | 163 |
| **Adjustment for Investing and Financing Activities** | | | |
| Investment income | 6 | (4) | (5) |
| Interest payable | 9 | 150 | 161 |
| **Net Cash Flow from Operating Activities** | | **561** | **484** |
| **Cash Flows from Investing Activities** | | | |
| Payments to acquire fixed assets | | (92) | (422) |
| Investment income | | 4 | 5 |
| | | (88) | (417) |
| **Cash Flows from Financing Activities** | | | |
| Interest paid | | (93) | (104) |
| Repayments of amounts borrowed | | (281) | (273) |
| | | (374) | (377) |
| **Increase / (Decrease) in cash and cash equivalents in the year** | | **99** | **(310)** |
| Cash and cash equivalents at beginning of the year | 17 | 1,075 | 1,385 |
| Cash and cash equivalents at end of the year | 17 | 1,174 | 1,075 |

*The notes on pages 5 to 20 form part of the financial statements.*

## 1. Accounting Policies

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

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

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

**Basis of Accounting**
The financial statements are prepared in accordance with the historical cost convention as modified by the revaluation of certain fixed assets.

**Going Concern**
The activities of the College, together with the factors likely to affect its future development and performance are set out in the Report of the Governing Body. The financial position of the College, its cashflow, liquidity and borrowings are presented in the Financial Statements and accompanying Notes.

The College currently has £2.1m of loans outstanding with bankers on terms negotiated for three different agreements as noted in Note 15. The loans will be fully repaid during the period from 2022 to 2027. The College's forecasts and financial projections indicate that it expects to deliver surpluses in 2018-19 and 2019-20 and maintain a sufficient closing cash balance in each year. It will therefore be able to operate within this existing lending facility and meet the bank covenants for the foreseeable future.

Accordingly, the College expects to have adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

The Governors assess whether the use of the going concern basis is appropriate (i.e,, whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the College to continue as a going concern). The Governors make this assessment in respect of at least one year from the date of approval of the financial statements. The Board of Governors previously took the decision to transfer the trade and assets of the College to an Academy. This was approved by the Department for Education and Education and Skills Funding Agency with effect from 1 August 2018. As the College in its current legal form will no longer be a going concern from this date, the accounts should be prepared on a basis other than that of a going concern. As the operations of the College will continue within the new legal entity, however, there is no material effect on the carrying value of the assets and liabilities and, as such, no changes have been made to those carrying values.

**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 achievement for the Adult Education Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure

**Notes to the Accounts** (continued)

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.

Where part of a government grant is deferred, the deferred element is recognised as deferred income within creditors and allocated between creditors due within one year and creditors due after more than one year as appropriate.

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, non-governmental capital grants are recognised in income when the College is entitled to the funds subject to any performance-related conditions being met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the Balance Sheet and released to income as conditions are met.

Income from the sale of goods in the cafeteria is recognised at the point of sale, which is when the goods are supplied.

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

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

*Agency arrangements*
The College acts as an agent in the collection and payment of certain discretionary support funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure of the College where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

**Termination Payments**
The College pays termination payments in line with the contractual obligations. The College provides for termination payments when the criteria for a provision is met. 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.

**Salary Sacrifice**
The College offers its employees the option to participate in two salary sacrifice schemes, for Childcare Vouchers and the Cycle to Work scheme. Any salary deductions are made in agreement with HMRC guidelines whilst ensuring all employees earn above the national minimum wage.

**Accounting for Post-Retirement Benefits**
Post-employment benefits to employees of the College are principally provided by the Teachers' Pension Scheme (TPS) and the Norfolk Pension Fund (NPF) which is part of the Local Government Pension Scheme (LGPS). These are defined benefit plans which are externally funded and contracted out of the State Second Pension.

**Notes to the Accounts** (continued)

**Teachers' Pension Scheme (TPS)**
The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method.

The TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

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

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

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

**Short-term Employment Benefits**
Short term employment benefits such as salaries and compensated absences (holiday pay) are recognised as an expense in the year in which the employees render 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 cost less accumulated depreciation.

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

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

Freehold buildings are depreciated on a straight-line basis over their expected useful lives as follows:

- Inherited buildings and previous additions – 25 years
- New buildings – 50 years
- Additions – 20 years
- Improvements – 10 years

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

**Notes to the Accounts** (continued)

Freehold buildings are depreciated over their expected useful economic life to the College of between 25 and 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 10 and 25 years.

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

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

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1993 as a result of the incorporation of the College, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

**b. Equipment**

Equipment costing less than £500 per individual item, or £250 for computer equipment, is recognised as expenditure in the period of acquisition. All other equipment is capitalised at cost.

Equipment is depreciated on a straight-line basis over the following useful economic lives:

- Computer software 3 years
- Computer equipment, excluding desktops 5 years
- Computer equipment, desktops 6 years
- Other equipment 5 years

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

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the Statement of Comprehensive Income and Expenditure.

**Leased Assets**

Costs in respect of operating leases are charged on a straight-line basis over the lease term to the Statement of Comprehensive Income and Expenditure.

**Inventories**

Stocks are stated at the lower of their cost and net realisable value, being selling price less costs to complete and sell. Where necessary, provision is made for obsolete, slow-moving and defective stocks.

**Cash and cash equivalents**

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

**Financial liabilities and equity**

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

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

**Notes to the Accounts** (continued)

cost, however the College has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instruments are stated on the balance sheet at historical cost. Loans and investments that are payable or receivable within one year are not discounted.

**Taxation**

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

The College is exempt in respect of Value Added Tax, so that it cannot recover 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.

**Provisions and Contingent Liabilities**

Provisions are recognised when

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

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

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

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

**Judgements in applying accounting policies and key sources of estimation uncertainty**

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

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

Other key sources of estimation uncertainty

- Tangible fixed assets - Tangible fixed assets, 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

**Notes to the Accounts** (continued)

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 21, will impact the carrying amount of the pension liability. The actuary has used a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 to value the pensions liability at 31 July 2018. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

## 2 Funding Body Income

| | 2018 | 2017 |
|---|---|---|
| | £000 | £000 |
| **Recurrent grants** | | |
| Education and Skills Funding Agency (16-18) | 7,229 | 7,052 |
| Education and Skills Funding Agency (19+) | - | 2 |
| **Specific grants** | | |
| Release of government capital grants | 146 | 146 |
| Student Financial Support Funding administration | 10 | 10 |
| SFC Devolved Formula Capital funding | 9 | 107 |
| SFC Support Fund | - | 1 |
| Area Review Transition Grant | 46 | 4 |
| | **7,440** | **7,322** |

## 3 Tuition Fees

| | 2018 | 2017 |
|---|---|---|
| | £000 | £000 |
| UK Further Education Students | - | - |
| | - | - |

## 4 Other Grants and Contracts

| | 2018 | 2017 |
|---|---|---|
| | £000 | £000 |
| Other grants – Capital Grant Release | 9 | 9 |
| Other grants – Revenue | 219 | 161 |
| | **228** | **170** |

## 5 Other Operating Income

| | 2018 | 2017 |
|---|---|---|
| | £000 | £000 |
| Catering operations | 304 | 330 |
| Miscellaneous income | 92 | 101 |
| | **396** | **431** |

## 6 Investment Income

| | 2018 | 2017 |
|---|---|---|
| | £000 | £000 |
| Other interest receivable | 4 | 5 |
| | **4** | **5** |

## 7 Staff Costs

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

| | 2018 | 2017 |
|---|---|---|
| | Number | Number |
| Teaching Staff | 67 | 70 |
| Non-Teaching Staff | 71 | 68 |
| | **138** | **138** |

**7 Staff Costs (continued)**

| **Staff costs for the above persons** | **2018** £000 | **2017** £000 |
|---|---|---|
| Wages and Salaries | 4,228 | 4,227 |
| Social Security Costs | 383 | 380 |
| Other Pension Costs | 871 | 817 |
| **Payroll Sub Total** | **5,482** | **5,424** |
| Fundamental Restructuring Costs - Contractual | 6 | 131 |
| Fundamental Restructuring Costs – Non-Contractual | 28 | 87 |
| **Total Staff Costs** | **5,516** | **5,642** |

**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 Executive which comprises the Principal, Deputy Principal, Vice Principal and Assistant Principal (IT and Data Systems). The wider senior management team includes the Curriculum Directors and Assistant Directors. The Assistant Directors assumed their role in the Senior Management Team on 1 August 2018. The Deputy Principal, Simon Fox, was appointed on 16 April 2018.

Staff costs include compensation paid to key management personnel for loss of office.

**Emoluments of Key management personnel and other higher paid staff**

| | **2018** Number | **2017** Number |
|---|---|---|
| The number of key management personnel was: | 8 | 7 |

The number of key management personnel and other staff who received emoluments, excluding employer's pension and national insurance contributions but including benefits in kind and compensation for loss of office, in the following ranges was:

| | **Key Management Personnel** | | **Other Staff** | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| £40,001 to £50,000 | 4 | - | *No requirement to disclose* | |
| £50,001 to £60,000 | 1 | 2 | *No requirement to disclose* | |
| £60,001 to £70,000 | 1 | 1 | | - |
| £70,001 to £80,000 | 1 | 2 | | - |
| £80,001 to £90,000 | - | - | | 1 |
| £90,001 to £100,000 | 1 | 2 | | - |
| £100,001 to £110,000 | - | - | | - |
| | **8** | **7** | | **1** |

Key management personnel emoluments are made up as follows:

| | **2018** £000 | **2017** £000 |
|---|---|---|
| Salaries (gross of salary sacrifice) | 446 | 426 |
| Employer's National Insurance contributions | 54 | 47 |
| Pension contributions | 75 | 63 |
| **Total emoluments** | **575** | **536** |

**7 Staff Costs (continued)**

| The above emoluments include amounts payable to the Principal (who is also the highest paid senior post holder) of: | 2018 | 2017 |
|---|---|---|
| | £000 | £000 |
| Salaries | 100 | 98 |
| Pension contributions | 17 | 16 |
| | 117 | 114 |

Compensation for loss of office paid to former key management personnel

| | 2018 | 2017 |
|---|---|---|
| | £000 | £000 |
| Compensation paid to the former post holder (contractual) | - | 40 |
| Estimated value of other benefits | - | - |
| | - | 40 |

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

**8 Other Operating Expenses**

| | 2018 | 2017 |
|---|---|---|
| | £000 | £000 |
| Teaching costs | 449 | 461 |
| Non-Teaching costs | 873 | 703 |
| Premises costs | 404 | 490 |
| **Other Operating Expenses** | **1,726** | **1,654** |

Other expenses include:

| | 2018 | 2017 |
|---|---|---|
| | £000 | £000 |
| Catering operations | | |
| Sale of Stock | 149 | 167 |
| Other costs | 7 | 8 |
| | 156 | 175 |
| Auditors' Remuneration | | |
| Financial Statements Audit | 16 | 11 |
| Internal Audit | 11 | 13 |
| Hire of assets under operating leases | 27 | 65 |

**9 Interest Payable**

| | 2018 | 2017 |
|---|---|---|
| | £000 | £000 |
| On bank loans, overdrafts and other loans | 94 | 102 |
| Pension finance costs | 59 | 56 |
| Other interest payable | (3) | 3 |
| | **150** | **161** |

**10 Taxation**

We do not believe that the College was liable for any corporation tax arising out of its activities during either year.

**11 Tangible Fixed Assets**

| | Land and Buildings (Freehold) £000 | Equipment £000 | Total £000 |
|---|---|---|---|
| **Cost or Valuation** | | | |
| At 1 August 2017 | 15,754 | 1,938 | 17,692 |
| Additions | 1 | 73 | 74 |
| Reclassification | (111) | 114 | 3 |
| Disposals | - | (3) | (3) |
| **At 31 July 2018** | 15,644 | 2,122 | 17,766 |
| **Depreciation** | | | |
| At 1 August 2017 | 4,596 | 1,395 | 5,991 |
| Charge for the year | 359 | 245 | 604 |
| Reclassification | 3 | - | 3 |
| Disposals | - | (3) | (3) |
| **At 31 July 2018** | 4,958 | 1,637 | 6,5954 |
| **Net Book Value at 31 July 2018** | **10,686** | **485** | **11,171** |
| **Net Book Value at 31 July 2017** | 11,158 | 543 | 11,701 |

Land and buildings were valued for the purpose of the 1994 financial statements at depreciated replacement cost by Norfolk Property Services, a direct service trading unit of Norfolk County Council. The valuation was performed in accordance with the Statements of Asset Valuation Practice and Guidance Notes published by the Royal Institution of Chartered Surveyors (RICS) by a RICS qualified surveyor.

Land and buildings with a net book value of £10,272,000 have been partly financed by exchequer funds through, for example, the receipt of capital grants. Should these assets be sold, the College may be liable, under the terms of its financial memorandum, to surrender the proceeds.

Land with a value of £340,000 is not depreciated.

As stated in the Statement of Accounting Policies note, the College carries inherited assets at an inherited valuation of £340,000. The assets were valued on incorporation and not updated since. If inherited land and buildings had not been valued, they would have been included at the following amounts:

| | £000 |
|---|---|
| Cost | Nil |
| Aggregate depreciation based on cost | Nil |
| Net book value based on cost | Nil |

## 12 Trade and Other Receivables

| | 2018 | 2017 |
|---|---|---|
| **Amounts falling due within one year** | £000 | £000 |
| Trade debtors | 96 | 14 |
| Prepayments and accrued income | 209 | 111 |
| | **305** | **125** |

## 13 Creditors: Amounts Falling Due Within One Year

| | 2018 | 2017 |
|---|---|---|
| | £000 | £000 |
| Trade payables | 162 | 134 |
| Other taxation and social security | 92 | 94 |
| Bank loans | 283 | 281 |
| Payments received on account | 188 | 188 |
| Deferred income - government capital grants | 155 | 155 |
| Holiday pay accrual | 251 | 255 |
| Accruals and deferred income | 199 | 402 |
| | **1,330** | **1,509** |

## 14 Creditors: Amounts Falling Due After More Than One Year

| | 2018 | 2017 |
|---|---|---|
| | £000 | £000 |
| Deferred income - government capital grants | 5,111 | 5,267 |
| Bank loans | 1,777 | 2,059 |
| | **6,888** | **7,326** |

## 15 Maturity of Debt

### a. Bank Loans

| | 2018 | 2017 |
|---|---|---|
| Repayable as follows: | £000 | £000 |
| In one year or less | 283 | 281 |
| Between one and two years | 294 | 292 |
| Between two and five years | 903 | 947 |
| In five years or more | 580 | 820 |
| | **2,060** | **2,340** |

The College took out a 20-year loan for £2,239,000 with Lloyds TSB Bank on 1 October 2004 to help finance a building project to add a new teaching block and sports hall. The loan is paid quarterly and the interest rate has been fixed at 6.18301%. The loan is secured on the College land and buildings.

The College took out a 19-year loan for £528,000 with Lloyds TSB Bank on 19 March 2008 to help finance a building project to add a new teaching block. The loan is paid quarterly and the interest rate is variable at Base Rate + 0.45%. The loan is secured on the College land and buildings.

The College took out a loan for £1,500,000 with Lloyds TSB Bank on 1 October 2012 to help finance the building project to add a new teaching block and canteen. The loan has two components: (1) £625,000 at a fixed interest rate of 3.855% over a period of 10 years and (2) £875,000 on a variable rate basis of 1.5% above the 3-month LIBOR rate over a period of 15 years. Payments will be made quarterly. The loan is secured on the College land and buildings.

These loans were novated to East Norfolk Multi Academy Trust, with the consent of the Secretary of State, on 1 August 2018.

## 16 Provisions

| Defined Benefit Obligations | 2018 | 2017 |
|---|---|---|
| | £000 | £000 |
| At 1 August | 2,070 | 2,254 |
| Expenditure in period | (258) | (274) |
| Additions in the period | (155) | 90 |
| At 31 July | **1,657** | **2,070** |

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government Pension Scheme. Further details are given in Note 21.

## 17 Cash and Cash Equivalents

| | At 1 August 2017 | Cash flows | Other Changes | At 31 July 2018 |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Cash and cash equivalents | 1,075 | 99 | - | 1,174 |
| **Total** | **1,075** | **99** | **-** | **1,174** |

## 18 Capital Commitments

| | 2018 | 2017 |
|---|---|---|
| | £000 | £000 |
| Commitments contracted for at end of year | - | - |

## 19 Financial Commitments

At 31 July 2018, the College had minimum lease payments under non-cancellable operating leases as follows:

| | 2018 | 2017 |
|---|---|---|
| **Other** | £000 | £000 |
| Not later than one year | 16 | 1 |
| Later than one year and not later than five years | - | 64 |
| Later than five years | 3 | - |

## 20 Contingent Liability

The College is not aware of any material contingent liabilities.

## 21 Defined Benefit Obligations

The College's employees belong to two principal pension schemes, the Teachers' Pension Scheme England and Wales (TPS) for teaching staff and the Norfolk Pension Fund (NPF) for academic and technical staff. Both are multi-employer defined-benefit plans.

| Total pension cost for the year | 2018 | 2017 |
|---|---|---|
| | £000 | £000 |
| Teachers' Pension Scheme: contributions paid | 398 | 411 |
| Norfolk Pension Fund: | | |
| Contributions paid | 258 | 274 |
| FRS 102 (Section 28) charge | 229 | 163 |
| Charge to Statement of Comprehensive Income | 487 | 437 |
| **Total Pension Cost for the Year** | **885** | **848** |

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 2016.

**21 Defined Benefit Obligations** (continued)

Contributions amounting to £81,000 (2017 - £94,000) were payable to the schemes at 31st July and are included within creditors.

**Teachers' Pension Scheme**

The Teachers' Pension Scheme ("TPS") is a statutory, contributory, defined benefit scheme. The regulations under which the TPS operates are 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 in England and Wales maintained by local authorities, to teachers in many independent and voluntary-aided schools, and to teachers and lecturers in establishments of further and higher education. Membership is automatic for full-time teachers and lecturers and from 1 January 2007 automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

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

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

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

**Valuation of the Teachers' Pension Scheme**

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

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

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.

**21 Defined Benefit Obligations** (continued)

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 £398,000 (2017 - £411,000)

**FRS 102 (Section 28)**

Under the definitions set out in FRS 102 (Section 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.

**Norfolk Pension Fund (NPF)**

The NPF is a funded defined benefit scheme, with the assets held in separate funds administered by Norfolk Local Authority. The total contribution made for the year ended 31 July 2018 was £341,000 (2017 - £357,000) of which employer's contributions totalled £258,000 (2017 - £274,000) and employees' contributions totalled £83,000 (2017 - £83,000). The agreed contribution rates for the period 1 April 2018 to 31 March 2019 is 20.8% for employers and range from 5.5% to 9.9% for employees, depending on salary.

The following information is based upon a full actuarial valuation of the fund at 31 March 2016, updated to 31 July 2018 by a qualified independent actuary.

| | **At 31 July 2018** | **At 31 July 2017** |
|---|---|---|
| Rate of increase in salaries | 2.7% | 2.8% |
| Rate of increase for pensions | 2.4% | 2.5% |
| Discount rate for scheme liabilities | 2.8% | 2.7% |
| Inflation Assumption (CPI) | 3.4% | 3.5% |

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

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

| | **At 31 July 2018** | **At 31 July 2017** |
|---|---|---|
| Retiring today | | |
| Males | 22.1 | 22.1 |
| Females | 24.4 | 24.4 |
| Retiring in 20 years | | |
| Males | 24.1 | 24.1 |
| Females | 26.4 | 26.4 |

**21 Defined Benefit Obligations** (continued)

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

| | 2018 | 2017 |
|---|---|---|
| | £000 | £000 |
| Fair value of plan assets | 6,775 | 6,075 |
| Present value of plan liabilities | (8,432) | (8,145) |
| **Net pension (liability) (Note 16)** | **(1,657)** | **(2,070)** |

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

| | 2018 | 2017 |
|---|---|---|
| **Amounts included in Staff Costs** | £000 | £000 |
| Current service cost | 487 | 412 |
| | **487** | **412** |
| **Amounts included in Interest and other finance costs** | | |
| Interest cost | (59) | (56) |
| | **(59)** | **(56)** |
| **Amounts recognised in Other Comprehensive Income** | | |
| Return on pension plan assets | 290 | 177 |
| Experience gains arising on defined benefit obligations | - | 452 |
| Changes in assumptions underlying the present value of plan | 411 | (226) |
| **Total** | **701** | **403** |

| **Movement in Net Defined Benefit in the year** | 2018 | 2017 |
|---|---|---|
| | £000 | £000 |
| Net Defined Benefit liability in scheme at 1 August | (2,070) | (2,254) |
| Movement in year: | | |
| Current service Cost | (487) | (412) |
| Employer contributions | 258 | 274 |
| Net Interest on the defined (liability) | (59) | (56) |
| Actuarial gain | 701 | 403 |
| Curtailments | - | (25) |
| **Net Defined Benefit liability at 31 July** | **(1,657)** | **(2,070)** |

**Asset and Liability Reconciliation**

| | 2018 | 2017 |
|---|---|---|
| **Reconciliation of Liabilities** | £000 | £000 |
| **Liabilities at start of period** | 8,145 | 7,760 |
| Current service cost | 487 | 412 |
| Interest cost | 226 | 191 |
| Contribution by members | 83 | 83 |
| Actuarial (gains) | (411) | (226) |
| Loss on curtailments | - | 25 |
| Estimated benefits paid | (98) | (100) |
| **Liabilities at end of period** | **8,432** | **8,145** |

**21 Defined Benefit Obligations** (continued)

| Reconciliation of Assets | 2018<br>£000 | 2017<br>£000 |
|---|---|---|
| **Assets at start of period** | 6,075 | 5,506 |
| Expected return on assets | 167 | 135 |
| Contribution by members | 83 | 83 |
| Contribution by employers | 258 | 274 |
| Actuarial gains | 290 | 177 |
| Estimated benefits paid | (98) | (100) |
| **Assets at end of period** | **6,775** | **6,075** |

The estimated value of employer contributions for the year ended 31st July 2019 is £263,000.

**22 Related Party Transactions**

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 FRS 102 Related Party Disclosures.