

**CITY COLLEGE NORWICH**

**Report and Financial Statements for the year ended 31 July 2018**



## Contents

1. Reference and Administrative Details .....	2
2. Operating and Financial Review .....	3
3. Statement of Corporate Governance and Internal Control .....	16
4. Chairman of the Corporation/Principal.....	22
5. Governing Body's statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding .....	23
6. Statement of Responsibilities of the Members of the Corporation .....	24
7. Independent Auditor's report to the Corporation of City College Norwich .....	26
8. Reporting Accountant's Report on Regularity to the Corporation of City College Norwich and the Secretary of State for Education acting through Education and Skills Funding Agency.....	28
9. Statement of Comprehensive Income .....	30
10. Statement of Charges in Reserves .....	31
11. Balance sheet as at 31 July 2018.....	32
12. Statement of Cash Flows for the year ended 31 July 2018 .....	33
13. Notes to the Accounts .....	34

## City College Norwich

### 1. Reference and Administrative Details

#### Key Management Personnel

Key management personnel are defined as members of the Executive Team and were represented by the following in 2017/18:

- **Corrienne Peasgood**, Principal and CEO; Accounting Officer
- **Jerry White**, Deputy Principal
- **Helen Richardson-Hulme** Director of Student Services
- **Steve Thorpe**, Assistant Principal Diversification (resigned 24/08/2018)
- **Julia Buckland**, Assistant Principal Teaching, Learning and Assessment
- **Elaine Dale**, Assistant Principal Experience of Work

#### Board of Governors

A full list of Governors is given on page 16 of these financial statements.

Clare Johnson, Clerk to the Corporation has been in position since 2 August 2016 to present.

Clare began maternity leave on 17<sup>th</sup> July 2018 and an appropriate maternity cover solution has been put in place.

**Principal and Registered Office:** Ipswich Road, Norwich, Norfolk.

#### Professional advisers

- **Financial statements and regularity auditor:**

KPMG LLP  
Dragonfly House  
2 Gilders Way  
Norwich  
NR3 1UB

- **Internal auditor:**

Scrutton Bland  
Fitzroy House  
Crown Street  
Ipswich  
Suffolk  
IP1 3LG

- **Banker:**

Lloyds  
16 Gentleman's Walk  
Norwich, Norfolk  
NR2 1LZ

- **Solicitor:**

Mills & Reeve LLP  
1 St James Court  
Whitefriars  
Norwich  
NR3 1RU

## 2. Operating and Financial Review

### Nature, Objectives and Strategies

The governing body present their annual report together with the financial statements and the auditor's report for City College Norwich 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 Norwich City College of Further and Higher Education ("City College Norwich"). The College is an exempt charity for the purposes of the Charities Act 2011.

### Mission

The College's mission as approved by its members is: **Challenging minds, inspiring success**

**Challenging Minds** – this is what education is all about; it reinforces our aspirations around stretching students and apprentices; it's about teaching students to think differently; it's about enrichment and extracurricular activities too; it needs to be interpreted as how we enable vocational, technical and professional skills to be accessed also, not simply academic and coordinating cognitive activities and physical activities is a critical component of what we are really good at.

**Inspiring Success** – success for all our students and apprentices is our ultimate goal; we want to inspire them to achieve, wherever possible exceeding their goals; we want the curriculum to be inspirational – in its content and its delivery; we want our staff to be inspired and to be inspirational to our students.

### Public Benefit

City College Norwich is an exempt charity under Part 3 of the Charities Act 2011 and following the Machinery of Government changes in July 2016 is regulated by the Secretary of State for Education for all FE Corporations in England.

The members of the Corporation, who are trustees of the charity, are disclosed on page 16. In setting and reviewing the College's strategic objectives, the Governing Body has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. The guidance sets out the requirement that all organisations wishing to be recognised as charities must demonstrate, explicitly, that their aims are for the public benefit.

In delivering its mission, the College provides the following identifiable public benefits through the advancement of education:

- High-quality teaching
- Widening participation and tackling social exclusion
- Excellent employment record for students
- Strong student support systems
- Links with employers, industry and commerce
- Links with New Anglia Local Enterprise Partnership

## City College Norwich

### Strategy

2017/18 has been the fourth year of operation of the College's Strategic Framework. The framework was developed through extensive consultation with students, staff, governors and stakeholders and is organised with four "pillars":

- Community, Employers and Stakeholders,
- Students,
- Culture of Excellence,
- Growth and Sustainability

The Strategic Framework is accompanied by 5 Strategic Aims and success indicators, which are as follows:

**Aim One:** To achieve outstanding outcomes for our students, employers and other clients with a welcoming and engaging environment that is respectful, inclusive and fosters success.

#### Success Indicators

- Measures of student achievement and progression are outstanding
- Provision judged by external bodies to be of the highest possible grade
- Student involvement in designing, delivering and commissioning learning
- Very high student, staff, employer and stakeholder satisfaction ratings

**Aim Two:** To be recognised as a driving force in skills training for regional economic development.

#### Success Indicators

- Employer or other stakeholder 'sponsor' for all full-time programmes
- Excellent, industry standard facilities available for delivery
- Curriculum constantly reviewed and, where possible, aligned to regional priorities
- Learning models and infrastructure developed to enable students to learn anywhere

**Aim Three:** To achieve excellence through our ability to challenge each other, and our processes, as we learn, teach and work together.

#### Success Indicators

- Ways of Working embedded in staff and student life at our college
- Highly effective processes and procedures which limit our impact on the environment
- Staff journey focused on maximising individual potential and well-being
- Strong stakeholder participation in our evaluation and review processes

**Aim Four:** To achieve financial sustainability through efficient and effective use of our human and physical assets whilst confidently taking intelligent risks aligned to our strategic framework.

#### Success Indicators

- Financial resources enable us to meet our strategic aims
- All staff confident in practicing entrepreneurial thought and action
- All curriculum areas have a profitable commercial income stream
- Qualified and experienced workforce, excellent in their field

## City College Norwich

**Aim Five:** To work with our students, community, employers and stakeholders in order to grow our college and increase our influence.

### Success Indicators

- Partnerships with other colleges and providers give us more influence than we would have on our own
- High profile, well recognised celebrations of success
- Staff, students and alumni confidently promoting our college
- Strong and productive partnerships with a broad range of employers, schools and other stakeholders

During the 2017/18 academic year the Governing Body and Executive Team of the college undertook to review the 5 Strategic Aims to clarify the key areas of focus for the remaining 18 months of the strategy (2018/19 academic year onwards). This led to some small adjustments to wording and a refreshed common understanding of the aims and the role they play in shaping the work of the College.

A rolling programme of the agreement and monitoring of annual Strategic, Improvement and Enhancement Targets is completed by the College to meet the Strategic Aims by 2019 this includes actions resulting from the Colleges comprehensive Self-Assessment Report (SAR) process for Further Education and Annual Monitoring Report (AMR) for Higher Education..

In 2017/18 there were 6 headline strategy targets, 11 improvement targets and 9 enhancement targets. These were set in collaboration with the Academic Management Board and scrutinised and monitored by Governors through review at every meeting.

Achievement of strategy targets is as follows:

**SA1: Quality of HE: Successful registration with the Office for Students as an "Approved" Provider** – The College has successfully achieved registration with the Office for Students without any conditions and is therefore an approved provider.

**SA2: Quality of FE: 94% of curriculum area SAR grades to be good or outstanding in 17/18 (76% in 1617)** – This area is rated red as to achieve the 94% target only one area could be graded as requiring improvement however two areas are proposed with this grade, Hospitality and Catering and Phoenix Plus. The percentage of good and better SAR grades has improved however to 88%.

**SA3: FE student satisfaction - FE satisfaction survey result for "Overall, I am satisfied with the College" to increase by 2% to 86%** - This target was not met as the result of the survey was 81%. Further analysis continues to inform actions to improve student satisfaction in 2018/19.

**SA4: HE student satisfaction: NSS Question 27 "Overall, I am satisfied with the quality of the course" to increase by 8% to the 17/18 institutional average of 78%** - A 7% increase to 77% positive responses to question 27 fell just short of the targeted levels of improvement. Student satisfaction as measured by the NSS remains a critical driver of quality improvement work in our HE team in 2018/19.

**SA5: Staff satisfaction - Overall summary grade for satisfaction to rise 2% to 84%** - for a number of reasons we have not carried out the staff satisfaction survey at the usual time which would enable us to report on this target. A revised survey, combining questions from the existing survey and the newly released Ofsted staff survey will be carried out in 2019

**SA6: Finance KPIs 80% green at the end of year and financial health grading of good**

## City College Norwich

**maintained** – the ESFA have confirmed our financial health grading as good and the Business Committee has confirmed that equivalent performance of 80% of KPIs rated green had been achieved at the end of the financial year. The financial KPIs are being refined for 18/19 to improve clarity.

In addition to the six main strategic targets set out above, the merger of City College Norwich and Paston Sixth Form College on December 1<sup>st</sup> 2017 was a very significant development for both institutions. The 2017/18 academic year was characterised by continued work to develop the culture of the merged institution and to develop understanding of how it might serve its communities best, with a refreshed focus on the role it will need to play for North East Norfolk. A consultation was held with the management and support staff who transferred from Paston Sixth Form College and the subsequent restructuring has provided a revised leadership and support structure and has also helped address the underlying financial challenge at Paston. Small curriculum evolutions were made in 2018/19 as a result of this work, including some significant timetabling changes to align Norwich and Paston A level timetables and work continues to realise the benefits of the merger for students, staff and our communities.

### Financial Objectives

The College's financial objectives are:

- to achieve an annual operating surplus
- to pursue alternative sources of funding, on a selective basis, consistent with the College's core competencies, and the need for a financial contribution to the College's overall finances
- to generate sufficient levels of income to support the asset base of the College
- to further improve the College's shorter-term liquidity
- to fund continued capital investment

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

### Performance indicators

The College has continued to perform well on many key performance measures during 2017/18 although there have also been some areas of challenge. The College's self-assessment for 2017/18 is proposing to retain the "good" overall effectiveness grade which would continue to match our Ofsted grade received in February 2017 (a report in which every sub-grade was judged good except for High Needs Provision which was rated outstanding). It should be noted that this is the first year where performance data will be published for the merged institution.

Headline achievement rates for 16-18 year olds have decreased by 1.2% but remain above comparable 2016/17 National Averages. A key driver in this decrease was a decline in AS level and GCSE maths and English pass rates. However, value-added and progress measures for A level and GCSE maths and English provision will show an increase on 1617 outcomes once final data is published.

For 19+ provision, a small 0.4% increase in overall achievement rates was driven by increased maths and English pass rates for both GCSE's and Functional Skills. The College's headline achievement rates remain below National Comparators although some of that is due to the mix and balance of the provision that we offer. Parts of our Adult provision remains key areas for focused attention.

The College has had some challenges in recruiting staff to meet the growing demand in Apprenticeship provision. In some key sectors, this has impacted negatively on the timely achievement of apprentices and this has been a focus of continued remedial work throughout the

## City College Norwich

year.

In 2017/18 the College combined allocations mid-year because of the merger with Paston Sixth Form College and adjusted to the new funding regime for apprenticeship provision. In both Adult and Apprenticeship delivery the College focused carefully on the income levels against the budget. Table 1 below indicates outcome of actual earnings against allocations and budgets (where appropriate). Strong 16-18 recruitment has impacted positively on 2017/18 allocations via the lagged learner mechanism. Apprenticeship performance was strong and matched allocations whilst the Adult Education Budget was not fully utilised despite some good growth in provision areas such as ESOL.

Table 1	Merged Funding Allocation	End Year	
		2017/18 Out-turn	Difference
16-19 Funding*	£21,900,789.40	£21,518,477.82	98%
Adult Education Budget	£1,844,089.00	£1,612,727.09	87%
Apprenticeships	N/A	£3,465,793.06	

\*16-19 student funding' line shows the equivalent of 12 months of Paston activity, whereas the Statutory Accounts only includes actuals based on the merger from 1 December 2017 (eight months).

### Financial results

The total comprehensive income for the year was a surplus of £5,777k (£1,967k deficit 2016/17) – the surplus is due to three reasons: a small operating surplus in the College during the year; the net assets that have transferred from Paston Sixth Form College (PSFC) following the merger (£2.1m); and actuarial gains on the Local Government Pension Scheme liabilities (£4.9m). The College generated an operating surplus (before FRS102 Pensions and PSFC net asset adjustments) in the year of £212k (£841k surplus in 2016/17). Including the FRS102 Pensions and PSFC net asset adjustments the surplus/deficit before other gains and losses was £755k surplus (£73k deficit in 2016/17).

The College has non-current fixed assets of £28,518k at 31 July 2018 (£25,453k at 31 July 2017) and net current assets of £4,384k (£3,368k at 31 July 2017), including cash balances of £6,939k (£7,110k at 31 July 2017). Creditors greater than one year are £10,624k at 31 July 2018 (£9,028k at 31 July 2017) and these comprise a bank loan (£1,902k), a SALIX energy efficiency loan (£60k) and deferred government capital grants (£8,662k). The defined benefit pension liability for the Local Government Pension Scheme was £16,972k at 31 July 2018 (£19,930k at 31 July 2017) and other provisions totaled £3,639k at 31 July 2018 (£3,973k at 31 July 2017).

The College has accumulated reserves at 31 July 2018 of £1,667k (surplus) (£4,110k deficit at 31 July 2017). The overall increase in reserves in 2017/18 is primarily due to actuarial gains of £4,905k on the Local Government Pension Scheme liabilities and the transfer of the PSFC net assets (£2,085k including fair value adjustment). Excluding the impact of the main Local Government Pension Scheme Liability, the College has an I&E reserve of £11,021k surplus at 31 July 2018 (£8,004k surplus at 31 July 2017) and a revaluation reserve of £7,513k (£7,709k at 31 July 2017). The TEN Group has a reserves policy which requires a target reserves level of 2-4% of income. For the College this translates to cash and reserves of c£740k to £1.5m. The College exceeds these levels.

The College has significant reliance on the Education and Skills Funding Agency for its principal funding source. In 2017/18 the ESFA provided 66% (2016/17: 68%) of the College's total income.

The College is committed to observing the importance of sector measures and indicators and use

## City College Norwich

the FE Choices website which looks at measures such as achievement rates. The College is required to complete the annual Finance Record (December) and the annual Financial Plan (July) for the Education and Skills Funding Agency. The Finance Record and the Finance Plan produces a financial health grading. The current rating of Good (both for 2017/18 and for 2018-19 budget and for 2019-20 summary forecast) is considered an acceptable outcome.

### Political and charitable contributions

The College made no political or charitable contributions during the year.

### Subsidiary companies

The College owns 51% of the £1 ordinary share capital of Norfolk Educational Services Limited ("NES"), a company incorporated in England and Wales. Norfolk Educational Services Limited was established to provide shared services to the TEN Group. The remaining 49% of the £1 ordinary share capital is owned by TEN and on the basis of voting rights and controlling influence the results of NES are consolidated into the TEN Group accounts (not the College).

### Treasury policies and objectives

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

The College has a separate treasury management policy in place.

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

### Cash flows

Overall cash has decreased by £171k during 2017/18 (increase of £1,756k during 2016/17). This movement is comprised:

- Operating cash inflow of £721k (2016/17 £2,924k cash inflow) – this shows the overall cash movement arising from the operating surplus for the year;
- Net cash outflow from investing activities £574k (2016/17 £838k cash outflow) – this is primarily the annual IT equipment expenditure; and
- Net cash outflow from financing activities £318k (2016/17 net cash outflow of £330k) – this is the repayment of capital and interest for our bank loan and SALIX energy loan.
- Cash at 31 July 2018 was £6,939k (31 July 2017 was £7,110k).

The College has a long-term loan of £2,082k at 31 July 2018 (£2,256k at 31 July 2017). This will be repaid over a 10-year period with a fixed rate of interest.

### Resources

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

### Financial

The College has a net asset position on the balance sheet of £1,667k at 31 July 2018 (£4,110k

## City College Norwich

net liability at 31 July 2017).

The net asset position is comprised:

- Income and expenditure account of £11,021k surplus (£8,004k surplus at 31 July 2017)
- Local Government pension scheme reserve £16,972k deficit (£19,930k deficit at 31 July 2017)
- Revaluation reserve £7,513k surplus (£7,709k surplus at 31 July 2017)
- Restricted reserve £105k surplus (£107k surplus at 31 July 2017)

## People

The College employs 595 (2016/17: 569) people (expressed as full-time equivalents), of whom 286 (2016/17: 274) are teaching staff. The increase was expected as a result of the merger.

## Current and Future Development and Performance

### Student numbers

The 2017/18 student numbers are presented in table below.

Year	16-18 Students	19+ Students	Apprentices
2014/15	4460	1380	1420
2015/16	4520	960	1350
2016/17	4190	1320	1350
2017/18	4850	1250	1390

16-18 recruitment increased significantly due to the merger with Paston Sixth Form College. However, like for like recruitment on the Norwich site increased in 17/18 compared to 16/17. Adult Education provision continued to see strong demand although there was some reduction in Access to HE recruitment. Apprenticeships increased with growth in higher level work and also as a result of the College being asked to support apprentices who had begun their studies with a local training provider that went into administration.

### Student achievements

16-18 students continue to achieve well at City College Norwich, with most headline achievement rates well above comparable 2016/17 National Averages. In several areas, the performance of students ranks amongst the top 20 colleges nationally. 2017/18 saw pleasing increases in the value-added and progress measures relating to A level provision and GCSE maths and English. This resulted from concentrated and targeted work from key curriculum areas and a revised maths and English strategy for the College. However, some challenges were presented by the change to new externally assessed vocational provision which was less successful for some students than predecessor qualifications.

For 19+ provision, 2017/18 saw some increases in performance in key areas such as Functional Skills, although more work is required to further improve the outcomes in this area. Access to HE remains at high levels of achievement, although reduced from the high point in 16/17. However, the student's rates of progression to HE has further improved, showing very positive outcomes for those completing the courses.

In 2017/18 HE student achievements remain at satisfactory levels. Despite significant national attention being paid to "grade inflation" within the HE sector, the College has maintained a strong and acceptable level of students achieving the highest grades. Detailed analysis at levels of key demographic groups have identified a number of possibly "underperforming" groups and

## City College Norwich

this is a key focus of some 18/19 activity to start to understand these issues better.

Within Apprenticeship provision, 2017/18 has been a year of challenge leading to lower than targeted outcomes. Some factors including staff availability have negatively impacted on the timely achievement of apprentices at Levels 2 and 3 and outcomes in this provision type are a key focus for 2018/19

The Norfolk Teacher Training Centre (NTTC) celebrated the successful completion of its largest ever cohort of students in 2017/18 when 37 students completed their training as secondary school teachers, with 100% of them progressing into employment following the completion of their studies.

### Future Developments

2018/19 and 2019/20 will be characterised by the College preparing to pilot the new Technical ("T") Level qualifications from September 2020. The college is one of only 54 institutions nationally to be selected to pilot the new qualifications by the DfE and extensive work is underway to ensure this exciting curriculum development is carefully integrated into the existing course offer.

Within Apprenticeship work, the College continues to grow provision with Levy paying employers and sectors. In 2018/19 an innovative programme of work with the UEA and local NHS Health Trusts has seen the College work to deliver the new Nursing Associate Higher Apprenticeships. This type of collaborative model of apprenticeship scheme delivery is a model for further developments.

### Curriculum developments

In 2017/18 the college provided substantial courses in 14 of the 15 subject sector areas (SSA), with only SSA 3 (Agriculture and Horticulture) not having significant levels of activity. The Colleges Curriculum Strategy has informed the developments which have occurred in 2017/18 and the following are examples of this.

**Planning of the Curriculum:** The 2017/18 academic year saw a number of changes in response to the challenges the Curriculum Strategy provided us. Examples included:

- The planning for and delivery of new Apprenticeship Standards. These continue to be rolled out according to employer demand.
- Revision to our A level offer to reflect national changes to new "linear" 2 year courses.
- Continued growth of leisure and commercial offer for business and adults, responding to market and employer demand.
- The implementation of a new Maths and English GCSE strategy that emphasises GCSE study over alternatives such as functional skills.

**Structure of curriculum:** The College continues to evolve the structure of the curriculum to develop students. Examples include:

- Continuing to respond to the introduction of reformed Technical Certificate and RQF qualifications in a number of curriculum areas with enhanced synoptic testing and examination content.
- Finding new and innovative ways of supporting the 20% "off the job" requirement for apprenticeships that ensures apprentices make excellent progress in their learning.
- Refining the course offer and support mechanisms associated with our Phoenix Plus GCSE resit programme to more effectively support students.

**Nature of curriculum:** The nature of the curriculum has developed as we have:

- Sought to further enrich the curriculum by engaging with new employer led briefs and live projects.
- Further enhanced the focus on progression to HE in a number of key areas to support the

## City College Norwich

social mobility of students.

### Challenges for the next 12 months

There are a number of challenges that the College's curriculum will have to respond to over the next 12 months:

- Maximising the benefits of the merger on the provision available to people in North East Norfolk and for A level availability of minority and specialist subjects across the county.
- Implementing the piloting of "Industry Placements" within full time courses for 16-18 year olds ahead of the introduction of T Levels in 2020.
- Responding to the DfE reviews of Post 18 and also of Level 4 and 5 provision due for publication in early 2019.
- Understanding and interpreting the new Ofsted Education Inspection Framework which will come into effect in September 2019.
- Working under Office for Students registration requirements for out Higher Education provision

### Principal Risks and Uncertainties:

The College has continued work during the 2017/18 year to develop and embed the system of internal control, including financial, operational and risk management which is designed to protect the College's assets and reputation.

The Executive Team undertakes a comprehensive review of the risks to which the College is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the College. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions. In addition to the annual review, the Executive Team will also consider any risks which may arise as a result of a new area of work being undertaken by the College. Each meeting of the Executive team has a standing item to identify new or emerging risks or to alter previous assessments of risk.

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

This is supported by a culture of risk management throughout the College with risk regularly discussed in management meetings.

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

#### 1. Government funding

Funding from the Government either directly through grants or indirectly via student loan policies, remains the key source of income for the College. Grant funding levels remain static despite considerable lobbying and with associated costs pressures including staffing costs and inflationary pressures, this continues to place pressures on the College.

For 2018/19 onwards, there are a number of risks currently anticipated:

- The Government commissioned review of post-18 education has been delayed but is likely to now report in early 2019. There appears to be potential for this report to propose many significant reforms to the system which could include changes to the current Student Tuition Fee Loans levels for undergraduate study. Such changes would impact on the wider University sector in addition to Colleges providing HE but careful engagement with key bodies such as the AoC is underway to ensure the risks are understood. In addition, the new HE regulator the Office for Students (OfS) will

## City College Norwich

be reviewing the teaching funding it distributes against a backdrop of reducing DfE budgets for non-school activity.

- 16-18 provision generates the largest element of government funding for the College and the levels of this funding is driven primarily by the number of students recruited and the base rate provided for student places. The college continues to be operating within an era of low numbers of young people in the 16-18 cohort and therefore pressure will continue to ensure we recruit effectively in a competitive market. In addition, despite local and national lobbying, the static base rate funding for 16-18-year-old students (which is effect a real term cut) remains in place for the foreseeable future, placing further financial pressures on the College.
- The devolution of the Adult Education Budget to combined authority areas nationally could destabilise the funding system even for providers such as the College not serving students who live within a combined authority area. Whilst some assurances are in place for 2019/20 funding levels, the position beyond that is uncertain at this time.
- Apprenticeship funding continues to be volatile as the Levy and non-Levy funding systems continue to adjust to the new environment created by government led policy change. Whilst the College has navigated these choppy waters effectively since the Levy was introduced in May 2017, the political sensitivity of this agenda makes further policy change very possible and difficult to predict.
- The College receives funding to support students with Additional Learning needs from two sources; from government directly via allocations and from local authorities on a case by case basis. Whilst the former is formula driven and under the same static funding level pressures as the 16-18 budget, local authorities are continuing to reform their funding mechanisms and this could lead to reductions in funding for individual students and provision.

### **2. Maintain adequate funding of pension liabilities**

The financial statements report the share of the Local Government Pension Scheme deficit on the College's balance sheet in line with the requirements of FRS 102. Furthermore, the College's balance sheet includes a provision for the value of the pension liability for those staff who transferred under TUPE to NES. See Note 26 for further detail.

The triennial valuation of the LGPS scheme in March 2019 will determine the employer contribution rates effective for the 3 years commencing April 2020. There remains a risk of increased employer contributions into the Fund.

In relation to the Teachers' Pension Scheme there is a much anticipated national increase in employer contribution rates from 16.48% to potentially 23% (an increase of 40%), effective from September 2019. Given the significance of this increase the College and the wider sector are hoping that central Government will be funding this increase through the next Comprehensive Spending Review.

### **3. Lack of Capital Investment**

Over the past 3 academic years the level of capital funding that the College receives or has direct access to has reduced significantly. Government sources of Skills Capital funding previously came either in the form of "bids" or annual allocations operated by the ESFA (or predecessor organisations). More recently these funding pots have been devolved to the New Anglia LEP and been amalgamated into other LEP capital funding streams to the detriment of the College's ability to receive capital investment. Small amounts of annual capital allocations are generated by the College's HE work, but this requires targeting on HE provision needs. Therefore, currently the College must generate all capital funding from its own resources, adding significantly to the funding pressures on the institution.

### Stakeholder Relationships

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

- Students;
- Education Sector Funding bodies;
- Staff;
- Parents/Carers;
- Local employers (with specific links);
- Local Authorities and local schools;
- New Anglia Local Enterprise Partnership (NALEP);
- The local community;
- University of East Anglia;
- Other FE and HE institutions;
- Government led bodies such as the Norwich Opportunity Area
- Trade unions; and
- Professional bodies.

The College recognises the importance of these relationships and actively engages with these key partners in a number of formal and informal ways. Senior college staff have formal roles in a number of key local stakeholder boards and committees which in addition to covering post 16 education also include specific areas of focus including safeguarding, SEN and careers guidance. The Principal sits on the Norwich Opportunity Area Board, playing a key role in steering this important local initiative which focuses on enhancing the social mobility of young people in Norfolk. In addition, regular meetings are scheduled with local authority colleagues to ensure that the college continues to play the central role in the work of the County and region.

Our relationship with our validating University UEA continues to be strong and productive. Both the Principal and the Deputy Principal are formally members of senior bodies at UEA recognising the strength of this partnership and the College actively engages with the Academic Partnership work of UEA through structured meetings and protocols. In addition, the College maintains a close and effective working relationship with the other main Norfolk based HE provider, Norwich University of the Arts (NUA) based on regular meetings and targeted work in areas of shared interest. This co-operative work in the HE sector underpins the Network for East Anglian Collaborative Outreach (neaco) project which looks to enhance HE progression for young people from our region. The neaco project works across Norfolk, Suffolk and Cambridgeshire and the Deputy Principal formally represents the FE sector on the University of Cambridge led steering group.

The College has continued to take a leading role in regional work with the NALEP and the other FE colleagues through the New Anglia Colleges Group (NACG). The Principal is a member of the Skills Board of the NALEP to represent the FE sector and contributes to the NACG Principals group work, whilst the Deputy Principal leads the NACG Deputies group that meets monthly.

More recently the College Executive Team has taken on a number of formal roles at a national level to ensure the College is well engaged with influencing national policy. The Principal is a member of the Association of College's (AoC) Board and the Principal, Deputy Principal and Director of SEN and Nursery all sit on national AoC policy groups. There are a number of additional engagements via awarding organisations and other sector bodies such as the Mixed Economy Group in which College staff play a formal and active role.

## City College Norwich

### Equal opportunities

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

The College's equality statement is that we are:

- A College where everyone benefits from the wide diversity of staff and students
- A College we can all access with equal ease and dignity, enjoy a sense of belonging, and where learning and working have been designed with each of us in mind

The College publishes an Annual Equality Report and Equality Objectives to ensure compliance with all relevant equality legislation including the Equality Act 2010.

The College has committed to the 'Mindful Employer' initiative to assist the mental health wellbeing of staff. The College has also implemented an updated Equality & Diversity training programme which all staff have attended. Refresher training and training for new starters is carried out on an ongoing basis.

### Disability statement

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

### Trade Union Facilities Time Reporting

For period 1 April 2017 to 31 March 2018

Relevant Union Officials:

Number of employees who were relevant union officials during the relevant period.	Full-time equivalent employee number of representatives.
4	2.93

Percentage of Time Spent on Facility Time:

<i>Percentage of time</i>	<i>Number of employees</i>
0%	
1-50%	4
51-99%	
100%	

Percentage of Pay Bill Spent on Facility Time:

<i>Total cost of facility time</i>	£15,255
<i>Total pay bill</i>	£20,318,994
<i>Percentage of total pay bill spent on facility time</i>	0.08%.

Paid trade union activities

<i>Time spent on paid trade union activities as a percentage of total paid facility time.</i>	0%
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**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



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**Andrew Barnes**

**Chairman of the Corporation**

### **3. 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.

The College endeavors to conduct its business:

- in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- in full accordance with the Code of Good Governance for English Colleges; and
- having due regard to the UK Corporate Governance Code (“the Code”) insofar as it is applicable to the further education sector.

The College is committed to exhibiting best practice in all aspects of corporate governance and in particular the College/Board has adopted and complied with the Code of Good Governance for English Colleges. 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.

In the opinion of the governors, the College complies with all the provisions of the Code of Good Governance for English Colleges and it has complied throughout the year ended 31 July 2018. This was tested by internal audit in April 2016 for Principals 9 and 10 which gave significant assurance and furthermore in May 2017 for Principals 1, 2 and 3 which gave strong assurance. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times.

City College Norwich is an exempt charity under Part 3 of the Charities Act 2011 and following the Machinery of Government changes in July 2016 is regulated by the Secretary of State for Education for all FE Corporations in England. The members of the Governing Body, who are trustees of the charity, are disclosed below.

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

## City College Norwich

### The Corporation

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

Name	Date of appointment	Term of office	Date of resignation	Status of appointment	Committees served	Corporation meeting attendance 2017/18
Mr A Barnes	21/02/2012 re-appointed 21/02/2016	4 years		General	Vice-Chair of Corporation; Chair of B	6/6
Dr A Blanchflower	06/10/2015	4 years		General	CS	5/6
Mr L Mitchell	01/07/2017 re-appointed 10/07/2018	1 year		Student Union Representative	B, CS	3/6
Mr M Colmer	13/12/2005, re-appointed 12/07/2009, re-appointed 12/07/2013 re-appointed 24/07/2017	4 years	10/07/2018	General	Chair of Corporation; B, CS	6/6
Mr M Roberts	06/02/2018	1 year	19/03/2018	FE Student Representative	CS	0/0
Miss L Callaghan-Bates	01/11/2017	1 year	31/07/2018	HE Student Representative	CS	5/5
Ms J Lanning	07/07/2015	4 years		General	Chair of CS	6/6
Ms C Peasgood	03/09/2012			Principal from 03/09/2012; Principal/CEO from 01/11/2013	B, CS	6/6
Ms R Perry	11/12/2015	4 years	01/01/2018	General	B	1/2
Denise Troughton	27/03/2018	4 years		General	B	2/3
Mr I Webb	30/05/2012 re-appointed 30/05/2016	4 years		General	B	5/6
Mr Z Virgin	12/12/2006 re-appointed 12/12/2010 re-appointed 11/12/2014	4 years	10/07/2018	General	A	2/6
Ms B. Sherwood	06/10/2015	4 years		General	Chair of A	5/6
Mr N Bartram	06/02/2018	4 years		General	A	4/4

**Key:** A = Audit and Risk Committee; B = Business Committee; CS = Curriculum and Standards Committee

## City College Norwich

### Details of the Corporation

It is the Corporation's responsibility to bring independent judgment to bear on issues of strategy, performance, resources and standards of conduct.

The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel related matters such as health and safety and environmental issues. The Corporation meets at least once a term.

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

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

Formal agendas, papers and reports are supplied to governors in a timely manner, prior to Board meetings. Briefings are also provided on an ad-hoc basis.

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

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

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees in 2017/18 were:

Audit and Risk, Business, and Curriculum and Standards

Minutes of all Board and committee meetings, except those deemed to be confidential by the Corporation, are available on the College website or from the Clerk to the Corporation at:

City College Norwich  
Ipswich Road  
Norwich  
NR2 2LJ

### Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation, acting in collaboration with Transforming Education in Norfolk, the Parent Undertaking of the Corporation under the Instrument & Articles of Government. The Corporation's Business Committee includes a search function and is responsible for monitoring Corporation membership and recommending any new member for the Parent Undertaking's consideration of appointment. The Corporation is responsible for ensuring that appropriate training is provided as required.

Members of the Corporation are appointed for a term of office not exceeding 4 years. In September 2016, The Corporation approved that members may serve more than 2 terms (eight years) after the Corporation have assessed the composition of the Board to ensure it continues to have the right mix of skills, gender, race, experience and commitment. This is also applicable if a Governor were to progress into a new role such as Chair of the Board or Chair of a Committee.

**Audit and Risk Committee**

In 2017/18, the Audit and Risk Committee comprised four members (including co-opted members as necessary). The Committee operates in accordance with written terms of reference approved by the Corporation. Its purpose is to advise the Corporation on the adequacy and effectiveness of the College’s system of internal control and its arrangements for risk management, control and governance processes.

The Audit and Risk Committee meets on a termly basis and provides a forum for reporting by the College’s internal and financial statement auditors, who have access to the committee for independent discussion, without the presence of College managers. The Committee also receives and considers reports from the main FE funding bodies, as they affect the College’s business.

The College’s internal auditors 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 and Risk Committee.

Managers are responsible for the implementation of agreed recommendations and internal audit undertake periodic follow up reviews to ensure such recommendations have been implemented.

The Audit and Risk Committee also advises the Corporation on the appointment of internal and financial statements auditors, in conjunction with Transforming Education in Norfolk (TEN) Group policy in this area, and their remuneration for both audit and non-audit work.

Meetings attended in 2017/18 were as follows:

Name	Meetings Attended	Out of Possible
Noel Bartram	2	2
Nikki Gray (co-opted)	1	3
Bree Sherwood (Chair)	3	3
Zak Virgin	2	3

**Business Committee**

The Business Committee’s main purpose is to oversee general financial matters of the Board. The Committee’s responsibilities include making recommendations to the Board on the remuneration and benefits of the Principal and other senior post holders.

Details of remuneration for the year ended 31 July 2018 are set out in note 9 of the financial statements. Meetings attended in the year were as follows:

Name	Meetings Attended	Out of Possible
Andrew Barnes (Chair)	6	6
Luke Mitchell	5	6
Matt Colmer	6	6
Corrienne Peasgood	5	6
Rebecca Perry	0	2
Denise Troughton	3	3
Ian Webb	4	6

## City College Norwich

### Curriculum & Standards Committee

There were seven members of the Curriculum and Standards Committee at any one time during 2017/18 and this is inclusive of the Student Union President, HE Student Governor and one co-opted member.

The Committee operates in accordance with written terms of reference approved by the Corporation. Its purpose is to oversee the curriculum and standards matters of the College.

Meetings attended in the 2017/18 were as follows:

Name	Meetings Attended	Out of Possible
Andrea Blanchflower	5	6
Matthew Colmer	2	6
Jill Lanning (Chair)	6	6
Corrienne Peasgood	6	6
Luke Mitchell	5	6
Max Roberts	1	1
Lauren Callaghan-Bates	2	5
Aron Whiles (co-opted)	5	6

### Internal Control

#### *Scope of responsibility*

The Corporation is ultimately responsible for the College's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Corporation has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which she is personally responsible, in accordance with the responsibilities assigned to her in the Financial Memorandum between City College Norwich and the funding bodies. She is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

#### **The purpose of the system of internal control**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of college policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in City College Norwich for the year ended 31 July 2018 and up to the date of approval of the annual report and financial statements.

#### **Capacity to handle risk**

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2018 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

### **The risk and control framework**

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

- Comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the Corporation
- Regular reviews by the Corporation of periodic and annual financial reports which indicate financial performance against forecasts
- Setting targets to measure financial and other performance
- Clearly defined capital investment control guidelines
- The adoption of formal project management disciplines, where appropriate

The College has an internal audit service, which operates in accordance with the requirements of the ESFA's Post 16 Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee.

As a minimum, the Head of Internal Audit (HIA) annually provides the Corporation with a report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

### **Review of effectiveness**

As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. The Principal's review of the effectiveness of the system of internal control is informed by:

- The work of the internal auditors
- The work of the executive managers within the College and NES who have responsibility for the development and maintenance of the internal control framework
- Comments made by the College's financial statements auditors and the regularity auditors, in their management letters and other reports.

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

The Principal and executive management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Principal and executive management team and Audit and Risk Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit and Risk Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the executive management team and the Audit and Risk Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its October 2018 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2018 by considering documentation from the senior management team and internal audit, feedback received from all members of the Corporation and taking account of events since 31 July 2017. The Corporation

## City College Norwich

Self-Assessment feeds into the Colleges SAR consequently supporting our Ofsted judgements.

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”.

The Board has received the annual report, has conducted its annual review of the effectiveness of the system of internal control, and has taken account of any changes needed to maintain the effectiveness of the risk management and control process.

The Board confirms that there is an ongoing process for identifying, evaluating and managing significant risks faced by City College Norwich. This process has been in place throughout the year under review, up to the date of the annual report, and is regularly reviewed by the Board.

### Fraud

The Corporation has a zero-tolerance approach to fraud and action is taken to limit the risk of fraud through the system of internal control. A fraud policy and response plan is incorporated in the risk management framework.

### Bribery

The Corporation has a zero-tolerance approach to bribery and action is taken to limit the risk of bribery through the system of internal control with the maintenance and monitoring of a register of gifts and hospitality received. The College undertakes regular reviews of the anti-bribery measures in place, ensuring that they remain adequate.

### Going Concern

After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason it continues to adopt the going concern basis in preparing the financial statements.

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



**Andrew Barnes**  
Chairman of the Corporation



**Corrienne Peasgood**  
Principal

**City College Norwich**

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

The Corporation has considered its responsibility to notify the Education and Skills Funding Agency of material irregularity, impropriety and non-compliance with terms and conditions of funding, under the colleges' grant funding agreement and contracts with ESFA. As part of our consideration we have had due regard to the requirements of the grant funding agreements and contracts with ESFA.

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 grant funding agreements and contract with ESFA.

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

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



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**Andrew Barnes**  
**Chairman of the Corporation**



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**Corrienne Peasgood**  
**Principal**

## City College Norwich

### 5. Statement of Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the College's Financial Memorandum with the ESFA, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education and with the College Accounts Direction 2017 to 2018 issued by the ESFA, and which give a true and fair view of the state of affairs of the College and the result for that year.

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

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

The Corporation is responsible for keeping adequate accounting records which disclose with reasonable accuracy, at any time, the financial position of the College, and which enable it to ensure that the financial statements are prepared in accordance with the relevant legislation of incorporation and other relevant accounting standards. It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for taking steps that are reasonably open to it in order to safeguard the assets of the College and to prevent and detect fraud and other irregularities.

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

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

City College Norwich

**Statement of Responsibilities of the Members of the Corporation (continued)**

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



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**Andrew Barnes, Chairman of the Corporation**

## 6. Independent Auditor's report to the Corporation of City College Norwich

### Opinion

We have audited the financial statements of City College Norwich ("the College") for the year ended 31 July 2018 which comprise the Statements of Comprehensive Income, Balance Sheet, Statement of Changes in Reserves, Statement of Cash Flows and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2018, and of the College's income and expenditure, gains and losses, changes in reserves, and cash flows, for the year then ended; and
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, and with the 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education*.

### Basis for opinion

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

### Going concern

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

### Other information

The Corporation is responsible for the other information, which comprises the Operating and Financial Review, the Corporation's Statement of Corporate Governance and Internal Control, and Key Management Personnel, Board of Governors, and Professional advisers. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

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

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

Under the Post-16 Audit Code of Practice 2017 to 2018 (March 2018) issued by the Education and Skills Funding Agency we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

### **Corporation's responsibilities**

As explained more fully in their statement set out on page 23, the Corporation is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the College or to cease operations, or has no realistic alternative but to do so.

### **Auditor's responsibilities**

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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

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

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

*S Beavis*

Stephanie Beavis

**For and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

Dragonfly House

2 Gilders Way

Norwich

NR3 1UB

*18 December 2018*

## City College Norwich

### **7. Reporting Accountant's Report on Regularity to the Corporation of City College Norwich and the Secretary of State for Education acting through Education and Skills Funding Agency**

In accordance with the terms of our engagement letter dated 27 November 2017 and further to the requirements of the funding agreement with 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 City College Norwich 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 issued by the Education and Skills Funding Agency. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record (ILR) returns, for which the Education and Skills Funding Agency has other assurance arrangements in place.

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

#### **Respective responsibilities of City College Norwich and the reporting accountant**

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

Our responsibilities for this engagement are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Post-16 Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 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 Post-16 Audit Code of Practice issued jointly by the Skills Funding Agency and the Education Funding Agency. We performed a limited assurance engagement as defined in that framework.

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

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

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

## City College Norwich

The work undertaken to draw our conclusion included:

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

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

### Conclusion

In the course of our work nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 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.

*S Beavis*

Stephanie Beavis

**For and on behalf of KPMG LLP, Reporting Accountant**

Dragonfly House

2 Gilders Way

Norwich

NR3 1UB

*18 December 2018*

## City College Norwich

### 8. Statement of Comprehensive Income

	Notes	Year ended 31 July 2018 £000	Year ended 31 July 2017 £000
<b>INCOME</b>			
Funding body grants	2	29,316	27,813
Tuition fees and education contracts	3	6,655	7,783
Other grants and contracts	4	134	121
Other income	5	2,221	1,915
Investment income	6	6	12
Fair value of net assets of Paston SFC	8	2,085	-
<b>Total Income</b>		<b>40,417</b>	<b>37,644</b>
<b>EXPENDITURE</b>			
Staff costs	9	29,094	27,303
Restructuring costs	9	-	-
Other operating expenses	10	8,500	8,221
Depreciation	13	1,404	1,666
Interest and other finance costs	11	664	527
<b>Total Expenditure</b>		<b>39,662</b>	<b>37,717</b>
<b>Surplus/(deficit) before other gains and losses</b>		<b>755</b>	<b>(73)</b>
Loss on disposal of assets	13	-	-
<b>Surplus / (deficit) before tax</b>		<b>755</b>	<b>(73)</b>
Taxation	12	-	-
<b>Surplus / (deficit) for the year</b>		<b>755</b>	<b>(73)</b>
Unrealised surplus on revaluation of assets		-	-
Restricted reserve expenditure		(2)	(1)
Actuarial gain / (loss) in respect of pensions schemes	26	4,905	(1,893)
Actuarial impact of Paston staff transferring to NES	26	119	-
<b>Total Comprehensive Income for the year</b>		<b>5,777</b>	<b>(1,967)</b>
<b>Represented by:</b>			
<b>Unrestricted comprehensive income</b>		<b>5,779</b>	<b>(1,966)</b>
<b>Restricted comprehensive income</b>		<b>(2)</b>	<b>(1)</b>
		<b>5,777</b>	<b>(1,967)</b>

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

The notes on pages 34 to 64 form part of the financial statements.

City College Norwich

9. Statement of Charges in Reserves

	Income and Expenditure account	Restricted reserve	Revaluation reserve	Total
	£000	£000	£000	£000
<b>Balance at 1 August 2016</b>	(10,115)	108	7,904	(2,143)
(Deficit) / Surplus / from the income and expenditure account	(73)	-	-	(73)
Other comprehensive income	(1,893)	(1)	-	(1,894)
Transfers between revaluation and income and expenditure reserves	195		(195)	-
	<u>(1,771)</u>	<u>(1)</u>	<u>(195)</u>	<u>(1,967)</u>
<b>Balance at 31 July 2017</b>	(11,926)	107	7,709	(4,110)
Surplus / (deficit) from the income and expenditure account	755	-	-	755
Other comprehensive income	5,024	(2)	-	5,022
Transfers between revaluation and income and expenditure reserves	196		(196)	-
<b>Total comprehensive income for the year</b>	<u>5,975</u>	<u>(2)</u>	<u>(196)</u>	<u>5,777</u>
<b>Balance at 31 July 2018</b>	<u>(5,951)</u>	<u>105</u>	<u>7,513</u>	<u>1,667</u>

The notes on pages 34 to 64 form part of the financial statements.

**City College Norwich**

**10. Balance sheet as at 31 July 2018**

	Notes	2018 £000	2017 £000
<b>Non-Current Assets</b>			
Tangible fixed assets	13	28,516	25,451
Investments	14	2	2
Pensions Asset	26	-	-
		<b>28,518</b>	<b>25,453</b>
<b>Current assets</b>			
Stocks		-	-
Trade and other receivables	15	1,692	1,493
Cash and cash equivalents	21	6,939	7,110
		<b>8,631</b>	<b>8,603</b>
<b>Less: Creditors – amounts falling due within one year</b>	16	(4,247)	(5,235)
<b>Net current assets</b>		<b>4,384</b>	<b>3,368</b>
<b>Total assets less current liabilities</b>		<b>32,902</b>	<b>28,821</b>
Less: Creditors – amounts falling due after more than one year	17	(10,624)	(9,028)
<b>Provisions</b>			
Defined benefit obligations	20	(16,972)	(19,930)
Other provisions	20	(3,639)	(3,973)
<b>Total net assets</b>		<b>1,667</b>	<b>(4,110)</b>
<b>Restricted Reserves</b>		<b>105</b>	<b>107</b>
<b>Unrestricted reserves</b>			
Income and expenditure account		(5,951)	(11,926)
Revaluation reserve		7,513	7,709
<b>Total reserves</b>		<b>1,667</b>	<b>(4,110)</b>

The financial statements on pages 30 to 64 were approved and authorised for issue by the Corporation on 11 December 2018 and were signed on its behalf on that date by:

*A. Barnes*

**Andrew Barnes**  
Chair

*Corrienne Peasgood*

**Corrienne Peasgood**  
Accounting Officer

## City College Norwich

### 11. Statement of Cash Flows for the year ended 31 July 2018

	Notes	2018 £000	2017 £000
<b>Cash flow from operating activities</b>			
Surplus/ (deficit) for the year		755	(73)
<b>Adjustment for non-cash items</b>			
Depreciation	13	1,404	1,666
Impairment of investment		-	-
(Increase)/decrease in stocks		-	-
(Increase)/decrease in debtors		(199)	251
Increase/(decrease) in creditors due within one year		(994)	399
Increase/(decrease) in creditors due after one year		1,836	(225)
Increase/(decrease) in provisions		(334)	(65)
Increase/(decrease) in restricted reserves	19	(2)	(1)
Pensions costs less contributions payable	26	1,523	894
Fixed assets and pension adjustment Paston SFC	8	(3,335)	-
Taxation		-	-
<b>Adjustment for investing or financing activities</b>			
Investment income	6	(6)	(12)
Interest payable	11	84	90
Taxation Paid		-	-
(Profit) / Loss on sale of fixed assets		(11)	-
<b>Net cash flow from operating activities</b>		<b>721</b>	<b>2,924</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of fixed assets		11	-
Disposal of non-current asset investments		-	-
Investment income		6	12
Withdrawal of deposits		-	-
New deposits		-	-
Payments made to acquire fixed assets		(591)	(850)
		<b>(574)</b>	<b>(838)</b>
<b>Cash flows from financing activities</b>			
Interest paid		(84)	(90)
Interest element of finance lease rental payments		-	-
New unsecured loans		-	-
Repayments of amounts borrowed		(234)	(240)
Capital element of finance lease rental payments		-	-
		<b>(318)</b>	<b>(330)</b>
<b>(Decrease) / Increase in cash and cash equivalents in the year</b>		<b>(171)</b>	<b>1,756</b>
Cash and cash equivalents at beginning of the year	21	7,110	5,354
Cash and cash equivalents at end of the year	21	6,939	7,110

The notes on pages 34 to 64 form part of the financial statements.

**12. Notes to the Accounts**

**1 Statement of accounting policies**

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

**Basis of preparation**

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

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

**Basis of accounting**

The financial statements are prepared in accordance with the historical cost convention as modified by the use of previous valuations as deemed cost at transition for certain non-current assets.

**Controlling party**

City College Norwich is exempt from preparing consolidated accounts under FRS 102 section 9.

**Going concern**

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Operating and Financial Review. The financial position of the College, its cashflow, liquidity and borrowings are described in the Financial Statements and accompanying notes.

The College has currently £2.1m of loans outstanding with bankers and £0.1m Salix loans, the terms of the agreements are for up to 10 years, The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

Accordingly the College has a reasonable expectation that it has 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.

## **City College Norwich**

### **Notes to the Accounts**

#### **Statement of accounting policies (cont'd)**

##### **Recognition of income**

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

The recurrent grant from HEFCE represents the funding allocations attributable to the current financial year and is credited direct to the Statement of Comprehensive Income.

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

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

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

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

##### **Accounting for post-employment benefits**

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

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method. The TPS is a multi-employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

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

## City College Norwich

### Notes to the Accounts

#### Statement of accounting policies (cont'd)

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

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

#### 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.

#### Enhanced Pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by a college annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to the College's income in the year that the member of staff retires.

In subsequent years a charge is made to provisions in the balance sheet using the enhanced pension spreadsheet provided by the funding bodies.

Further details of the pension schemes are given in note 26.

#### Non-current Assets - Tangible fixed assets

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

#### Land and buildings

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

- College Buildings – 50 years
- College roof – 30 years
- Refurbishments – 25 years
- Staff car park – 15 years

Freehold land is not depreciated.

Freehold buildings are depreciated over their expected useful economic life to the College of 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 25 and 30 years.

Leasehold land and buildings are amortised over the period of the lease.

## City College Norwich

### Notes to the Accounts

#### Statement of accounting policies (cont'd)

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.

#### Assets under construction

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs, incurred to 31 July 2018. They are not depreciated until they are brought into use.

#### Subsequent expenditure on existing fixed assets

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

#### Equipment

Equipment costing less than £1,000 per individual item (except for computer equipment) is recognised as expenditure in the period of acquisition. All other equipment is capitalised at cost.

Capitalised equipment is depreciated on a straight-line basis over its remaining useful economic life as follows:

- |                                    |               |
|------------------------------------|---------------|
| • cars                             | 4 years       |
| • minibus                          | 7 years       |
| • computer equipment               | 3 to 7* years |
| • furniture, fixtures and fittings | 5 years       |
| • lab / kitchen equipment          | 10 years      |
| • other equipment                  | 5 years       |

\*Following a review of IT asset lives we have changed (during 2017-18) the useful economic life of desktop PCs from 5 years to 7 years. This is a change in estimation technique not a change in accounting policy and reflects the longer use of core IT equipment at the College.

#### Leased assets

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

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

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if

## **City College Norwich**

### **Notes to the Accounts**

lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

#### **Statement of accounting policies (cont'd)**

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

#### **Investments**

Listed investments held as non-current assets and current asset investments, which may include listed investments, are stated at fair value, with movements recognised in Comprehensive Income

#### **Cash and cash equivalents**

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

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

#### **Financial liabilities and equity**

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

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

#### **Foreign currency translation**

Transactions denominated in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the financial period with all resulting exchange differences being taken to income in the period in which they arise.

#### **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 partially exempt in respect of Value Added Tax, so that it can only recover around 2%

## City College Norwich

### Notes to the Accounts

of the 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.

The College's subsidiary companies are subject to corporation tax and VAT in the same way as any commercial organisation.

### 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.

For further information on provisions see note 20.

### Agency arrangements

The College acts as an agent in the collection and payment of bursary and discretionary support funds. Related payments received from the main funding bodies and subsequent disbursements to students are excluded from the Income and Expenditure account and are shown separately in note 29 except for the 5% of the grant received which is available to the College to cover administration costs relating to the grant (3% for the HE Learner Support funds). The College employs 1.28 FTE members of staff dedicated to the administration of Learner Support Fund applications and payments.

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

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

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

## City College Norwich

### Notes to the Accounts

#### Statement of accounting policies (cont'd)

##### *Other key sources of estimation uncertainty*

- *Tangible fixed assets*  
Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance 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 – directly employed College staff*  
The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 26, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2013 has been used by the actuary in valuing the pensions liability at 31 July 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.
- *Local Government Pension Scheme – directly employed NES staff (contracted out support service)*  
For further information held on this provision see note 26.
- *Provision for irrecoverable debts*

At year end an annual review is completed for the recoverability of individual debtor balances. Our accounting policy is to provide for 100% of all non-student loan company debtor balances that are greater than 12 months. For student loan company balances greater than 12 months, we provide generally at 5% but in addition where there are indicators of non-recoverability we will provide on an individual basis. For debtor balances due less than one year, where there are indicators of non-recoverability we will provide on an individual basis.

## City College Norwich

### Notes to the Accounts

#### 2 Funding council grants

	Year ended 31 July 2018 £000	Year ended 31 July 2017 £000
<b>Recurrent grants</b>		
Education and Skills Funding Agency - adult	1,636	1,529
Education and Skills Funding Agency - 16-18	21,065	20,555
Education and Skills Funding Agency - apprenticeships	3,454	3,082
Local Authority	1,504	1,038
Higher Education Funding Council	805	829
<b>Specific Grants</b>		
Education and Skills Funding Agency	474	333
Releases of government capital grants	378	447
HE grant	-	-
<b>Total</b>	<b>29,316</b>	<b>27,813</b>

#### 3 Tuition fees and education contracts

	Year ended 31 July 2018 £000	Year ended 31 July 2017 £000
Adult education fees	207	180
Apprenticeship fees and contracts	141	206
Fees for FE loan supported courses	786	811
HE Fees (including higher apprenticeships)	4,619	5,604
Full cost provision	879	931
<b>Total tuition fees</b>	<b>6,632</b>	<b>7,732</b>
Education contracts	23	51
<b>Total</b>	<b>6,655</b>	<b>7,783</b>

#### 4 Other grants and contracts

	Year ended 31 July 2018 £000	Year ended 31 July 2017 £000
Other grants and contracts	134	121
<b>Total</b>	<b>134</b>	<b>121</b>

## City College Norwich

### Notes to the Accounts

#### 5 Other income

	Year ended 31 July 2018 £000	Year ended 31 July 2017 £000
Catering and residences	776	833
Other income generating activities	384	445
Non government capital grants	22	31
Miscellaneous income	1,039	606
	<hr/>	<hr/>
<b>Total</b>	<b>2,221</b>	<b>1,915</b>

#### 6 Investment income

	Year ended 31 July 2018 £000	Year ended 31 July 2017 £000
Other investment income	-	1
Other interest receivable	6	11
	<hr/>	<hr/>
	<b>6</b>	<b>12</b>

#### 7 Donations

	Year ended 31 July 2018 £000	Year ended 31 July 2017 £000
Unrestricted donations	-	-
	<hr/>	<hr/>
<b>Total</b>	<b>-</b>	<b>-</b>

## City College Norwich

### Notes to the Accounts

#### 8 Fair value of net assets of Paston SFC

	Year ended 31 July 2018 £000	Year ended 31 July 2017 £000
<b>Fair value of net assets of Paston SFC</b>	<b>2,085</b>	<b>-</b>

On the 30th November 2017 Paston Sixth Form College corporation dissolved and the staff assets and liabilities transferred to City College Norwich. The net assets of Paston Sixth Form College at the point of dissolution are shown below.

On transfer the estate of Paston Sixth Form College was independently valued by Arnolds Keys LLP. This identified an increase in the tangible fixed assets of £1,121,467.

Net assets at point of transfer £963k plus fair value adjustment on the estate £1,122k totals a fair value of net assets of £2,085k

In the Statement of Cash Flows an adjustment is made for the fixed asset representing the net asset of £2,756k plus the fair value adjustment of £1,122k less a pension liability of £543k, giving a net adjustment of £3,335k.

#### Balance sheet as at 30 November 2017

	Period ended 30 November 2017 £000
<b>Fixed assets</b>	
Tangible fixed assets	2,756
	<u>2,756</u>
<b>Current assets</b>	
Trade and other receivables	67
Cash and cash equivalents	1,101
	<u>1,168</u>
<b>Less: Creditors – amounts falling due within one year</b>	(582)
<b>Net current assets</b>	<u>586</u>
<b>Total assets less current liabilities</b>	3,342
Less: Creditors – amounts falling due after more than one year	(1,836)
<b>Provisions</b>	
Defined benefit obligations	(543)
	<u>963</u>
<b>Total net assets</b>	<u>963</u>
<b>Unrestricted reserves</b>	
Income and expenditure account	263
Revaluation reserve	700
	<u>963</u>
<b>Total unrestricted reserves</b>	<u>963</u>

## City College Norwich

### Notes to the Accounts

#### 8 Fair value of net assets of Paston SFC (continued)

##### Fair value reconciliation

	<b>£000</b>
Net book value of net assets of Paston SFC at point of dissolution	963
Fair value adjustment – tangible fixed assets	1,122
	<hr/>
<b>Fair value of Paston SFC net assets</b>	<b>2,085</b>
	<hr/> <hr/>

#### 9 Staff numbers and costs

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

	<b>2018</b>	<b>2017</b>
	<b>No.</b>	<b>No.</b>
Teaching staff	286	274
Non teaching staff	309	295
	<hr/>	<hr/>
	<b>595</b>	<b>569</b>
	<hr/> <hr/>	<hr/> <hr/>

##### Staff costs for the above persons

	<b>Year ended</b>	<b>Year ended</b>
	<b>31 July 2018</b>	<b>31 July 2017</b>
	<b>£000</b>	<b>£000</b>
Wages and salaries*	16,912	15,994
Social security costs	1,477	1,361
Other pension costs	3,948	3,185
	<hr/>	<hr/>
<b>Payroll sub total</b>	<b>22,337</b>	<b>20,540</b>
Contracted out staffing services	6,757	6,763
	<hr/>	<hr/>
	<b>29,094</b>	<b>27,303</b>
	<hr/> <hr/>	<hr/> <hr/>

##### Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the College Leadership Team which comprises the Chief Executive Officer / Principal, Deputy and Assistant principals and Directors. Staff costs include compensation paid to key management personnel for loss of office.

	<b>2018</b>	<b>2017</b>
	<b>No.</b>	<b>No.</b>
The number of key management personnel including the Accounting Officer was:	6	6
	<hr/>	<hr/>

## City College Norwich

### Notes to the Accounts

#### 9 Staff numbers and costs (continued)

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

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

	Key management personnel		Other staff	
	2018 No.	2017 No.	2018 No.	2017 No.
£60,001 to £70,000	4	4	-	-
£80,001 to £90,000	1	1	-	-
£130,001 to £140,000	1	1	-	-
	<u>6</u>	<u>6</u>	<u>-</u>	<u>-</u>

Key management personnel emoluments are made up as follows:

	Year ended 31 July 2018 £000	Year ended 31 July 2017 £000
Salaries	452	434
Benefits in kind	1	1
	<u>453</u>	<u>435</u>
Pension contributions	71	64
<b>Total emoluments</b>	<u><b>524</b></u>	<u><b>499</b></u>

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

	Year ended 31 July 2018 £000	Year ended 31 July 2017 £000
Salaries	138	134
Benefits in kind	-	-
	<u>138</u>	<u>134</u>
Pension contributions	23	22

## City College Norwich

### Notes to the Accounts

#### 10 Other operating expenses

	Year ended 31 July 2018 £000	Year ended 31 July 2017 £000
Teaching costs	2,354	2,058
Non teaching costs	4,069	3,850
Premises costs	2,077	2,313
<b>Total</b>	<b>8,500</b>	<b>8,221</b>

#### Other operating expenses include:

	Year ended 31 July 2018 £000	Year ended 31 July 2017 £000
Auditors' remuneration:		
Financial statements audit	35	26
Internal audit	12	12
Other services provided by the financial statements auditors	-	-
Other services provided by the internal auditors	-	-
Losses on disposal of tangible fixed assets (where not material)	-	-
Hire of assets under operating leases	295	496

#### 11 Interest payable - Group and College

	Year ended 31 July 2018 £000	Year ended 31 July 2017 £000
On bank loans, overdrafts and other loans:	84	90
	<u>84</u>	<u>90</u>
Pension finance costs (note 26)	560	417
Pension finance costs (NES)	20	20
<b>Total</b>	<b>664</b>	<b>527</b>

#### 12 Taxation

The members do not believe the College was liable for any corporation tax arising out of its activities during this period.

## City College Norwich

### Notes to the Accounts

#### 13 Tangible fixed assets

	Land and buildings		Equipment	Total
	Freehold	Long leasehold		
	£000	£000	£000	£000
<b>Cost or valuation</b>				
At 1 August 2017	40,166	2,488	14,049	56,703
Additions	3,911	-	558	4,469
Disposals	-	(2,488)	(1,034)	(3,522)
<b>At 31 July 2018</b>	<b>44,077</b>	<b>0</b>	<b>13,573</b>	<b>57,650</b>
<b>Depreciation</b>				
At 1 August 2017	(16,918)	(2,314)	(12,020)	(31,252)
Charge for the year	(671)	(174)	(559)	(1,404)
Elimination in respect of disposals	-	2,488	1,034	3,522
<b>At 31 July 2018</b>	<b>(17,589)</b>	<b>-</b>	<b>(11,545)</b>	<b>(29,134)</b>
<b>Net book value at 31 July 2018</b>	<b>26,488</b>	<b>0</b>	<b>2,028</b>	<b>28,516</b>
Net book value at 31 July 2017	23,248	174	2,029	25,451

#### Ipswich Road, Norwich

Inherited land and buildings were valued in 1993 by Tim Matthews Associates (a firm of independent chartered surveyors), the value of the land only element being £4,569,749.

Other tangible fixed assets inherited from the LEA at incorporation have been valued by the Corporation at depreciated replacement cost. If land and buildings had not been revalued they would have been included at a cost of £nil.

Land and buildings with a net book value of £7,513,077 (2017 - £7,708,541) have been financed by exchequer funds. Should these assets be sold, the College may be liable, under the terms of the Financial Memorandum with the Chief Executive of Skills Funding, to surrender the proceeds..

#### Paston, North Walsham

Following the merger with Paston Sixth Form College on the 1 December 2017 (see note 8) the following tangible fixed assets were transferred:

**Lawns site** - Freehold for the Lawns site with net book value of £2,709,000 transferred as at 1 December 2017. On transfer the Lawns site was independently valued by Arnolds Keys LLP. This identified an increase (upwards fair value adjustment) of £1,121,000 to the Lawns freehold (revised total fair value of £3,830,000). The net book value on transfer was funded by deferred ESFA capital grants of £1,877,825.  
**Equipment** – equipment with a net book value of £47,000 transferred as at 1 December 2017. No fair value adjustment was required for this equipment.

## City College Norwich

### Notes to the Accounts

#### 13 Tangible fixed assets (continued)

Griffons site - in addition to the transfer of the freehold to the Lawns site a lease was signed on 1 December 2017 between The Official Custodian for Charities on Behalf of the Paston Foundation (Landlord) and Norwich City College of Further & Higher Education (Tenant) in relation to the Griffon Campus, North Walsham. The term of the lease is 20 years from 1 December 2017 (with the first break point at 10years) and is based on a peppercorn rental. Permitted use of the premises is "as a college of general further education, identified as Paston College, with the main purpose and significant majority of provision for 16-19 year old full time students". The title to the land is vested in The Official Custodian for Charities on Behalf of the Paston Foundation (Landlord). Based on the short term nature of the lease, the permitted use, and that the freehold is retained by the landlord, the Griffons site is not accounted for in the books of City College Norwich. The Griffons site was valued at depreciated replacement cost by Arnolds Keys LLP at £2,035,681 as at 1 December 2017.

#### 14 Non current Investments

	Year ended 31 July 2018 £000	Year ended 31 July 2017 £000
Investment - Other	2	2
<b>Total</b>	<b>2</b>	<b>2</b>

The College owns 51% of the £1 ordinary share capital of Norfolk Educational Services Limited, a company incorporated in England and Wales. Norfolk Educational Services Limited was established to provide shared services to the TEN Group.

#### 15 Trade and other receivables

	Year ended 31 July 2018 £000	Year ended 31 July 2017 £000
Amounts falling due within one year:		
Trade receivables	397	665
Amounts owed by group undertakings:		
Subsidiary undertakings	8	12
Associated undertakings	-	-
Prepayments and accrued income	749	613
Amounts owed by the ESFA	536	203
Other Debtors	2	-
<b>Total</b>	<b>1,692</b>	<b>1,493</b>

## City College Norwich

### Notes to the Accounts

#### 16 Creditors: amounts falling due within one year

	Year ended 31 July 2018 £000	Year ended 31 July 2017 £000
Bank loans and overdrafts	180	174
Salix loan	60	60
Trade payables	980	720
Amounts owed to group undertakings:		
Subsidiary undertakings	33	4
Corporation Tax	-	-
Other taxation and social security	384	357
Accruals and deferred income	1,396	2,213
Deferred income - government capital grants	292	424
Deferred income - government revenue grants	-	-
Amounts owed to the ESFA	513	697
Other Creditors	409	586
<b>Total</b>	<b>4,247</b>	<b>5,235</b>

#### 17 Creditors: amounts falling due after one year

	Year ended 31 July 2018 £000	Year ended 31 July 2017 £000
Bank loans	1,902	2,082
Salix loan	60	120
Obligation under finance leases		
Deferred income - government capital grants	8,662	6,826
<b>Total</b>	<b>10,624</b>	<b>9,028</b>

## City College Norwich

### Notes to the Accounts

#### 18 Maturity of debt

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

Bank loans and overdrafts are repayable as follows:

	Year ended 31 July 2018	Year ended 31 July 2017
	£000	£000
In one year or less	180	174
Between one and two years	187	180
Between two and five years	1,715	582
In five years or more	-	1,320
<b>Total</b>	<b>2,082</b>	<b>2,256</b>

The unsecured EIB loan was initially for £2,850,000 with 58 quarterly repayments over 14.5 years. The loan was taken out to fund the new roof and windows in the Norwich building. The College continues to meet all loan covenant requirements.

Interest will be calculated on the balance of the loan for each applicable interest period at the aggregate rate of 3.862%, and capital repayments commenced from September 2013.

##### (b) Salix loans

The Salix loan is interest free and repayable over 4 years with biannual repayments

	Year ended 31 July 2018	Year ended 31 July 2017
	£000	£000
In one year or less	60	60
Between one and two years	60	60
Between two and five years	-	60
In five years or more	-	-
<b>Total</b>	<b>120</b>	<b>180</b>

#### 19 Restricted Reserves

	2018 Total £000	2017 Total £000
At 1 August	107	108
Expenditure	(2)	(1)
At 31 July	<b>105</b>	<b>107</b>

The funds represent donations for prize funds, and the movement in the year represents amounts used for prizes awarded and specific earmarked schemes relating to certain building work which are being released over the useful life of the assets.

## City College Norwich

### Notes to the Accounts

#### 20 Provisions

	Defined benefit Obligations	NES Pension	Enhanced pensions	Other	Total
	£000	£000	£000	£000	£000
At 1 August 2017	19,930	1,805	1,865	303	23,903
Expenditure in the period	(1,411)	-	(147)	-	(1,558)
Transferred from income and expenditure account	(1,547)	20	96	(303)	(1,734)
<b>At 31 July 2018</b>	<b>16,972</b>	<b>1,825</b>	<b>1,814</b>	<b>-</b>	<b>20,611</b>

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government pension Scheme. Further details are given in Note 26.

For further information relating to the NES provision see note 26.

The enhanced pension provision relates to the cost of staff who have already left the College's employment and commitments for reorganisation costs from which the College cannot reasonably withdraw at the balance sheet date. This provision has been recalculated in accordance with guidance issued by the funding bodies.

The principal assumptions for this calculation are:

	2018	2017
Price inflation	1.30%	1.30%
Discount rate	2.30%	2.30%

#### 21 Cash and cash equivalents

	At 1 August 2017	Cash flows	Other changes	At 31 July 2018
	£000	£000	£000	£000
Cash and cash equivalents	7,110	(171)	-	6,939
Overdrafts	-	-	-	-
<b>Total</b>	<b>7,110</b>	<b>(171)</b>	<b>-</b>	<b>6,939</b>

## City College Norwich

### Notes to the Accounts

<b>22 Capital commitments</b>	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Commitments contracted for at 31 July	<u>37</u>	<u>75</u>

### 23 Lease Obligations

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

	<b>Group and College</b>	
	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
<b>Future minimum lease payments due</b>		
<b>Land and buildings</b>		
Not later than one year	206	178
Later than one year and not later than five years	931	921
later than five years	741	958
	<u>1,878</u>	<u>2,057</u>
<b>Other</b>		
Not later than one year	92	85
Later than one year and not later than five years	73	102
later than five years	-	-
	<u>165</u>	<u>187</u>
<b>Total lease payments due</b>	<u><u>2,043</u></u>	<u><u>2,244</u></u>

### 24 Contingent liabilities

The College has a contingent liability in respect of future variation to the NES pension asset / liability. See note 26 for further information.

There were no other contingent liabilities at 31st July 2018 (2017: £Nil)

### 25 Events after the reporting period

There are no events after the reporting period

## City College Norwich

### Notes to the Accounts

#### 26 Defined benefit obligations

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

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.

<b>Total pension cost for the year</b>	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Teachers Pension Scheme: contributions paid	1,478	1,370
Local Government Pension Scheme:		
Contributions paid	1,411	1,278
FRS 102 (28) charge	963	477
Charge to the Statement of Comprehensive Income	<u>2,374</u>	<u>1,755</u>
LGPS revision in year		
Enhanced pension charge to Statement of Comprehensive Income	96	60
<b>Total Pension Cost for Year within staff costs</b>	<b><u>3,948</u></b>	<b><u>3,185</u></b>

Contributions amounting to £347k (2017: £311k) were payable to the scheme and are included in creditors.

#### Local Government Pension Scheme

The LGPS that the Group participates in is a funded defined benefit pension scheme administered by Norfolk County Council.

On 31 August 2012 an agreement was signed between Norfolk County Council, Norfolk Educational Services Limited (NES) and City College Norwich (CCN) ('LGPS Pooling Agreement and Guarantee') with respect to the legal responsibilities for the pension liabilities for non-teaching staff employed by NES including those transferring (under TUPE) from CCN and other group academies into NES.

On 1 September 2012 148 staff transferred under TUPE from CCN into NES (and NES also received 32 staff from City Academy Norwich and Wayland Academy Norfolk, therefore total of 180 staff).

With effect from 1 October 2017, the 10 members of NES staff who are based at City Academy Norwich were TUPE transferred back to City Academy Norwich. The Norfolk Pension Fund has been advised of this transfer and the actuarial impact on the LGPS liabilities will be accounted for in the 2017-18 NES financial statements along with the release of liabilities to NES in regard of these staff.

Also, with effect from 1 December 2017, 25 administrative and support staff from Paston Sixth Form College TUPE transferred into NES following the merger between City College Norwich and Paston Sixth Form College (following the recommendation arising from the Area Review process). The Norfolk Pension Fund has been advised of this transfer and the actuarial impact on the LGPS liabilities accounted for in the financial statements.

## City College Norwich

### Notes to the Accounts

#### 26 Defined benefit obligations (cont'd)

The LGPS Pooling Agreement and Guarantee states that CCN guarantees to meet the pension obligations and liabilities of relevant staff employed by NES. The Pooling Agreement also means that for the purpose of NES' participation in the Fund, Norfolk County Council will also apply the same employer contribution rate as that of CCN. Separately, the Service Agreements between NES and the member bodies also states that on exit/termination, CCN and the Academies have to pay any associated pension charges.

- A NES pension provision of £1,765k\*
- The original pension liability of £1,765k is being unwound in the annual accounts (since 2015-16) in recognition that the original liability was a discounted figure, the impact of the unwinding of the discount is a pension interest cost of £20,000 in year (accumulative £60,000).

\*Further variations in the liability post transfer e.g. actuarial loss or service costs greater than employer contributions, have been accounted for within NES. At point of exit from the shared service arrangement, the agreement requires a full actuarial calculation of the LGPS debt for the exiting party. At this point the respective share of actuarial loss and service costs would be included in the full valuation of the exit debt.

In addition to the NES arrangement set out above the College also continues to employ staff with ongoing membership to the LGPS. This is accounted for using FRS102 and the amounts and disclosures are shown in the note.

#### Teachers' Pension Scheme

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

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

Although teachers and lecturers are employed by various bodies, their retirement and other pension benefits, including annual increases payable under the Pensions (Increase) Acts are, as provided for in the Superannuation Act 1972, paid out of monies provided by Parliament. Under the unfunded TPS, teachers' contributions on a 'pay-as-you-go' basis, and employers' contributions, 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.

**Notes to the Accounts**

**26 Defined benefit obligations (cont'd)**

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 pensions' increases). From 1 April 2001, the Account has been credited with a real rate of return which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

**Valuation of the Teachers' Pension Scheme**

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

- employer contribution rates were set at 16.48% of pensionable pay;
- 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 assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

The new employer contribution rate for the TPS was implemented in September 2015.. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

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

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

**Scheme Changes**

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

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

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

Regulations giving effect to a reformed Teachers' Pension Scheme came into force on 1 April 2014 and the reformed scheme commenced on 1 April 2015.

The pension costs paid to TPS in the year amounted to £1,478,000 (2017: £1,370,000)

**26 Defined benefit obligations (cont'd)**

**FRS 102 (28)**

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

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

**Local Government Pension Scheme**

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Norfolk County Council. The total contribution made for the year ended 31 July 2018 was £1,771,000, of which employer's contributions totalled £1,411,000 and employees' contributions totalled £360,000. The agreed contribution rates for future years are 19.8% for employers and range from 5.5% to 7.5% for employees, depending on salary. A deficit payment for future years has been agreed for 2018-19 this will be £264k.

On 26 October, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits, "GMP". The Government will need to consider this outcome in conjunction with the Government's recent consultation on GMP indexation in public sector schemes before concluding on any changes required to LGPS schemes.

## City College Norwich

### Notes to the Accounts

#### Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2017 updated to 31 July 2018 by a qualified independent actuary

	<b>At 31 July 2018</b>	<b>At 31 July 2017</b>
Rate of increase in salaries	2.70%	2.80%
Future pensions increases	2.40%	2.50%
Discount rate for scheme liabilities	2.80%	2.70%
Inflation assumption (CPI)	2.40%	2.50%

#### Commutation of pensions to lump sums

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

	<b>At 31 July 2018</b>	<b>At 31 July 2017</b>
	<b>years</b>	<b>years</b>
<i>Retiring today</i>		
Males	22.10	22.10
Females	24.40	24.40
<i>Retiring in 20 years</i>		
Males	24.10	24.10
Females	26.40	26.40

## City College Norwich

### Notes to the Accounts

#### Local Government Pension Scheme (cont'd)

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

	Long-term rate of return expected at 31 July 2018	Fair Value at 31 July 2018	Long-term rate of return expected at 31 July 2017	Fair Value at 31 July 2017
		£000		£000
Equities	2.8%	25,415	2.7%	26,230
Bonds	2.8%	16,129	2.7%	10,577
Property	2.8%	5,865	2.7%	4,654
Cash	2.8%	1,466	2.7%	846
<b>Total fair value of plan assets</b>		<b>48,875</b>		<b>42,307</b>
<b>Weighted average expected long term rate of return</b>	2.80%		2.70%	
<b>Actual return on plan assets</b>		<b>3,150</b>		<b>1,672</b>

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

	2018 £000	2017 £000
Fair value of plan assets	48,875	42,307
Present value of plan liabilities	(65,741)	(62,126)
Present value of unfunded liabilities	(106)	(111)
<b>Net pensions (liability)/asset (Note 20)</b>	<b>(16,972)</b>	<b>(19,930)</b>

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

	2018 £000	2017 £000
<b>Amounts included in staff costs</b>		
Current service cost	2,360	1,755
Past service cost	14	-
<b>Total</b>	<b>2,374</b>	<b>1,755</b>

## City College Norwich

### Notes to the Accounts

#### Local Government Pension Scheme (cont'd)

##### Amounts included in investment income or interest payable

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Net interest income / (Net pension finance cost)	(560)	(417)
	<u>(560)</u>	<u>(417)</u>

##### Amounts recognised in Other Comprehensive Income

Return on pension plan assets	1,945	701
Experience losses arising on defined benefit obligations	(3)	463
Changes in assumptions underlying the present value of plan liabilities	2,963	(3,057)
Actuarial impact of Paston staff transferring to NES	119	-
	<u>5,024</u>	<u>(1,893)</u>

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

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
(Deficit) in scheme at 1 August	(19,930)	(17,143)
Movement in year:		
Current service cost	(2,360)	(1,755)
Employer contributions	1,402	1,269
Contribution in respect of unfunded benefits	9	9
Past service cost	(14)	-
Net interest on the defined (liability)/asset	(560)	(417)
Effect of business combination and disposal	(424)	-
Actuarial gain or loss	4,905	(1,893)
<b>Net defined benefit (liability) at 31 July</b>	<u><b>(16,972)</b></u>	<u><b>(19,930)</b></u>

## City College Norwich

### Notes to the Accounts

#### Local Government Pension Scheme (cont'd)

#### Asset and Liability Reconciliation

	2018	2017
	£000	£000
<b>Changes in the present value of defined benefit obligations</b>		
<b>Defined benefit obligations at start of period</b>	62,237	57,480
Current Service cost	2,360	1,755
Interest cost	1,765	1,388
Contributions by Scheme participants	360	351
Experience gains and losses on defined benefit obligations	3	(463)
Changes in financial assumptions	(2,963)	3,057
Estimated unfunded benefits paid	(9)	(9)
Estimated benefits paid	(1,293)	(1,322)
Past Service cost	14	-
Curtailments and settlements	-	-
Effect of business combination and disposals	3,373	-
<b>Defined benefit obligations at end of period</b>	<b>65,847</b>	<b>62,237</b>
<b>Changes in fair value of plan assets</b>		
<b>Fair value of plan assets at start of period</b>	42,307	40,337
Interest on plan assets	1,205	971
Return on plan assets	1,945	701
Employer contributions	1,402	1,269
Effect of business combination and disposals	2,949	-
Contributions by Scheme participants	360	351
Contribution in respect of unfunded benefits	9	9
Estimated unfunded benefits paid	(9)	(9)
Estimated benefits paid	(1,293)	(1,322)
<b>Fair value of plan assets</b>	<b>48,875</b>	<b>42,307</b>

The net effect of the business combination entries shown above; asset movement of £3,373k and liabilities movement of £2,949k, totals £424k.

The £424k less the transferred opening balance of £543k represents the net movement in pension liabilities accounted for in NES for those staff transferring employment to NES.

## City College Norwich

### Notes to the Accounts

#### 27 Related party transactions

Due to the nature of the College's operations and the composition of the Board of Governors (being drawn from the 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 an organisation 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

The College is within the Transforming Education in Norfolk Charitable Group (see note 27), the group entities and prior year comparatives have been disclosed below.

Name of related party	Relationship	Transaction Description	Amounts 2017/18		Balance outstanding at period end 2018		Amounts 2016/17		Balance outstanding at period end 2017	
			£000	£000	£000	£000	£000	£000	£000	£000
The Forum Trust	Connected Business (1)	Rents & service charges	58	(9)	na	na	na	na	na	na
Howes Percival LLP Solicitors	Connected Business (1)	Conference income / room hire / awards sponsorship	na	na	na	(2)	na	-	-	-
Royal Norfolk Agricultural Association	Connected Business (1)	Hire of premises / conference income	na	na	na	12	na	1	1	1
Acer	Connected Business (2)	Membership / staff training / conference / project income	4	-	-	7	-	-	-	-
AOC	Connected Business (2)	Membership / staff training / agency staff	38	-	-	77	-	(5)	(5)	(5)
Mills and Reeve LLP	Connected Business (3)	Legal / conference income	27	2	2	8	-	-	-	-
Cambridge Access Validating Agency (CAVA)	Connected Business (4)	Exams / membership	28	-	-	29	-	-	-	-
Aviva	Connected Business (5)	Insurance	4	2	2	4	2	2	2	2
UEA	Connected Business (6)	Funding for HE delivery, validation charge, staff training	217	9	9	310	246	246	246	246

## City College Norwich

### Notes to the Accounts

SEG Awards	Connected Business (7)	Exams	2	1	-
OFSTED	Connected Business (8)	Contracted staff time	(5)	(6)	-
Price Waterhouse Coopers	Connected Business (9)	Conference / restaurant income	-	(2)	(1)
Include	Connected Business (10)	Exam income	(4)	na	na
University Technical College Norfolk	Group Entity / Connected Business (4)	Student placements / print services / catering services	(3)	(1)	-
Norfolk Educational Services	Group Entity	Shared services / staff recharges / tuition fees	5,336	5,355	(2)
City Academy Norwich	Group Entity	Student placements / print services / minibuss hire	3	3	(1)
Norfolk Academies	Group Entity	Student placements / print services / staff training	2	(14)	(4)
Transforming Education in Norfolk	Group Entity	no transactions	-	-	-
NES Pension Liability	Group Entity	Pension liability			See disclosures in note 26.
Norfolk CC Pension Fund	Charity SORP standard related party	Provision of LGPS			See disclosures in note 26.
Teachers' Pension Scheme	Charity SORP standard related party	Provision of TPS			See disclosures in note 26.

Amounts included accounting adjustments (accruals/prepayments)  
Amounts shown in brackets are income/debtors

- 1 - A Barnes is a Trustee of The Forum Trust. During 16/17 he left the roles of a Partner at Howes Percival LLP Solicitors and a Director & Trustee of Royal Norfolk Agricultural Association.
- 2 - C Peasgood is a Trustee of The Forum Trust and director of AoC and ACER.
- 3 - Z Virgin - is a Partner of Mills and Reeve LLP
- 4 - J White is a Director of the Cambridge Access Validating Agency (CAVA), governor of UTCN

## City College Norwich

### Notes to the Accounts

- 5 - I Webb is a Director of HR at Aviva
- 6 -A Blanchflower is a Director of Student Academic Services at UEA
- 7 - J Lanning - is a Trustee of SEG Awards (formerly ABC Awards)
- 8 - R Perry - is contracted with Ofsted
- 9-B Sherwood - is a Director of Assurance at PricewaterhouseCoopers LLP
- 10-E Dale - spouse is Head of Include

The total expenses paid to or on behalf of the Governors during the year was £0 ; 0 governors (2017: £1,260 ; 1 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

## City College Norwich

### Notes to the Accounts

#### 28 Controlling Party

The College is within the Transforming Education in Norfolk Charitable Group. The TEN Charity is a private company limited by guarantee and a registered charity, number 1148753. A majority of the College Governors are TEN nominees.

Copies of the Transforming Education in Norfolk consolidated accounts can be obtained from the Company Secretary c/o City College Norwich, Ipswich Road, Norfolk, NR2 2LJ.

#### 29 Amounts disbursed to students

<b>Learner support funds</b>	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Balance brought forward	201	182
Funding body grants – 16-19 bursary support	563	586
Funding body grants – Adult bursary support	-	166
Funding body grants – Advanced learner loans bursary support	160	185
Other Funding body grants *	110	163
	<u>833</u>	<u>1,100</u>
Disbursed to students	(871)	(911)
Administration costs	(29)	(49)
Amount consolidated in financial statements	(40)	(54)
Amount returned to funding body	<u>-</u>	<u>(67)</u>
Balance unspent as at 31 July, included in creditors	<u>94</u>	<u>201</u>

Funding body grants are available solely for students. In the majority of instances, the College only acts as a paying agent (agency basis for 16-19 and advanced learner loans bursaries). In these circumstances, the grants and related disbursements are therefore excluded from the Statement of Comprehensive Income.

\* Other Funding body grants includes a transfer of the free school meals 2016/17 balance.