**CITY COLLEGE NORWICH**

**Report and Financial Statements for the year ended 31 July 2017**

## Contents

1. **Key Management Personnel, Board of Governors and Professional advisers**

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

- **Corrienne Peasgood**, Principal and CEO; Accounting Officer
- **Jerry White**, Deputy Principal
- **Helen Richardson-Hulme** Director of Student Services
- **Steve Thorpe**, Assistant Principal Diversification
- **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 15 of these financial statements.
Clare Johnson, Clerk to the Corporation has been in position since 2 August 2016 to present.

**Professional advisers**

- **Financial statements and regularity auditors:**
  KPMG LLP
  Dragonfly House
  2 Gilders Way
  Norwich
  NR3 1UB

- **Internal auditors:**
  Scrutton Bland
  Fitzroy House
  Crown Street
  Ipswich
  Suffolk
  IP1 3LG

- **Bankers:**
  Lloyds
  16 Gentleman's Walk
  Norwich, Norfolk
  NR2 1LZ

- **Solicitors:**
  Mills & Reeve LLP
  1 St James Court
  Whitefriars
  Norwich
  NR3 1RU

## 2. Operating and Financial Review

### Nature, Objectives and Strategies

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

### 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; it's about teaching students to think differently; it's about enrichment and extracurricular stuff too; it needs to be interpreted as how we enable vocational 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 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 15. 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

### Strategy

2016/17 has been the third full academic year of operation of the College's new 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 focussed 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 practising entrepreneurial thought and action
- All curriculum areas have a profitable commercial income stream
- Qualified and experienced workforce, excellent in their field

**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

A rolling programme of the agreement and monitoring of annual Strategic, Improvement and Enhancement Targets is completed by the College to meet the develop in a way consistent with the Strategic Framework by 2019. In addition, actions resulting from the Colleges comprehensive Self-Assessment Report (SAR) process are set and monitored.

In 2016/17 there were 6 strategy targets, 11 improvement targets, 9 enhancement targets and ? SAR 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 – College achieves "meets expectations" for new HEFCE Annual Provider Review process:** The College achieved a "meets expectations with an agreed action plan" rating and this action was considered green. Ongoing work with HEFCE continues productively on the Action Plan.

**SA2Quality of FE – 88% of curriculum SAR grades to be good or outstanding:** 13 of the 17 graded SSA reports were graded as outstanding or good grades which equates to 76%. The four areas receiving a grade 3 (Requires Improvement) grade are GCSE Phoenix Plus, Adult Education, Hospitality and Initial Teacher Education. This target is not achieved.

**SA3: FE student satisfaction +2% to 82%** - Overall FE student satisfaction increased by 2% to 84% and therefore this target was met.

**SA4: HE student satisfaction +10% to 86%** - HE student satisfaction, as measured by the NSS fell by 3% to 70% and so this target was not met.

**SA5: Staff satisfaction +3% to 85%:** The outcomes of the Staff Survey have recently become available and will be discussed in detail at the next Business Committee. 60% of staff responded which is decline from previous years. Whilst there were a number of positive movements on many questions. the Overall Summary result remained static at 82% and therefore the target was not achieved.

**SA6: Finance KPIs 80% green at the end of year and financial health grading of good maintained:** The details of the performance against this target is reported in the Finance report to Board but it is rated green as the College has maintained its "good" rating for Financial Health.

**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 measures during 2016/17. This assessment is further supported by the College being awarded an OFSTED overall effectiveness grade of Good in February 2017, a report in which every sub-grade was judged good except for High Needs Provision which was rated outstanding.

Headline achievement rates have for 16-18 year old's have increased by 1.5% to stand well above 2015/16 National Averages. A key driver in this increase was better pass rates in both A level and GCSE provision. High Grade achievement in the challenging GCSE Maths and English resit qualifications also increased, with some especially strong progress in English.

For 19+ provision, a small 0.8% reduction in overall achievement rates was driven by reduced pass rates, particularly in functional skills. However, some other significant areas of provision such as Access to HE showed strong improvements in achievement rates increasing by over 8%

In 2016/17 the College was reasonably successful in performance against funding targets as indicated by Table 1 below. Lower than targeted 16-18 recruitment caused in part by declining 16-18 demographics, will impact 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 | Funding Target | 2016/17 Out-turn | % of target achieved |
|---|---|---|---|
| 16-18 Classroom Learning | £19,414,561 | £17,300,657 | 89.11% |
| *(including high needs)* | *£20,554,561* | *18,396,440* | *89.50%* |
| 16-18 Apprenticeships | £1,845,081 | £1,867,772 | 101.23% |
| Adult Education Budget total | £3,318,221 | £3,024,912 | 91.16% |
| *Of which 19+ Apprenticeships* | *£1,229,002* | *£1,226,687* | *99.81%* |

**Financial results**

The total comprehensive income for the year was a deficit of £1,967k (£1,518k deficit 2015/16) – the deficit is due to the ongoing actuarial losses on the Local Government Pension Scheme liabilities. The College generated an operating surplus (before FRS102 Pensions adjustments) in the year of £841k (£672k surplus in 2015/16). Including the FRS102 Pensions and Holiday Accrual Adjustments the surplus/deficit before other gains and losses was £73k deficit (£403k surplus in 2015/16).

The College has tangible fixed assets of £25,453k at 31 July 2017 (£26,269k at 31 July 2016) and net current assets of £3,368k (£2,256k at 31 July 2016), including cash balances of £7,110k (£5,354k at 31 July 2016). Creditors greater than one year are £9,028k at 31 July 2017 (£9,487k at 31 July 2016) and these comprise a bank loan (£2,082k), a SALIX energy efficiency loan (£120k) and deferred government capital grants (£6,826k). The defined benefit pension liability for the Local Government Pension Scheme was £19,930k at 31 July 2017 (£17,143k at 31 July 2016) and other provisions totaled £3,973k at 31 July 2017 (£4,038k at 31 July 2016).

The College has accumulated reserves at 31 July 2017 of £4,110k (deficit) (£2,143k deficit at 31 July 2016). The overall reduction in reserves in 2016/17 is primarily due to actuarial loss of £1,893k on the Local Government Pension Scheme liabilities. This loss is not within the control of the College and is a figure provided by the actuary to the Norfolk Local Government Pension Scheme. Excluding the impact of the main Local Government Pension Scheme Liability, the College has an I&E reserve of £8,004k surplus at 31 July 2017 (£6,968k surplus at 31 July 2016) and a revaluation reserve of £7,709k (£7,904k at 31 July 2016).

The College has significant reliance on the Education and Skills Funding Agency for its principal funding source. In 2016/17 the ESFA provided 68% (2015/16: 66%) of the College's total income.

The College is committed to observing the importance of sector measures and indicators and use the FE Choices website which looks at measures such as success rates. The College is required to complete the annual Finance Record for the Education and Skills Funding Agency. The Finance Record produces a financial health grading. The current rating of Good (both for 2016/17 and for 2017-18 budget) 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 increased by £1,756k during 2016/17 (increase of £975k 2015/16). This movement is comprised:

- Operating cash inflow of £2,924k (2015/16 £1,571k cash inflow);
- Net cash outflow from investing activities £838k (2015/16 £547k cash outflow); and
- Net cash outflow from financing activities £330k (2015/16 net cash outflow of £49k).
- Cash at 31 July 2017 was £7,110k (31 July 2016 £5,354k).

The College has a long-term loan of £2,256k at 31 July 2017 (£2,422k at 31 July 2016). This will be repaid over a 10 year period with a fixed rate of interest.

## City College Norwich

### Resources

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

### Financial

The College has a net liability position on the balance sheet of £4,110k at 31 July 2017 (£2,143k at 31 July 2016).

The net liability position is comprised:

- Income and expenditure account of £8,004k surplus (£6,988k surplus at 31 July 2016)
- Local Government pension scheme reserve £19,930k deficit (£17,143k deficit at 31 July 2016)
- Revaluation reserve £7,709k surplus (£7,904k surplus at 31 July 2016)
- Restricted reserve £107k surplus (£108k surplus at 31 July 2016)

### People

The College employs 569 (2015/16: 580) people (expressed as full time equivalents), of whom 274 (2015/16: 280) are teaching staff.

### Current and Future Development and Performance

#### Student numbers

The 2016/17 student numbers are presented in table below.

| Year | 16-18 Students | 19+ Students | Apprentices |
|---|---|---|---|
| 2013/14 | 4440 | 2050 | 1200 |
| 2014/15 | 4460 | 1380 | 1420 |
| 2015/16 | 4520 | 980 | 1350 |
| 2016/17 | 4190 | 1320 | 1350 |

16-18 recruitment declined in 2016/17 in line with demographic changes whilst apprenticeship delivery was broadly consistent with previous years. Adult Education provision began to grow again with English for Speakers of Other Languages (ESOL) growing strongly to meet local demand.

#### Student achievements

The student outcomes for the College were judged to be good by OFSTED during their visit in February 2017.

16–18 students continue to achieve well at City College Norwich, with most headline achievement rates well above comparable 2015/16 National Averages. In several areas, the performance of students ranks amongst the top 20 colleges nationally. Continued focus on the progress of students and high grades continues to ensure the College is stretching students to achieve their highest possible outcome with 2016/17 seeing improved high-grade outcomes for both A Levels and the key English and maths GCSE

For 19+ provision, 2016/17 was a year of mixed performance. The Colleges significant Access to HE programmes saw improved retention and pass rates driving performance up to levels over 10% above comparable National Averages. Conversely functional skills, an area of existing concern, failed to make significant progress leading to a concerted overhaul of processes being implemented in 2017/18.

In 2016/17 HE student achievements were strong. The number of students graduating with undergraduate awards at 1st or 2:1 award (known as Good Honours) declined slightly from the 2015/16 high point. However the proportion of students achieving a 1st class degree was at its highest ever level of 15.2%.This was the highest percentage since 1992

The Norfolk Teacher Training Centre (NTTC) celebrated the successful completion of its largest ever cohort of students in 2016/17 when 37 students completed their training as secondary school teachers.

**Future Developments**
2016/17 has been a year of very significant activity that will influence the development of the College for many years to come. A key catalyst for these developments was the Area Based Review of Norfolk and Suffolk, completed in 2016/17. This review made a number of recommendations regarding the college which can be summarised as follows.

- That the College should merge with Paston Sixth Form College (PSFC)
- That the College should work collaboratively with Easton and Otley College on the development of a higher education centre
- That the College continue to support the work of the New Anglia Colleges Group
- That the College should engage with Local Authorities on matters such as transport and the provision for student with Special Educational Needs (SEN)

Since the conclusion of the Area Based Review in March, the College has worked productively on these agendas to ensure implementation of the recommendations. Most significant amongst these developments is the merger with PSFC, which was completed on December 1st 2017. The focus during 2017/18 will be the successful integration of PSFC staff, systems and processes into the College

**Curriculum developments**
In 2016/17 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 2016/17 and the following are examples of this.

*Planning of the Curriculum*: The 2016/17 academic year saw a number of changes in response to the challenges the Curriculum Strategy provided us. Examples Included:

- The first cohort commenced on the BSc in Professional Aviation Engineering Practice, basing itself from April 2017 within the newly opened International Aviation Academy Norwich (IAAN)
- The planning for and delivery of new Apprenticeship Standards. From May 2017 these developments also had to align with the reforms associated with the introduction of the Apprenticeship Levy.
- The introduction of Information Technology and Computing provision for 16-18 year olds back into the Colleges curriculum as a direct result of LEP, local employer and student demand.
- The growth of both a professional and leisure based "commercial" offer for business and adult students, responding to market and employer demand
- Further refinements to the planning and delivery for English and maths GCSE that had to accommodate the transitional year between "legacy" (A*-G graded) and "reformed" (9-1 graded) qualifications.
- Planning within A level provision associated with A Levels reforms and the removal of AS level study in a number of curriculum areas.

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

- Responding to the introduction of reformed Technical Certificate qualifications in a number of curriculum areas with enhanced synoptic testing and examination content.
- Continuing to refine Apprenticeship delivery with employers to accommodate the 20% "off the job" elements required by the Levy reforms in all curriculum areas.
- Further developing the experience of work elements of programmes to study for those students primarily following "academic" programmes such as A levels or GCSEs.
- Restructuring our 14-16 Alternative Education programme for 14-16 Home Educated young people to increase the qualification based content and support progression to post 16 destinations.

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

- Enhancing tutorial support within Access to HE provision to support retention and progression of students
- Continuing to grow English for Speakers of Other Languages (ESOL) provision in response to local community needs.

**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:

- Developing the coherency of the A Level offer between the Norwich and new Paston College sites, to maximize the benefits of merger to Norfolk students.
- The further development and planning for the Skills Plan and associated T level "routes" including the piloting of 350 hour work placements in some curriculum areas in 18/19.
- Continuing to work with local authorities on the work associated with young people with Special Educational Needs and who may have an Education and Health Care Plan (EHCP) in an environment of considerable budget pressures on local authorities.
- Evolving a North East Norfolk curriculum offer to respond to the challenges noted in the Area Review and to broaden the curriculum delivered at Paston College.
- Managing the impact of the on-going Apprenticeship reforms and the potential changes from "frameworks" to "standards"
- Engaging with and responding to the DfE's review of Level 4 and 5 provision.
- Focusing on key areas of challenge such as the full implementation for the 16-18 cohort of the reformed maths GCSE.

**Principal Risks and Uncertainties:**

The College has continued work during the 2016/17 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 School and Centre 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 2017/18 onwards, two key Government related policies in particular have the potential to provide additional risks to the College and require our attention:

- The Apprenticeship Levy and associated reforms which launched in May 2017 have yet to stabilise. There is considerable uncertainty about central tendering processes being led by Government which hat the time of writing have suffered considerable delays. In addition, nationally there is considerable negative coverage of the impact of the Levy on Apprenticeship starts, which could lead to the damaging of the brand. The College is mitigating these effects by proactively engaging with our Levy paying employer base and also by continued support for SMEs despite the uncertain nationally tendering position.
- The announcement of a review of all Level 4 and Level 5 Technical education by the Government adds uncertainty to a curriculum space which is already responding to the Apprenticeship reforms, the Skills Plan and the implementation of polices such as Institutes of Technology. The College continues to engage in national AoC Policy Groups and also with key stakeholders in this provision such as Pearson in order to ensure the at the College has clear sight of emerging developments and can respond accordingly.

2. **Tuition fee policy – risk of setting a fee policy that doesn't balance financial need and recruitment.**

   The College actively debates fee policy as the emerging policies develop in this area. HE tuition fees are at the level of £7,499 and have been held at this level for 18/19. Continued active discussions will continue about this as the HE market continues to adapt to new Apprenticeship orientated delivery, which for the College is a key area of strategic growth.

   The Apprenticeship Levy and associated reforms have fundamentally changed the fee environment for Apprenticeships, with employer contribution required. The College has not seen a significant impact of this change as we had strategically maintained a fee payment strategy with our employers. However, the new funding bands, procurement and tendering procedures and incentive mechanism all add significant complexity to the fee income position and are being carefully monitored.

   Over the past 2 years the College has overhauled its debt management procedures with a particular focus on tuition and employer fee debt. This has led to a significant reduction in outstanding debt levels and provides a firm foundation to continue to ensure that student and employers are supported to make their payments in a timely fashion.

3. **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.

**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;
- Government Offices/LEPs;
- The local community;
- University of East Anglia;
- Other FE institutions;
- Trade unions; and
- Professional bodies.

The College recognises the importance of these relationships and engages in regular communication with them through the College Internet site and by meetings

**Equal opportunities**

The College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, gender, sexual orientation, 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.

**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 12 December 2017 and signed on its behalf by

Matthew Colmer

**Matthew Colmer**

**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 2017. 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 2016/17 |
|---|---|---|---|---|---|---|
| Mr A Barnes | 21/02/2012<br>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 | 6/6 |
| Mr Ben Hoven | 01/07/2016 | 1 year | 30/06/2017 | Student Union Representative | CS | 4/5 |
| Mr Luke Mitchell | 01/07/2017 | 1 year | | Student Union Representative | CS | 1/1 |
| Mr M Colmer | 13/12/2005,<br>re-appointed 12/07/2009,<br>re-appointed 12/07/2013<br>re-appointed 24/07/2017 | 4 years | | General | Chair of Corporation; B, CS | 5/6 |
| Ms S Dawson | 27/02/2014 | 4 years | 30/12/2016 | General | A | 1/2 |
| Mr J Carpenter | 14/12/2016 | 1 year | 31/07/2017 | FE Student Representative | CS | 4/4 |
| Not appointed | N/A | 1 year | | HE Student Representative | CS | N/A |
| 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;<br>Principal/CEO from 01/11/2013 | B, CS | 6/6 |
| Ms R Perry | 11/12/2015 | 4 years | | General | B | 3/6 |
| Mr I Webb | 30/05/2012<br>re-appointed 30/05/2016 | 4 years | | General | B | 6/6 |
| Mr Z Virgin | 12/12/2006<br>re-appointed 12/12/2010<br>re-appointed 11/12/2014 | 4 years | | General | A | 4/6 |
| Ms B. Sherwood | 06/10/2015 | 4 years | | General | Chair of A | 5/6 |
| Miss C Johnson, Clerk to the Corporation has been in position since 2 August 2016 to present. | | | | | | |

**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 2016/17 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 as a whole, 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 2016/17, the Audit and Risk Committee comprised five 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 2016/17 were as follows:

| Name | Meetings Attended | Out of Possible |
|---|---|---|
| Jared Carpenter (co-opted) | 1 | 1 |
| Salena Dawson | 1 | 2 |
| Nikki Gray (co-opted) | 2 | 4 |
| Jill Lanning (co-opted) | 2 | 2 |
| Bree Sherwood (Chair) | 4 | 4 |
| Zak Virgin | 2 | 4 |

**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 2017 are set out in note 8 of the financial statements. Meetings attended in the year were as follows:

| Name | Meetings Attended | Out of Possible |
|---|---|---|
| Andrew Barnes (Chair) | 6 | 6 |
| Ben Hoven | 2 | 6 |
| Matt Colmer | 5 | 6 |
| Corrienne Peasgood | 5 | 6 |
| Rebecca Perry | 5 | 6 |
| Ian Webb | 4 | 6 |

**Curriculum & Standards Committee**

There were seven members of the Curriculum and Standards Committee at any one time during

2016/17 and this is inclusive of the Student Union President, FE 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 year were as follows:

| Name | Meetings Attended | Out of Possible |
|---|---|---|
| Andrea Blanchflower | 5 | 6 |
| Matthew Colmer | 6 | 6 |
| Jill Lanning (Chair) | 6 | 6 |
| Corrienne Peasgood | 6 | 6 |
| Ben Hoven | 5 | 6 |
| Jared Carpenter | 4 | 4 |
| 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 2017 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 2017 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 ofthe 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 2017 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2017 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 2016. The Corporation Self-Assessment feds 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 12 December 2017, and signed on its behalf by:**

| | |
|---|---|
| **Matthew Colmer** | **Corrienne Peasgood** |
| **Chairman of the Corporation** | **Principal** |

## 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 financial memorandum in place between the College and the Education and Skills Funding Agency. As part of our consideration we have had due regard to the requirements of the financial memorandum.

We confirm, on behalf of the Corporation, that after due enquiry, and to the best of our knowledge, we are able to identify any material irregular or improper use of funds by the College, or material non-compliance with the Education and Skills Funding Agency's terms and conditions of funding under the College's financial memorandum. We further confirm that any instances of material irregularity, impropriety or funding non-compliance discovered to date have been notified to the Education and Skills Funding Agency.

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

**Approved by order of the members of the Corporation on 12 December 2017, and signed on its behalf by:**

| | |
|---|---|
| **Matthew Colmer** | **Corrienne Peasgood** |
| **Chairman of the Corporation** | **Principal** |

## 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 2016 to 2017 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 a Members Operating and Financial Review which describes what it is trying to do and how it is going about it, including information about the legal and administrative status of the College.

The Corporation is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the College, and which enable it to ensure that the financial statements are prepared in accordance with the relevant legislation 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.

**Approved by order of the members of the Corporation on 12 December 2017 and signed on its behalf by:**

**Matthew Colmer, 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 2017 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 2017, 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 and 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 2016 to 2017 (March 2017) issued jointly by the Skills Funding Agency and the Education Funding Agency we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the 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 22, 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.

**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

14 December 2017

## 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 and further to the requirements of the financial memorandum with Skills Funding Agency/funding agreement with Education 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 2016 to 31 July 2017 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

This report is made solely to the corporation of 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 2016 to 31 July 2017 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

### Approach

We conducted our engagement in accordance with the Post-16 Audit Code of Practice issued jointly by the Skills Funding Agency and the Education Funding Agency. We performed a limited assurance engagement as defined in that framework.

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

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

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

The work undertaken to draw our conclusion included:

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

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

**Conclusion**

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2016 to 31 July 2017 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

S Beavis

Stephanie Beavis

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

Dragonfly House

2 Gilders Way

Norwich

NR3 1UB

14 December 2017

City College Norwich

## 8. Statement of Comprehensive Income

| | Notes | Year ended 31 July 2017 £000 | Year ended 31 July 2016 £000 |
|---|---|---|---|
| **INCOME** | | | |
| Funding body grants | 2 | 27,813 | 27,296 |
| Tuition fees and education contracts | 3 | 7,783 | 7,826 |
| Other grants and contracts | 4 | 121 | 213 |
| Other income | 5 | 1,915 | 2,152 |
| Investment income | 6 | 12 | 11 |
| Donations and Endowments | 7 | - | - |
| **Total Income** | | 37,644 | 37,498 |
| **EXPENDITURE** | | | |
| Staff costs | 8 | 27,303 | 26,066 |
| Other operating expenses | 9 | 8,221 | 8,674 |
| Depreciation | 12 | 1,666 | 1,722 |
| Interest and other finance costs | 10 | 527 | 633 |
| **Total Expenditure** | | 37,717 | 37,095 |
| **(Deficit) / Surplus before other gains and losses** | | (73) | 403 |
| Loss on disposal of assets | 12 | - | - |
| **(Deficit) / Surplus before tax** | | (73) | 403 |
| Taxation | 10 | - | - |
| **(Deficit) / Surplus for the year** | 11 | (73) | 403 |
| Restricted reserve expenditure | | (1) | (2) |
| Actuarial loss in respect of pensions schemes | | (1,893) | (1,919) |
| **Total Comprehensive Income for the year** | | (1,967) | (1,518) |
| **Represented by:** | | | |
| **Unrestricted comprehensive income** | | (1 966) | (1 516) |
| **Restricted comprehensive income** | | (1) | (2) |
| | | (1 967) | (1 518) |

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

The notes on pages 32 to 61 form part of the financial statements.

## 9. Statement of Charges in Reserves

| | Income and Expenditure account | Restricted reserve | Revaluation reserve | Total |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| **Balance at 1 August 2015** | (8,835) | 110 | 8,100 | (625) |
| Surplus / (Deficit) from the income and expenditure account | 403 | | - | 403 |
| Other comprehensive income | (1,919) | (2) | - | (1,921) |
| Transfers between revaluation and income and expenditure reserves | 196 | | (196) | - |
| | (1,320) | (2) | (196) | (1,518) |
| **Balance at 31 July 2016** | (10,155) | 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) | - |
| **Total comprehensive income for the year** | (1,771) | (1) | (195) | (1,967) |
| **Balance at 31 July 2017** | (11,926) | 107 | 7,709 | (4,110) |

The notes on pages 32 to 61 form part of the financial statements

City College Norwich

## 10. Balance sheet as at 31 July 2017

| | Notes | 2017 £000 | 2016 £000 |
|---|---|---|---|
| **Non-Current Assets** | | | |
| Tangible fixed assets | 12 | 25,451 | 26,267 |
| Investments | 13 | 2 | 2 |
| | | 25,453 | 26,269 |
| **Current assets** | | | |
| Trade and other receivables | 14 | 1,493 | 1,744 |
| Investments | 15 | - | - |
| Cash and cash equivalents | 21 | 7,110 | 5,354 |
| | | 8,603 | 7,098 |
| Less: **Creditors – amounts falling due within one year** | 16 | (5,235) | (4,842) |
| **Net current assets** | | 3,368 | 2,256 |
| **Total assets less current liabilities** | | 28,821 | 28,525 |
| Less: Creditors – amounts falling due after more than one year | 17 | (9,028) | (9,487) |
| **Provisions** | | | |
| Defined benefit obligations | 20 | (19,930) | (17,143) |
| Other provisions | 20 | (3,973) | (4,038) |
| **Total net assets** | | (4,110) | (2,143) |
| **Restricted Reserves** | | 107 | 108 |
| **Unrestricted reserves** | | | |
| Income and expenditure account | | (11,926) | (10,155) |
| Revaluation reserve | | 7,709 | 7,904 |
| **Total reserves** | | (4,110) | (2,143) |

The financial statements on pages 28 to 61 were approved and authorised for issue by the Corporation on 12 December 2017 and were signed on its behalf on that date by.

**Matt Colmer**
**Chair**

**Corrienne Peasgood**
**Accounting Officer**

City College Norwich

## 11. Statement of Cash Flows for the year ended 31 July 2017

| | Notes | 2017 £000 | 2016 £000 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| (Deficit) / Surplus for the year | | (73) | 403 |
| **Adjustment for non-cash items** | | | |
| Depreciation | 12 | 1,666 | 1,722 |
| Impairment of investment | 13 | - | 4 |
| (Increase)/decrease in stocks | | - | |
| (Increase)/decrease in debtors | 14 | 251 | 272 |
| Increase/(decrease) in creditors due within one year | 16 | 399 | (1,343) |
| Increase/(decrease) in creditors due after one year | 17 | (225) | (397) |
| Increase/(decrease) in provisions | 20 | (65) | 33 |
| Increase/(decrease) in restricted reserves | 19 | (1) | (2) |
| Pensions costs less contributions payable | 26 | 894 | 801 |
| **Adjustment for investing or financing activities** | | | |
| Investment income | 6 | (12) | (11) |
| Interest payable | 10 | 90 | 89 |
| **Net cash flow from operating activities** | | 2,924 | 1,571 |
| **Cash flows from investing activities** | | | |
| Investment income | 6 | 12 | 11 |
| Payments made to acquire fixed assets | 12 | (850) | (558) |
| | | (838) | (547) |
| **Cash flows from financing activities** | | | |
| Interest paid | 10 | (90) | (89) |
| New unsecured loans | | - | 241 |
| Repayments of amounts borrowed | | (240) | (201) |
| | | (330) | (49) |
| **Increase / (decrease) in cash and cash equivalents in the year** | | 1,756 | 975 |
| Cash and cash equivalents at beginning of the year | 21 | 5,354 | 4,379 |
| Cash and cash equivalents at end of the year | 21 | 7,110 | 5,354 |

The notes on pages 32 to 61 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

**Basis of consolidation**

As a wholly owned subsidiary, City College Norwich is exempt from preparing its own consolidated accounts, in accordance with FRS 102 section 9. Also in accordance with FRS 102, the activities of the student union have not been consolidated because the College does not control those activities. All financial statements are prepared to 31 July 2016

**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 £2.3m of loans outstanding with bankers and £0.2m 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.

**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.

**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. 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 5 years |
| • furniture, fixtures and fittings | 5 years |
| • lab / kitchen equipment | 10 years |
| • other equipment | 5 years |

**Leased assets**

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

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

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

City College Norwich

Notes to the Accounts

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

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 31 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 2016. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

- *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.

## 2 Funding council grants

| | Year ended 31 July 2017 £000 | Year ended 31 July 2016 £000 |
|---|---|---|
| **Recurrent grants** | | |
| Education and Skills Funding Agency - adult | 1,529 | 1,536 |
| Education and Skills Funding Agency - 16-18 | 20,555 | 19,670 |
| Education and Skills Funding Agency - apprenticeships | 3,082 | 3,031 |
| Local Authority | 1,038 | 1,162 |
| Higher Education Funding Council | 829 | 868 |
| **Specific Grants** | | |
| Education and Skills Funding Agency | 333 | 621 |
| Releases of government capital grants | 447 | 388 |
| HE grant | - | - |
| **Total** | 27,813 | 27,286 |

## 3 Tuition fees and education contracts

| | Year ended 31 July 2017 £000 | Year ended 31 July 2016 £000 |
|---|---|---|
| Adult education fees | 180 | 324 |
| Apprenticeship fees and contracts | 206 | 194 |
| Fees for FE loan supported courses | 811 | 466 |
| HE Fees (including higher apprenticeships) | 5,604 | 5,852 |
| Full cost provision | 931 | 816 |
| **Total tuition fees** | 7,732 | 7,652 |
| Education contracts | 51 | 174 |
| **Total** | 7,783 | 7,826 |

## 4 Other grants and contracts

| | Year ended 31 July 2017 £000 | Year ended 31 July 2016 £000 |
|---|---|---|
| Other grants and contracts | 121 | 213 |
| **Total** | 121 | 213 |

## 5 Other income

| | Year ended 31 July 2017 £000 | Year ended 31 July 2016 £000 |
|---|---|---|
| Catering and residences | 833 | 890 |
| Other income generating activities | 446 | 492 |
| Non government capital grants | 31 | 41 |
| Miscellaneous income | 606 | 729 |
| **Total** | 1,916 | 2,152 |

## 6 Investment income

| | Year ended 31 July 2017 £000 | Year ended 31 July 2016 £000 |
|---|---|---|
| Other investment income | 1 | - |
| Other interest receivable | 11 | 11 |
| | 12 | 11 |

## 7 Donations

| | Year ended 31 July 2017 £000 | Year ended 31 July 2016 £000 |
|---|---|---|
| Unrestricted donations | - | - |
| **Total** | - | - |

## 8 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:

| | 2017 No. | 2016 No. |
|---|---|---|
| Teaching staff | 274 | 280 |
| Non teaching staff | 295 | 300 |
| | **569** | **580** |

**Staff costs for the above persons**

| | Year ended 31 July 2017 £000 | Year ended 31 July 2016 £000 |
|---|---|---|
| Wages and salaries* | 15,994 | 15,345 |
| Social security costs | 1,361 | 1,098 |
| Other pension costs | 3,185 | 2,955 |
| **Payroll sub total** | **20,540** | **19,398** |
| Contracted out staffing services | 6,763 | 6,668 |
| | 27,303 | 26,066 |

*In the 2015/16 balance the annual leave accrual (totalling £552k) was reversed in light of the synchronisation of the annual leave year ends. Excluding the impact of the reversal of this accrual a prior year comparator would be £15,897k.

**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.

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

| | 2017 No. | 2016 No. |
|---|---|---|
| The number of key management personnel including the Accounting Officer was: | 6 | 7 |

### 8 Staff numbers and costs (cont'd)

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 | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | No. | No. | No. | No. |
| £60,001 to £70,000 | 4 | 2 | - | - |
| £80,001 to £90,000 | 1 | 1 | - | - |
| £130,001 to £140,000 | 1 | 1 | - | - |
| £180,001 to £190,000 | | - | - | - |
| | 6 | 4 | - | - |

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

| | Year ended 31 July 2017 £000 | Year ended 31 July 2016 £000 |
|---|---|---|
| Salaries | 434 | 436 |
| Benefits in kind | 1 | 1 |
| | 435 | 437 |
| Pension contributions | 64 | 67 |
| **Total emoluments** | 499 | 504 |

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

| | Year ended 31 July 2017 £000 | Year ended 31 July 2016 £000 |
|---|---|---|
| Salaries | 134 | 131 |
| Benefits in kind | - | - |
| | 134 | 131 |
| Pension contributions | 22 | 21 |

## 9 Other operating expenses

| | Year ended 31 July 2017 £000 | Year ended 31 July 2016 £000 |
|---|---|---|
| Teaching costs | 2,058 | 2,014 |
| Non teaching costs | 3,850 | 4,387 |
| Premises costs | 2,313 | 2,273 |
| **Total** | **8,221** | **8,674** |

| **Other operating expenses include:** | Year ended 31 July 2017 £000 | Year ended 31 July 2016 £000 |
|---|---|---|
| Auditors' remuneration: | | |
| Financial statements audit | 26 | 27 |
| 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 | 496 | 452 |

## 10 Interest payable - Group and College

| | Year ended 31 July 2017 £000 | Year ended 31 July 2016 £000 |
|---|---|---|
| On bank loans, overdrafts and other loans: | 90 | 89 |
| | 90 | 89 |
| Pension finance costs (note 26) | 417 | 524 |
| Pension finance costs (NES) | 20 | 20 |
| **Total** | **527** | **633** |

## 11 Taxation

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

## 12 Tangible fixed assets

| | Land and buildings Freehold | Land and buildings Long leasehold | Equipment | Assets in the Course of Construction | Total |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| **Cost or valuation** | | | | | |
| At 1 August 2016 | 39,877 | 2,488 | 13,488 | - | 55,853 |
| Additions | 289 | - | 561 | - | 850 |
| Disposals | - | - | - | - | - |
| **At 31 July 2017** | **40,166** | **2,488** | **14,049** | **-** | **56,703** |
| **Depreciation** | | | | | |
| At 1 August 2016 | (16,288) | (2,015) | (11,283) | - | (29,586) |
| Charge for the year | (630) | (299) | (737) | | (1,666) |
| Elimination in respect of disposals | - | - | - | - | - |
| **At 31 July 2017** | **(16,918)** | **(2,314)** | **(12,020)** | **-** | **(31,252)** |
| **Net book value at 31 July 2017** | **23,248** | **174** | **2,029** | **-** | **25,451** |
| Net book value at 31 July 2016 | 23,589 | 473 | 2,205 | - | 26,267 |

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 £7,708,541 (2016 - £7,904,005) 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.

## City College Norwich

## Notes to the Accounts

### 13 Non current investments

| | Year ended 31 July 2017 £000 | Year ended 31 July 2016 £000 |
|---|---|---|
| Investments - Gazelle | - | - |
| Investment - Other | 2 | 2 |
| **Total** | 2 | 2 |

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

The College disposed of their investment in Gazelle Commercial Limited in 15-16 previously they owned 11% of the £1 ordinary share capital, the amount had been impaired in 14/15 to £0.

### 14 Trade and other receivables

| | Year ended 31 July 2017 £000 | Year ended 31 July 2016 £000 |
|---|---|---|
| Amounts falling due within one year: | | |
| Trade receivables | 665 | 898 |
| Amounts owed by group undertakings: | | |
| Subsidiary undertakings | 12 | 30 |
| Prepayments and accrued income | 613 | 557 |
| Amounts owed by the ESFA | 203 | 227 |
| Other Debtors | - | 32 |
| **Total** | 1,493 | 1,744 |

### 15 Current investments

| | Year ended 31 July 2017 £000 | Year ended 31 July 2016 £000 |
|---|---|---|
| Short term deposits | - | - |
| **Total** | - | - |

Deposits are held with banks and building societies operating in the London market and licensed by the Financial Conduct Authority with more than three months maturity at the balance sheet date. The interest rates for these deposits are fixed for the duration of the deposit at time of placement.

## 16 Creditors: amounts falling due within one year

| | Year ended 31 July 2017 £000 | Year ended 31 July 2016 £000 |
|---|---|---|
| Bank loans and overdrafts | 174 | 167 |
| Salix loan | 60 | 73 |
| Trade payables | 720 | 429 |
| Amounts owed to group undertakings: | | |
| Subsidiary undertakings | 4 | - |
| Other taxation and social security | 357 | 387 |
| Accruals and deferred income | 2,213 | 2,394 |
| Deferred income - government capital grants | 424 | 386 |
| Amounts owed to the ESFA | 697 | 614 |
| Other Creditors | 586 | 392 |
| **Total** | 5,235 | 4,842 |

## 17 Creditors: amounts falling due after one year

| | Year ended 31 July 2017 £000 | Year ended 31 July 2016 £000 |
|---|---|---|
| Bank loans | 2,082 | 2,255 |
| Salix loan | 120 | 181 |
| Deferred income - government capital grants | 6,826 | 7,051 |
| **Total** | 9,028 | 9,487 |

## 18 Maturity of debt

### (a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

| | Year ended 31 July 2017 | Year ended 31 July 2016 |
|---|---|---|
| | £000 | £000 |
| In one year or less | 174 | 167 |
| Between one and two years | 180 | 174 |
| Between two and five years | 582 | 561 |
| In five years or more | 1,320 | 1,520 |
| **Total** | **2,256** | **2,422** |

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.

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 2017 | Year ended 31 July 2016 |
|---|---|---|
| | £000 | £000 |
| In one year or less | 60 | 73 |
| Between one and two years | 60 | 60 |
| Between two and five years | 60 | 121 |
| In five years or more | - | - |
| **Total** | **180** | **254** |

## 19 Restricted Reserves

| | 2017 Total | 2016 Total |
|---|---|---|
| | £000 | £000 |
| At 1 August | 108 | 110 |
| Expenditure | (1) | (2) |
| At 31 July | 107 | 108 |

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.

## 20 Provisions

| | Group and College | | | | |
|---|---|---|---|---|---|
| | Defined benefit Obligations | NES Pension | Enhanced pensions | Other | Total |
| | £000 | £000 | £000 | £000 | £000 |
| At 1 August 2016 | 17,143 | 1,785 | 1,950 | 303 | 21,181 |
| Expenditure in the period | (1,278) | | (145) | | (1,423) |
| Transferred from income and expenditure account | 4,065 | 20 | 60 | | 4,145 |
| **At 31 July 2017** | **19,930** | **1,805** | **1,865** | **303** | **23,903** |

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:

| | 2017 | 2016 |
|---|---|---|
| Price inflation | 1.30% | 1.30% |
| Discount rate | 2.30% | 2.30% |

The other provisions relate to St Andrews House dilapidations, valued in January 2010.

## 21 Cash and cash equivalents

| | At 1 August 2016 | Cash flows | Other changes | At 31 July 2017 |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Cash and cash equivalents | 5,354 | 1,756 | - | 7,110 |
| Overdrafts | - | - | - | - |
| **Total** | **5,354** | **1,756** | **-** | **7,110** |

## 22 Capital commitments

| | 2017 | 2016 |
|---|---|---|
| | £000 | £000 |
| Commitments contracted for at 31 July | 75 | 141 |

City College Norwich

Notes to the Accounts

## 23 Lease Obligations

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

| | Group and College | |
|---|---|---|
| | 2017 | 2016 |
| | £000 | £000 |
| **Future minimum lease payments due** | | |
| **Land and buildings** | | |
| Not later than one year | 178 | 344 |
| Later than one year and not later than five years | 921 | 321 |
| later than five years | 958 | - |
| | 2,057 | 665 |
| **Other** | | |
| Not later than one year | 85 | 87 |
| Later than one year and not later than five years | 102 | 48 |
| later than five years | - | - |
| | 187 | 135 |
| **Total lease payments due** | **2,244** | **800** |

## 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 2017 (2016: £Nil)

## 25 Events after the reporting period

Also, with effect from 1 December 2017, 40 teaching staff and 25 support staff from Paston Sixth Form College TUPE transferred into CCN and NES respectively 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 will be accounted for in the 2017-18 financial statements.

## 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.

| **Total pension cost for the year** | | **2017** | | **2016** |
|---|---|---|---|---|
| | | **£000** | | **£000** |
| Teachers Pension Scheme: contributions paid | | 1,370 | | 1,341 |
| Local Government Pension Scheme: | | | | |
| Contributions paid | 1,278 | | 1,207 | |
| FRS 102 (28) charge | 477 | | 277 | |
| Charge to the Statement of Comprehensive Income | | 1,755 | | 1,484 |
| LGPS revision in year | | | | (27) |
| Enhanced pension charge to Statement of Comprehensive Income | | 60 | | 157 |
| **Total Pension Cost for Year within staff costs** | | **3,185** | | **2,955** |

Contributions amounting to £311k (2016: £306k) were payable to the scheme and are included in creditors.

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).

**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 2015/16 and 2016/17 accounts 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 £40,000).

*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.

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 financial statements along with the release of liabilities to NES in regard of these staff.

**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.

City College Norwich

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 £1,370,000 (2016: £1,341,000)

**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.

## 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 2017 was £1,629,000, of which employer's contributions totaled £1,278,000 and employees' contributions totaled £351,000. 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 2017-18 this will be £193k.

### Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2017 by a qualified independent actuary

| | At 31 July 2017 | At 31 July 2016 |
|---|---|---|
| Rate of increase in salaries | 2.80% | 2.90% |
| Future pensions increases | 2.50% | 1.90% |
| Discount rate for scheme liabilities | 2.70% | 2.40% |
| Inflation assumption (CPI) | 2.50% | 1.90% |

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:

| | At 31 July 2017 | At 31 July 2016 |
|---|---|---|
| | years | years |
| *Retiring today* | | |
| Males | 22.10 | 22.10 |
| Females | 24.40 | 24.30 |
| *Retiring in 20 years* | | |
| Males | 24.10 | 24.50 |
| Females | 26.40 | 26.90 |

**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 2017 | Fair Value at 31 July 2017 | Long-term rate of return expected at 31 July 2016 | Fair Value at 31 July 2016 |
|---|---|---|---|---|
| | | £000 | | £000 |
| Equities | 2.7% | 26,230 | 2.5% | 23,799 |
| Bonds | 2.7% | 10,577 | 2.5% | 10,891 |
| Property | 2.7% | 4,654 | 2.5% | 4,840 |
| Cash | 2.7% | 846 | 2.5% | 807 |
| **Total fair value of plan assets** | | 42,307 | | 40,337 |
| **Weighted average expected long term rate of return** | 2.70% | | 2.50% | |
| **Actual return on plan assets** | | 1,672 | | 4,469 |

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

| | 2017 | 2016 |
|---|---|---|
| | £000 | £000 |
| Fair value of plan assets | 42,307 | 40,337 |
| Present value of plan liabilities | (62,126) | (57,363) |
| Present value of unfunded liabilities | (111) | (117) |
| **Net pensions (liability)/asset (Note 20)** | (19,930) | (17,143) |

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

| | 2017 | 2016 |
|---|---|---|
| | £000 | £000 |
| **Amounts included in staff costs** | | |
| Current service cost | 1,755 | 1,484 |
| Past service cost | - | - |
| **Total** | 1,755 | 1,484 |

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

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

| | 2017 | 2016 |
|---|---|---|
| | £000 | £000 |
| Net interest income / (Net pension finance cost) | (417) | (524) |
| | **(417)** | **(524)** |

**Amounts recognised in Other Comprehensive Income**

| | | |
|---|---|---|
| Return on pension plan assets | 701 | 3,174 |
| Experience losses arising on defined benefit obligations | 463 | 896 |
| Changes in assumptions underlying the present value of plan liabilities | (3,057) | (5,989) |
| Amount recognised in Other Comprehensive Income | **(1,893)** | **(1,919)** |

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

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

| | 2017 | 2016 |
|---|---|---|
| | £000 | £000 |
| (Deficit) in scheme at 1 August | (17,143) | (14,423) |
| Movement in year: | | |
| Current service cost | (1,755) | (1,484) |
| Employer contributions | 1,269 | 1,198 |
| Contribution in repect of unfunded benefits | 9 | 9 |
| Past service cost | - | - |
| Net interest on the defined (liability)/asset | (417) | (524) |
| Actuarial gain or loss | (1,893) | (1,919) |
| **Net defined benefit (liability) at 31 July** | **(19,930)** | **(17,143)** |

**Asset and Liability Reconciliation**

| | 2017 | 2016 |
|---|---|---|
| | £000 | £000 |
| **Changes in the present value of defined benefit obligations** | | |
| **Defined benefit obligations at start of period** | 57,480 | 49,955 |
| Current Service cost | 1,755 | 1,484 |
| Interest cost | 1,388 | 1,809 |
| Contributions by Scheme participants | 351 | 343 |
| Experience gains and losses on defined benefit obligations | (463) | (896) |
| Changes in financial assumptions | 3,057 | 5,989 |
| Estimated unfunded benefits paid | (9) | (9) |
| Estimated benefits paid | (1,322) | (1,195) |
| Past Service cost | - | - |
| Curtailments and settlements | - | - |
| **Defined benefit obligations at end of period** | **62,237** | **57,480** |

**Changes in fair value of plan assets**

| | 2017 | 2016 |
|---|---|---|
| **Fair value of plan assets at start of period** | 40,337 | 35,532 |
| Interest on plan assets | 971 | 1,285 |
| Return on plan assets | 701 | 3,174 |
| Employer contributions | 1,269 | 1,198 |
| Contributions by Scheme participants | 351 | 343 |
| Contribution in respect of unfunded benefits | 9 | 9 |
| Estimated unfunded benefits paid | (9) | (9) |
| Estimated benefits paid | (1,322) | (1,195) |
| **Fair value of plan assets** | **42,307** | **40,337** |

## 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 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 company is controlled by Transforming Education In Norfolk (see note 28), the group entities and prior year comparatives have been disclosed below.

| Name of related party | Relationship | Transaction Description | Amounts 2016/17 | Balance outstanding at period end 2017 | Amounts 2015/16 | Balance outstanding at period end 2016 |
|---|---|---|---|---|---|---|
| | | | £000 | £000 | £000 | £000 |
| Howes Percival LLP Solicitors | Connected Business (1) | Conference income / room hire / awards sponsorship | (2) | - | (3) | - |
| Royal Norfolk Agricultural Association | Connected Business (1) | Hire of premises / conference income | 12 | 1 | 20 | 2 |
| Gazelle Foundation | Connected Business (2) | Membership | na | na | 15 | - |
| ACER | Connected Business (2) | Membership / staff training / conference / project income | 7 | - | 12 | 5 |
| AOC | Connected Business (2) | Membership / staff training / agency staff | 77 | (5) | na | na |
| Mills and Reeve LLP | Connected Business (3) | Legal / conference income | 6 | - | 10 | 7 |
| Cambridge Access Validating Agency (CAVA) | Connected Business (4) | Exams / membership | 29 | - | 35 | - |
| Aviva | Connected Business (5) | Insurance | 4 | 2 | 50 | - |
| UEA | Connected Business (6) | Funding for HE delivery, validation charge, staff training | 310 | 246 | 166 | 56 |
| ABC Awards | Connected Business (7) | Exams | 1 | - | 5 | - |
| Visit Norwich | Connected Business (8) | Membership / advertising / conference income | - | - | 4 | - |
| Ofsted | Connected Business (9) | contracted staff time | (6) | - | na | na |

City College Norwich

## Notes to the Accounts

### 27 Related party transactions (cont'd)

| Name of related party | Relationship | Transaction Description | Amounts 2016/17 | Balance outstanding at period end 2017 | Amounts 2015/16 | Balance outstanding at period end 2016 |
|---|---|---|---|---|---|---|
| PricewaterhouseCoopers LLP | Connected Business (10) | Conference / restaurant income | (2) | (1) | - | - |
| University Technical College Norfolk | Group Entity / Connected Business (4) | Bought in curriculum / print services / student placements / staff recharges / sponsorship / hire of mini-bus | (1) | - | (1) | (4) |
| Norfolk Educational Services | Group Entity | Shared services / staff recharges / tuition fees | 5,355 | (2) | 5,282 | (5) |
| City Academy Norwich | Group Entity | Bought in curriculum / exams / print services / student placements / postage / hire of premises / staff recharges | 3 | (1) | (8) | (3) |
| Norfolk Academies | Group Entity | Bought in curriculum / exams / print services / student placements / postage / hire of minibus | (14) | (4) | (23) | (10) |
| Transforming Education in Norfolk | Group Entity | Bought in educational consultancy | - | - | - | (8) |
| 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

**City College Norwich**

**Notes to the Accounts**

**27 Related party transactions (cont'd)**

1 - A Barnes was a Partner at Howes Percival LLP Solicitors until April 2017 and left his role as Director & Trustee of Royal Norfolk Agricultural Association during 2016/17.

2 - C Peasgood is a director of AoC and ACER and was previously a Director of Gazelle Foundation (end July 2016)

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

5 - I Webb is a Director of HR at Aviva

6 - A Blanchflower is a Director at UEA

7 - J Lanning is a Trustee of ABC awards

8 - S Thorpe left his role as a board member of Visit Norwich during 2016/17

9 - R Perry is contracted with Ofsted

10 – D Sherwood is a Director of PricewaterhouseCoopers LLP

The total expenses paid to or on behalf of the Governors during the year was £1,260; **1** governors (2016:nil ; 0 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

## 28 Controlling Party

The company is controlled by Transforming Education in Norfolk, a private company limited by guarantee and a registered charity, number 1148753

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

### Learner support funds

| | 2017 | 2016 |
|---|---|---|
| | £000 | £000 |
| Balance brought forward | 182 | 149 |
| Funding body grants – 16-19 bursary support | 586 | 661 |
| Funding body grants – Adult bursary support | 166 | 346 |
| Funding body grants – Advanced learner loans bursary support | 185 | 154 |
| Other Funding body grants * | 163 | - |
| | 1,100 | 1,161 |
| Disbursed to students | (911) | (1,013) |
| Administration costs | (49) | (50) |
| Amount consolidated in financial statements | (54) | (10) |
| Amount returned to funding body | (67) | (55) |
| Balance unspent as at 31 July, included in creditors | 201 | 182 |

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 2015/16 balance

### Open Opportunity

| | 2017 | 2016 |
|---|---|---|
| | £000 | £000 |
| Income | - | 34 |
| Expenditure | - | (106) |
| | - | (72) |

The College acted as the agent for the Open Opportunity collecting income and making payments on its behalf, these transactions were excluded from the Income and Expenditure Account. The Open Opportunity activities ceased April 2016, and the balance of funds was distributed to the 5 stator members.