

**CITY COLLEGE NORWICH**

**Report and Financial Statements for the year ended 31 July 2019**



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**Reference and Administrative Details**

**Key Management Personnel**

Key management personnel are defined as members of the Executive Team and were represented by the following in 2018/19:

- **Corrienne Peasgood**, Principal and CEO; Accounting Officer.
- **Jerry White**, Deputy Principal.
- **Helen Richardson-Hulme** Assistant Principal Student Services.
- **Julia Buckland**, Vice Principal FE Curriculum and Quality.

**Board of Governors**

A full list of Governors is given on page 17 of these financial statements.

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

Clare was on maternity leave from 17<sup>th</sup> July 2018 and returned to work on 4<sup>th</sup> September 2019 – during this period, an appropriate maternity cover solution was put in place.

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

**Professional advisers**

- **Financial statements and regularity auditor:**

KPMG LLP  
Dragonfly House  
2 Gilders Way  
Norwich  
NR3 1UB

- **Internal auditor:**

Scrutton Bland  
Fitzroy House  
Crown Street  
Ipswich  
Suffolk  
IP1 3LG

- **Banker:**

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

- **Solicitor:**

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

### Operating and Financial Review

#### Nature, Objectives and Strategies

The governing body present their annual report together with the financial statements and the auditor's report for City College Norwich for the year ended 31 July 2019.

#### 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 was updated in 2019 after a process of review. The mission as approved by its members is: **Challenging minds, inspiring success, securing futures.**

**Challenging Minds** – this is what education is all about; it reinforces our aspirations around stretching students and apprentices; it's about teaching students to think differently; it's about enrichment and extracurricular activities too; it needs to be interpreted as how we enable vocational, technical and professional skills to be accessed also, not simply academic and coordinating cognitive activities and physical activities is a critical component of what we are really good at. This had previously featured within our mission prior to 2019 review.

**Inspiring Success** – success for all our students and apprentices is our ultimate goal; we want to inspire them to achieve, wherever possible exceeding their goals; we want the curriculum to be inspirational – in its content and its delivery; we want our staff to be inspired and to be inspirational to our students. This had previously featured within our mission prior to 2019 review.

**Securing futures** – this statement was added as a result of the review in 2019. It reflects our full commitment to ensuring that students' progress from the college into their desired destinations, recognising that the college is a key step on their journey. It reaffirms our dedication to the support and challenge that is required to create opportunities for all our students, recognising that success in their futures will be individually defined.

#### Public Benefit

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

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



## City College Norwich

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; and
- Links with New Anglia Local Enterprise Partnership.

### Strategy

2018/19 has been the fifth year of operation of the College's Strategic Framework. The framework was developed through extensive consultation with students, staff, governors and stakeholders and is organised with four "pillars":

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

The Strategic Framework is accompanied by **5 Strategic Aims and success indicators**, which were reviewed in 2018. Presented below are the success indicators along with the target governors set for each one in the first row (left no progress – right fully achieved) and in the second row, progress achieved by July 2019.

### 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

#### 1. Success Indicators

a) Measures of student achievement and progression are outstanding

		July 19		

b) Provision judged by external bodies to be of the highest possible grade

		July 19		

c) Very high student, staff, employer satisfaction ratings

	July 19			

d) Students are actively engaged in their learning taking ownership of the development of their own progression and professional outcomes

		July 19		

### Aim Two

To be recognised as a driving force in skills training for regional economic development

#### 2. Success Indicators

a) Excellent, industry standard facilities available for delivery

		July 19		
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b) Curriculum constantly reviewed and, where possible, aligned to regional priorities

			July 19	
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c) Learning models and infrastructure developed to enable students to learn anywhere

			July 19	
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d) Consistent employer and stakeholder feedback is used internally and externally to demonstrate that we are a regional leader in skills training

		July 19		
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### Aim Three

To achieve excellence through our ability to challenge each other, and our processes, as we learn, teach and work together

#### 3. Success Indicators

a) Ways of Working embedded in staff and student life at our college

			July 19	
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b) Highly effective processes and procedures which limit our impact on the environment

			July 19	
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c) Staff journey focussed on maximising individual potential and well-being

		July 19		
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d) Strong student participation in our evaluation and review processes

		July 19		
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### 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

#### 4. Success Indicators

a) Financial resources enable us to meet our strategic aims

		July 19		
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b) All staff confident in practising entrepreneurial thought and action

			July 19	
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## City College Norwich

- c) Targeted curriculum areas have a profitable commercial income stream

	July 19			

- d) Qualified and experienced workforce, excellent in their field

		July 19		

### Aim Five

To work with our students, community, employers and stakeholders in order to grow our college and increase our influence

#### 5. Success Indicators

- a) Partnerships with other colleges and providers give us more influence than we would have on our own

				July 19

- b) High profile, well recognised celebrations of success

				July 19

- c) Staff, students and alumni confidently promoting our college

			July 19	

- d) Strong and productive partnerships with a broad range of employers, schools and other stakeholders

			July 19	

- e) Clearly defined set of activities to strengthen our relationships in the wider community to drive growth

			July 19	

During the 2018/19 academic year, the Governing Body made a decision to postpone the creation of a new Strategy until after the conclusion of structural changes that would result from the proposed impending merger with Easton College. Such a postponement allowed for the College to ensure all students, staff and stakeholders pertinent to any newly formed merged College would be able to shape its future priorities.

### 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; and
- to fund continued capital investment.



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

### Performance indicators

The College has continued to perform well on many key performance measures during 2018/19 although a number of alterations to curriculum delivery arrangements have altered performance on key metrics. The College's self-assessment for 2018/19 is proposing a "good" overall effectiveness grade and has utilised the new Ofsted Education Inspection Framework (EIF) in reaching this judgment. The EIF alters the focus for self-assessment in a number of areas and the College has worked hard to apply the new framework retrospectively to the 2018/19 provision in order to develop an impactful a Quality Improvement Plan. In May 2019, Ofsted visited the College to complete a monitoring visit primarily as a result of the merger with Paston College in December 2017. The College achieved a "significant progress" judgement on 3 of the 4 themes that were reviewed, and a "reasonable progress" judgment on the 4th.

Headline achievement rates for 16-18 year old's have decreased in 2018/19 to 82.1% but this was in part expected due to some planned curriculum changes. The growth of 2 year duration learning aims (mainly driven by A level reform) which rose from being 5% of our offer in 2017/18 to over 11% in 2018/19 also had a depressing effect on headline achievement rates with A Level achievement rates declining by 1.5%, despite strong high grade performance.

For 19+ provision, a small 2.8% decrease in overall achievement rates was driven by decreases in Functional Skills achievement rates and lower achievement in GCSE maths and English. Parts of our Adult provision remains key areas for focused attention.

The College has had some challenges in recruiting staff to meet the growing demand in Apprenticeship provision. In some key sectors, this has impacted negatively on the timely achievement of apprentices and this has been a focus of continued remedial work throughout the year. In addition, the College took on a considerable amount of apprentices from failing providers, which included significant work to recover the learning records and progress of each apprentice from their previous provider. Final achievement rates are not yet available but are expected to be a little lower than the previous year due to the challenges above.

2018/19 was the first full year of College performance post-merger. Table 1 below indicates outcome of actual earnings against allocations and budgets (where appropriate). 16-18 recruitment has been lower than allocated levels, but due to lagged funding the impact of this will not be felt until the 2019/20 funding allocation. Apprenticeship performance was strong and exceeded budget levels whilst the Adult Education Budget followed the pattern of recent years in not being fully utilised which matched budget expectations.

Table 1	Funding Allocation	End Year	
		2018/19 Out-turn	Difference
16-19 Funding*	£21,081,245.00	£20,427,693.30	97%
Adult Education Budget	£1,844,089.00	£1,598,628.00	87%
Apprenticeships	N/A	£4,067,405.68	

### Financial results

The total comprehensive income for the year was a deficit of £6,921k (£5,777k surplus 2017/18). This deficit is mainly due to the following pension costs:

- FRS 102 charges on the Local Government Pension Scheme amounting to £1,346k – this includes additional costs of £860k to bring amounts charged as employer pension contributions during the year up to the required level of FRS 102 service cost charges and pensions interest costs of £486k; and
- £20k charge for the unwinding of the NES pension provision.
- An actuarial loss on the Local Government Pension Scheme liabilities of £5,865k.

Excluding all the above pension items, the College generated an operating surplus in the year of £311k (£212k surplus in 2017/18). Including the FRS102 and NES pension provision charges the surplus/deficit before other gains and losses was £1,055k deficit (£755k surplus in 2017/18).

The College has non-current fixed assets of £28,027k at 31 July 2019 (£28,518k at 31 July 2018) and net current assets of £5,085k (£4,384k at 31 July 2018), including cash balances of £7,053k (£6,939k at 31 July 2018). Creditors greater than one year are £10,491k at 31 July 2019 (£10,624k at 31 July 2018) and these comprise a bank loan (£1,715k) and deferred government capital grants (£8,776k). The defined benefit pension liability for the Local Government Pension Scheme was £24,183k at 31 July 2019 (£16,972k at 31 July 2018) and other provisions totaled £3,692k at 31 July 2019 (£3,639k at 31 July 2018).

The College has an accumulated deficit at 31 July 2019 of £5,254k, (£1,667k surplus at 31 July 2018), which is primarily due to actuarial losses of £5,865k on the Local Government Pension Scheme liabilities. Excluding the impact of the main Local Government Pension Scheme Liability, the College has an I&E reserve of £11,507k surplus at 31 July 2019 (£11,021k surplus at 31 July 2018) and a revaluation reserve of £7,318k (£7,513k at 31 July 2018). The TEN Group has a reserves policy which requires a target reserves level of 2-4% of income. For the College this translates to cash and reserves of c£796k to £1.6m. The College exceeds these levels.

The College has significant reliance on the Education and Skills Funding Agency for its principal funding source. In 2018/19 the ESFA provided 72% (2017/18: 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 achievement rates. The College is required to complete the annual Finance Record (December) and the annual Financial Plan (July) for the Education and Skills Funding Agency. The Finance Record and the Finance Plan produces a financial health grading. The current rating of Good (for 2018/19, for 2019-20 budget and for both the 2020-21 and 2021-22 summary forecasts) 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).



## **City College Norwich**

### **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 £114k during 2018/19 (decrease of £171k during 2017/18). This movement is comprised:

- Operating cash inflow of £1,119k (2017/18 £721k cash inflow) – this shows the overall cash movement arising from the operating surplus for the year;
- Net cash outflow from investing activities £687k (2017/18 £574k cash outflow) – this is primarily the annual IT equipment expenditure and costs incurred in preparation for the demolition of one of the College's buildings, the Southwell building;
- Net cash outflow from financing activities £318k (2017/18 net cash outflow of £318k) – this is the repayment of capital and interest for our bank loan and SALIX energy loan; and
- Cash at 31 July 2019 was £7,053k (31 July 2018 was £6,939k).

The College has a long-term loan of £1,901k at 31 July 2019 (£2,082k at 31 July 2018). This will be repaid over a 10-year period with a fixed rate of interest.

### **Resources**

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

### **Financial**

The College has a net liability position on the balance sheet of £5,254k at 31 July 2019 (£1,667k net asset at 31 July 2018).

The net position is comprised:

- Income and expenditure account of £11,507k surplus (£11,021k surplus at 31 July 2018);
- Local Government pension scheme deficit £24,183k (£16,972k deficit at 31 July 2018);
- Revaluation reserve £7,318k surplus (£7,513k surplus at 31 July 2018); and
- Restricted reserves £104k surplus (£105k surplus at 31 July 2018).

### **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.

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### People

The College employs 614 (2017/18: 595) people (expressed as full-time equivalents), of whom 305 (2017/18: 286) are teaching staff.

### Current and Future Development and Performance

#### Student numbers

The 2018/19 student numbers are presented in table below.

Year	16-18 Students	19+ Students	Apprentices
2014/15	4460	1380	1420
2015/16	4520	960	1350
2016/17	4190	1320	1350
2017/18	4722*	1250	1390
2018/19	4590	1200	1490

\* Includes students from Paston College following the merger in December 2017.

16-18 recruitment was lower than the previous year as we now rebase our expectations following the merger with Paston. Despite this small decline, the College remains the most significant provider of 16-19 education in Norfolk with 26% of all young people studying with us. Adult Education provision continued to see good demand although there has been little growth in the offer. However, the College remains the 2<sup>nd</sup> largest provider of Adult Education in Norfolk behind the County Councils Adult Learning service. Apprenticeships increased with growth in higher level work and also as a result of the College being asked to support apprentices who had begun their studies with other training providers that went into administration. The College is now the largest apprenticeship provider in both Norfolk and across the New Anglia region.

#### Student achievements

16-18 students continue to achieve well at City College Norwich. In several areas, the performance of students ranks amongst the top 20 colleges nationally. 2018/19 saw pleasing increases in the value-added and progress measures relating to A level provision at Paston College and continued good performance at Norwich. GCSE maths and English pass rates for the College are above national averages in these critical measures, despite continued very large cohort sizes.

For 19+ provision, 2018/19 saw a return to strong achievement rates and progression for our Access to HE provision. However, Functional Skills has not performed well and is subject to considerable oversight and actions into 2019/20.

In 2018/19 HE student achievements remain at satisfactory levels. Despite significant national attention being paid to "grade inflation" within the HE sector, the College has maintained a strong and acceptable level of students achieving the highest grades. The College has further developed its detailed analysis of the performance of different groups of students to target interventions and improve the outcomes of under-represented groups such as our BAME students.

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Within Apprenticeship provision, 2018/19 has been a year of challenge leading to lower than targeted outcomes. Some factors including continued staff availability in key curriculum areas such as construction have negatively impacted on the timely achievement of apprentices. Outcomes are likely to be comparable with national average levels, but require continued focus in 2019/20 especially as we move to the new End Point Assessment methodology associated with Apprenticeship Standards. The College began an innovative partnership with UEA on the delivery of Level 5 Nursing Associate apprentices in 2018/19, once again demonstrating the importance of our work to the local health and social care sectors and the strength of our partnership with the University.

The Norfolk Teacher Training Centre (NTTC) celebrated the successful completion of its largest ever cohort of students in 2018/19 when 42 students completed their training as secondary school teachers.

### Future Developments

The College is going through period of considerable if not unprecedented change. 2019/20 is expected to see the completion of a 2<sup>nd</sup> merger, with Easton College, which will further increase the levels of responsibility the College has for the education of the young people of Norfolk to a level of around 1 in 3 young people studying with us. The considerable opportunities such a development brings is tempered by the commitment we know is needed to ensure all our students receive the excellent tuition and learning experience we strive for.

2019/20 will also be the first year of recruitment to the new Technical ("T") Level qualifications which will commence from September 2020. The college is one of only 16 institutions nationally to be selected to pilot all 3 of the new qualifications by the DfE and extensive work is underway to ensure this exciting curriculum development is carefully integrated into the existing course offer. In addition, the college has been asked to pilot the Transition Year offer at Level 2 as part of the wider government reforms of Technical education.

Within Apprenticeship work, 2019/20 will be the tipping point at which the College will have a majority of apprentices studying on the new Standards compared to the frameworks they are replacing. College continues to grow provision with Levy paying employers and sectors and will begin the new Social Work Degree Apprenticeship for Norfolk County Council in early 2020.

2020 will also see the start of the first major capital project the College has undertaken in the last 4 years, the construction of the new DigiTech Factory building. Designed to respond to the growing needs of the curriculum for digital resources, the £9M building is part funded by the New Anglia LEP and is due for completion in Spring 2021.

### Curriculum developments

In 2018/19 the college provided substantial courses in 14 of the 15 subject sector areas (SSA), with only SSA 3 (Agriculture and Horticulture) not having significant levels of activity. The Colleges Curriculum Strategy has informed the developments which have occurred in 2017/18 and the following are examples of this.

**Planning of the Curriculum:** The 2018/19 academic year saw a number of changes in response to the challenges the Curriculum Strategy provided us.



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Examples included:

- The planning for and delivery of new Apprenticeship Standards. These continue to be rolled out according to employer demand.
- Continued Revision to our A level offer to reflect national changes to new “linear” 2 year courses.
- New Technical qualifications being proposed and a review of our offer to ensure the qualification choices we made reflected the needs of our students and demands of our labour market.
- Implementation of a new timetable structure for A levels at both Norwich and Paston, to better prepare students for study in HE.

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

- Continuing to respond to the introduction of reformed Technical Certificate and RQF qualifications in a number of curriculum areas with enhanced synoptic testing and examination content.
- Finding new and innovative ways of supporting the 20% “off the job” requirement for apprenticeships that ensures apprentices make excellent progress in their learning.
- Implementing new longer Industry Placements for some students to expose them to the workplace for longer periods and prepare for the implementation of T levels.

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

- Sought to further enrich the curriculum by engaging with new opportunities to stretch our students outside of College. The engagement of the College in the Broads Authorities Water Mills and Marshes project is one such example.
- Further enhanced the focus on progression to HE in a number of key areas to support the social mobility of students.

## Challenges for the next 12 months

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

- Maximising the benefits of the proposed Easton merger on the planning and delivery of curriculum;
- The first delivery of the new T levels and the associated Transition Year;
- Responding to the agenda of the new government which could include the culmination of DfE reviews of Post 18, of Level 4 and 5 provision and the outcome of the L3 consultation;
- Understanding and interpreting the new Ofsted Education Inspection Framework to ensure the College is well positioned for our inspection which we expect by December 2020; and
- Continuing to work to meet the growing requirements of the Office for Students regarding HE regulation.

### Principal Risks and Uncertainties:

The College has continued work during the 2018/19 year to develop and embed the system of internal control, including financial, operational and risk management which is designed to protect the College's assets and reputation.

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

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

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

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

#### 1. Government funding

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

For 2019/20 onwards, there are a number of risks currently anticipated:

- The new Government (post December 2019 election) is likely to make changes to the funding and priorities for Colleges. Whilst at the time of writing, the role of Colleges had been of relative high priority for most major parties in their election campaigns, it is difficult to anticipate the exact nature of the changes and the College will need to remain close to policy makers and be agile in our responses to new policy priorities.
- 16-18 provision generates the largest element of government funding for the College and the levels of this funding is driven primarily by the number of students recruited and the base rate provided for student places. From January 2020 onwards, a successful merger with Easton would alter our funding position both due to higher student numbers but also through introducing the complexity of both land-based funding weightings and residential elements to our funding allocations.
- The devolution of the Adult Education Budget to combined authority areas nationally could destabilise the funding system even for providers such as the College not serving students who live within a combined authority area. Whilst some assurances are in place for 2019/20 funding levels, the position beyond that is uncertain at this time.
- Apprenticeship funding continues to be volatile as the Levy and non-Levy funding systems continue to adjust to the new environment created by government led policy change. There are immediate funding pressures on "non-levy" funding allocations in 2019/20 which the College is seeking to overcome through strong partnership working with the New Anglia LEP and employers in the region.



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- The College receives funding to support students with Additional Learning needs from two sources; from government directly via allocations and from local authorities on a case by case basis. Whilst the former is formula driven and under the same funding level pressures as the 16-18 budget, local authorities are continuing to reform their funding mechanisms and this could lead to reductions in funding for individual students and provision. The College is actively working with Norfolk County Council to influence and anticipate the changes they are making to their systems and the impacts this could have on the College.

### 2. Maintain adequate funding of pension liabilities

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

The triennial valuation of the Norfolk LGPS took place in March 2019 and the results, which will determine the pension contributions payable with effect from 1 April 2020, are due to be finalised and issued shortly. Our expectation is that there will be an increase to primary employer's contributions payable (from 19.8% to 22% of pay) but a decrease in the secondary employer contributions of between 48.5% - 51.5%. We are in the process of assessing the impact that these changes will have on the overall employer pension contributions to be made over the next three years.

In relation to the Teachers' Pension Scheme, employer contribution rates have increased from 16.48% to 23.68% (an increase of c44%), effective from September 2019. Given the significance of this increase the College and the wider sector are hoping that central Government will be funding this increase through the next Comprehensive Spending Review.

### 3. Lack of Capital Investment

Over the past 5 academic years the level of capital funding that the College receives or has direct access to has reduced significantly. Government sources of Skills Capital funding previously came either in the form of "bids" or annual allocations operated by the ESFA (or predecessor organisations). More recently these funding pots have been devolved to the New Anglia LEP and been amalgamated into other LEP capital funding streams. Whilst the College has been successful in 2019 in its bid to build the DigiTech Factory building, this is the first capital funding secured for many years. Small amounts of annual capital allocations are generated by the College's HE work, but this requires targeting on HE provision needs. Therefore, currently the College must generate all other capital funding from its own resources, adding significantly to the funding pressures on the institution. Building Maintenance work and Information Technology investment is therefore carefully prioritised within constrained budgets.

### 4. Easton merger

The proposed merger with the Easton campus of Easton and Otley College will present a number of risks, challenges and opportunities. Primarily the key risks will be the significant organisational change arising from merging with a new College, the deployment of management time on the merger (both before and after) and the ability to quickly improve the quality of teaching learning and outcomes for the existing students.

## Stakeholder Relationships

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

## City College Norwich

These include:

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

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

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

The College has continued to take a leading role in regional work with the NALEP and the other FE colleagues through the New Anglia Colleges Group (NACG). The Principal is a member of the newly formed Skills Advisory Panel of the NALEP and has recently taken over as the FE sector representative on the NALEP Board. She contributes to the NACG Principals group work, whilst the Deputy Principal leads the NACG Deputies group that meets half termly.

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



## City College Norwich

### Equal opportunities

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

The College's equality statement is that we are:

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

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

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

### Disability statement

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

### Trade Union Facilities Time Reporting

The Trade Union (Facility Time Publication Requirements) Regulations 2017 require the college to publish information on facility time arrangements for trade union officials at the college.

For period 1 April 2018 to 31 March 2019

Relevant Union Officials:

Number of employees who were relevant union officials during the relevant period.	Full-time equivalent employee number of representatives.
6	4.56

Percentage of Time Spent on Facility Time:

<i>Percentage of time</i>	<i>Number of employees</i>
0%	
1-50%	6
51-99%	
100%	

Percentage of Pay Bill Spent on Facility Time:

<i>Total cost of facility time</i>	£17,566
<i>Total pay bill</i>	£21,643,878
<i>Percentage of total pay bill spent on facility time</i>	0.08%.

## City College Norwich

### Paid trade union activities

<i>Time spent on paid trade union activities as a percentage of total paid facility time.</i>	0%
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### Disclosure of Information to Auditors

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

**Approved by order of the members of the Corporation on 17 December 2019 and signed on its behalf by**



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**Andrew Barnes**

**Chairman of the Corporation**

## **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 2019. 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 2018/19
Mr A Barnes	21/02/2012 re-appointed 21/02/2016	4 years		General	Chair of Corporation; Chair of B	6/6
Dr A Blanchflower	06/10/2015  Re-appointed 07/10/2019	4 years		General	CS	5/6
Mr L Mitchell	01/07/2017 re-appointed 10/07/2018	1 year	30/06/2019	Student Union Representative	B, CS	1/6
Ms E Staley	11/12/2018	1 year	30/06/2019	FE Student Representative	CS	3/5
Mr T Plane	11/12/2018	1 year	09/07/2019	HE Student Representative	CS	1/5
Ms J Lanning	07/07/2015  Re-appointed 08/07/2019	4 years		General	Vice-Chair of Corporation; Chair of CS	6/6
Ms C Peasgood	03/09/2012			Principal from 03/09/2012; Principal/CEO from 01/11/2013	B, CS	6/6
Ms D Troughton	20/03/2018	4 years		General	B	4/6
Mr I Webb	30/05/2012 re-appointed 30/05/2016	4 years		General	B	0/6
Ms B. Sherwood	06/10/2015  Re-appointed 07/10/2019	4 years		General	Chair of A	2/6
Mr N Bartram	06/02/2018	4 years		General	A, B	6/6

**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 2018/19 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  
Thetford Building  
Ipswich Road  
Norwich  
NR2 2LJ

### **Appointments to the Corporation**

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

Members of the Corporation are appointed for a term of office not exceeding four years, at which they could be reappointed. In March 2019, the corporation approved that members serve a maximum term of twelve years being two terms of four years as a Governor, followed by a further four-year term having been appointed into a more senior role, such as Chair. The Corporation continually assesses the composition of the Board to ensure it continues to have the right mix of skills, gender, race, experience and commitment.



## City College Norwich

### Audit and Risk Committee

In 2018/19, the Audit and Risk Committee comprised four members (including co-opted members as necessary). The Committee operates in accordance with written terms of reference approved by the Corporation. Its purpose is to advise the Corporation on the adequacy and effectiveness of the College's system of internal control and its arrangements for risk management, control and governance processes.

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

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

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

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

Meetings attended in 2018/19 were as follows:

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

### Business Committee

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

Details of remuneration for the year ended 31 July 2019 are set out in note 9 of the financial statements. Meetings attended in the year were as follows:

Name	Meetings Attended	Out of Possible
Andrew Barnes (Chair)	6	6
Luke Mitchell	5	6
Corrienne Peasgood	6	6
Denise Troughton	4	6
Ian Webb	1	6
Travis Plane	1	4
Noel Bartram	2	2
Andrea Blanchflower	1	1

## City College Norwich

### Curriculum & Standards Committee

There were seven members of the Curriculum and Standards Committee at any one time during 2018/19 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 2018/19 were as follows:

Name	Meetings Attended	Out of Possible
Andrea Blanchflower	6	6
Jill Lanning (Chair)	6	6
Corrienne Peasgood	5	6
Luke Mitchell	4	6
Emily Staley	3	5
Nikki Gray	4	5
Aron Whiles (co-opted)	6	6

### Additional Governance Meetings

During 2018-19, Governors have been involved in the preparation of the proposed merger with Easton and Otley College by attending various meetings with the Governors and Principals of City College Norwich, Easton and Otley College, Suffolk New College and the NES Managing Director.

During January 2019-April 2019 CCN Governors (Andrew Barnes, Jill Lanning, Noel Bartram and Ian Webb) met monthly at Structure and Prospects Appraisal meetings to provide scrutiny and guidance on the proposals. From May 2019 onwards, Governors (Noel Bartram, Andrew Barnes, Jill Lanning, and Andrea Blanchflower) have met fortnightly at CCN Governor Easton Merger Group meetings.

### 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 2019 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 2019 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; and
- The adoption of formal project management disciplines, where appropriate.

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

### **Review of effectiveness**

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

- The work of the internal auditors;
- The work of the executive managers within the College and NES who have responsibility for the development and maintenance of the internal control framework; and
- 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



## City College Norwich

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. The Corporation carried out the annual assessment for the year ended 31 July 2019 during November 2019 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 2019. The Corporation Self-Assessment feeds into the Colleges SAR consequently supporting our Ofsted judgements. The results of the report will be considered, in conjunction with the annual report, by the Board at its meeting on 17 December 2019.

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.

**Approved by order of the members of the Corporation on 17 December 2019, and signed on its behalf by:**



**Andrew Barnes**  
Chairman of the Corporation



**Corrienne Peasgood**  
Principal

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

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

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

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

**Approved by order of the members of the Corporation on 17 December 2019, and signed on its behalf by:**



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



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**Corrienne Peasgood**  
**Principal**

## **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 grant funding agreements and contracts with the ESFA, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the *2015 Statement of Recommended Practice – Accounting for Further and Higher Education* and with the *College Accounts Direction 2017 to 2018* issued by the ESFA, and which give a true and fair view of the state of affairs of the College and the result for that year.

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

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

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

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


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

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition, they are responsible for ensuring that funds from the ESFA are used only in accordance with the grant funding agreements and contracts 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.



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

Approved by order of the members of the Corporation on 17 December 2019 and signed on its behalf by:



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**Andrew Barnes**  
Chairman of the Corporation

## 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 2019 which comprise the Statement 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 2019, 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.

### The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the members, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the College's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the College's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

### Going concern

The Corporation has prepared the financial statements on the going concern basis as they do not intend to liquidate the College or to cease its operations, and as they have concluded that the College's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over the College's ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

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 a year from the date of approval of the financial statements. In our evaluation of the Corporation's conclusions, we considered the inherent risks to the College's business model, including the impact of Brexit, and analysed how those risks might affect the College's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the College will continue in operation.

**Other information**

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

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

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

Under the Post-16 Audit Code of Practice 2018 to 2019 (February 2019) issued by the Education and Skills Funding Agency we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

**Corporation's responsibilities**

As explained more fully in their statement set out on page 26, the Corporation is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the College or to cease operations, or has no realistic alternative but to do so.

**Auditor's responsibilities**

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

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



## City College Norwich

### **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

Date: *20 December 2019*

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

In accordance with the terms of our engagement letter dated 27 November 2017 and further to the requirements and conditions of funding in ESFA grant funding agreements and contracts, or those of any other public funder, 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 2018 to 31 July 2019 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Post-16 Audit Code of Practice issued by the ESFA. 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 ESFA has other assurance arrangements in place.

This report is made solely to the corporation of City College Norwich and the ESFA 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 the ESFA 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 ESFA 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 established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the 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 2018 to 31 July 2019 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 by the ESFA. We performed a limited assurance engagement as defined in that framework.

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

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

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

## City College Norwich

The work undertaken to draw our conclusion included:

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

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

### Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2018 to 31 July 2019 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

*SBeavis*

Stephanie Beavis

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

Dragonfly House

2 Gilders Way

Norwich

NR3 1UB

Date: *20 December 2019*



Statement of Comprehensive Income

	Notes	Year ended 31 July 2019 £000	Year ended 31 July 2018 £000
<b>INCOME</b>			
Funding body grants	2	31,234	29,316
Tuition fees and education contracts	3	6,472	6,655
Other grants and contracts	4	293	134
Other income	5	1,784	2,221
Investment income	6	20	6
Fair value of net assets of Paston SFC	8	-	2,085
<b>Total Income</b>		<b>39,803</b>	<b>40,417</b>
<b>EXPENDITURE</b>			
Staff costs	9	29,955	29,094
Other operating expenses	10	8,961	8,500
Depreciation	13	1,359	1,404
Interest and other finance costs	11	583	664
<b>Total Expenditure</b>		<b>40,858</b>	<b>39,662</b>
<b>(Deficit) / Surplus before other gains and losses</b>		<b>(1,055)</b>	<b>755</b>
Loss on disposal of assets	13	-	-
<b>(Deficit) / Surplus before tax</b>		<b>(1,055)</b>	<b>755</b>
Taxation	12	-	-
<b>(Deficit) / Surplus for the year</b>		<b>(1,055)</b>	<b>755</b>
Unrealised surplus on revaluation of assets		-	-
Restricted reserve expenditure		(1)	(2)
Actuarial (loss) / gain in respect of pensions schemes	26	(5,865)	4,905
Actuarial impact of Paston staff transferring to NES	26		119
<b>Total Comprehensive Income for the year</b>		<b>(6,921)</b>	<b>5,777</b>
<b>Represented by:</b>			
<b>Unrestricted comprehensive income</b>		<b>(6,920)</b>	<b>5,779</b>
<b>Restricted comprehensive income</b>		<b>(1)</b>	<b>(2)</b>
		<b>(6,921)</b>	<b>5,777</b>

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

The notes on pages 37 to 66 form part of the financial statements.

# City College Norwich

## Statement of Changes in Reserves

	Income and Expenditure account	Restricted reserve	Revaluation reserve	Total
	£000	£000	£000	£000
<b>Balance at 1 August 2017</b>	(11,926)	107	7,709	(4,110)
Surplus from the income and expenditure account	755	-	-	755
Other comprehensive income / (expenditure)	5,024	(2)	-	5,022
Transfers between revaluation and income and expenditure reserves	196	-	(196)	-
	<u>5,975</u>	<u>(2)</u>	<u>(196)</u>	<u>5,777</u>
<b>Balance at 31 July 2018</b>	(5,951)	105	7,513	1,667
Deficit from the income and expenditure account	(1,055)	-	-	(1,055)
Other comprehensive income / (expenditure)	(5,865)	(1)	-	(5,866)
Transfers between revaluation and income and expenditure reserves	195	-	(195)	-
<b>Total comprehensive income for the year</b>	<u>(6,725)</u>	<u>(1)</u>	<u>(195)</u>	<u>(6,921)</u>
<b>Balance at 31 July 2019</b>	<u><u>(12,676)</u></u>	<u><u>104</u></u>	<u><u>7,318</u></u>	<u><u>(5,254)</u></u>

The notes on pages 37 to 66 form part of the financial statements.

# City College Norwich

## Balance sheet as at 31 July 2019

	Notes	2019 £000	2018 £000
<b>Non-Current Assets</b>			
Tangible fixed assets	13	28,025	28,516
Investments	14	2	2
		<b>28,027</b>	<b>28,518</b>
<b>Current assets</b>			
Trade and other receivables	15	2,023	1,692
Cash and cash equivalents	21	7,053	6,939
		<b>9,076</b>	<b>8,631</b>
<b>Less: Creditors – amounts falling due within one year</b>	16	(3,991)	(4,247)
<b>Net current assets</b>		<b>5,085</b>	<b>4,384</b>
<b>Total assets less current liabilities</b>		<b>33,112</b>	<b>32,902</b>
Less: Creditors – amounts falling due after more than one year	17	(10,491)	(10,624)
<b>Provisions</b>			
Defined benefit obligations	20, 26	(24,183)	(16,972)
Other provisions	20	(3,692)	(3,639)
<b>Total net assets</b>		<b>(5,254)</b>	<b>1,667</b>
<b>Restricted Reserves</b>		<b>104</b>	<b>105</b>
<b>Unrestricted reserves</b>			
Income and expenditure account		(12,676)	(5,951)
Revaluation reserve		7,318	7,513
<b>Total reserves</b>		<b>(5,254)</b>	<b>1,667</b>

The financial statements on pages 33 to 66 were approved and authorised for issue by the Corporation on 17 December 2019 and were signed on its behalf on that date by:



**Andrew Barnes**  
Chair



**Corrienne Peasgood**  
Accounting Officer

The notes on pages 37 to 66 form part of the financial statements.



**Statement of Cash Flows for the year ended 31 July 2019**

	Notes	2019 £000	2018 £000
<b>Cash flow from operating activities</b>			
(Deficit) / Surplus for the year		(1,055)	755
<b>Adjustment for non-cash items</b>			
Depreciation	13	1,359	1,404
(Increase) in debtors		(331)	(199)
(Decrease) in creditors due within one year		(423)	(994)
Increase in creditors due after one year		114	1,836
Increase/(decrease) in provisions		53	(334)
(Decrease) in restricted reserves	19	(1)	(2)
Pensions costs less contributions payable	26	1,346	1,523
Fixed assets and pension adjustment Paston SFC	8	-	(3,335)
Taxation		-	-
<b>Adjustment for investing or financing activities</b>			
Investment income	6	(20)	(6)
Interest payable	11	77	84
Taxation Paid		-	-
(Profit) on sale of fixed assets		-	(11)
<b>Net cash flow from operating activities</b>		<b>1,119</b>	<b>721</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of fixed assets		-	11
Investment income		20	6
Payments made to acquire fixed assets		(707)	(591)
		<b>(687)</b>	<b>(574)</b>
<b>Cash flows from financing activities</b>			
Interest paid		(77)	(84)
Repayments of amounts borrowed		(241)	(234)
		<b>(318)</b>	<b>(318)</b>
<b>Increase / (decrease) in cash and cash equivalents in the year</b>		<b>114</b>	<b>(171)</b>
Cash and cash equivalents at beginning of the year	21	6,939	7,110
Cash and cash equivalents at end of the year	21	7,053	6,939

The notes on pages 37 to 66 form part of the financial statements.

**Notes to the Accounts**

**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 2018 to 2019 and in accordance with Financial Reporting Standard 102 – “The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland” (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

**Basis of accounting**

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

**Controlling party**

City College Norwich is exempt from preparing consolidated accounts under FRS 102 section 9. The Corporation's parent undertaking, TEN Group includes the Corporation in its consolidated financial statements. The consolidated financial statements of TEN Group are prepared in accordance with the requirements of the Companies Act 2006, the applicable Accounting Standards in the United Kingdom, the Statement of Recommended Practice ('SORP 2015') 'Accounting and Reporting by Charities', and the Charities Act 2011 and are available to the public and may be obtained from City College Norwich, Ipswich Road, Norwich, NR2 2LJ.

**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 £1.1m of loans outstanding with bankers and £0.06m 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.

**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 directly 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.



## Notes to the Accounts

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

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

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

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

### 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.

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

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.

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 7 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.



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

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

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

**Investments**

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 College are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however the College has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instruments are stated on the balance sheet at historical cost. Loans and investments that are payable or receivable within one year are not discounted.

**Taxation**

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

The College is partially exempt in respect of Value Added Tax, so that it can only recover around 1% of the VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

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



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

**Provisions and contingent liabilities**

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

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

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

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

For further information on provisions see note 20.

**Agency arrangements**

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

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

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

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine of 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.

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 2016 has been used by the actuary in valuing the pensions liability at 31 July 2019. 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.

Student loan company balances are provided for on the following basis:

- 50% - for debts incurred between 2012-15 \*\*;
- We provide generally at 5% for debts greater than 1 year but post-2015; and
- 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.

\*\* Following a review of student loan company debts, we have changed (during 2018-19) the level of the provision for older debts. This is a change in estimation technique not a change in accounting policy and reflects the likely recoverability on these debts.

# City College Norwich

## Notes to the Accounts

### 2 Funding council grants

	Year ended 31 July 2019 £000	Year ended 31 July 2018 £000
<b>Recurrent grants</b>		
Education and Skills Funding Agency - adult	1,610	1,636
Education and Skills Funding Agency - 16-18	22,299	21,065
Education and Skills Funding Agency - apprenticeships	4,078	3,454
Local Authority	1,646	1,504
Office for students	434	805
<b>Specific Grants</b>		
Education and Skills Funding Agency	870	474
Releases of government capital grants	297	378
<b>Total</b>	<b>31,234</b>	<b>29,316</b>

### 3 Tuition fees and education contracts

	Year ended 31 July 2019 £000	Year ended 31 July 2018 £000
Adult education fees	120	207
Apprenticeship fees and contracts	114	141
Fees for FE loan supported courses	718	786
HE Fees (including higher apprenticeships)	4,074	4,619
Full cost provision	1,412	879
<b>Total tuition fees</b>	<b>6,438</b>	<b>6,632</b>
Education contracts	34	23
<b>Total</b>	<b>6,472</b>	<b>6,655</b>

### 4 Other grants and contracts

	Year ended 31 July 2019 £000	Year ended 31 July 2018 £000
Other grants and contracts	293	134
<b>Total</b>	<b>293</b>	<b>134</b>



# City College Norwich

## Notes to the Accounts

### 5 Other income

	Year ended 31 July 2019 £000	Year ended 31 July 2018 £000
Catering and residences	797	776
Other income generating activities	417	384
Non-government capital grants	-	22
Miscellaneous income	570	1,039
	<hr/>	<hr/>
<b>Total</b>	<b>1,784</b>	<b>2,221</b>
	<hr/>	<hr/>

### 6 Investment income

	Year ended 31 July 2019 £000	Year ended 31 July 2018 £000
Other interest receivable	20	6
	<hr/>	<hr/>
	<b>20</b>	<b>6</b>
	<hr/>	<hr/>

### 7 Donations

	Year ended 31 July 2019 £000	Year ended 31 July 2018 £000
Unrestricted donations	-	-
	<hr/>	<hr/>
<b>Total</b>	<b>-</b>	<b>-</b>
	<hr/>	<hr/>

# City College Norwich

## Notes to the Accounts

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

	Year ended 31 July 2019 £000	Year ended 31 July 2018 £000
<b>Fair value of net assets of Paston SFC</b>	<b>-</b>	<b>2,085</b>

No mergers have taken place during 2018/19. During the prior year, on the 30<sup>th</sup> November 2017, Paston Sixth Form College (PSFC) corporation dissolved and the staff, assets and liabilities transferred to City College Norwich. On transfer, the estate of Paston Sixth Form College was independently valued by Arnolds Keys LLP and this identified an increase in the value of its tangible fixed assets. A breakdown of the fair value of PSFC net assets that transferred to City College Norwich, and were shown within its 2017-18 financial statements, is shown below:

	Year ended 31 July 2018 £000
Net book value of net assets of Paston SFC at point of dissolution	963
Fair value adjustment- tangible fixed assets	1,122
<b>Fair value of Paston SFC net assets</b>	<b>2,085</b>

In addition to the fair value of the net assets transferred being recognised within the Statement of Comprehensive Income for the year ended 31 July 2018:

- All assets and liabilities that transferred were incorporated within the Balance Sheet of City College Norwich and were reflected in the Balance Sheet as at 31 July 2018 to the extent they remained assets and liabilities at that date; and
- A non-cash adjustment was also made to the Cash Flow Statement for the year ended 31 July 2018. This adjustment, which totalled £3,335k, represented the existing net book value of tangible fixed assets on transfer, (of £2,756k), an adjustment for the increase in tangible fixed assets as a result of the independent valuation, (of £1,122k), less PSFC pension liabilities for the year, (of £543k).

## City College Norwich

### Notes to the Accounts

#### 9 Staff Numbers and Costs

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

	2018 No.	2018 No.
Teaching staff	305	286
Non teaching staff	309	309
	<b>614</b>	<b>595</b>

#### Staff costs for the above persons

	Year ended 31 July 2019 £000	Year ended 31 July 2018 £000
Wages and salaries	17,649	16,912
Social security costs	1,549	1,477
Other pension costs	4,131	3,948
<b>Payroll sub total</b>	<b>23,329</b>	<b>22,337</b>
Contracted out staffing services	6,626	6,757
	<b>29,955</b>	<b>29,094</b>

#### 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 members of the Executive Team: Chief Executive Officer / Principal, Deputy and Assistant principals. Staff costs include compensation paid to key management personnel for loss of office.

	2019 No.	2018 No.
The number of key management personnel including the Accounting Officer was:	5	6



## Notes to the Accounts

## 9 Staff Numbers and Costs (continued)

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

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

	Key management personnel		Other Staff	
	2019 No.	2018 No.	2019 No.	2018 No.
£60,001 to £65,000	2	4	-	-
£70,001 to £75,000	1	-	-	-
£80,001 to £85,000	-	1	-	-
£90,001 to £95,000	1	-	-	-
£135,001 to £140,000	-	1	-	-
£150,000 to £155,000	1	-	-	-
	<b>5</b>	<b>6</b>	<b>-</b>	<b>-</b>

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

	Year ended 31 July 2019 £000	Year ended 31 July 2018 £000
Basic Salary	354	437
Performance related pay and bonus	10	15
Benefits in kind	-	1
	<b>364</b>	<b>453</b>
Pension contributions	61	71
<b>Total emoluments</b>	<b>425</b>	<b>524</b>

## City College Norwich

### Notes to the Accounts

#### 9 Staff Numbers and Costs (continued)

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

	Year ended 31 July 2019 £000	Year ended 31 July 2018 £000
Basic Salary	144	128
Performance related pay and bonus *	7	10
Benefits in kind	-	-
	<hr/> 151	<hr/> 138
Pension contributions	<hr/> 25	<hr/> 23

\* Amounts payable for performance related pay and bonus were awarded based on prior year basic salary.

The Corporation adopted AoC's Senior Staff Remuneration Code in March 2019 and will assess pay in line with its principles in the future. The remuneration package of the Accounting Officer is subject to annual review by the Business Committee of the Corporation who use Benchmarking information to provide objective guidance.

The Accounting Officer reports to the Chair of the Corporation, who undertakes an annual review of her performance against the College's overall objectives using both qualitative and quantitative measures of performance.

#### Relationship of Accounting Officer's pay and remuneration expressed as a multiple

	Year ended 31 July 2019
Accounting Officer's basic salary as a multiple of the median of all staff (see 1 below)	5.8
Accounting Officer's total remuneration as a multiple of the median of all staff (see 2 below)	5.9

#### Notes

- 1 The median of the basic salary of all staff is calculated on a full time equivalent basis.
- 2 The median of the remuneration of all staff is calculated by taking the median of the basic salary of all staff (full time equivalent basis) and combining this with the median of annual actual costs for all staff for (i) employer pension contributions (adjusted for full time basis), (ii) benefits-in-kind and (iii) overtime. No further amounts are remunerated to staff (i.e. no bonus/PRP is paid).

## City College Norwich

### Notes to the Accounts

#### 10 Other operating expenses

	Year ended 31 July 2019 £000	Year ended 31 July 2018 £000
Teaching costs	2,320	2,354
Non teaching costs	4,188	4,069
Premises costs	2,453	2,077
<b>Total</b>	<b>8,961</b>	<b>8,500</b>

#### Other operating expenses include:

	Year ended 31 July 2019 £000	Year ended 31 July 2018 £000
Auditors' remuneration:		
Financial statements audit	34	35
Other services provided by the financial statements auditors	-	-
Internal Audit fees	14	12
Losses on disposal of tangible fixed assets (where not material)	-	-
Hire of assets under operating leases	291	295

#### 11 Interest payable - Group and College

	Year ended 31 July 2019 £000	Year ended 31 July 2018 £000
On bank loans, overdrafts and other loans:	77	84
	<u>77</u>	<u>84</u>
Pension finance costs (note 26)	486	560
Pension finance costs (NES)	20	20
	<u>20</u>	<u>20</u>
<b>Total</b>	<b>583</b>	<b>664</b>

#### 12 Taxation

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



# City College Norwich

## Notes to the Accounts

### 13 Tangible fixed assets

	Land & Buildings - Freehold £000	Equipment £000	Assets in the course of construction £000	£000
<b>Cost or valuation</b>				
At 1 August 2018	44,077	13,573	-	57,650
Additions	22	504	342	868
Disposals	-	-	-	-
<b>At 31 July 2019</b>	<b>44,099</b>	<b>14,077</b>	<b>342</b>	<b>58,518</b>
<b>Depreciation</b>				
At 1 August 2018	(17,589)	(11,545)	-	(29,134)
Charge for the year	(694)	(665)	-	(1,359)
Elimination in respect of disposals	-	-	-	-
<b>At 31 July 2019</b>	<b>(18,283)</b>	<b>(12,210)</b>	<b>-</b>	<b>(30,493)</b>
<b>Net book value at 31 July 2019</b>	<b>25,816</b>	<b>1,867</b>	<b>342</b>	<b>28,025</b>
Net book value at 31 July 2018	26,488	2,028	-	28,516

#### Ipswich Road, Norwich

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

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

Land and buildings with a net book value of £7,317,613 (2018 - £7,513,077) have been financed by exchequer funds. Should these assets be sold, the College may be liable, under the terms of the Financial Memorandum with the Chief Executive of Skills Funding, to surrender the proceeds.

#### Paston, North Walsham

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

**Lawns site** - Freehold for the Lawns site with net book value of £2,709,000 transferred as at 1 December 2017. On transfer the Lawns site was independently valued by Arnolds Keys LLP. This identified an increase (upwards fair value adjustment) of £1,121,000 to the Lawns freehold (revised total fair value of £3,830,000). The net book value on transfer was funded by deferred ESFA capital grants of £1,877,825.

**Equipment** – equipment with a net book value of £47,000 transferred as at 1 December 2017. No fair value adjustment was required for this equipment.

## City College Norwich

### Notes to the Accounts

#### 13 Tangible fixed assets (continued)

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

#### 14 Non current Investments

	Year ended 31 July 2019 £000	Year ended 31 July 2018 £000
Investment - Other	2	2
<b>Total</b>	<b>2</b>	<b>2</b>

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

#### 15 Trade and other receivables

	Year ended 31 July 2019 £000	Year ended 31 July 2018 £000
Amounts falling due within one year:		
Trade receivables	452	397
Amounts owed by group undertakings:		
Subsidiary undertakings	-	8
Prepayments and accrued income	1,079	749
Amounts owed by the ESFA	491	536
Other Debtors	1	2
<b>Total</b>	<b>2,023</b>	<b>1,692</b>

## City College Norwich

### Notes to the Accounts

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

	Year ended 31 July 2019 £000	Year ended 31 July 2018 £000
Bank loans and overdrafts	186	180
Salix loan	60	60
Trade payables	453	980
Amounts owed to group undertakings:		
Subsidiary undertakings	3	33
Corporation Tax	-	-
Other taxation and social security	383	384
Accruals and deferred income	1,653	1,396
Deferred income - government capital grants	292	292
Amounts owed to the ESFA	517	513
Other Creditors	444	409
<b>Total</b>	<b>3,991</b>	<b>4,247</b>

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

	Year ended 31 July 2019 £000	Year ended 31 July 2018 £000
Bank loans	1,715	1,902
Salix loan	-	60
Deferred income - government capital grants	8,776	8,662
<b>Total</b>	<b>10,491</b>	<b>10,624</b>



## City College Norwich

### Notes to the Accounts

#### 18 Maturity of Debt

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

Bank loans and overdrafts are repayable as follows:

	Year ended 31 July 2019	Year ended 31 July 2018
	£000	£000
In one year or less	186	180
Between one and two years	194	187
Between two and five years	1,521	1,715
In five years or more	-	-
<b>Total</b>	<b>1,901</b>	<b>2,082</b>

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

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

##### (b) Salix loans

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

	Year ended 31 July 2019	Year ended 31 July 2018
	£000	£000
In one year or less	60	60
Between one and two years	-	60
Between two and five years	-	-
In five years or more	-	-
<b>Total</b>	<b>60</b>	<b>120</b>

#### 19 Restricted Reserves

	2019 Total £000	2018 Total £000
At 1 August	105	107
Expenditure	(1)	(2)
<b>At 31 July</b>	<b>104</b>	<b>105</b>

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

# City College Norwich

## Notes to the Accounts

### 20 Provisions

	Defined benefit Obligations	NES Pension	Enhanced pensions	Other	Total
	£000	£000	£000	£000	£000
At 1 August 2018	16,972	1,825	1,814	-	20,611
Expenditure in the period	(1,492)	-	(149)	-	(1,641)
Transferred from income and expenditure account	8,703	20	182	-	8,905
<b>At 31 July 2019</b>	<b>24,183</b>	<b>1,845</b>	<b>1,847</b>	<b>0</b>	<b>27,875</b>

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

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

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

The principal assumptions for this calculation are:

	2019	2018
Price inflation	2.20%	1.30%
Discount rate	2.00%	2.30%

### 21 Cash and cash equivalents

	At 1 August 2018	Cash flows	Other changes	At 31 July 2019
	£000	£000	£000	£000
Cash and cash equivalents	6,939	114	-	7,053
Overdrafts	-	-	-	-
<b>Total</b>	<b>6,939</b>	<b>114</b>	<b>-</b>	<b>7,053</b>

### 22 Capital commitments

	2019 £000	2018 £000
Commitments contracted for at 31 July	218	37

## 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	
	2019	2018
	£000	£000
<b>Future minimum lease payments due</b>		
<b>Land and buildings</b>		
Not later than one year	225	206
Later than one year and not later than five years	870	931
later than five years	524	741
	<u>1,619</u>	<u>1,878</u>
<b>Other</b>		
Not later than one year	66	92
Later than one year and not later than five years	154	73
later than five years	-	-
	<u>220</u>	<u>165</u>
<b>Total lease payments due</b>	<u><b>1,839</b></u>	<u><b>2,043</b></u>

#### 24 Contingent liabilities

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

There were no other contingent liabilities at 31st July 2019 (2018: £Nil).

#### 25 Events after the reporting period

There are no events after the reporting period



## City College Norwich

### Notes to the Accounts

#### 26 Defined benefit obligations

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

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2016. The triennial valuation for the LGPS was performed as at 31 March 2019 however the results of this have yet to be issued. The pension costs below are therefore based upon the results of the triennial valuation performed on 31 March 2016.

Total pension cost for the year	2019 £000	2018 £000
Teachers Pension Scheme: contributions paid	1,597	1,478
Local Government Pension Scheme:		
Contributions paid	1,492	1,411
FRS 102 (28) charge	860	963
Charge to the Statement of Comprehensive Income	2,352	2,374
Enhanced pension charge to Statement of Comprehensive Income	182	96
<b>Total Pension Cost for Year within staff costs</b>	<b>4,131</b>	<b>3,948</b>

Contributions amounting to £368k (2018: £347k) were payable to the scheme and are included in creditors

#### Local Government Pension Scheme Pooling Agreement and Guarantee

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 additional staff from other group academy members).

With effect from 1 December 2017, 25 administrative and support staff from Paston Sixth Form College TUPE transferred into NES following the merger between City College Norwich and Paston Sixth Form College (following the recommendation arising from the Area Review process). The Norfolk Pension Fund was advised of this transfer and the actuarial impact on the LGPS liabilities was accounted for in the 2017-18 financial statements.

**Notes to the Accounts**

**26 Defined benefit obligations (continued)**

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 £1,845k\*
- The original pension liability of £1,765k is being unwound in the annual accounts (since 2015-16) in recognition that the original liability was a discounted figure, the impact of the unwinding of the discount is a pension interest cost of £20,000 in year (accumulative £80,000).

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

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

**Teachers' Pension Scheme**

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

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. The TPS is an unfunded scheme and members contribute on a 'pay-as-you-go' basis – these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act. Retirement and other pension benefits are paid by public funds provided by Parliament.

Under the definitions set out in FRS 102, the TPS is a multi-employer pension plan. The College is unable to identify its share of the underlying assets and liabilities of the plan. Accordingly, the College has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined –contribution plan. The College has set out within this note, the information available on the plan and the implications for the College in terms of the anticipated contribution rates.

**Valuation of the Teachers' Pension Scheme**

The valuation of the TPS is carried out in line with regulations made under the Public Service Pension Act 2013. Valuations credit the teachers' pension account with a real rate of return assuming funds are invested in notional investments that produce that real rate of return.



**Notes to the Accounts**

**26 Defined benefit obligations (continued)**

The latest actuarial review of the TPS was carried out as at 31 March 2016. The valuation report was published by the Department for Education (the Department) in April 2019. The key results of the valuation are:

- Employer contribution rates will increase from 1 September 2019 to 23.68% of pensionable pay (prior to this the rate is 16.48% of pensionable pay, which was set by the 2012 valuation). This rate will be payable until 31 March 2023, the date of the next valuation;
- Total scheme liabilities for service to the effective date of £218.1 billion, and notional assets of £196.1 billion, giving a notional past service deficit of £22 billion;
- An employer cost cap of 15.1% of pensionable pay.
- The assumed real rate of return is 2.4% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.2%. The assumed nominal rate of return is 4.45%.

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/2019/04/valuation-report-release.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 £1,597k (2018: £1,478k).

**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 2019 was £1,859k, (£1,771k in 2017-18), of which employer's contributions totalled £1,492k (£1,411k in 2017-18) and employees' contributions totalled £367k (£360k in 2017-18). The contribution rates for future years are not yet confirmed – these will be released following the issue of the triennial valuation as at 31 March 2019 for the LGPS.

**McCloud Judgement (Public Service Pensions Age Discrimination Cases)**

When the LGPS Pension Scheme benefit structures were reformed, transitional protections were applied to certain older members close to normal retirement age. The benefits accrued from 1 April 2014 by these members are subject to an 'underpin' which means that they cannot be lower than what they would have received under the previous benefit structure. The underpin ensures that these members do not lose out from the introduction of the new scheme, by effectively giving them the better of the benefits from the old and new schemes.



## Notes to the Accounts

### 26 Defined benefit obligations (continued)

In December 2018 the Court of Appeal upheld a ruling ("McCloud/Sargeant") that similar transitional protections in the Judges' and Firefighters' Pension Schemes were unlawful on the grounds of age discrimination. The implications of the ruling are expected to apply to the LGPS (and other public service schemes) as well. The UK Government's application for leave to appeal to the Supreme Court was refused and with this decision it is understood that the Government's right to appeal is now fully exhausted.

As a result, the actuary has included an estimate of the cost of the impact of this judgement in 2018/19 financial statements. This impact amounts to £120k and this has been recognised as a past service cost in Statement of Comprehensive Income for 2018/19.

#### Guaranteed Minimum Pension (GMP)

On 26 October, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits, "GMP".

The Government is in the process of considering the action it will take following its recent consultation on GMP indexation in public sector schemes and has not yet concluded on any changes required to LGPS schemes. As a result of this uncertainty, and based on advice from the actuary, the impact of this judgement has not been taken into account by the actuary in its assessment of the pension costs.

#### Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2019 by a qualified independent actuary

	At 31 July 2019	At 31 July 2018
Rate of increase in salaries	2.70%	2.70%
Future pensions increases	2.40%	2.40%
Discount rate for scheme liabilities	2.10%	2.80%
Inflation assumption (CPI)	2.40%	2.40%

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 2019 years	At 31 July 2018 years
<i>Retiring today</i>		
Males	21.10	22.10
Females	23.50	24.40
<i>Retiring in 20 years</i>		
Males	22.40	24.10
Females	25.00	26.40

# City College Norwich

## Notes to the Accounts

### 26 Defined benefit obligations (continued)

#### 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 2019	Fair Value at 31 July 2019	Long-term rate of return expected at 31 July 2018	Fair Value at 31 July 2018
		£000		£000
Equities	2.1%	26,343	2.8%	25,415
Bonds	2.1%	18,439	2.8%	16,129
Property	2.1%	5,795	2.8%	5,865
Cash	2.1%	2,107	2.8%	1,466
<b>Total fair value of plan assets</b>		<b>52,684</b>		<b>48,875</b>
<b>Weighted average expected long term rate of return</b>	2.10%		2.80%	
<b>Actual return on plan assets</b>		<b>3,305</b>		<b>3,150</b>

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

	2019 £000	2018 £000
Fair value of plan assets	52,684	48,875
Present value of plan liabilities	(76,760)	(65,741)
Present value of unfunded liabilities	(107)	(106)
<b>Net pensions (liability) (Note 20)</b>	<b>(24,183)</b>	<b>(16,972)</b>

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

	2019 £000	2018 £000
<b>Amounts included in staff costs</b>		
Current service cost	2,232	2,360
Past service cost	120	14
<b>Total</b>	<b>2,352</b>	<b>2,374</b>

# City College Norwich

## Notes to the Accounts

### 26 Defined benefit obligations (continued)

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

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

	2019	2018
	£000	£000
Net pension finance cost	(486)	(560)
	<u>(486)</u>	<u>(560)</u>

#### Amounts recognised in Other Comprehensive Income

Return on pension plan assets	1,930	1,945
Experience losses arising on defined benefit obligations	3,976	(3)
Changes in assumptions underlying the present value of plan liabilities	(11,771)	2,963
Actuarial impact of Paston staff transferring to NES	-	119
<b>Amount recognised in Other Comprehensive Income</b>	<b><u>(5,865)</u></b>	<b><u>5,024</u></b>

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

	2019	2018
	£000	£000
Deficit in scheme at 1 August	(16,972)	(19,930)
Movement in year:		
Current service cost	(2,232)	(2,360)
Employer contributions	1,482	1,402
Contribution in respect of unfunded benefits	10	9
Past service cost	(120)	(14)
Net interest on the defined (liability)/asset	(486)	(560)
Effect of business combination and disposal	-	(424)
Actuarial gain or loss	(5,865)	4,905
<b>Net defined benefit pension (liability) as at 31 July</b>	<b><u>(24,183)</u></b>	<b><u>(16,972)</u></b>



# City College Norwich

## Notes to the Accounts

### 26 Defined benefit obligations (continued)

#### Asset and Liability Reconciliation

	2019	2018
	£000	£000
<b>Changes in the present value of defined benefit obligations</b>		
<b>Defined benefit obligations at start of period</b>	65,847	62,237
Current Service cost	2,232	2,360
Interest cost	1,861	1,765
Contributions by Scheme participants	367	360
Experience gains and losses on defined benefit obligations	(3,976)	3
Changes in financial assumptions	11,771	(2,963)
Estimated unfunded benefits paid	(10)	(9)
Estimated benefits paid	(1,345)	(1,293)
Past Service cost	120	14
Curtailments and settlements	-	-
Effect of business combination and disposals *	-	3,373
<b>Defined benefit obligations at end of period</b>	<b>76,867</b>	<b>65,847</b>
<b>Changes in fair value of plan assets</b>		
<b>Fair value of plan assets at start of period</b>	48,875	42,307
Interest on plan assets	1,375	1,205
Return on plan assets	1,930	1,945
Employer contributions	1,482	1,402
Effect of business combination and disposals *	-	2,949
Contributions by Scheme participants	367	360
Contribution in respect of unfunded benefits	10	9
Estimated unfunded benefits paid	(10)	(9)
Estimated benefits paid	(1,345)	(1,293)
<b>Fair value of plan assets</b>	<b>52,684</b>	<b>48,875</b>

\* These amounts relate to the merger of City College Norwich and Paston which occurred during 2017/18. The net effect of the business combination entries shown above - asset movement of £3,373k and liabilities movement of £2,949k - totals £424k. The £424k less the transferred opening balance of £543k represents the net movement in pension liabilities accounted for in NES for those staff that transferred employment to NES. Within 2018-19, the staff and liabilities associated with this opening liability are either included in the liability shown above, for those that continue to be employed by City College Norwich, or are included within the valuation for Norfolk Educational Services Ltd, for those that subsequently transferred under TUPE.

## City College Norwich

### Notes to the Accounts

#### 27 Related party transactions

Due to the nature of the College's operations and the composition of the Board of Governors (being drawn from the local public and private sector organisations) it is inevitable that transactions will take place with organisations in which a member of the Board of Governors may have an interest. All transactions involving an organisation in which a member of the board of governors may have an interest are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures

The College is within the Transforming Education in Norfolk Charitable Group (see note 28), the group entities and prior year comparatives have been disclosed below.

Name of related party	Relationship	Transaction Description	Amounts 2018/19	Balance outstanding at period end 2019	Amounts 2017/18	Balance outstanding at period end 2018
			£000	£000	£000	£000
The Forum Trust	Connected Business (1) (2)	Rents & service charges	62	8	58	(9)
Acer	Connected Business (2)	Membership / staff training / conference / project income	-	-	4	-
AOC	Connected Business (2)	Membership / staff training / agency staff	52	-	38	-
Mills and Reeve LLP	Connected Business (3)	Legal / conference income	n/a	n/a	27	2
Cambridge Access Validating Agency (CAVA)	Connected Business (4)	Exams / membership	26	-	28	-
Aviva	Connected Business (5)	Insurance	-	-	4	2
UEA	Connected Business (6)	Funding for HE delivery, validation charge, staff training	(194)	(75)	217	9
SEG Awards	Connected Business (7)	Exams	2	-	2	-
OFSTED	Connected Business (8)	Contracted staff time	n/a	n/a	(5)	-
Include	Connected Business (9)	Exam income	-	-	(4)	-
University Technical College Norfolk	Group Entity / Connected Business (4)	Student placements / print services / catering services	(3)	-	(3)	(3)

## City College Norwich

### Notes to the Accounts

Name of related party	Relationship	Transaction Description	Amounts 2018/19	Balance outstanding at period end 2019	Amounts 2017/18	Balance outstanding at period end 2018
			£000	£000	£000	£000
Norfolk Educational Services	Group Entity (5)	Shared services / staff recharges / tuition fees	5,106	3	5,336	32
City Academy Norwich	Group Entity (10)	Student placements / print services / minibuss hire	n/a	n/a	3	(2)
Norfolk Academies	Group Entity	Student placements / print services / staff training	3	-	2	(5)
Transforming Education in Norfolk	Group Entity	No transactions	-	-	-	-
NES Pension Liability	Group Entity	Pension liability	See disclosures in note 26.			
Norfolk CC Pension Fund	Charity SORP standard related party	Provision of LGPS	See disclosures in note 26.			
Teachers' Pension Scheme	Charity SORP standard related party	Provision of TPS	See disclosures in note 26.			

Amounts included accounting adjustments (accruals/prepayments)

Amounts shown in brackets are income/debtors

1. A Barnes is a Trustee of The TEN Board, The Forum Trust, Thursford Collection, N&N Festival. A. Barnes is also Non-Executive Director of N&N Festival Ltd, Director and Governor of Arden Grove Infant and Nursery School and Trustee and Director of Priscilla Bacon Norfolk Hospice Care Ltd.
2. C Peasgood is a Director of AoC and ACER, on the partnership board of the Norwich Opportunity Area and is a Trustee of The Forum Trust.
3. Z Virgin (resigned July 2018) is a partner at Mills and Reeve LLP.
4. J White is a Director of the Cambridge Access Validating Agency (CAVA), Governor of UTCN and Vice Chairman of Mixed Economy Group.
5. I Webb is a People Business Partner - Legal and Internal Audit at Aviva and Director of Norfolk Educational Services Board.
6. A Blanchflower is a Director of Student Academic Services at UEA and spouse is Vice Chancellor of UEA.
7. J Lanning - is a Trustee of SEG Awards (formerly ABC Awards), Sports Leaders UK awarding body, Member of Advisory Panel for Active IQ.
8. R Perry is contracted with OFSTED.
9. E Dale - spouse is Head of Include.
10. City Academy Norwich left the TEN group in 2017-18.

The total expenses paid to or on behalf of the Governors during the year was £750; 1 governor (2018: £nil; nil governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.



## City College Norwich

### Notes to the Accounts

#### 28 Controlling Party

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

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

#### 29 Amounts disbursed to students

##### Learner support funds

	2019 £000	2018 £000
Balance brought forward	94	201
Funding body grants – 16-19 bursary support	615	563
Funding body grants – Adult bursary support	-	-
Funding body grants – Advanced learner loans bursary support	185	160
Funding body grants – Capacity & delivery bursary support	17	-
Funding body grants – Care leaver bursary support	1	-
Other Funding body grants *	83	110
	<b>901</b>	<b>833</b>
Disbursed to students	(824)	(871)
Administration costs	(34)	(29)
Amount consolidated in financial statements	(77)	(40)
Amount returned to funding body	(7)	-
	<b>53</b>	<b>94</b>

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 2017/18 balance.