Paston Sixth Form College

Report and Financial Statements
for
2016/17

Key Management Personnel, Corporation and Professional Advisers

Key management personnel
Key management personnel are defined as members of the College Senior Leadership Team and consisted of the following in 2016/17:

Kevin Grieve, Principal and CEO; Accounting Officer
Nigel Belfield, Vice Principal Students, Curriculum and Quality (for period 1 August - 31 August 2016)
Sandra Emerson, Director of Curriculum (from 1 September 2016)
Ian Bloomfield, Director of Information and Resources (throughout – nb part-time from May 2017)
Dean Crosbie, Student Services Manager (from 1 September 2016)

Corporation Members
A full list of Corporation Members is given on pages 13-14 of this report.

Ms Liam Morton served as Clerk to the Corporation throughout the period.

Professional Advisers
Financial Consultant
Services as a part-time Financial Consultant were provided by:
(i) Joseph Santori, Vice Principal of East Norfolk Sixth Form College, for the period 1 August 2016 – 5 May 2017 under an arrangement between the two Colleges
(ii) Peter Pažítka, Group Financial Controller, Norfolk Educational Services Limited (NES) from May 2017 onwards under a service level agreement between the College and NES

***Financial statements auditors and reporting accountants*:**
KPMG LLP
Dragonfly House,
2 Gilders Way,
Norwich
NR3 1UB

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

***Bankers*:**
Lloyds Bank plc
3rd Floor
25 Gresham Street
London EC2V 7HN

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Report of the Governing Body

NATURE, OBJECTIVES AND STRATEGIES

The Members of the Corporation of Paston Sixth Form College ('The College'), ie its governing body, present their report and the audited financial statements for the year ended 31 July 2017.

Legal status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting the College now known as Paston Sixth Form College. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

Mission

The College's mission statement, as described in its strategic documentation approved by the Corporation in July 2016 has been as follows:

> "*To enable all students to achieve excellent educational outcomes and to inspire and equip them to realise their full potential.*"

Public Benefit

As noted above, the College is an exempt charity under Part 3 of the Charities Act 2011 and from 1 August 2011 is regulated by the Secretary of State for Education. The Members of its governing body, the Corporation, who are the trustees of the charity, are listed on pages 13-14. In setting and reviewing the College's strategic objectives, the Corporation has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. The guidance sets out the requirement that all organisations wishing to be recognised as charities must demonstrate, explicitly, that their aims are for the public benefit.

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

- high-quality teaching
- widening participation and learning, tackling social exclusion and increasing social mobility
- excellent progression record for students to higher education or employment
- strong student support systems
- links with employers, industry and commerce.

Implementation of strategic plan

The Corporation in July 2016 prepared a statement of its Strategic Objectives and a Development Plan for the period 1 August 2016 to 31 July 2017 and beyond. The Development Plan included stated assumptions on accommodation and financial forecasts. The Corporation monitors the performance of the College against these documents, which are reviewed and updated each year.

The College's Strategic Objectives in place for 2016/17 have been:

SO1 To deliver outstanding student achievement
SO2 To maximise student numbers against a falling local demographic
SO3 To aim to deliver a stable and sustainable financial position.

The College set a number of qualitative targets in order to achieve the Strategic Objectives. These targets were agreed by Corporation and presented in an Operational Plan which has been reviewed throughout the year.

Report of the Governing Body*(continued)*

Performance against these Strategic Objectives is summarised below:

- The College academic performance was as follows:

		2016/17		2015/16
Qualification results				
A level pass rate		99.3%		98.4%
A Level high grades *		52.8%		49.6%
AS level pass rate		92.0%		89.7%
AS level high grades *		40.5 %		39.7%
BTEC Extended Diploma		97.6 %		100.0%
BTEC high grades *		58.1%		60.0%
College retention				
A Level		96.9%		94.9%
AS level		91.6%		88.5%
Lesson attendance		92.5%		93.0%

* high grades are defined as A* - B for A Levels, A - B for AS levels and D*D*D* - DMM for BTEC Extended Diplomas.

- Recruitment of students eligible for funding from the Education and Skills Funding Agency (ESFA) decreased from 687 in 2015/16 to 594 in 2016/17.
- The enrolment of 594 students constituted 86.3% of the College's 16-19 ESFA target of 688 (based, because of lagged funding, on the previous year's enrolment figure, slightly adjusted by the funding agency).
- Recurrent ESFA funding decreased in 2016/17, being calculated, on a one-year lagged basis, on ESFA-adjusted funded student numbers for 2015/16 of 688 compared to the 2015/16 funding figure of 726 (reflecting enrolments in 2014/15).
- Employee retention has remained high and absenteeism low.

In terms of overall strategic direction, the intention at the start of 2016/17 was to continue to pursue and achieve the formation of a Multi Academy Trust with local schools, an initiative which had begun in 2015/16. However, as described below (see section on 'Recent developments') that strategic plan changed in the course of the year and has been re-focussed, via participation in the Department for Education's Area Review of all Further Education and Sixth Form Colleges in Norfolk and Suffolk, so as to concentrate on the development of a merger proposal with another College (City College Norwich). The merger is scheduled to occur on 1 December 2017.

Financial objectives

The College's overriding financial objective has been to utilise its funding for the benefit of its students in the delivery of high quality education. In managing its finances it stated the following objectives in its Strategic Plan for 2016/17:

- to maintain adequate financial reserves.

- to maintain adequate financial reserves.

It has wished to remain financially sound so as to achieve its overriding objective and to:

- protect itself from adverse changes such as the consequences of falling enrolments and/or increased costs
- generate sufficient income to enable the continued maintenance and improvement of its accommodation and equipment.

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

FINANCIAL POSITION

Performance indicators

The College is committed to observing the importance of sector measures and indicators and use the Sixth Form Colleges' benchmarks which look at measures such as success rates. The College is required to complete the annual Finance Record for the ESFA. The Finance Record produces a financial health grading. The College's 2016/17 financial health will be "Good".

Financial results

The College generated a deficit before other gains and losses in the year of £35k (2015/16: £48k deficit) with a total comprehensive income of £79k (2015/16 total comprehensive loss of (£198k)).

At the end of the year the College had accumulated reserves of £346k and cash balances of £1,216k.

Details of the College's income and expenditure for the year and its financial situation at 31 July 2017 are shown in the accounts from pages 26 to 50.

The College has significant reliance on the ESFA as its principal funding source, largely from recurrent grants. The ESFA recurrent grants represented 93.8% of the College's total income in 2016/17.

The College did not receive any capital grants in 2016/17 other than the Devolved Capital Grant.

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 Principal. All other borrowing requires the authorisation of the Corporation and shall comply with any requirements of the Funding Agreement.

Cash flows and liquidity

During the year there was a net operating cash inflow of £25k (2015/16 net outflow of -£21k). The overall cash flow impact for the year was a decrease of £13k as against a decrease of £63k in 2015/16.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

In 2016/17, the College received EFA recurrent funding of £2,740k (2015/16 £2,868k) which was based on a target of 688 students. As noted above, the College enrolled 594 students in the academic year.

Report of the Governing Body *(continued)*

Student achievements

The examination performance of Paston Sixth Form College students in 2016/17 can be summarised as shown in the table on page 6. As additional information:

- 24 subjects achieved 100% A-E pass rate at A Level (21 in 2015/16)
- 20 subjects each received over 50% A* – B pass rate (15 in 2015/16)
- students on vocational courses were again successful with BTEC Extended Diploma performance as shown on page 6. The 90 Credit Diploma for first-year BTEC students achieved a 92% pass rate (2015/16: 96%), noting the introduction of a new specification.

Curriculum developments

In 2016/17 the College's delivery has continued to be very much on Level 3 courses with 98% of students following A/AS or BTEC level 3 courses. (The only Level 2 courses in the year have been successful resit options for GCSE English and Maths). It has been considered in recent years that any Level 2 /L1 Curriculum would not be cost effective. Schools and the local community have in the past respected the decision to focus on good quality Level 3 A level and BTEC outcomes for our students and to provide progression routes to university and employment. This was also recognised by Ofsted in 2015 when they inspected the College's programmes of study and rated them good.

However, the curriculum offer is carefully and regularly reviewed and during 2016/17 planning and development work has been undertaken to widen the offer. As a result, in September 2017 the College has started a Level 2 Work Skills course which has recruited 11 learners. A range of new Level 3 academic vocational courses has also been introduced to meet the changes linked to the Sainsbury Report and Government Skills Plan. Courses include Computer Science, Performing Arts, Medical Science, Business, Criminology and Sports Science. This will give more opportunities to students who no longer want to study A levels and see vocational and diploma routes as a preferred option.

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95%.

In 2016/17 the College met the target and paid (>95% of) its suppliers within 30 days of the invoice receipt date.

Events after the end of the reporting period

Since the end of the reporting period, the Corporation has continued to progress plans for an intended merger with City College Norwich, culminating at its meeting on 28 November 2017 in completion of the deed which gives effect to the transfer of all its assets and liabilities to CCN at a stated time early on 1 December 2017, after which it will immediately dissolve (at 00.01) on that date.

Recent developments

Against a background of a declining demographic and financial challenge within the Further Education and Sixth Form College sector, the College has undertaken a prolonged period of strategic review, as reported in previous annual reports for 2014/15 and 2015/16. Having seriously considered, as the year began, the possibility of forming of a Multi Academy Trust with local schools, the Corporation subsequently concluded that merger with another college was the most realistic option to assure the future of post-16 educational provision in North Walsham and North East Norfolk. Within the context of the Area Review (Wave 5) of Norfolk and Suffolk Further Education and Sixth Form Colleges conducted by the Department for Education, a firm proposal has been developed to merge with City College Norwich by December 2017.

That Area Review recommendation has been accepted in principle by both Colleges in March 2017 and the merger process has proceeded at pace since that date with a planned completion date of 1 December 2017. (See also 'Future prospects' paragraph below).

Future prospects

The Corporation has engaged in a lengthy and wide ranging strategic evaluation both before and during the Area Review referred to above. It has concluded that the opportunity to merge with City College Norwich is the way forward, leading to a single, financially strong institution. The Colleges have jointly developed a business plan for the merged organisation which demonstrates this.

The combined College will then be able to build on the respective strengths of its constituent parts in continuing to provide high quality post-16 education and a broad learning offer in North East Norfolk to meet local needs.

The merger has the potential to be extremely beneficial to the community in extending the choice of courses available to local students and potentially reducing travel to learn distances to access those opportunities. The strong technical and vocational staffing expertise at City College Norwich will allow for an increased vocational offer within North Walsham and North East Norfolk across a variety of subjects.

It is also envisaged that Paston's excellent A level provision will continue under the merger. There are already very good progression rates into higher education [noting that 62% of Paston leavers in summer 2017 went on to university] and there will be further opportunity to provide access to higher education courses for adults at North Walsham.

Accordingly, the merged institution will be well placed to respond to the forthcoming changes in the education system following the reform of 16-18 education and the introduction of the choice of Academic or Technical routes, creating "bridges" between the two pathways.

RESOURCES

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

Tangible resources include the Lawns and Griffons sites as well as the playing fields at Station Road. (The Griffons and Station Road sites are controlled by the Paston Foundation* - the title to that land being vested in the Official Custodian for Charities in trust for the charity - but are managed, insured and maintained by the College) [*formerly the Paston College Foundation until 15 November 2017]

Financial

The College has £1,052k of net assets (including £697k pension liability) and no long term debt.

People

During 2016/17, the College employed on average 55 full time equivalent [FTE] staff, of whom 27 FTE were teaching staff.

Reputation

The College has a good reputation locally and nationally. Maintaining a quality brand remains essential for the College to be successful in attracting students and developing external relationships.

PRINCIPAL RISKS AND UNCERTAINTIES

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

Report of the Governing Body *(continued)*

Based on the strategic plan, the Senior Leadership 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. In addition to the annual review, the Senior Leadership Team also considers any risks which may arise as a result of a new area of work being undertaken by the College.

A risk register is maintained at the College level which is reviewed at least annually (and more frequently where necessary) by the Finance and General Purposes Committee and the Audit Committee and approved by the Corporation on their recommendation. 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.

The resulting key risks are regularly reviewed by the Corporation and its Committees. Internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions.

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

The management of risks is also assisted by a programme of work which the Corporation commissions annually from its internal auditors.

Outlined below is a description of the principal risk factors that have been identified as affecting 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. *Recruitment*

   The College operates in an extremely competitive market for A level study. Competitors include one Sixth Form College, a large FE College, three medium sized and academically successful Sixth Forms and a number of small school Sixth Forms. In 2013 a Free School for 16-19 A level study opened in Norwich and an additional 11-19 Free School opened there in 2014, along with a University Technical College (UTC) aimed at 14-19 year old students.

   In addition, the increase in university fee levels, the increase in transport costs and the declining demographic situation for 16-19 year olds are putting increased pressure on student recruitment.

2. *Government funding*

   Like most Sixth Form Colleges, Paston has considerable reliance on continued government funding through the ESFA. As noted above, 93.8% of the College's income came from ESFA recurrent funding in 2016/17.

   There are continuing concerns in the sector about having sufficient resources to deliver the curriculum effectively. This is exacerbated by:

   - the fact that the base level of funding has failed to keep pace with inflation over a number of years
   - employment costs have been higher as a result of increases in employer's statutory National Insurance payments as well as in the contribution rates of staff pension schemes.

   This risk is mitigated in a number of ways:

   - having a regular dialogue with the ESFA and organisations which represent sector colleges (the Sixth Form Colleges' Association, Association of Colleges and Association of Colleges in the Eastern Region)
   - developing the curriculum to meet the changing needs of post-16 education

- striving to recruit sufficient numbers of students against a background of falling demographic and increasing competition
- carefully monitoring the detailed financial plan which identifies the financial impact of delivering the College's strategic plan: this has included an on-going review of costs to ensure the College delivers value for money and is operating as efficiently as possible.

3. *Maintain adequate funding of pension liabilities*

   The financial statements report the share of the local government pension scheme deficit on the College's balance sheet in line with the requirements of FRS 102 "The Financial Reporting Standard".

Overall, the action taken to mitigate risks relating to sustainability has been the development of the merger proposal described in the above section on 'Recent developments'.

STAKEHOLDER RELATIONSHIPS

In line with other colleges and with universities, Paston Sixth Form College has many stakeholders. These include:

- students
- parents and carers of students
- staff
- the Paston Foundation [*formerly the Paston College Foundation until 15 November 2017]
- education sector funding bodies
- Sixth Form College Commissioner
- local employers (with specific links)
- Local Authorities
- Local Enterprise Partnership (LEP)
- the local community
- other educational institutions
- trade unions
- professional bodies.

The College has recognised the importance of these relationships and of those with a range of education providers (schools, colleges and HE providers) and engaged in regular communication with them through various channels.

In particular, as part of the process relating to its proposed merger with City College Norwich, the Corporation has conducted during 2016/17 a statutory public consultation with its stakeholders and has subsequently published a formal response in September 2017.

Equal opportunities

The College is committed to ensuring equality of opportunity its students and staff. The College respects and values positively differences in race, gender, sexual orientation, ability, class and age. It strives to remove conditions which place people at a disadvantage and to combat bigotry actively. This policy is resourced, implemented and monitored on a planned basis. The College's Equality and Diversity Policy is published on the College's website and Intranet.

The College undertakes equality impact assessments on all new policies and procedures and publishes the results and on existing policies and procedures on a prioritised basis.

Report of the Governing Body *(continued)*

Disability statement

The College seeks to achieve the objectives set down in the Equality Act 2010. For example:

- Access/egress arrangements for disabled persons (including wheelchair users) are monitored by the Health and Safety Officer through the Health and Safety Committee and works are undertaken where necessary.
- The College's Student Services provides information and advice, and arranges support where necessary, for students with disabilities.
- There is a list of specialist equipment which the College can make available for use by students.
- The admissions policy for all students is published on the College website. Appeals against a decision not to offer a place are dealt with under the Complaints Procedure.
- The College carefully monitors and records in its annual Self Assessment Report (SAR) the academic performance of students with disabilities. In 2016/17 the achievement rate of students with a disability was above that of others on A level courses.
- The College has a small team of specialist staff who offer support, including individual learning support in the Study Skills Centre.
- Information on counselling and welfare services is provided to all students on enrolment, together with the Complaints and Disciplinary Procedures. Students have online access to information via the College Virtual Learning Environment (VLE), available on and off-site via the internet.
- The College considers all applications for employment 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 are, as far as possible, identical to those for other employees.

DISCLOSURE OF INFORMATION TO AUDITORS

The Members who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the College's auditors are unaware; and each Member has taken all the steps that he or she can reasonably 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 28 November 2017 and signed on its behalf by:

Nicola Lucking

N Lucking
Chair

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure.

The College endeavours to conduct its business:

- in accordance with the seven principles identified by the Committee on Standards in Public Life (the Nolan Committee), ie selflessness, integrity, objectivity, accountability, openness, honesty and leadership; and

- having due regard to the principles and guidance in the Financial Reporting Council's UK Corporate Governance Code 2014 insofar as they are applicable to the Sixth Form College sector.

The Corporation 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. We have not adopted and therefore do not apply the UK Governance Code but 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.

As noted above, the College is an exempt charity within the meaning of Part 3 of the Charities Act 2011. The Corporation Members, who are also the Trustees for the purposes of that Act, confirm that they have had due regard for the Charity Commission's guidance on public benefit and that the required statements appear elsewhere in these financial statements (see page 5).

The Corporation

The Members who served on the Corporation during 2016/17 and up to the date of signature of this report were as follows:

Name	Date of initial appointment (if continuous)	End of term of office or (R) date resigned	Category	Committees served during period from 1.8.16 to 28.11.17	Attendance (present/ possible mtgs from 1.8.16 to 28.11.17)	
Corporation Members (ie Governors)					Corp	Ctte
Mr David Ablett (Vice Chair)	1 January 2010 (previously Co-opted Committee Member wef 20 July 2005)	31 July 2018 or Corporation's dissolution date if earlier	Non-restricted	F&GP (Chair) Remuneration (Chair) Joint Steering Group	10/13	15/16
Mr Stephen Baker	22 October 2008 (as Parent Member), appointed as Foundation Member wef 5 November 2009	As above	Foundation	S&G	8/13	0/0
Mr Noel Bartram	19 December 2013	As above	Non-restricted	F&GP	8/13	7/9
Ms Hannah Begley	1 August 2017	As above	Student	CQS	1/4	0/1
Mrs Diana Clarke	12 March 2009	As above	Non-restricted	F&GP Remuneration	12/13	8/11
Mr Richard Dennison	1 August 2012	As above	Foundation	Audit	10/13	2/3
Ms Ellen de Tarrier	6 February 2017	As above	Staff	-	10/10	0/0
Ms Laura (Lou) Flood	1 August 2013	6 September 2016 (R)	Staff	CQS	0/0	0/0
Mr Owen Fuller	17 October 2016	31 July 2017	Student	CQS	1/8	0/3
Mr Kevin Grieve	1 September 2012	Ex officio	Principal	CQS F&GP Joint Steering Group	13/13	18/18

Name	Date of initial appointment (if continuous)	End of term of office or (R) date resigned	Category	Committees served during period from 1.8.16 to 28.11.17	Attendance (present/ possible mtgs from 1.8.16 to 28.11.17)	
Mr Francis Harmer	1 August 2015 (previously Co-opted Ctte Member from 1 August 2012 to 31 July 2014 and with prior continuous service as a Corporation Member from 1 Nov 1994 to 31 July 2012)	31 July 2018 or Corporation's dissolution date if earlier	Non-restricted	F&GP Audit Joint Steering Group (1 meeting)	11/13	12/13
Ms Kitty Hawkins	1 August 2016	7 September 2016 (withdrew from College)	Student	CQS	0/0	0/0
Mr Nigel Horner-Glister	30 September 1992	31 July 2018 or Corporation's dissolution date if earlier	Non-restricted	F&GP	12/13	9/9
Dr Robert Knee	21 October 2014	31 July 2018 but will cease at Corporation's dissolution date if earlier	Non-restricted	CQS	8/13	2/4
Dr Vivienne Lennox	16 December 2009 (as Parent Member), appointed to Non-restricted category wef 1 August 2012	31 July 2018 or Corporation's dissolution date if earlier	Non-restricted	CQS S&G Audit (from 24.11.16 – 14.12.16)	12/13	4/5
Ms Nicola Lucking (Chair)	14 July 2004	As above	Non-restricted	CQS (Chair), S&G Remuneration Joint Steering Group (Joint Chair)	12/13	11/11
Mr Richard McGreevy	29 March 2006	31 July 2018 but will cease at Corporation's dissolution date if earlier	Non-restricted	Audit (Chair)	11/13	3/3
Mr Lewis Millard	1 August 2016	31 July 2017	Student	CQS	1/9	0/3
The Rev'd Nigel Paterson	1 August 2013	31 July 2018 or Corporation's dissolution date if earlier	Foundation	CQS	8/13	4/4
Ms Georgina Reynolds	1 August 2017	As above	Student	CQS	0/4	0/1
Mr Peter Stibbons	1 August 1999 (in Non-restricted category), appointed as Foundation Member wef 3 April 2014	31 July 2018 but will cease at Corporation's dissolution date if earlier	Non-restricted / Foundation	S&G (Chair) CQS Audit	10/13	5/7
Dr Clive Stockton	15 December 2004	31 July 2018 or Corporation's dissolution date if earlier	Non-restricted	Audit	3/13	1/3
Ms Helen Williams	1 August 2013	As above	Staff	CQS	13/13	4/4
Co-opted Committee Member (with Observer status at Corporation)						
Mr Michael Ward	14 December 2015	As above	Co-opted	CQS	N/A	3/4

The Clerk to the Corporation is Ms Liam Morton.

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

Notes:

- 'Non-restricted' Members are those who are not appointees under any of the other categories of Membership specified in the Instrument and Articles (Principal / Staff / Student / Parent / Foundation) and who have been appointed by the Corporation because it considers them to have the necessary skills to ensure that it carries out its functions.

- 'Foundation' Members are those appointed by the Corporation who have been nominated by the Paston Foundation [formerly the Paston College Foundation until 15 November 2017] under the provisions of the Instrument and Articles of Government.

It is the Corporation's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct and in 2016/17 held meetings on nine occasions.

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 including health and safety and environmental issues. The Corporation meets at least four times a year.

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 and their frequency are:

Committee	*Usual frequency*	*2016/17 frequency*
Finance and General Purposes	At least five times a year	Met six times
Audit	At least three times a year	Met twice on grounds of efficiency
Remuneration	At least once a year	Met twice
Curriculum, Quality and Standards	At least once a term	Once each term
Search and Governance Committee	As needed	Did not meet during reporting period

Additionally, in 2016/17 a formal joint committee (the Joint Steering Group) was established with City College Norwich to oversee the process for the proposed merger of the colleges in 2017/18.

Confirmed minutes of all meetings, except those deemed to be confidential by the Corporation, are available from the Clerk to the Corporation at:

Paston Sixth Form College
Grammar School Road
North Walsham
Norfolk NR28 9JL

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

All Corporation Members 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 Corporation for ensuring compliance with all applicable procedures and regulations. The appointment, evaluation and removal of the Clerk are matters for the Corporation as a whole.

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

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

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

There is a clear division of responsibility in that:

- the respective roles of the Corporation, the Principal and the Clerk, as defined in the College's Articles of Government, are carefully maintained in practice
- the roles of the Chair and Principal are separate and defined
- similarly the approved Terms of Reference for each Committee, referred to above, specify which responsibilities have been delegated by the Corporation
- individual policies, when approved, make reference where appropriate to any limits on powers delegated to management.

Corporation performance

All Committees self-assess their performance annually in relation to the powers and responsibilities specified in their Terms of Reference and the outcomes are reported to and considered by the Corporation. Corporation members also complete a self-assessment questionnaire which explores a large number of governance aspects. The results are reported to the Corporation along with any recommendations for development.

Appointments to the Corporation

Any new appointment to the Corporation is a matter for the consideration of the Corporation as a whole. The Corporation's recruitment practices are set out in its Standing Orders. The Corporation has a Search and Governance Committee, consisting of four Members of the Corporation, which is responsible for the selection and nomination (for the Corporation's consideration) of any new Member in the 'non-restricted' category as defined above (ie Members other than the Principal or those nominated by staff or students or parents or the Paston Foundation [formerly the Paston College Foundation until 15 November 2017]). In all cases - irrespective of the source of the membership nomination - the Corporation is the appointing authority. 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 and may be reappointed within the parameters stated in the Corporation's Standing Orders.

Remuneration Committee

Throughout the year ending 31 July 2017, the Corporation's Remuneration Committee comprised three Members of the Corporation. The Committee's responsibilities are to make recommendations to the Corporation on the remuneration and benefits of the Principal and other Senior Postholders and of the Clerk to the Corporation. Details of remuneration of the Principal and other Senior Postholders for the year ended 31 July 2017 are included in note 5 to the financial statements.

Audit Committee

The Audit Committee comprises five Members of the Corporation (excluding the Principal, Chair and Student Members) and has provision for an additional Co-opted Member. The Committee operates in accordance with written Terms of Reference approved by the Corporation.

The Audit Committee usually meets on a termly basis – except, as in 2016/17 if business can be more efficiently covered in two meetings within the year - and provides a forum for reporting by the College's internal, regularity and financial statements auditors, who have access to the Committee for independent discussion without the presence of College management.

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 Committee.

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

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

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

Internal Control

Scope of responsibility

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

The Corporation has delegated the day to day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with the responsibilities assigned to him in the Funding Agreement between Paston Sixth Form College and the ESFA (hereafter referred to as the Funding Agreement). He is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control

As noted above, 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 Paston Sixth Form College for the year ended 31 July 2017 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2017 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

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

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

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

Paston Sixth Form College has an internal audit service, which operates in accordance with the requirements of the *Joint Audit Code of Practice* issued by the then EFA and SFA (now the ESFA from April 2017). 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. At minimum annually, the College's internal audit service provides the Corporation with a report on internal audit activity in the College. The report includes the internal audit service'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. His 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 who have responsibility for the development and maintenance of the internal control framework
- comments made by the College's financial statements auditors and the regularity auditors in their management letters and other reports.

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

The Principal and Senior Leadership Team receive reports setting out key performance and risk indicators and consider possible control issues brought to their attention by early warning mechanisms which are embedded within the College and reinforced by risk awareness training. The Principal and Senior Leadership Team and the Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high level review of the arrangements for internal control. The Corporation's receives regular reports on the consideration of risk and control from its Committees which have been asked to monitor specific risks. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

At its meeting in July 2017 the Corporation approved the Annual Report on Risk Management in respect of 2016/17, as recommended to it by the Audit Committee. Subsequently, at its November 2017 meeting, the Corporation has finalised the annual assessment for the year ended 31 July 2017 by considering documentation from the Principal, the Audit Committee - including that Committee's Annual Report - and the internal audit service, and has taken account of events since 31 July 2017.

Based on the advice of the Audit Committee and the Principal, the Corporation is of the opinion that:

(a) the College has an adequate and effective framework for governance, risk management and control and

(b) as a governing body it has fulfilled its statutory responsibility for "*the effective and efficient use of resources, the solvency of the institution and the body and the safeguarding of their assets*".

Going concern

The College has successfully recruited students on two-year programmes in September 2017 and has the financial strength to provide for their education to the completion of their studies in 2019. The latest financial plan for the College if standing alone and operating on an independent basis generates financial health grades over the three years to 2019 of Good (2017), Satisfactory (2018) and Satisfactory (2019).

However, although it currently has a relatively strong balance sheet, the College is in a declining financial position due to both the increase in competition from school sixth forms and the decline in the age 16-18 cohort.

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

The Corporation has recognised this and over the past two years has been engaged in seeking an appropriate partnership so as to sustain and secure teaching and learning for post 16 students in North East Norfolk. In this regard the College played its full part in the Department of Education's Area Review during 2016/17 of post 16 education in Norfolk and Suffolk. The review confirmed that the College needed a merger partner and the resulting recommendation in March 2017 that there be a merger between Paston Sixth Form College and City College Norwich by December 2017 has been fully supported by the Corporations of both institutions.

Detailed planning, consultation and due diligence processes have been satisfactorily completed and accordingly on 1 December 2017 the Corporation of Paston Sixth Form College will be transferring its assets and liabilities, its student and its staff to City College Norwich and will then immediately dissolve. Operations will continue under the aegis of City College Norwich.

Since by virtue of the merger Paston Sixth Form College will no longer exist as a legal entity from that date, it cannot be said to be a going concern. However, as noted, it is clear that its activities will continue within the merged College. It is handing on to City College Norwich at the transfer date the delivery of programmes underway and those intended for 2018/19, along with all its resources. Therefore it is considered reasonable not to make any adjustments to the preparation of the accounts to 31 July 2017. As noted, City College Norwich becomes from 1 December 2017 the responsible body and its future Report and Financial Statements will address the assurances to be given for the resulting merged College.

Approved by order of the Members of the Corporation on 28 November 2017 and signed on its behalf by:

Nicola Lucking

N Lucking
Chair

K Grieve
Principal as Accounting Officer

Corporation'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 (ESFA) of material irregularity, impropriety and non-compliance with ESFA terms and conditions of funding, under the Funding Agreement in place between the College and the ESFA. As part of our consideration we have had due regard to the requirements of the Funding Agreement.

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

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

Approved by order of the Members of the Corporation on 28 November 2017 and signed on its behalf by:

N Lucking
Chair

K Grieve
Principal as Accounting Officer

Statement of the Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the Funding Agreement with the Education and Skills Funding Agency (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 for 2016/17* issued by the then EFA and SFA (now the ESFA from April 2017). 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; and
- prepare financial statements on the going concern basis unless it is inappropriate to assume that the College will continue in operation *(see note 1 to the financial statements)*

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

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

The maintenance and integrity of the College website is the responsibility of the 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 Funding Agreement 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 to safeguard public and other funds and to ensure they are used properly. In addition, Members of the Corporation are responsible for securing economical, efficient and effective management of the College's resources and expenditure so that the benefits that should be derived from the application of public funds from the ESFA are not put at risk.

Approved by order of the Members of the Corporation on 28 November 2017 and signed on its behalf by:

Nicola Lucking

N Lucking
Chair

Independent Auditor's Report to the Corporation of Paston Sixth Form College

Opinion

We have audited the financial statements of Paston Sixth Form College ("the College") for the year ended 31 July 2017 which comprise the Statements of Comprehensive Income and Expenditure, Statements of Changes in Reserves, Total assets less current liabilities, Statement of Cash Flows and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2017, and of the College's income and expenditure, gains and losses, changes in reserves, and cash flows, for the year then ended; and

- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland,* and with the 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education.*

Basis for opinion

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

Emphasis of matter – Non-going concern basis of preparation

We draw attention to the disclosure made in note 1 to the financial statements which explains that whilst the College will dissolve on 1 December 2017 after the merger with City College Norwich and the financial statements have been prepared on a non-going concern basis, no adjustments have been made to the financial statements as the activities of the College will continue in the newly merged entity.

Other information

The Corporation is responsible for the other information, which comprises the Report of the Governing Body, the Corporation's Statement of Corporate Governance and Internal Control and the Corporation's Statement on the College's Regularity & Propriety and Compliance with Funding Body Terms and Conditions of Funding. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

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

Matters on which we are required to report by exception

Under the Post-16 Audit Code of Practice 2016 to 2017 (March 2017) issued jointly by the Skills Funding Agency and the Education Funding Agency we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Corporation's responsibilities

As explained more fully in their statement set out on page 21, the Corporation is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the College or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

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

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

S Beavis

Stephanie Beavis 30 **November 2017**

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

Dragonfly House,
2 Gilders Way,
Norwich
NR3 1UB

Reporting accountant's assurance report on regularity to the Corporation of Paston Sixth Form College and the Secretary of State for Education acting through the Education Funding Agency

In accordance with the terms of our engagement letter dated 1st November 2017 and further to the requirements of the funding agreement with Education and Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Paston Sixth Form College during the 1st August 2016 to 31 July 2017 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

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

Respective responsibilities of Paston Sixth Form College and the reporting accountant

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

Our responsibilities for this engagement are 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 1st August 2016 to 31 July 2017 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

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

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

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

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

The work undertaken to draw our conclusion included:

- Documenting the framework of authorities which govern the activities of the College;
- Undertaking a risk assessment based on our understanding of the general control environment and any weaknesses in internal controls identified by our audit of the financial statements;

- Reviewing the self-assessment questionnaire which supports the representations included in the Chair of Corporation 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 1st August 2016 to 31 July 2017 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

S Beavis

Stephanie Beavis
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

30 **November 2017**

Dragonfly House,
2 Gilders Way,
Norwich
NR3 1UB

Statements of Comprehensive Income and Expenditure

	Notes	2017 £'000	2016 £'000
INCOME			
Funding body grants	2	2,884	3,007
Other income	3	36	71
Investment income	4	2	4
Total income		**2,922**	**3,082**
EXPENDITURE			
Staff costs	5	2,187	2,296
Other operating expenses	6	644	650
Depreciation	9	107	163
Interest and other finance costs	7	19	21
Total expenditure		**2,957**	**3,130**
(Deficit) / surplus before other gains and losses		**(35)**	**(48)**
Gain / (Loss) on disposal of assets		-	-
(Deficit) / surplus before tax		**(35)**	**(48)**
Taxation	8	-	-
(Deficit) / surplus for the year		(35)	(48)
Actuarial gain/ (loss) in respect of pensions schemes	19	114	(150)
Total Comprehensive Income / (Loss) for the year		**79**	**(198)**
Represented by:			
Unrestricted comprehensive income		79	(198)
Restricted comprehensive income		-	-
		79	(198)

Statements of Changes in Reserves

	Income and Expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Balance at 1st August 2015	426	745	1,171
Surplus/(deficit) from the income and expenditure account	(48)	-	(48)
Other comprehensive income	(150)	-	(150)
Transfers between revaluation and income and expenditure reserves	19	(19)	0
	(179)	(19)	(198)
Balance at 31st July 2016	247	726	973
Surplus/(deficit) from the income and expenditure account	(35)	-	(35)
Other comprehensive income	114	-	114
Transfers between revaluation and income and expenditure reserves	20	(20)	0
	99	(20)	79
Balance at 31st July 2017	346	706	1,052

Balance sheets as at 31 July

	Notes	2017 £'000	2016 £'000
Fixed assets			
Tangible fixed assets	9	2,771	2,839
		2,771	**2,839**
Current assets			
Trade and other receivables	10	127	88
Cash and cash equivalents	14	1,216	1,229
		1,343	**1,317**
Less: Creditors – amounts falling due within one year	11	(514)	(528)
Net current assets		**829**	**789**
Total assets less current liabilities		**3,600**	**3,628**
Less: Creditors – amounts falling due after more than one year	12	(1,851)	(1,893)
Provisions			
Defined benefit obligations	13	(697)	(762)
Total net assets		**1,052**	**973**
Unrestricted reserves			
Income and expenditure account	21	346	247
Revaluation reserve	20	706	726
Total unrestricted reserves		**1,052**	**973**

The financial statements on pages 26 to 50 were approved and authorised for issue by the Corporation on 28 November 2017 and were signed on its behalf on that date by:

Nicola Lucking

N Lucking
Chair

K Grieve
Accounting Officer

Notes on pages 30 to 50 form part of these financial statements.

Statement of Cash Flows

	Note	2017 £'000	2016 £'000
Cash inflow from operating activities			
Surplus/(deficit) for the year		(35)	(48)
Adjustment for non cash items			
Depreciation	9	107	163
Deferred capital grants released to income	2	(42)	(80)
Interest receivable and other investment income	4	(2)	(4)
Interest payable	7	19	21
Pensions costs less contributions payable	19	30	20
(Increase)/decrease in debtors and prepayments	10	(39)	(49)
Increase/(decrease) in creditors		(14)	(44)
Net cash flow from operating activities		**25**	**(21)**
Cash flows from investing activities			
Payments made to acquire fixed assets	9	(39)	(46)
		(39)	(46)
Cash flows from financing activities			
Interest received and other investment income	4	2	4
		2	4
Increase / (decrease) in cash and cash equivalents in the year		(13)	(63)
Cash and cash equivalents at beginning of the year	14	1,229	1,292
Cash and cash equivalents at end of the year	14	1,216	1,229

Notes

(forming part of the financial statements)

1. Accounting policies

Statement of accounting policies

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

Basis of preparation

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

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

Basis of accounting

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

Going concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Report of the Governing Body. The financial position of the College, its cash flow and liquidity are described in the Financial Statements and accompanying notes. The College currently has no borrowings and its forecasts and financial projections indicate that it has adequate resources to continue in operational existence to provide a full two-year study programme for students who enrolled in September 2017.

Future financial projections have been updated to reflect the number of enrolled students from September 2017. The latest financial plan shows the College is projected to have financial health grades over the three years to 2019 of Good (2017), Satisfactory (2018) and Satisfactory (2019).

However, on 1 December 2017, Paston Sixth Form College will merge with City College Norwich. Paston Sixth Form College will be dissolved and its assets and liabilities will transfer to City College Norwich. In these circumstances, given that Paston Sixth Form College will no longer exist as a separate legal entity from that date, it cannot be said to be a going concern and therefore these accounts have been prepared on a non-going concern basis. Nevertheless it is clear that its activities will continue within the merged College. Therefore it is considered reasonable not to make any adjustments to the preparation of these accounts to 31 July 2017 that may have been required if the College accounts were being prepared on a break up basis.

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. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

Notes *(continued)*
1. Accounting policies *(continued)*
Recognition of income *(continued)*

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

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual method as permitted by FRS 102. Other, non-governmental, capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the Balance Sheet and released to income as conditions are met.

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

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 (unless the funds relate to a designated fund held on the balance sheet with any interest related to these short term deposit is credited to the balance sheet as well.)

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 and there is insufficient information available to use defined benefit accounting. 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 multiemployer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

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

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

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

Short term Employment benefits

Short term employment benefits such as salaries and compensated absences (holiday pay) are recognised as an expense in the year in which the employees render service to the College. Any unused benefits are

Notes *(continued)*

1. Accounting policies *(continued)*
Short term Employment benefits *(continued)*

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.

Non-current Assets - Tangible fixed assets
Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Land and buildings

Freehold buildings and major refurbishments are depreciated on a straight line basis over their expected useful lives of 50 years. Minor refurbishments are depreciated over 10 years.

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

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

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

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued for the purposes of the 1994 financial statements, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

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.

Buildings owned by third parties

Where land and buildings are used, but the legal rights are held by a third party, for example a charitable trust, they are only capitalised if the College has rights or access to ongoing future economic benefit. In the case of assets owned by the Paston Foundation (formerly the Paston College Foundation until 15 November 2017), as future economic benefits will not flow to the College the value of the asset is not included in the accounts.

Equipment

Equipment costing less than £1,000 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost. Equipment inherited from the local education authority is included in the balance sheet at valuation. The IT equipment is capitalised irrespective of value.

Notes *(continued)*

1. Accounting policies *(continued)*

Non-current Assets - Tangible fixed assets - *Equipment (continued)*

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

Computer equipment, general equipment - 3 years
Motor vehicles and general equipment - 5 years
Full year's depreciation is posted in the year of acquisition.

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

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

Leased Assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term to the Statement of Comprehensive Income and Expenditure. Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as finance leases.

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.

Taxation

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

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

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.

Notes *(continued)*

1. Accounting policies *(continued)*

Provisions and contingent liabilities *(continued)*

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

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

Agency arrangements

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

Judgements in applying accounting policies and key sources of estimation uncertainty

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

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

Other key sources of estimation uncertainty

Tangible fixed assets - Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Local Government Pension Scheme - The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 19, 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 2017. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Notes *(continued)*

2. Funding body grants

	2017	2016
	£'000	£'000
Recurrent grants		
EFA recurrent grant	2,740	2,868
Specific grants		
EFA / SFA non recurrent grants	102	59
Release of deferred capital grants	42	80
	2,884	3,007

3. Other income

	2017	2016
	£'000	£'000
Materials charge to students	24	27
Paston Foundation support	-	25
Exam fee income	7	11
Other income	5	8
	36	71

4. Investment income

	2017	2016
	£'000	£'000
Other interest receivable	2	4
	2	4

Notes *(continued)*

5. Staff costs

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

	2017 Number	2016 Number
Teaching staff	**27**	31
Non-teaching staff	**28**	28
	55	59

	2017 £'000	2016 £'000
Staff Costs for the Above Persons		
Wages and salaries	**1,719**	1,838
Social security costs	**158**	141
Other pension costs (including FRS 102 adjustments of £30,000 (2016: £20,000)	**309**	317
	2,186	2,296
Restructuring costs	**1**	-
Total Staff Costs	**2,187**	2,296

Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and consists of the members of Senior Leadership Team. At the start of the year that Team comprised three staff - the Principal, the Vice Principal Students, Curriculum and Quality and the Director of Information and Resources. However, on the retirement of the Vice Principal with effect from 31 August 2016 the membership of the team increased to four for the remainder of the year, i.e. the Principal, the Director of Curriculum, the Director of Information and Resources (who became part-time with effect from May 2017) and the Student Services Manager.

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

	2017 No.	**2016 No**
The number of key management personnel including the Accounting Officer was:	5	4

Notes *(continued)*

5. Staff costs (continued)

The number of key management personnel and other staff who received emoluments, (excluding pension contributions and employer's national insurance but including benefits in kind) which if annualised would fall within the following ranges, was:

	Key Management Personnel		Other staff	
	2017	2016	2017	2016
	No.	No.	No.	No.
£40,001 to £50,000	2	1	*No requirement to disclose*	
£50,001 to £60,000	1	-	*No requirement to disclose*	
£60,001 to £70,000	1	2	-	-
£70,001 to £80,000	-	-	-	-
£80,001 to £90,000	-	1	-	-
£90,001 to £100,000	1		-	-
	5	**4**	**0**	**0**

Key management personnel compensation is made up as follows:

	2017	2016
	£'000	£'000
Salaries - gross of salary sacrifice and waived emoluments	240	202
Employers National Insurance	29	22
Benefits in kind	-	-
	269	224
Pension contributions	40	33
Total emoluments	**309**	**257**

There were no amounts due to key management personnel that were waived in the year, nor any salary sacrifice arrangements in place.

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

	2017	2016
	£'000	£'000
Salaries	93	88
Benefits in kind	-	-
	93	88
Pension contributions	15	14

Members of the Corporation who were also members of staff, including the Principal, did not receive any payments from the institution other than their salaries and reimbursement of expenses and subsistence in connection with their duties. The members of the Corporation other than the Accounting Officer and the staff members did not receive any payment from the institution.

Notes *(continued)*

6. Other operating expenses

	2017	2016
	£'000	£'000
Teaching costs	79	130
Non-teaching costs	410	351
Premises costs	155	169
	644	650

Other operating expenses include:

Auditors' remuneration:		
Financial statements audit	18	17
Internal audit	10	10
Hire of assets under operating leases	20	4

7. Interest and other finance costs

	2017	2016
	£'000	£'000
Net interest on defined pension liability (note 19)	19	21

8. Taxation

The members do not believe the College was liable for any Corporation Tax arising out of its activities during either year.

Notes *(continued)*

9. Tangible fixed assets

	Freehold Land and Buildings	Equipment	Assets in the Course of Construction	Total
	£'000	£'000		£'000
Cost or valuation				
At 1 August 2016	3,494	923	-	4,417
Additions	-	39		39
Disposals	(3)	(53)		(56)
At 31 July 2017	**3,491**	**909**	-	**4,400**
Depreciation				
At 1 August 2016	702	876	-	1,578
Charge for the year	62	45		107
Elimination in respect of disposals	(3)	(53)		(56)
At 31 July 2017	**761**	**868**	-	**1,629**
Net book value at 31 July 2017	**2,730**	**41**	-	**2,771**
Net book value at 31 July 2016	2,792	47	-	2,839
Represented by:				
Inherited	706	-	-	706
Financed by capital grants	1,892	-	-	1,892
Other	132	41	-	173
Net book value at 31 July 2017	2,730	41	-	2,771

Land and buildings (L&B) were valued for the purpose of the 1994 financial statements at depreciated replacement cost by the District Valuer at £1,185,400 on 1 April 1993.

Land and buildings at Market Street (The Lawns Site), with a net book value of £726,000 excluding improvements, were inherited from the Local Education Authority for nil consideration. Should these assets be sold, the College would either have to surrender the sale proceeds to the ESFA or use them in accordance with the funding agreement between the College and the ESFA.

Land with a net book value of £280,000 is not depreciated.

Notes *(continued)*

9. Tangible fixed assets (continued)

The College occupies land and buildings at Grammar School Road (The Griffons Site) and at Station Road which are controlled by The Paston Foundation. The title to the land is vested in the Official Custodian For Charities in trust for that charity. There is no formal agreement to occupy. The properties are maintained and insured by the College. The properties are not included in the balance sheet.

The property at Grammar School Road site was valued at depreciated replacement cost by the District Valuer at £1,664,314 on 1 April 1993.

10. Trade and other receivables

	2017	2016
	£'000	£'000
Amounts falling due within one year:		
Trade receivables	**20**	57
Prepayments and accrued income	**107**	31
	127	88

11. Creditors: amounts falling due within one year

	2017	2016
	£'000	£'000
Amounts owed to the ESFA	-	-
Payments received on account	**81**	110
Trade payables	**48**	59
Other taxation and social security	**78**	81
Deferred income – government capital grants	**41**	41
Accruals	**158**	116
Holiday pay accrual	**108**	121
	514	528

12. Creditors: amounts falling due after more than one year

	2017	2016
	£'000	£'000
Deferred income – government capital grants	**1,851**	1,893

Notes *(continued)*

13. Provisions

Defined Benefit Obligations

	2017	2016
	£'000	£'000
At 1 August	**762**	571
Reductions in the period (contributions to the scheme)	**(126)**	(111)
Additions in the period	61	302
At 31 July	**697**	762

Defined benefit obligations relate to the liabilities under the College's membership of the local government pension scheme. Further details are given in note 19.

14. Cash and cash equivalents

	At 1 August 2016	**Cash flows**	**Other changes**	**At 31 July 2017**
	£'000	**£'000**	**£'000**	**£'000**
Cash and cash equivalents	1,229	(13)	-	1,216
Overdrafts	-	-	-	-
Total	**1,229**	**(13)**	**-**	**1,216**

15. Capital commitments

	2017	2016
	£'000	£'000
Commitments contracted for at 31 July	-	-
Authorised but not contracted at 31 July	-	-

Notes *(continued)*

16. Lease obligations

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

Future minimum lease payments due

	2017	2016
	£'000	£'000
Equipment		
Not later than one year	**22**	4
Later than one year and not later than five years	**21**	5
later than five years	-	-
Total lease payments due	42	9

17. Contingent liabilities

There are no known contingent liabilities.

18. Events after the reporting period

Since the end of the reporting period, the Corporation has continued to progress plans for an intended merger with City College Norwich, culminating at its meeting on 28 November 2017 in completion of the deed which gives effect to the transfer of all its assets and liabilities to CCN at a stated time early on 1 December 2017, after which it will immediately dissolve (at 00.01) on that date.

Notes *(continued)*

19. Defined benefit obligations

The College's employees belong to two principal post-employment benefit plans: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Norfolk County Council. Both are multi-employer defined-benefit plans. The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2012 and of the LGPS 31 March 2016.

Total pension cost for the year		**2017**		**2016**
		£'000		**£'000**
Teachers' Pension Scheme: contributions paid		183		206
Local Government Pension Scheme:				
Contributions paid	96		91	
FRS 102 (28) charge	30		20	
Charge to the Statement of Comprehensive Income (staff costs)		126		111
Enhanced pension charge to Statement of Comprehensive Income		-		-
Total Pension Cost for Year		**309**		**317**

Contributions amounting to £34,000 (2016: £ 37,000) were payable to the scheme and are included in creditors.

Teachers' Pension Scheme

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

Notes *(continued)*

19. Defined benefit obligations *(continued*

The Teachers' Pension Budgeting and Valuation Account

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

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

Valuation of the Teachers' Pension Scheme

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

- employer contribution rates were set at 16.48% of pensionable pay (including administration fees of 0.08%);
- total scheme liabilities for service to the effective date of £191,500 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176,600 million giving a notional past service deficit of £14,900 million;
- an employer cost cap of 10.9% of pensionable pay;
- the assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

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

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location:
https://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx

Notes *(continued)*

19. Defined benefit obligations *(continued)*

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 £183,000 (2016: £206,000)

FRS 102 (28)

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

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

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Norfolk County Council. The total contribution made for the year ended 31 July 2017 was £120,000, of which employer's contributions totalled £96,000 and employees' contributions totalled £24,000. The agreed contribution rates for future years are 20.7% for employers and range from 5.5% to 12.5% for employees, depending on salary.

Notes *(continued)*

19. Defined benefit obligations *(continued)*
Local Government Pension Scheme *(continued)*

Principal Actuarial Assumptions

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

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

Commutation:

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

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

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

Sensitivity analysis	**At 31 July 2017**	At 31 July 2016
	£'000	£'000
Discount rate +0.1%	81.4	82.8
Discount rate -0.1%	-81.4	-82.8
CPI rate +0.1%	70.2	54.8
CPI rate -0.1%	-70.2	-54.8

Notes *(continued)*

19. Defined benefit obligations *(continued)*
Local Government Pension Scheme *(continued)*

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

	Long-term rate of return expected at 31 July 2017	**Fair Value at 31 July 2017**	Long-term rate of return expected at 31 July 2016	Fair Value at 31 July 2016
		£'000		**£'000**
Equities	2.70%	1,681	2.40%	1,568
Bonds	2.70%	678	2.40%	717
Property	2.70%	298	2.40%	319
Cash	2.70%	54	2.40%	53
Total market value of assets		2,711		2,657
Weighted average expected long term rate of return	2.70%		2.40%	
Actual return on plan assets		**(61)**		**209**

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

	2017	2016
	£'000	£'000
Fair value of plan assets	2,711	2,657
Present value of plan liabilities	3,408	3,419
	-	-
Net pensions (liability)/asset (Note 19)	(697)	(762)

Notes *(continued)*

19. Defined benefit obligations *(continued)*
Local Government Pension Scheme *(continued)*

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

	2017	2016
	£'000	£'000
Amounts included in staff costs		
Current service cost	126	111
Past service cost	-	-
Total	**126**	**111**
Amounts included in investment income		
Net interest income / (expense)	(19)	(21)
	(19)	(21)
Amounts recognised in Other Comprehensive Income		
Changes in demographic assumptions	32	-
Return on pension plan assets	(61)	209
Experience losses arising on defined benefit obligations	299	28
Changes in assumptions underlying the present value of plan liabilities	(156)	(387)
Amount recognised in Other Comprehensive Income	**114**	(150)

Notes *(continued)*

19. Defined benefit obligations *(continued)*
Local Government Pension Scheme (Continued)

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

	2017 £'000	2016 £'000
Surplus/(deficit) in scheme at 1 August	(762)	(571)
Movement in year:		
Current service cost	(126)	(111)
Employer contributions	96	91
Past service cost	-	-
Net interest on the defined (liability)/asset	(19)	(21)
Actuarial gain or loss	114	(150)
Net defined benefit (liability) / asset at 31 July	**(697)**	**(762)**

Asset and Liability Reconciliation

	2017 £'000	2016 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	3,419	2,897
Current Service cost	126	111
Interest cost	83	105
Contributions by Scheme participants	24	25
Estimated benefits paid	(69)	(78)
Changes in demographic assumptions	(32)	-
Changes in financial assumptions	156	387
Experience gains and losses on defined benefit obligations	(299)	(28)
Past Service cost	-	-
Curtailments and settlements	-	-
Defined benefit obligations at end of period	3,408	3,419

Reconciliation of Assets

	2017 £'000	2016 £'000
Fair value of plan assets at start of period	2,657	2,326
Interest on plan assets	64	84
Return on plan assets	(61)	209
Employer contributions	96	91
Contributions by Scheme participants	24	25
Estimated benefits paid	(69)	(78)
Fair value of plan assets at end of period	2,711	2,657

Notes *(continued)*

20. Related party transactions

Paston Foundation

Under the College's Instrument of Governance, the Paston Foundation (formerly Paston College Foundation), an independent charitable trust, has the right to nominate four Corporation Members (whom the Corporation appoints), known as Foundation Members, *"for the purpose of securing, so far as practicable, that the established character of the institution (namely its character immediately before it began to be conducted by the Corporation) is preserved and developed and, in particular, that the institution is conducted in accordance with the provisions of any trust deed relating to it"*.

As a consequence of the above, the Paston Foundation is a related party within the terms of FRS 102 "The Financial Reporting Standard". As stated in note 9, the College continues to occupy land and buildings at Grammar School Road and at Station Road controlled by the Paston Foundation. The Foundation has made no charge to the College in respect of this occupancy. The College has paid maintenance and improvement costs connected with these two sites of £15k (2016 £39k, of which, as reported in note 3, the Foundation re-imbursed £25k to the College). These arrangements have been in place since the College's incorporation in 1993.

Corporation Members

Members of the Corporation who were also members of staff, including the Principal, did not receive any payments from the institution other than their salaries and reimbursement of expenses and subsistence in connection with their duties.

The members of the Corporation other than the Accounting Officer and the staff members did not receive any payment from the institution in 2016/17 (2015/16: £ NIL).

21. Amounts disbursed as agent

Learner support funds

	2017	2016
	£'000	£'000
Funding body grants – hardship support	112	132
Interest earned	0	0
	112	132
Disbursed to students	(76)	(72)
Administration fees	(4)	(4)
Amount reported as College income	(13)	(16)
Balance unspent as at 31 July, included in creditors	19	40

Funding body grants are available solely for students. In the majority of instances, the College only acts as a paying agent. In these circumstances, the grants and related disbursements are therefore excluded from the Statement of Comprehensive Income. The amount reported as income in the College's financial statements relates to payment of fees to the College.

The funding body grants for hardship support totalling £112,000 in 2016/17 includes £40,000 relating to 16-19 bursary which was unspent in the previous year and able to be carried forward.