Palmer's
COLLEGE

Report and Financial Statements
for the year ended 31 July 2017

Key Management Personnel, Board of Governors and Professional advisers

Key management personnel

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

Mark Vinall, Principal; Accounting officer
Alison Ross, Vice Principal, Student Services, Marketing & Liaison
Sue Davies, Vice Principal, Curriculum
Derek Griffiths, Vice Principal, Teaching, Learning & Quality Improvement
David Maynes, Vice Principal, Finance &Resources

From 31st July 2017, the college merged with Seevic College with the following Key management personnel

Dan Pearson, Principal & CEO; Accounting officer
David Dolling, Vice Principal Quality & Curriculum Development
Alison Ross, Director Learner Services – Palmer's Campus
Clare White, Director Learner Services & Projects – Seevic Campus
Sue Davies, Vice Principal Curriculum Operations - Palmer's Campus
Colleen Marshall, Vice Principal Curriculum Operations - Seevic Campus
John Revill, Vice Principal Partnerships Funding & Business Planning
Kerry Birch, Director of Human Resources & Communication
Steven Hendy, Chief Operating Officer

Accordingly, Seevic College has prepared this report and accounts and is responsible for their submission to the Education and Skills Funding Agency.

Following the merger with Seevic College on 31st July 2017, the Accounting Officer for the purposes of this report and financial statements is Dan Pearson, the Principal and Chief Executive of Seevic College

Board of Governors
A full list of Governors is given on page 15 of these financial statements.

Ms Janet Munn acted as Clerk to the Corporation throughout the period.

Professional advisers

Financial statements auditors and reporting accountants:

KPMG LLP
Dragonfly House
2 Gilders Way
Norwich
NR3 1UB

Bankers:

Lloyds Bank PLC
1 Legg Street
Chelmsford
Essex
CM1 1JS

Solicitors:

Birketts LLP
Brierley Place
New London Road
Chelmsford
Essex
CM2 0AP

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Report of the Governing Body

NATURE, OBJECTIVES AND STRATEGIES:

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

Legal status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting Palmer's College. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

Mission

Governors in January 2010 adopted the following mission statement:

"Palmer's College is committed to serving its community through excellent teaching and support for all students. The College aims to ensure that, in their pursuit of learning, students are enthusiastically engaged and successful in the achievements of their goals. It aims to widen their aspirations to take full advantage of a more globalised, inter-dependent world."

The principal activities of the College were aligned to the above, but during the 2016/17 financial year following the Area Review, the Board of Governors took a decision to merge with Seevic College with effect from 31 July 2017. As the property, rights and liabilities of the College have already transferred to Seevic College from that date, the governors have not prepared the 2016/17 financial statements on a going concern basis, but as the activities will continue within the merged College, no adjustments have been made to the preparation of the accounts. Refer to note 1 of the financial statements for more information.

Public Benefit

Palmer's College is an exempt charity under Part 3 of the Charities Act 2011 and following the Machinery of Government changes in July 2016 is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on page 15.

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

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

- Excellent teaching
- Support for all students
- All students enthusiastically engaged in learning
- Success in the achievement of their goals

- Widened aspirations to take advantage of a more globalised and inter-dependent world
- Links with Local Enterprise Partnerships (LEPs)

The delivery of public benefit is covered throughout the Members' Report.

Implementation of strategic plan

In July 2016, the College adopted a strategic plan for the period 1 August 2016 to 31 July 2019. The Corporation monitors the performance of the College against this plan through the operating statement. The strategic plan is reviewed and updated each year. The core business of Palmer's College is the delivery of the highest quality teaching and learning possible, within a culture of continuous improvement.

In December 2015, the College was inspected by Ofsted and graded as 'Requires Improvement'. This mirrored the College's self-assessment. The college has used the recommendations from the inspection to identify actions to improve the quality of teaching and learning on behalf of our learners.

The College's strategic priorities in 2016/17 are:

1. **Student Success**

Excellent teaching and learning leading to excellent student success rates and value added, with all students achieving their full potential.

2. **High Quality Individualised Study Programmes**

A responsive and high quality curriculum with careers and employability support that enables students to progress to the destination of their choice, whether that is higher education, training or employment.

3. **Financial Security**

Financial security to allow continual investment in resources and effective delivery of the Strategic Plan.

The College is on target for achieving these objectives.

Financial objectives

The College's financial objectives are to:

- achieve recruitment targets
- ensure financial resources are deployed to provide study programmes that meet the needs of our students
- ensure that the College's financial health is maintained at either outstanding or good in order to invest as much as possible in teaching and learning, based on the following:
    - maintaining a general reserve of at least 30% of income
    - maintaining cash days of 45 or more
    - achieve break-even (ignoring FRS102 Pension costs) by 31st July 2018
    - generating a cash inflow from operating activities by 31st July 2018
- continue to produce monthly management accounts, including an income and expenditure account, balance sheet, cash-flow forecast and capital forecast.

- maintain the confidence of funding bodies, suppliers and professional advisors by
  - providing financial and non-financial returns on time and in the agreed format
  - ensuring all returns requiring certification by auditors are unqualified and submitted on time
  - adhering to the college's policy to pay all suppliers within 30 days of receipt of an invoice.

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

Performance indicators

The College is committed to observing the importance of sector measures and indicators and uses the FE Choices data available on the GOV.UK website which looks at measures such as success rates. The College also completes the annual Finance Record for the Education and Skills Funding Agency (ESFA), which includes the following:

Key performance Indicator	**Measure/Target**	**Actual for 2016/17**
Education specific EBITDA as a % of income	1.03%	-2.20%
Staff costs as % of income	74.15%	77.70%
Operating cash flow	£88k	£(146)k
Adjusted current ratio	1.80	0.89
Borrowing as % of income	11.92%	11.83%
Reliance on ESFA income	90.84%	88.66%
Financial Health Score	**180 (Good)**	**120 (Satisfactory)**

The outturn was adversely affected by additional costs preparatory to the College's merger with Seevic College of £217,000. Hence, although the Financial Health rating is lower than the target, this is considered an acceptable outcome.

FINANCIAL POSITION

Financial results

The College generated a deficit before other gains and losses in the year of £864,000 (2015/16 – £184,000 deficit) with total comprehensive income of (£1,747,000) (2015/16 – (£1,304,000)). This amount is after the adjustments for pension liabilities. The position before these adjustments was a £544,000 deficit (2015/16 – £53,000 surplus). This includes net costs of £217,000 related to the merger.

The College has accumulated reserves of (£1,682,000) including pensions liability of £5,136,000 and cash balances of £1,397,000 as at July 2017.

Tangible fixed asset additions during the year amounted to £169,000. This was split between land and buildings £60,000 and equipment £109,000.

The College has significant reliance on the ESFA for its principal funding source, largely from recurrent grants. In 2016/17, the FE funding bodies provided 89% of the College's total income.

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.

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

Cash flows and liquidity

Net cash flow from operating activities was £146,000 outflow (2015/16 £386,000 inflow). However, this included £217,000 for merger costs. Therefore, this is considered adequate.

The size of the College's total borrowing and its approach to interest rates has been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cashflow. During the year this margin was comfortably exceeded.

Reserves Policy

The College has no formal Reserves Policy but recognises the importance of reserves in the financial stability of any organisation. The Income and Expenditure reserve stands at -£1,682,000 (2015/16 £65,000). However, this includes the pensions liability of £5,136,000 (2015/16 £3,933,000). The cash balance of £1,397,000 is more than sufficient to allow for the college's regular expenditure.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Financial health

The figures given in these accounts provide a Financial Health grading of "Satisfactory". This is lower than the planned Financial Health grading of "Good" and reflects greater than expected costs, largely due to the proposed merger with Seevic College.

During the year, Palmer's College and Seevic College agreed to the recommendation of the Essex Area Based Review of Further Education that the two colleges should merge. A Type B merger, in which Palmer's College would be dissolved and its assets and liabilities taken over by Seevic College was agreed and the merger took place on 31st July 2017. This merger is intended to allow for greater efficiency in provision of services and provide a stronger base from which to market its services and attract greater numbers of students.

Financial plans for the merged college have been produced and anticipate a return to "Good" financial health for 2017/18.

Student numbers

In 2016/17 the College has delivered activity that has produced £7,549,000 in main allocation funding (2015/16 – £8,659,000). The College had an average during the year of approximately 1,650 funded students.

Student achievements

Students prosper at Palmer's with the College maintaining its commitment to continual improvement as it serves the needs of the community. In 2016/17 the College's overall achievement rate was 86.6%. This is slightly above 2015/16 but in line with recent years' performance.

Curriculum developments

The College has for some years provided a mix of academic and vocational courses intended to best suit the needs of students in the area. It has introduced new courses in some areas and expanded areas of demand, such as Business Studies. The College admits any student who is capable of benefitting from study here, including some students with low levels of prior educational achievement. The merged College is reviewing its range of courses and is continuing to work with the 11-19 Planning and Development groups in Thurrock.

Courses have been designed to ensure students are able to move securely into the labour market and university depending on what is right for them.

Students are encouraged to consider what courses best suit their needs and considerable effort is placed on ensuring that they have a study programme that is suitable for them.

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 per cent. During the accounting period 1 August 2016 to 31 July 2017, the College achieved 91%. The College incurred no interest charges in respect of late payment for this period.

Events after the end of the reporting period

On 31st July 2017, the College merged with Seevic College, a GFE college in the vicinity, following a recommendation to that effect from the Greater Essex Area Review of Further Education. The combined college will have an annual income of around £24m. The Principal of Seevic College has now become the Principal and CEO of the merged College. It is intended to use the combined resources of the two institutions to provide a stronger college that can provide a range of courses more closely aligned to the needs of the local area. Due to the merger, the College repaid its bank loan of £858,000 on 1st August 2017.

Future prospects

The merged College is developing strategies on curriculum provision, on use of Estates, on marketing and other areas.

The local 16-18 population is expected to continue to decline up to the year 2019 but to increase substantially from 2020. The newly merged college intends to be ready for this expansion with a curriculum, covering academic, vocational and apprenticeship provision that will meet the needs of students.

It is also working on improving its quality of Teaching and Learning with the aim of having that improvement recognised by Ofsted within the next two years.

RESOURCES:

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

Tangible resources include the college site, on which a 125 year lease has now been obtained from the William Palmer College Educational Trust.

Financial
The College has £1,682,000 net liabilities (including £5,136,000 pension liability) and long term debt of £98,000.

People
The College employs 156 people (expressed as full time equivalents), of which 76 are teaching staff.

Reputation
The College maintains a good reputation locally although this has been affected by the 2015 Ofsted report. Maintaining a quality brand is essential for the College's success at attracting students and external relationships and the merged college is devoting considerable effort to ensure that the quality of teaching and learning is improved and that this improvement is recognised.

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.

Based on the strategic plan, the Audit and Risk Committee undertakes a comprehensive review of the risks to which the College is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the College. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions. In addition to the annual review, the Audit and Risk Committee will also consider 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 each meeting of the Audit and Risk Committee and more frequently by the Senior Management Team. 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.

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

1. *Risks associated with the Merger*
It is recognised that the merger of two colleges can increase uncertainty and involve a greater than usual degree of change. This is being mitigated by careful planning across a number of workstreams and communication with staff, students and stakeholders.

2. *Government funding*
The College relies on continued government funding through the education sector funding bodies for 89% of the College's revenue. This funding is based on student numbers. Although the government has promised no change to the headline funding per student before 2020, there can be no assurance that overall funding will not be changed (e.g. high needs provision) or that government policy and practice will remain the same. The College is developing a growth strategy, taking account of the opportunities of working with Seevic College

The College is aware of several issues which may impact on future funding,

- The local competition for post 16 provision
- The effect of an Ofsted rating of "Requires Improvement"
- The government's apprenticeship reform programme

This risk is mitigated in a number of ways:

- by rigorously promoting high quality from its teachers
- maintaining and managing key relationships with the various funding bodies;
- ensuring the College is focused on those priority sectors which will continue to benefit from public funding
- marketing and promotion of the College in the local area
- easily accessible enrolment processes
- regular dialogue with funding bodies

3. *Decline in perceived quality of provision*
The College needs to improve its reputation to attract increasing numbers of future students. It is therefore using its Quality Improvement Plan to improve the quality of teaching and learning which, apart from being an important aim in its own right, should impact positively on examination results and OFSTED assessments.

4. *Possible Loss of Key Personnel*
The College depends for its success on attracting and retaining staff who are sufficiently skilled in teaching or other areas to maintain and improve its services. Therefore, effective recruitment procedures and succession planning are used to maintain the necessary expertise.

5. *Child Protection and Safeguarding*
The majority of the College's students are under 18 years of age. The College therefore has policies and procedures in place to ensure, as far as possible, the safety of the young people who use its services. This includes remaining aware of potential risks to safety and well-being and acting to prevent them or minimise their impact.

6. *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 risk is mitigated by an agreed deficit recovery plan with Essex Pension Fund.

7. *Failure to maintain the financial viability of the College.*
The College's current financial health grade is classed as "Satisfactory" as described above. This is largely the consequence of one-off costs associated with the merger and also the decline in income following student number reductions. The continuing challenge to the College's financial position remains the constraint on further education funding arising from the ongoing cuts in public sector spending whilst maintaining the student experience. This risk is mitigated in a number of ways:

- By rigorous budget setting procedures and sensitivity analysis
- Regular in year budget monitoring
- Robust financial controls
- Exploring ongoing procurement efficiencies, including those arising from merger
- Using the financial position of the larger, merged, college to direct resources to priorities effectively

STAKEHOLDER RELATIONSHIPS

In line with other colleges and with universities, Palmer's College has many stakeholders. These include:

- Students;
- Education sector funding bodies;
- Sixth Form Commissioner;
- Staff;
- Local employers (with specific links);
- Local authorities;
- Local Enterprise Partnerships;
- The local community;
- Other FE institutions;
- Trade unions;
- Professional bodies;
- William Palmer College Educational Trust; and
- Palmer's College Governors.

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

Equality
Palmer's College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, gender, sexual orientation, disability, class, religion or belief and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively challenge any form of bias, prejudice or bigotry. This policy is resourced, implemented and monitored on a planned basis. The College's Equality Policy is published on the College's Intranet site.

The College publishes an Annual Equality Report and Equality Objectives to ensure compliance with all relevant equality legislation including the Equality Act 2010. The College undertakes equality impact assessments on all new policies and procedures and publishes the results. Equality impact assessments are also undertaken for existing policies and procedures on a prioritised basis.

The College considers all applications from disabled persons, bearing in mind the aptitudes of the individuals concerned. If an existing employee becomes disabled, every effort will be 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.

Disability statement

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

- As part of its accommodation strategy the College regularly undertakes an access audit;
- The College has staff who provide information, advice and arrange support where necessary for students with disabilities;
- The admissions policy for all students is described in the College Charter. Appeals against a decision not to offer a place are dealt with under the complaints policy;
- The College has made a significant investment in the appointment of specialist staff to support students with learning difficulties and/or disabilities. There are a number of learning consultants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities; and
- Counselling and welfare services are described in the College Student Guide, which is issued to students together with the Complaints and Disciplinary Procedure leaflets at induction.

Disclosure of information to auditors

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

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

Gordon Haines - 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. This statement covers the period from 1st August 2016 to 31st July 2017 and up to the date of approval of the dissolution of the College.

The College endeavours to conduct its business:

i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
ii. in full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges ("the Code"); and
iii. having due regard to the UK Corporate Governance Code 2014 insofar as it is applicable to the further education sector

The College is committed to exhibiting best practice in all aspects of corporate governance and in particular the College has adopted and complied with the Code. We have not adopted and therefore do not comply with the UK Corporate Governance Code. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the further education sector and best practice.

In the opinion of the Governors, the College complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2017. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times.

The College is an exempt charity within the meaning of Part 3 of the Charities Act 2011. The Governors, who are also the Trustees for the purposes of the Charities Act 2011, 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.

The Corporation

The members who served on the Corporation during the year and up to the date of the dissolution of the college were as listed in the table below.

A Foundation member is a Governor nominated by the William Palmer College Educational Trust.

The Corporation was dissolved on 31/07/2017. Five members were appointed to the board of Seevic College and are marked in the table below with an asterisk *.

	Date of Appointment	Term of office	Date of resignation	Status of appointment	Committees Served	Attendance 01.08.2016-31.07.2017
Clive Attwood	30/03/2016	4 years	16/09/2016	External	Chair: Corporation, Member: Search, Governance & Remuneration	100%
Graeme Loveland *	19/10/2015	4 years	31/07/2017	Foundation to 16/10/16 External from 17/10/16	Member: Audit and Risk to 16/10/16 Chair Corporation from 17/10/16	81.82%
Robert Avery *	15/12/2014	4 years	31/07/2017	External	Member: Search, Governance & Remuneration	90.91%
Clive Banbury	24/03/2014	4 years	31/07/2017	External	Member: Audit and Risk, Search, Governance & Remuneration	100%
Roger Key *	02/08/2016	4 years	31/07/2017	External	Member: Audit and Risk, Search Governance & Remuneration	72.73%
Rajan Mohile	18/10/2012	4 years	19/09/2016	External	Member: Search, Governance & Remuneration	0%
Geraldine Perks	14/07/2013	4 years	13/07/2017	External	Chair: Audit and Risk	90.91%
Glenn Phillips	24/03/2014	4 years	31/07/2017	External		90.91%
Kevin Sadler	24/03/2014	4 years	31/07/2017	External	Member: Search, Governance & Remuneration	72.73%
Stephen Finch	01/09/2015	4 years	17/10/2016	External		0%
Mark Vinall	01/09/2007	Term as Principal	31/07/2017	Principal		90.91%
Diane Wadey	18/05/2016	4 years	31/07/2017	Staff (Support)	Member: Audit and Risk	100%
Ritchie Naylor *	18/12/2013	4 years	31/07/2017	Staff (Teaching)		90.91%
Jaz Dupree	24/03/2016	1 year	07/02/2017	Student		16.67%
Rob Evans	24/03/2016	1 year	07/02/2017	Student		66.67%
Aza Mohammad	08/02/2017	1 year	31/07/2017	Student		40%
Daryl Cortez *	08/02/2017	1 year	31/07/2017	Student		40%

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

The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety and environmental issues. The Corporation meets each month apart from August.

The Corporation conducts certain business through two committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are

- Search, Governance & Remuneration
- Audit & Risk.

Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website at www.palmers.ac.uk or from the Clerk to the Corporation at:

Palmer's College
Chadwell Road
Grays
Essex RM17 5TD

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

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

Formal agendas, papers and reports are supplied to governors in a timely manner, prior to Corporation meetings. Briefings are 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.

There is a clear division of responsibility in that the roles of the Chairman and Accounting Officer are separate.

Appointments to the Corporation
Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search, Governance & Remuneration committee, consisting of five members of the Corporation, which is responsible for the selection and nomination of any new member for the Corporation's consideration. 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.

Corporation Performance
The Corporation carried out a self-assessment of its own performance for the year ended 31st July 2017 and graded itself as "Requires Improvement" on the Ofsted scale.

It noted that

- There remained some inconsistency in the overall quality of teaching and learning despite an improved picture
- The merger with Seevic had been agreed, progressed and merger date of 31st July was anticipated
- A draft lease from the William Palmer College Educational Trust should be in place by the end of July
- Safeguarding, Student Progress Monitoring & software training had been completed. Performance measures and data training were deferred until after merger

Subsequently, the merger on 31st July took place and the lease deed from the Trust was provided.

Remuneration committee
Throughout the year ending 31 July 2017, the College's Search, Governance and Remuneration committee comprised five members of the Corporation. The committee's responsibilities included making recommendations to the Corporation on the remuneration and benefits of the Accounting Officer and other key management personnel.

Details of remuneration for the year ended 31 July 2017 are set out in note 5 to the financial statements.

Audit and Risk Committee
The Audit and Risk Committee comprised four members of the Corporation (excluding the Accounting Officer and Chair). The Committee operates in accordance with written terms of reference approved by the Corporation.

The Audit and Risk Committee meets four times a year and provides a forum for reporting by the College's reporting accountants and financial statements auditors, who have access to the Committee for independent discussion without the presence of College management. The Committee also receives and considers reports from the main FE funding bodies as they affect the College's business.

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

The Audit and Risk Committee also advises the Corporation on the appointment of internal, reporting accountants and financial statements auditors and their remuneration for both audit and non-audit work as well as reporting annually to the Corporation.

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 Financial Memorandum between Palmer's College and the funding bodies. 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
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 Palmer's College for the year ended 31 July 2017 and up to the date of approval of the dissolution of the College.

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 the dissolution of the college. 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 governing body;

- regular reviews by the governing body of periodic and annual financial reports which indicate financial performance against forecasts;
- setting targets to measure financial and other performance;
- clearly defined capital investment control guidelines; and
- the adoption of formal project management disciplines, where appropriate.

Palmer's College has not appointed an internal audit service for the year ended 31st July 2017. For that year, the College management and Governors have assessed the internal controls and developed a Board Assurance Framework, clearly showing the mapping of assurance sources against the risks identified. The merged college has, however, appointed an internal audit service for 2017/18.

The College analysed the risks to which it was exposed and took the view, supported by the Audit & Risk committee, that no assurance reports were required for 2016/17.

Review of effectiveness
The Accounting Officer 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 executive managers within the College who have responsibility for the development and maintenance of the internal control framework; and
- comments made by the College's financial statements auditors and the reporting accountant for regularity assurance in their management letters and other reports.

The Accounting Officer has been advised on the implications of the result of his review of the effectiveness of the system of internal control by the Audit and Risk Committee, which oversees the obtaining of assurance and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The current Accounting Officer is the Principal and CEO of the merged college group covering both Palmer's and Seevic colleges.

The Senior Management Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training.

The Audit and Risk Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit and Risk Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

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

Going concern

The College merged with Seevic College on 31st July 2017 and its assets and liabilities transferred to the merged college at that date. As a result the College has repaid its bank loans in August 2017 and this is reflected in these accounts.

Its other liabilities, including pension liabilities have transferred and no further adjustments to the accounts were considered necessary.

The College cannot be considered a going concern since, by virtue of the merger, Palmer's College no longer existed as a legal entity after 31st July 2017. However, as noted, it is clear that its activities will continue within the merged College. It is handing on to Seevic College at the transfer date the delivery of programmes underway for 2017/18 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, Seevic College becomes from 1 August 2017 the responsible body and its future Report and Financial Statements will address the assurances to be given for the resulting merged College. As such, the governors have prepared the financial statements on a non-going concern basis.

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

Gordon Haines
Chair

Dan Pearson
Accounting Officer

Statement of Regularity, Propriety and Compliance

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

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

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.

Gordon Haines
Chair of Governors

D Pearson

Dan Pearson
Accounting Officer

Statement of Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the College's Funding Agreement with the ESFA, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the *2015 Statement of Recommended Practice – Accounting for Further and Higher Education* and with the *College Accounts Direction 2016 to 2017* issued by the ESFA, and which give a true and fair view of the state of affairs of the College and the result for that year.

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

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- assess the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless it either intends to liquidate the College or to cease operations, or have no realistic alternative but to do so (as explained in note 1, the members do not believe that it is appropriate to prepare these financial statements on a going concern basis).

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

The Corporation is responsible for keeping 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 Financial Memorandum with the ESFA and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the College's resources and expenditure, so that the benefits that should be derived from the application of public funds from the ESFA are not put at risk.

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

Gordon Haines
Chair

Independent Auditor's Report to the Corporation of Seevic College

Opinion

We have audited the financial statements of Palmer's College ("the College") for the year ended 31 July 2017 which comprise the Statements of Comprehensive Income and Expenditure, Statements of Changes in Reserves, Balance Sheet, Statement of Cash Flows and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2017, and of the College's income and expenditure, gains and losses, changes in reserves and cash flows for the year then ended; and
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland,* and with the 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education.*

Basis for opinion

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

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 the College dissolved on 31 July 2017 after the merger with Seevic College and that 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. Our opinion is not modified in respect of this matter.

Other information

The Corporation is responsible for the other information, which comprises the Members' Report and the Corporation's statement of corporate governance and internal control, 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 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 pages 22-23, the Corporation is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the College or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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

S Beavis

Stephanie Beavis
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
KPMG LLP, Dragonfly House, 2 Gilders Way, Norwich, NR3 1UB

14 December 2017

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

In accordance with the terms of our engagement letter dated 13th October 2017 and further to the requirements of the funding agreement with Education & 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 the Palmer's College during the period 1 August 2016 to 31 July 2017 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

This report is made solely to the corporation of Seevic 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 Seevic 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 Seevic College and the Education and Skills Funding Agency for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Seevic College and the reporting accountant

The corporation of Seevic 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 period 1 August 2016 to 31 July 2017 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

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

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

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

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

The work undertaken to draw our conclusion included:

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

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

Conclusion

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

SBeavis

Stephanie Beavis
For and on behalf of KPMG LLP, Reporting Accountant
Chartered Accountants
KPMG LLP, Dragonfly House, 2 Gilders Way, Norwich, NR3 1UB

14 December 2017

Statement of Comprehensive Income and Expenditure

	Notes	Year ended 31 July 2017	Year ended 31 July 2016
		£'000	£'000
INCOME			
Funding body grants	2	7,940	9,100
Other grants and contracts	3	132	94
Other income	4	846	766
Total income		**8,918**	**9,960**
EXPENDITURE			
Staff costs	5	6,771	7,052
Other operating expenses	6	2,004	2,116
Merger expenses	23	217	-
Depreciation	8	648	834
Interest and other finance costs	7	142	142
Total expenditure		**9,782**	**10,144**
(Deficit)/surplus before other gains and losses		**(864)**	**(184)**
Loss on disposal of assets	8	-	-
(Deficit)/surplus for the year		**(864)**	**(184)**
Unrealised surplus on revaluation of assets		-	-
Actuarial loss in respect of pensions schemes	20	(883)	(1,120)
Total Comprehensive Income/ (Loss) for the year		**(1,747)**	**(1,304)**
Represented by:			
Restricted comprehensive income/ (loss)		-	-
Unrestricted comprehensive income/ (loss)		**(1,747)**	**(1,304)**
		(1,747)	**(1,304)**

The notes on pages 32 to 50 form part of these financial statements

Statement of Changes in Reserves

	Income and expenditure account	Revaluation reserve	Restricted reserves	Total
	£'000	£'000	£'000	£'000
Balance as at 1st August 2015	1,369	-	-	1,369
Surplus/(deficit) from the income and expenditure account	(184)	-	-	(184)
Other comprehensive income/ (loss)	(1,120)	-	-	(1,120)
	(1,304)	-	-	(1,304)
Balance at 31st July 2016	65	-	-	65
Surplus/(deficit) from the income and expenditure account	(864)	-	-	(864)
Other comprehensive income/ (loss)	(883)	-	-	(883)
Total comprehensive income/ (loss) for the year	(1,747)	-	-	(1,747)
Balance at 31 July 2017	(1,682)	-	-	(1,682)

Balance sheet as at 31 July

	Notes	2017	2016
		£'000	£'000
Non current assets			
Tangible Fixed assets	8	7,532	8,011
Investments	9	-	-
Pensions asset		-	-
Total fixed assets		**7,532**	**8,011**
Current assets			
Trade and other receivables	10	185	158
Cash and cash equivalents		1,397	1,866
Total current assets		1,582	2,024
Creditors – amounts falling due within one year	11	(2,356)	(2,386)
Net current assets		**(774)**	**(362)**
Total assets less current liabilities		**6,758**	**7,649**
Creditors – amounts falling due after more than one year	12	(3,304)	(3,651)
Provisions			
Defined benefit obligations	14	(5,136)	(3,933)
TOTAL NET ASSETS		**(1,682)**	**65**
Unrestricted Reserves			
Income and expenditure account		(1,682)	65
Total unrestricted reserves		**(1,682)**	**65**

The financial statements on pages 28 to 50 were approved and authorised for issue by the Corporation on 12 December 2017 and were signed on its behalf on that date by:

Gordon Haines
Chair

Dan Pearson
Accounting Officer

Statement of Cash Flows

	Notes	2017	2016
		£'000	£'000
Cash flow from operating activities			
Surplus/(Deficit) for the year		(864)	(184)
Adjustment for			
Depreciation		648	834
(Increase)/decrease in debtors		(27)	14
Increase/(decrease) in creditors due within one year		20	(172)
Increase/(decrease) in creditors due after one year		(288)	(390)
Pensions costs less contributions payable		320	237
Adjustment for investing or financing activities			
Interest payable		45	47
Net cash flow from operating activities		(146)	386
Cash flows from investing activities			
Payments made to acquire fixed assets		(169)	(204)
		(169)	(204)
Cash flows from financing activities			
Interest paid		(42)	(45)
Interest element of finance lease rental payments		(3)	(2)
New unsecured loans		-	90
Repayments of amounts borrowed		(92)	(80)
Capital element of finance lease rental payments		(17)	(9)
		(154)	(46)
Increase / (decrease) in cash and cash equivalents in the year		**(469)**	**136**
Cash and cash equivalents at beginning of the year	15	1,866	1,730
Cash and cash equivalents at end of the year	15	1,397	1,866

The notes on pages 32 to 50 form part of these financial statements

Notes to the Accounts

1. Statement of accounting policies and estimation techniques

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 2016 to 2017* 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.

Going concern

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

Following the Area Review of Further Education, the college agreed to merge with Seevic College, a neighbouring college of General Further Education. The merger took place on 31st July 2017, on which date Palmer's College ceased to exist and its assets and liabilities were transferred in their entirety to Seevic College. The continuing college has an anticipated annual income of £24m and has set a three-year plan that entails remaining in surplus for 2016-17, 2017-18 and 2018-19.

In these circumstances, given that Palmer's College no longer exists 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.

These forecasts assume that student numbers will continue to fall until 2019 but stabilise thereafter. If the fall in student numbers is greater than anticipated then further expenditure reduction will be required.

At 31st July 2017, Palmer's College had £858,000 of loans outstanding with bankers on terms negotiated between 2006 and 2009. Due to the merger, these loans, together with break costs of £168,000, were repaid to the bank in August 2017. The merged college has taken out a new loan in 2016/17. Palmer's College also has a £120,000 interest free loan with Salix. The merged College's forecasts and financial projections indicate that it will be able to operate within the new facility and covenants for the foreseeable future.

Accordingly, these statements show the £858,000 bank loans as wholly repayable in one year.

The merged college will continue to be part of Essex Pension Fund and, as such, the pension liabilities are not deemed to have crystallised.

Recognition of income

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

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual model 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 in the Balance Sheet and released to income as conditions are met.

Accounting for post-employment benefits

Post-employment benefits to employees of the College are 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.

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

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

Essex Local Government Pension Scheme (LGPS)
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 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.

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

Short term Employment benefits

Short term employment benefits such as salaries and compensated absences (holiday pay) are recognised as an expense in the year in which the employees render service to the College. Any unused benefits are accrued and measured as the additional amount the College expects to pay as a result of the unused entitlement.

Non-current Assets - Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses except as stated below.

Land and buildings
The College operates from land and buildings owned by the William Palmer College Educational Trust ('the Trust'). It has full use of the land and buildings rent free.

The Charity Commission set out the use of the property as 'subject as hereinafter provided the Trustees shall permit the land and buildings to be appropriated and used for the purposes of a voluntary controlled school within the meanings of the Educational Acts 1944 to 1973.'

Whilst there is no defined expectation of the length of occupancy, it is accepted that the College will operate from the site for at least the next 100 years. The land and buildings owned by the Trust have been excluded from capitalisation on the basis that it is not practicable to obtain valuation of this benefit.

Buildings inherited from the Local Education Authority and building improvements made since incorporation are stated in the balance sheet at deemed cost less accumulated depreciation.

Buildings are depreciated over their expected useful economic life to the College of between 20 and 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 20 and 50 years.

Where buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred income account within creditors, and are released to the income and expenditure account over the expected useful economic life of the related asset on a 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.

On adoption of FRS 102, the College followed the transitional provision to retain the book value of buildings as deemed cost but not to adopt a policy of revaluations of these properties in the future.

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

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

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

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

• Education, catering and maintenance equipment	4 - 10 years on a straight-line basis
• Office equipment	4 - 10 years on a straight-line basis
• Computer equipment	4 years on a straight-line basis
• Furniture, fixtures and fittings	4 - 15 years on a straight-line basis.

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.

Borrowing costs

Borrowing costs are recognised as expenditure in the period in which they are incurred.

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

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

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

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

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 VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

Provisions and contingent liabilities

Provisions are recognised when

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

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

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

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

Judgements in applying accounting policies and key sources of estimation uncertainty

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

- One lease, for gym equipment is considered to be a finance lease, as the risks and rewards of ownership lie with the College as lessee. All other leases (for photocopiers and IT equipment) are treated as operating leases.
- It is considered that there are no indicators of impairment of the College's tangible assets.

Other key sources of estimation uncertainty

- *Tangible fixed assets*

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

- *Local Government Pension Scheme*

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 20, 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.

2 Funding body grants

	2017	2016
	£'000	£'000
Recurrent grants		
Education and Skills Funding Agency – adult	2	-
Education Funding Agency – 16-18	7,599	8,710
Specific grants		
ESFA Transition Grant	50	-
Releases of government capital grants	339	390
	7,990	9,100
Transition grant shown under merger costs (note 23)	(50)	-
Total	**7,940**	**9,100**

3 Other grants and contracts

	2017	2016
	£'000	£'000
Local Authorities (High Needs)	132	58
Sport England	-	36
Total	**132**	**94**

4 Other income

	2017	2016
	£'000	£'000
Catering	242	246
Lettings	9	16
Sports and Fitness Centre	318	308
Transport Income	57	57
College Trips	153	130
Non-government capital grants	50	-
Miscellaneous income	17	9
Total	**846**	**766**

5 Staff costs

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

	2017	2016
	No.	No.
Teaching staff	76	88
Non-teaching staff	80	83
	156	**171**

Staff costs for the above persons

	2017	2016
	£'000	£'000
Wages and salaries	4,964	5,317
Social security costs	460	419
Other pension costs	923	920
Payroll sub total	**6,347**	**6,656**
Contracted out staffing services	358	342
	6,705	**6,998**
Fundamental restructuring costs - Contractual	127	44
- Non contractual	76	10
	6,908	**7,052**
Less transfer to Merger costs (see Note 23)	(137)	-
Total Staff costs	**6,771**	**7,052**

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the Senior Management Team which comprises the Principal and 4 Vice Principals. Staff costs include compensation paid to key management personnel for loss of office.

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

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

The number of key management personnel whose annualised emoluments excluding pension contributions and employer's national insurance but including benefits in kind in the following ranges was:

	Key management personnel	
	2017	2016
	No.	No.
£60,001 to £70,000	3	3
£70,001 to £80,000	1	1
£80,001 to £90,000	-	-
£90,001 to £100,000	-	-
£100,001 to £110,000	-	-
£110,001 to £120,000.	1	1
	5	5

No other staff members annualised emoluments greater than £60,000 during the year

Key management personnel compensation is made up as follows:

	2017	2016
	£'000	£'000
Salaries	375	372
Termination benefits	99	-
Employers National Insurance Contributions	50	42
Benefits in kind	-	-
	524	414
Pension contributions	65	61
Total key management personnel compensation	**589**	**475**

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

The above emoluments include amounts payable to the Principal & Accounting Officer (who is also the highest paid senior postholder) of:

	2017	2016
	£'000	£'000
Salaries*	112	111
Benefits in kind	-	-
	112	111
Pension contributions	18	18
	130	129

* In addition the Principal and Accounting Officer received contractual compensation for loss of office (see below)

Compensation for loss of office paid to former key management personnel

	2017	2016
	£'000	£'000
Compensation paid to the former post-holders – contractual	14	-
Compensation paid to the former post-holders – non-contractual	73	-
Estimated value of other benefits, including provisions for pension benefits	2	-

	2017	2016
	Number	Number
The number of key management personnel including the Accounting Officer receiving compensation for loss of office was:	2	-

The severance payments were approved by the College's corporation committee on 28th June 2017.

The pension contributions in respect of the Principal and Accounting Officer and senior post-holders are in respect of employer's contributions to the Teachers' Pension Scheme and Local Government Pension Scheme and are paid at the same rate as for other employees

The members of the Corporation other than the Accounting Officer and the staff members did not receive any payment from the institution other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

6 Other operating expenses

	2017	2016
	£'000	£'000
Teaching costs	194	247
Non-teaching costs	1,244	1,252
Premises costs	566	617
Total	**2,004**	**2,116**

Other operating expenses include:	2017	2016
	£'000	£'000
Auditors' remuneration:		
Financial statements audit	24	21
Internal audit	-	3
Hire of assets under operating leases	138	136

7 Interest and other finance costs

	2017	2016
	£'000	£'000
On bank loans, overdrafts and other loans	42	45
On Finance leases	3	2
Pension finance costs (note 20)	97	95
Total	**142**	**142**

8 Tangible Fixed Assets

	Land and buildings	Equipment	Assets in the course of construction	Total
	Long leasehold			
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2016	9,700	5,410	-	15,110
Additions	60	109	-	169
Transfers	498	(498)	-	-
Disposals	-	(7)	-	(7)
At 31 July 2017	**10,258**	**5,014**	-	**15,272**
Depreciation				
At 1 August 2016	3,222	3,877	-	7,099
Charge for the year	477	171	-	648
Elimination in respect of disposals	-	(7)	-	(7)
At 31 July 2017	**3,699**	**4,041**	-	**7,740**
Net book value at 31 July 2017	**6,559**	**973**	-	**7,532**
Net book value at 31 July 2016	6,478	1,533	-	8011

The College occupies land and buildings at Chadwell Road, Grays which are owned by the William Palmer College Educational Trust. The title to the land is vested in the Official Custodian for Charities in trust for the charity. There is no formal agreement to occupy. The properties are maintained and insured by the College (for details please see note 21). The properties are not included in the balance sheet.

Inherited buildings were valued for the purpose of the 1994 financial statements at depreciated replacement cost by Essex County Council Property Services in accordance with the RICS statement of Asset Valuation Practice and Guidance notes. Other tangible assets inherited from Essex County Council at incorporation have been valued by the Corporation on a depreciated replacement cost basis with the assistance of independent professional advice.

Inherited buildings with a net book value of nil were funded by Essex County Council.

The net book value of equipment includes an amount of £43,000 (2015/16 – £60,000) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £17,000 (2015/16 – £9,000).

9 Investments

	2017	2016
	£	£
Investments in subsidiary company	1	1
Total	**1**	**1**

The College owns 100% of the issued ordinary £1 shares of Palmer's College Catering Limited, a company incorporated in England and Wales. The principal business activity of Palmer's College Catering Limited was that of vending machine sales but it ceased trading during 2012. The amount of issued share capital is £1

10 Trade and other receivables

	2017	2016
	£'000	£'000
Amounts falling due within one year:		
Trade receivables	3	7
Prepayments and accrued income	182	151
Total	**185**	**158**

11 Creditors: amounts falling due within one year

	2017	2016
	£'000	£'000
Loans and overdrafts	906	956
Obligations under finance leases	17	17
Trade payables	264	138
Other taxation and social security	129	122
Accruals and deferred income	471	496
Holiday Pay	230	267
Deferred income – government capital	339	390
Total	**2,356**	**2,386**

12 Creditors: amounts falling due after one year

	2017	2016
	£'000	£'000
Bank loans	-	-
Other Loan - Salix	72	114
Obligations under finance leases	26	43
Deferred income – government capital	3,206	3,494
Total	**3,304**	**3,651**

13 Maturity of Debt

(a) Loans and overdrafts

Loans and overdrafts are repayable as follows:

	2017	2016
	£'000	£'000
In one year or less	906	956
Between one and two years	48	48
Between two and five years	24	66
In five years or more	-	-
Total	**978**	**1,070**

The College has three loans over a 25 year period. The first loan started in January 2006 and was for £500k fixed at 6.025%. A variable loan started at the same time for £250k at 0.75% over base rate. A further fixed rate loan over 25 years started in February 2009 for £500k fixed at 4.965%.These three loans were all repaid in August 2017. The college also has a Salix loan, included in the accounts at £193k, repayable over 4 years. This loan is interest free. All of the loans are unsecured.

(b) Finance leases

The net finance lease obligations to which the College is committed are

	2017	2016
	£'000	£'000
In one year or less	17	17
Between one and two years	17	17
Between two and five years	9	26
In five years or more	-	-
Total	**43**	**60**

Finance lease obligations are secured on the assets to which they relate. This finance lease for Gym equipment was entered into in 2015/16

14

Provisions	**Defined benefit obligations**	**Total**
	£'000	**£'000**
At 1 August 2016	3,933	**3,933**
Expenditure in the period	(275)	**(275)**
Additions in period	1,478	**1,478**
At 31 July 2017	**5,136**	**5,136**

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government Pension Scheme. Further details are given in Note 20.

15 Cash and cash equivalents

	At 1 August 2016	Cash flows	Other changes	At 31 July 2017
	£'000	£'000	£'000	£'000
Cash and cash equivalents	1,866	(469)	-	1,397
Total	**1,866**	**(469)**	**-**	**1,397**

16 Capital and other commitments

	2017	2016
	£'000	£'000
Commitments contracted for at 31 July	-	-

17 Operating Lease obligations

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

	2017	2016
	£'000	£'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	-	-
Later than one year and not later than five years	-	-
Later than five years	-	-
	-	-
Other i.e. Computer Equipment and Photocopiers		
Not later than one year	97	123
Later than one year and not later than five years	179	219
Later than five years	-	-
	276	**342**

18 Contingent liabilities

The College is reporting no contingent liabilities

19 Events after the reporting period

On 31st July 2017, Palmer's College was dissolved and its assets and liabilities taken over in their entirety by Seevic College, Benfleet, Essex on 1 August 2017. The governing body of Seevic college has been reconstituted to include governors from both the former Seevic college and Palmer's college. An application is to be made rename the merged college "Seevic-Palmer's College". Loans totalling £858k were repaid to Lloyds bank on 1st August 2017, together with £168k early repayment charges.

In August 2017 an application has been made to Companies House to strike off Palmer's Catering Company Limited. This company is a wholly owned subsidiary of Palmer's College but has not traded for 3 years, has no assets or liabilities and a net value of just £1.

20 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 Essex Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Essex 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		429		504
Local Government Pension Scheme:				
Contributions paid	275		270	
FRS 102 (28) charge	223		142	
Charge to the Statement of Comprehensive Income		498		412
Enhanced pension charge to Statement of Comprehensive Income		-		-
Total Pension Cost for Year within staff costs		**927**		**916**

There were no outstanding or prepaid contributions at either the beginning or the end of the financial year.

Teachers' Pension Scheme

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

The Teachers' Pension Budgeting and Valuation Account

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

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

Valuation of the Teachers' Pension Scheme

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

- new employer contribution rates were set at 16.48% of pensionable pay (including administration fees of 0.08%);
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) 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 the TPS was implemented in September 2015. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

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

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

Scheme Changes

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

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

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

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

The pension costs paid to TPS in the year amounted to £429,000 (2016: £504,000)

FRS 102 (28)

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

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

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Essex County Council. The total contributions made for the year ended 31 July 2017 were £369,000, of which employer's contributions totalled £275,000 and employees' contributions totalled £94,000. The agreed contribution rates for future years are 16.3% for employers and range from 5.5% to 12.5% for employees, depending on salary.

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	4.2%	3.9%
Future pensions increases	2.7%	2.1%
Discount rate for scheme liabilities	2.7%	2.5%
Inflation assumption (CPI)	2.7%	2.1%
Commutation of pensions to lump sums	50%	60%

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 years	**At 31 July 2016** years
Retiring today		
Males	22.2	22.9
Females	24.7	25.3
Retiring in 20 years		
Males	24.3	25.2
Females	27.0	27.7

The College's share of the assets in the plan at the balance sheet date were

	Fair Value at 31 July 2017	**Fair Value at 31 July 2016**
	£'000	**£'000**
Equities	5,969	5,356
Gilts	570	280
Other bonds	357	351
Property	887	864
Cash	283	236
Alternative assets	698	347
Other managed funds	388	375
Total fair value of plan assets	**9,152**	**7,809**
Estimated return on the fund (on a bid value to bid value basis)	**15%**	**9%**
Actual return on plan assets	**1,183**	**600**

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	**9,152**	**7,809**
Present value of plan liabilities	**(14,288)**	**(11,742)**
Net pensions (liability)/asset (Note 14)	**(5,136)**	**(3,933)**

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	494	412
Past service cost	4	-
Total	**498**	**412**
Amounts included in Interest and other finance costs		
Net income/ (expenditure)	(97)	(95)
	(97)	**(95)**

Amount recognised in Other Comprehensive Income

Return on pension plan assets	1,101	337
Experience losses arising on defined benefit obligations	(1,262)	-
Changes in assumptions underlying the present value of plan liabilities	(722)	(1,457)
Amount recognised in Other Comprehensive Income	**(883)**	**(1,120)**

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

	2017	**2016**
	£'000	**£'000**
Net defined benefit (liability)/asset in scheme at 1 August	(3,933)	(2,576)
Movement in year:		
Current service cost	(494)	(412)
Employer contributions	275	270
Past service cost	(4)	-
Net interest on the defined (liability)/asset	(97)	(95)
Actuarial gain or loss	(883)	(1,120)
Net defined benefit (liability)/asset at 31 July	**(5,136)**	**(3,933)**

Asset and Liability Reconciliation

	2017	**2016**
	£'000	**£'000**
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	11,742	9,190
Current service cost	494	412
Interest cost	291	355
Contributions by Scheme participants	94	95
Experience gains and losses on defined benefit obligations	1,262	-
Changes in financial assumptions	852	1,457
Changes in demographic assumptions	(130)	-
Estimated benefits paid	(321)	233
Past Service cost	-	-
Curtailments and settlements	4	-
Defined benefit obligations at end of period	**14,288**	**11,742**

Changes in fair value of plan assets

Fair value of plan assets at start of period	7,809	6,614
Interest on plan assets	194	260
Return on plan assets	987	337
Other actuarial gains	114	-
Employer contributions	275	270
Contributions by Scheme participants	94	95
Estimated benefits paid	(321)	233
Fair value of plan assets at end of period	**9,152**	**7,809**

Deficit contributions

The College has entered into an agreement with the LGPS to make additional contributions of £33k for the year ended 31 March 2018. Contributions for future years are to be agreed.

21 Related party transactions

As a consequence of its representation on the Corporation, The William Palmer College Educational Trust is a related party within the terms of Financial Reporting Standard 102 "Related Party Disclosures". As stated in note 8, the College continues to occupy land and buildings at Chadwell Road, Grays controlled by The William Palmer College Educational Trust. The Trust has made no charge to the College in respect of this occupancy. The College has paid maintenance and improvement costs connected with this site of £129k (2016: £158k) without seeking reimbursement from the Trust. However, the Trust has provided a £50k grant for the replacement of a roof of the rehearsal studio, the cost of which is excluded from the above figure. These arrangements have been in place since the College's incorporation in 1993.

The College has examined its transactions to ascertain whether and transactions have taken place with organisations in which a member of the board of governors has an interest. No such transactions were identified in 2016/17.

The total expenses paid to or on behalf of the Governors during the year was £130; 1 governor (2015/16: £nil; 0 governors). This represents travel expenses incurred in attending Governor meetings.

No Governor has received any remuneration or waived payments from the College during the year (2015/16: none).

22 Amounts disbursed as agent

Learner support funds

		Restated
	2017	**2016**
	£'000	**£'000**
Balance brought forward	11	33
Funding body grants – bursary support	148	179
	159	212
Disbursed to students	(144)	(192)
Administration costs	(7)	(9)
Balance unspent as at 31 July, included in creditors	8	11

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.

23 One-off Costs connected to merger with Seevic College

Exceptionally, Palmer's College incurred costs of £267,000 to bring about the merger with Seevic college on 31st July 2017. The College received ESFA grant of £50,000 towards this. The reported deficit is therefore £217,000 greater than would have been the case had there been no merger. The costs included are:

	2017	2016
	£'000	£'000
Staff Costs – Fundamental restructuring costs – contractual	61	-
Staff Costs – Fundamental restructuring costs – non contractual	76	-
Other Operating Expenditure (Due diligence, consultancy support, consultation)	130	-
	267	-
Funding Body grant	(50)	
Net Cost included in Statement of Comprehensive Income & Expenditure	217	-