

The Sheffield College

Report of the members of the Corporation and Financial Statements

**For the 12 month period from
1 August 2018 to 31 July 2019**

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Definition of terms

- The Corporation means The Sheffield College Further Education Corporation established under the Further and Higher Education Act 1992.
- Member(s) means a member of the Corporation elected to/or appointed by the Corporation.
- The Sheffield College Group means: The Sheffield College, Sparks Managed Services Ltd (registered number 7490897), Sparks Teaching Services Ltd (registered number 8087248) and Sparks Solutions Ltd (registered number 8857469).

Key Management Personnel, Board of Governors and Professional advisers

Key Management Personnel

Key management personnel are defined as members of the College Executive Leadership Team with significant financial responsibility and were represented by the following in 2018/19:

Angela Foulkes: Chief Executive & Principal; Accounting Officer (throughout the period)

Kate Platts: Executive Director of Finance & Resources (throughout the period)

Anita Traffon: Deputy Chief Executive: Curriculum, Quality and Assessment (throughout the period)

Paul Simpson: Executive Director of Human Resources & Organisation Development (throughout the period)

Alison Shillito: Governance Advisor & Clerk to the Governing Body (throughout the period)

John Gray: Director of Marketing & Strategy (to 31 December 2018)

Andrew Hartley: Commercial Director (throughout the period)

Bella Abrams: Chief Information Officer (to 31 December 2018)

Simon Hannett: Director of Funding and Performance (throughout the period)

Mark Pearson: Director of Strategy, Planning & Systems Improvement (from 02 September 2019)

Board of Governors

A full list of Governors is given on pages 13 to 16 of these financial statements. Ms A Shillito acted as Clerk to the Corporation throughout the period.

Professional Advisers

Financial statements and reporting auditors: KPMG LLP, 1 Sovereign Square, Sovereign Street, Leeds, LS1 4DA

Internal auditors: RSM Risk Assurance Services LLP, City Gate East, Tollhouse Hill, Nottingham NG1 5FS

Bankers: Barclays Bank Plc, NE & Yorkshire Larger Business Team, PO Box 378, 71 Grey Street, Newcastle Upon Tyne, Tyne & Wear, NE99 1JP

Allied Irish Bank, Vantage Point, Hardman Street, Spinningfields, Manchester, M3 3PL

Solicitors: EEF, 59 Clarkehouse Road, Sheffield, S10 2LE

Wake Smith LLP, 68 Clarkehouse Road, Sheffield, S10 2LJ

Eversheds Sutherland (International) LLP, Eversheds House, 70 Great Bridgewater Street, Manchester, M1 5ES

Stone King LLP, 4th Floor, One Park Row, Leeds, LS1 5HN

STRATEGIC REPORT

REPORT OF THE GOVERNING BODY

OBJECTIVES AND STRATEGY

The members present their annual report, together with the audited financial statements and auditor's report, for The Sheffield College for the year ended 31 July 2019.

Legal status

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

Public benefit

The Sheffield College is an exempt charity under Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 13 to 16.

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

Public benefit statement

In delivering its mission, The Sheffield College provides the following identifiable public benefits through the advancement of education to 15,396 students, including 244 with high needs.

- Providing further and higher education, vocational training and life-long learning, including providing courses without charge to young people, those who are unemployed and adults taking English and maths courses
- Widening participation and tackling social exclusion via an inclusive admissions policy that actively aims to widen access to post 16 education, student support and a positive engagement policy to retain and re-engage students who might otherwise be excluded from education
- The college adjusts its courses to meet the needs of local employers and provides training to 2893 apprentices.
- Preparing students for progression into employment and career opportunities, including course structures that provide career routes from entry level to professional qualifications and work experience to prepare students to progress into employment.
- Providing effective student support systems to engage and retain students, particularly those who might otherwise not continue with education and training to achieve their potential
- Developing and fostering links with Local Enterprise Partners, employers, industry and commerce for the benefit of learners and to contribute to the regeneration of the Sheffield city region and the communities we serve, many of which suffer from social and economic deprivation.

Mission

The College's mission and vision as determined by its Governors, are:

'Transform your life through learning'

'By 2021 we will be a consistently great college that puts you at the heart of everything we do'

Implementation of the Strategic plan

The College's strategic plan, was approved by the Governors in July 2018.

The College's Strategic Ambitions for 2018 - 21 include KPIs for monitoring by the Governing Body with a scorecard which has clear annual targets within it.

The Strategic ambitions are as follows:

- **Learning:** Be recognised as a provider of high quality education and training by our communities and partners.
- **People:** Be an employer of choice in the South Yorkshire region and beyond with a culture of positivity and high performance.
- **Reputation:** Be a first choice college in the region with a leading reputation nationally.
- **Sustainability:** Create a dynamic and resilient college, which is fit for the future.

Resources

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

The College employs 782 people (expressed as full-time equivalents), of whom 327 are teaching staff.

The College provides classroom-based learning to over 12,600 learners each year in a wide range of courses from Entry Level to Level 6 across academic, technical and professional subject areas. The College had 4,997 16-18 year old classroom-based students, 5,457 adult classroom-based students, 2,847 apprentices and 402 HE loan funded students coming to the end of their studies in 2018/19.

The College has the tangible resources of its campuses which are located at a variety of locations across the city of Sheffield:

- City Campus – Granville Road, Sheffield S2 2RL
- Olive Grove Campus – Olive Grove Road, Sheffield S2 3GE
- Hillsborough Campus – Livesey Street, Sheffield S6 2ET
- Peaks Campus – Waterthorpe Greenway, Sheffield S20 8LY

The College has a good reputation both locally and nationally. Maintaining a quality brand is essential for the College's success in attracting students and developing and maintaining external relationships. The College has seen good growth in its apprenticeship provision (£4,711,000 income in 2017/18 increasing to £6,298,000 in 2018/19) since the introduction of the Apprenticeship Levy and has outperformed the national market. This is partly due to the success of the College working as a lead college in the Collab Group of colleges in servicing some national apprenticeship contracts with large Levy payers including Kier, and Tarmac.

Stakeholder engagement

The Sheffield College is very conscious of the importance of working with key stakeholders for the benefit of its students and the wider community. The College engages with stakeholders on a number of levels through meetings, forums, collaborative initiatives, and digital and social media. Stakeholders include:

- Funding agencies - Education and Skills Funding Agency and the Office for Students
- Government departments - Department of Education
- Sheffield City Region
- Local Enterprise Partnership
- Local Authorities – Sheffield, Rotherham, Barnsley, Doncaster
- Pension authorities and providers – Teachers Pension Scheme, South Yorkshire Pension Authority and NEST
- Banks – Barclays and AIB

- The University of Sheffield and Sheffield Hallam University
- Local and national employers
- Employer groups
- Voluntary organisations
- Professional bodies
- Other FE institutions
- Staff and their trade unions
- Current, future and past students
- The local community

DEVELOPMENT AND PERFORMANCE

Financial results

The Group generated an operating deficit before other gains and losses in the year of **£1,368,000 (2017/18 - operating deficit of £352,000)** with a total comprehensive **loss of £14,646,000 (2017/18 - £10,799,000 income)**. There is an actuarial loss of £13,298,000 in respect of Pension Schemes (2017/18 - £11,151,000 gain).

The Group has unrestricted reserves of £52,690,000 and cash and short-term investment balances of £9,825,000. Of note is that £2,400,000 of this balance related to the Lennartz creditor, which is being held pending resolution with HMRC.

Tangible fixed asset additions during the year amounted to £1,206,000 which was in respect of equipment and building works.

The College continued to pay down its bank loans during the year.

The College continues to have significant reliance upon the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2018/19 the ESFA provided 87% of the College's total income.

The Sheffield College Group

The Sheffield College has three wholly owned subsidiary companies:

- Sparks Managed Services Ltd. incorporated in 2011 (registered number 7490897), this company provides cleaning, caretaking and administration services to the College and The Sheffield UTC Academy Trust. In the financial year ending 31 July 2019, this company broke even.
- Sparks Teaching Services Ltd. incorporated in 2012 (registered number 8087248), this company provides temporary teaching and other staff to the College and The Sheffield UTC Academy Trust. In the financial year ending 31 July 2019, this company broke even.
- Sparks Solutions Ltd. incorporated in 2014 (registered number 8857469), this company provides marketing, learner recruitment and business development services to the College. In the financial year ending 31 July 2019, this company broke even.

Throughout these financial statements, any reference to "Group" or "The Sheffield College Group" includes all of these subsidiaries.

The College sponsors The UTC Sheffield Academy Trust, a Multi-Academy Trust operating two University Technical Colleges located in Sheffield. These specialise in engineering and advanced manufacturing and creative and digital industries at the City site, and sport, health and computing at the Olympic Legacy Park site. The College has the roles of member and sponsor within the trust, as well as a provider of business support services; The UTC Sheffield Academy Trust is not consolidated within these financial statements as described in Note 1 to the Financial Statements.

Any reference to “College” or “The Sheffield College” excludes all those entities listed in this section.

FUTURE PROSPECTS

The College will continue to invest in its estate, accommodation and facilities to support the student experience and staff development. It is planning to make efficiency savings during 2019/20, which will be used to reinvest back into the College, to support its strategic objectives. The College will review its curriculum provision during 2019/20 to ensure it remains attractive to students, employers, and the Sheffield City Region.

The College governors approved a three-year financial plan in July 2019 which sets the objectives to 2022.

Within the 2019/20 financial year, the College has been allocated the following funding from the ESFA: £26,172,000 for 16-19 year old learners; £8,894,000 for adult education provision; and £2,732,000 for Non Levy apprenticeship delivery from April 2019 to March 2020. The College is awaiting notification of Non-Levy Apprenticeship funding post March 2020.

Also for 2019/2020 the College has identified a potential Advanced Learning Loans allocation of £1,620,000.

The College has been successful in securing £3,713,000 of Sheffield City Region Local Growth Funding to support the Colleges Digital Engineering Skills Development Network project. The College is working with two employer partners to establish a transformational Digital Engineering skills network in the City to increase the technical training offer at levels 3 and 4 in the Engineering and Digital Technology sectors to ensure that there is a skilled workforce to fill the increasing number of high value jobs in the region

Treasury policies and objectives

The College has treasury management arrangements in place to manage cash flows, banking arrangements and the risks associated with those activities. The College has a separate treasury management policy in place which was updated in October 2019. Short term unsecured borrowing for temporary revenue purposes is authorised by the Accounting Officer. All other borrowing requires the authorisation of the Corporation.

Cash flows and liquidity

The Group realised a net cash inflow on operating activities of £4,455,000 during 2018/19 (compared to a net cash inflow of £4,350,000 in 2017/18). The net increase in the College cash position for the year ending 31 July 2019 was £2,255,000 (the College saw a net cash increase of £1,622,000 for the year ending 31 July 2018). This cash position in part reflects £2,400,000 of monies held back in respect of the Lennartz scheme.

Reserves policy

The College has no formal Reserves Policy but recognises the importance of reserves in the financial stability of any organisation and ensures that there are adequate reserves to support the College's core activities. The Group reserves include £646,000 held as revaluation reserves. As at the balance sheet date, the Income and Expenditure reserve stands at £52,044,000 (2018: £66,690,000). It is the Corporation's intention to generate annual operating surpluses and associated net positive cash flow in order to fund reinvestment back into the College for the benefit of students, potential students and the local communities that we serve.

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 cash flow, liquidity and borrowings are presented in the Financial Statements and accompanying Notes.

The College currently has £12.7m of loans outstanding with bankers on terms renegotiated in 2015. The terms of the existing agreements are for up to another 16 years. The College has worked closely with Barclays and AIB to ensure that it provides them with assurance in respect of its financial health and its ability to make loan repayments as they fall due. The banks are supportive of the College and covenants attached to the loans updated last year were amended to reflect the ongoing retention of the Lennartz monies. The College is forecasting that it will achieve compliance with the new covenants from both banks for the foreseeable future.

After making appropriate enquiries the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. The College has prepared a three-year financial plan up to and including the 2021/22 financial year, which was approved by the Governing Body on 10 July 2019. The College plans to increase income by growing the 16-18 Learner Responsive, HE and Apprenticeship

curriculum, with resultant marginal increases in surplus and cash balances. The current position is that whilst 16-18 income is in line with the plan, growth in HE is slower than planned. The cost base will be managed to ensure that the College's budget is met and cash flows are sufficient to fund the College's activity. The introduction of more integrated financial statements and a new model to inform forecasting as well as high levels of accountability and ownership by budget holders to manage costs, will ensure that the College remains a going concern. For these reasons, the Corporation continues to adopt the going concern basis in preparing the financial statements.

PRINCIPAL RISK AND UNCERTAINTIES

Risk management

The Corporation is ultimately responsible for the College's system of risk management and internal control and for ensuring its effectiveness. Assurance of this effectiveness is provided by the Audit and Risk Assurance Committee, which is the designated risk committee that monitors the College's response to significant risk. It also advises the Corporation on the adequacy of the College's whole system of internal control and arrangements for risk management.

The College's Internal Audit Service (which independently monitors and reviews systems of internal and risk management control) and the Executive Team (which has overall responsibility for the management, administration and implementation of the internal control and risk management processes) assist the Corporation in its oversight of risk management.

During the year the College updated the corporate risk register which was shared with the governors and audited by internal audit to ensure it met best practice. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system. The register is reviewed on a termly basis by governors.

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.

Long term solvency and liquidity to support the going concern assumption

The College's year-end financial position has met its debt service cover and operational gearing covenants. The three-year financial plan reflects a modest growth agenda, with improved 16-18 retention and HE funding as well as growth in apprenticeship income from retention and the change to Apprenticeship standards. The cost base will be managed to ensure that the College's budget is met and cash flows are sufficient to fund the College's activity. The introduction of more detailed financial reporting within the College, and a new model to inform forecasting as well as high levels of accountability and ownership by budget holders to manage costs, will ensure that the College remains a going concern.

College quality of provision and student outcomes

In September 2019, the College was inspected by Ofsted under the newly implemented Education Inspection Framework. Ofsted judged the Overall Effectiveness of the College as Requires Improvement, within this Behaviour & Attitudes and Personal Development were graded as Good. Under the provision types, Adult Learning Programmes were also graded as Good.

In 2018/19, the College undertook a range of actions to bring about improvements to student outcomes and to prevent significant intervention by regulators. As a result of this the Overall Achievement rates improved by 3 percentage points (pp) including a 5pp improvement for 16-18 year olds. Summarised below are some of the actions undertaken:

- The implementation of challenging and aspirational targets derived from previous performance and comparable provider averages covering a comprehensive range of quality indicators;
- Implementation of an improved meeting structure to improve communications, report on performance, identify emerging issues promptly and to drive targeted improvement activity;
- Development of improved real-time data reporting capabilities to ensure that all faculties had access to clear, consistent and accurate data;

- Significant investment in dedicated time off timetable for curriculum teams to participate in targeted Continuous Professional Development supported by the Learning & Development Coach within each faculty;
- Improved approach to the Observation of Teaching, Learning & Assessment which ensured all teaching staff participated in the College's observation process undertaken by a trained and competent observation team.

These actions were acknowledged by Ofsted who reported that performance management arrangements had been tightened to increase the pace of improvements to the quality of education. In this current academic year, the College will continue to drive improvement through the actions set out above although a range of additional strategies have been implemented to increase the pace of improvement including:

- The facilitation of an intensive approach to analysing areas of underperformance through the 'Deep Dive' approach adopted by Ofsted followed by frequent intervention meetings to drive necessary improvement activity;
- Further strengthening the approach in the Quality Performance Review to monitor performance against targets throughout the year and to hold appropriate leaders to account for ensuring the quality of provision;
- An enhanced approach to Curriculum Planning to ensure that students' planned and actual destinations thoroughly inform the curriculum offer to ensure that learners are well prepared for their next steps.

The College will be subject to a monitoring visit by Ofsted seven to thirteen months after the publication of their previous inspection report. A full inspection will take place after the monitoring visit between twelve and thirty months after the publication of the report. Based on Ofsted's acknowledgement of the improvement to date, as well as the planned activities to address the areas for improvement identified as well as the year on year improvement to achievement, retention and attendance rates, the College firmly believes that it will be able to demonstrate good progress at the monitoring visit and thereafter will be able to secure a good grade for overall effectiveness at the following full inspection.

Minimum standards for Apprenticeship outcomes

As a result of attrition deterioration in the outcomes for Apprentices across College faculties, the College will fail to meet minimum standards for Apprenticeship outcomes in 2018/19. The worst case scenario for the College is that the ESFA withdraw funding for new apprentices which would have a significant effect on the College's overall income and 3 year financial plan. The Executive Leadership Team are developing a business case for the ESFA that details the improvements to Apprenticeship outcomes since August 2018 as a means of demonstrating that the issues currently being experienced are due to legacy behaviours from 2016 to December 2018.

KEY PERFORMANCE INDICATORS (KPIs)

Financial health

In 2018/19, The College achieved a rating of 'Good' under the ESFA's financial health assessment in line with the rating of 'Good' achieved in 2017/18.

During 2018/19, the following KPIs were used to measure delivery of the financial objectives:

Financial Objective	Met or not met
To produce a 3-year plan that has an operating surplus (EBITDA) of >7% as a % of income.	Met
Maintain a liquidity forecast over a rolling 12 month period of a minimum £2m	Met
Ensure staffing to income ratio (excl. subcontracting and capital grant releases) for the College of less than 64%	Met
Performance against covenants	Met
Deliver the budget with agreed surplus	Met

Quality of provision

Throughout the year, a series of key performance indicators have been used to monitor the successful implementation of the College's objectives. These were presented to the Governing Body at every meeting and monitored using a RAG rating and trend analysis. Monitoring through the KPI process, allowed the College to take action to deal with performance issues as they arose.

Student achievements

In 2018/19, students at the College had an overall achievement rate for education and training of 80%, compared to a rate of 77% in 2017/18. In 2018/19, the achievement rate for 16-18 students was 76% and for 19+ students was 82%. Apprenticeship achievement rates were 60% with a timeliness rate of 44% (achievement within the expected time-frame). In spite of the above average rates of unemployment in the region, the proportion of College students who progress into education, employment or training after their studies is high.

OTHER INFORMATION

Equal opportunities, and employment of disabled persons

The Sheffield College is committed to providing a learning and employment environment that is free from discrimination, bullying, harassment or victimisation, where all members of our community are treated with respect and dignity. To this end, we are now working with the National Centre for Diversity, who are supporting us to improve our practice and achieve the Investors in Diversity Award. We are creating a culture of diversity within our community, providing a positive working and learning environment, where all members are valued for their contribution and individuality, and it includes a positive approach to behaviour, engagement, anti-bullying and harassment.

The College works in an inclusive way with our local communities and one of our key equality objectives is to create a workforce and learning community which is closely aligned to Sheffield. This means actively engaging with emerging community groups and supporting those who are migrating or who are asylum seekers. The College works to identify underperformance by particular individuals and groups and to remove barriers, and it seeks to ensure that all students reach their potential, and that equality gaps in recruitment, retention, achievement and progression including destinations external to the College.

The College has an Equality Scheme written in line with the requirements of the Equality Act 2010. The Sheffield College will work with the remit of the Act and fulfil its duties. The College's commitments are published on our website within our Equality & Diversity Annual Report. This includes the annual publication in December of the previous academic years quality information about the College's student and staff communities as well as progress against our equality objectives.

In 2018/19 The College became a 'Disability Confident Leader'. The College is a 'Disability Confident Leader' for contributing to promoting a disability confident culture in the workplace and recognised for going the extra mile to make sure those with a recognised disability are supported and disability is no longer seen as a barrier. The College strives to eliminate this. The College considers all applications from those with a declared disability and guarantees an interview to any disabled applicant who meets the essential criteria for the post. Where an existing employee becomes disabled or develops a long term health condition, we make reasonable adjustments to support that employee, to ensure that any barriers have been removed and employees can perform to the best of their ability. The College's policy is to provide equal access and opportunities to training, career development and promotions.

The College has re-pledged to the TUC's Dying to Work Charter which sets out an agreed way in which all employees are supported, protected and guided throughout employment following a terminal diagnosis. The College has committed to providing all employees with employment protection, peace of mind and the right to choose the best course of action for them with death in service benefits protected for loved ones.

Disability statement

The College's policy and procedures ensure we achieve the objectives set down in the Equality Act 2010. These have been included in the College Equality Scheme which is continuously reviewed and formally updated on a three year cycle.

- As part of its accommodation strategy the College updated its access audit. The College campuses and facilities were developed with maximising accessibility as a prime consideration. The College subscribes to AccessAble to provide up to date online information on access to its campuses for visitors, and to provide advice on any accessibility issues arising from changes.
- The College has SEND Co-ordinators at each campus who provide information, advice and arrange support where necessary for students with disabilities. There is a range of specialist equipment which the College makes available for use by students and a variety of assistive technologies are available in College Learning Resource Centres.
- The Student Charter outlines our commitment to all students, including those with disabilities
- The Admissions Policy is updated annually to ensure admission processes are fair and inclusive. 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 lecturers to support students with learning difficulties and/or disabilities. There are a number of learner support assistants who provide support for learning.
- Specialist programmes for High Needs Learners are described in College prospectuses, and achievements and destinations are recorded and published in the standard College format.
- Health, wellbeing and welfare services are described in the College Student Handbook, which is issued to students together with the Complaints and Disciplinary Procedure leaflets at induction.

Trade union facility time

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

Relevant Union Officials:

Numbers of employees who were relevant union officials in the relevant period	FTE employee number
11	9.6

Percentage of working hours spent on facility time:

Percentage of time spent on facility time	Number of employees
0%	784
1-50%	11
51-99%	0
100%	0

Percentage of pay bill spent on facility time:

Total cost of facility time	£30,000
Total pay bill	£25,002,172
Percentage of total bill spent on facility time	0.12%

Paid trade union activities:

Time spent on paid trade union activities as a percentage of total paid facility time	0%
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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%. During the accounting period 1 August 2018 to 31 July 2019, the College paid 99.5% of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

Events after the reporting period

The College has not identified any significant post balance sheet events

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 18 December 2019 and signed on its behalf by:



Seb Schmoller

Chair of the Governing Body

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 1 August 2018 to 31 July 2019 and up to the date of approval of the annual report and financial statements.

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").

The College is committed to demonstrating best practice in all aspects of corporate governance and, in particular, the College has adopted and adheres to the Code of Good Governance (the Code) issued by the Association of Colleges in March 2015, which it formally adopted in March 2015. 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 Governing Body carried out a self-assessment against the Code in 2018/19 and in the opinion of the Governors, the College complies with the provisions of the Code that are specified as 'must' and has regard to those provisions that are specified as 'should'.

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 signature of this report were as listed in the table below.

Name	Date of appointment	Term of office	Date of resignation / retirement	Status of appointment	Committees served in 18/19	Attendance in 18/19
Gwyn Arnold	01/09/2017 (first term extended until 31/07/2021)	2 years + 2 years		Current	Governing Body Audit & Risk Assurance Teaching, Learning, Quality and Student Experience	100% 75% 80%
Stephen Betts	Appointed with effect from 01/01/2019	2 years		Current	Governing Body Teaching, Learning, Quality and Student Experience	25% 67%
Jay Bhayani	01/09/2015 (re-appointed with effect from 01/09/2017)	2 years + 2 years	Retired 31/07/2019	Retired	Governing Body Finance, Employment and General Purposes Search, Remuneration and Governance	86% 50% 75%
Peter Brooks	23/01/2019	2 years		Current	Governing Body Finance, Employment and General Purposes	100% 100%

Name	Date of appointment	Term of office	Date of resignation / retirement	Status of appointment	Committees served in 18/19	Attendance in 18/19
Richard Calvert	1/08/2018	2 years		Current	Governing Body Audit and Risk Assurance Committee	71% 50%
Scott Ellis (student)	27/03/2019	4 months	Retired 31/07/2019	Retired	Governing Body	33%
Ian Falconer	18/01/2018	2 years		Current	Governing Body Audit & Risk Assurance (Chair) Search, Remuneration and Governance	86% 100% 75%
Megan Farmer (student)	01/08/2019	1 year		Current		
Angela Foulkes Chief Executive and Principal	20/11/2017	Duration of tenure as Chief Executive and Principal		Current	Governing Body Finance, Employment and General Purposes Search, Remuneration and Governance Teaching, Learning, Quality and Student Experience	100% 100% 100% 100%
Beri Hare	01/09/2017 (first term extended until 31/07/2021)	2 years + 2 years		Current	Governing Body Teaching, Learning, Quality and Student Experience (Chair) Finance, Employment and General Purposes Search, Remuneration and Governance	100% 100% 100% 67%
Shelley Hemsley	01/01/2019	2 years		Current	Governing Body Audit & Risk Assurance	50% 0%
Kyle Hogan (student)	01/08/2018	1 year	Resigned 12/11/2018	Resigned	Governing Body Teaching, Learning, Quality and Student Experience	50% 0%
Stephan Hollingshead	1/08/2018	2 years		Current	Governing Body Finance, Employment and General Purposes	86% 83%
Jane Jones	01/08/2017 (first term extended until 31/07/2021)	2 years + 2 years	Resigned 07/01/2019	Resigned	Governing Body Audit and Risk Assurance	33% 100%

Name	Date of appointment	Term of office	Date of resignation / retirement	Status of appointment	Committees served in 18/19	Attendance in 18/19
Chris Linacre	25/03/2012 (re-appointed 14/12/2015 to terminate 31/07/2020)	4 years + 4 years		Current	Governing Body Audit and Risk Assurance Search, Remuneration and Governance (Chair) Teaching, Learning, Quality and Student Experience	86% 75% 100% 100%
Michelle MacDonald (Staff)	01/08/2018	2 years		Current	Governing Body Audit and Risk Assurance Search, Remuneration and Governance	86% 100% 75%
Saleem Rashid (Staff)	05/03/2017 (extended up to 31/12/2019)	Until 31/8/2019 + 4 months		Current	Governing Body Teaching, Learning, Quality and Student Experience Finance, Employment and General Purposes	71% 50% 67%
Seb Schmoller	01/09/2008 (re-appointed with effect from 01/09/2016; re-appointed as Chair 18/01/2018 until 31/07/2020 extended to 31/03/2021)	8 years + 2 years + 2 years + 8 months (by exception)		Current Chair of Governing Body	Governing Body Finance, Employment and General Purposes Search, Remuneration and Governance Teaching, Learning, Quality and Student Experience	100% 67% 100% 100%
Kim Streets	31/10/2013 (re-appointed 01/11/2017)	4 years + 4 years		Current	Governing Body Finance, Employment and General Purposes	71% 73%
John Timms	01/09/2012 (Re-appointed 14/03/2016 until 30/07/2020)	4 years + 4 years		Current	Governing Body Search, Remuneration and Governance Teaching, Learning, Quality and Student Experience	86% 75% 60%
Rhiannan Webber (student)	01/08/2019	1 year		Current		

The following Members were appointed/resigned during the period 1 August 2018 to 31 July 2019

- I. Stephan Hollingshead was appointed with effect from 01 August 2018 for an initial period of two years.
- II. Richard Calvert was appointed with effect from 01 August 2018 for an initial period of two years.
- III. Kyle Hogan was elected as President of the Sheffield College Students' Union and as a student governor with effect from 1 August 2018 and resigned on 12 November 2018.
- IV. Shelley Hemsley was appointed with effect from 01 January 2019 for an initial period of two years.
- V. Stephen Betts was appointed with effect from 01 January 2019 for an initial period of two years.

- VI. Jane Jones resigned with effect from 7 January 2019.
- VII. Peter Brooks was appointed as a governor with effect from 23 January 2019 for a period of two years.
- VIII. Scott Ellis was appointed as a student governor on 27 March 2019 and retired on 31 July 2019 at the end of his term of office.
- IX. Jay Bhayani retired on 31 July 2019 at the end of her term of office.

The following Members were appointed/resigned during the period following 31 July 2019 up to the date of approval of the annual report and financial statements

- X. Rhiannan Webber was appointed with effect from 01 August 2018 following her election as President of the Sheffield College Students' Union and as a student governor with effect from 1 August 2019.
- XI. Megan Farmer was appointed with effect from 01 August 2018 following her election as Vice President of the Sheffield College Students' Union and as a student governor with effect from 1 August 2019.

Alison Shillito served as Clerk to the Corporation throughout the period.

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 on a termly basis.

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. In 2018/19, these committees were Audit and Risk Assurance; Finance, Employment and General Purposes; Search, Remuneration and Governance; and Teaching, Learning, Quality and Student Experience, with provision for a Special Committee to be convened if required. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website at www.sheffcol.ac.uk/about-us/governance, or from the Clerk to the Corporation at: The Sheffield College, Granville Road, Sheffield, S2 2RL.

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 during office hours.

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

Formal agendas, papers and reports are supplied to Governors in a timely manner, prior to Board meetings. Briefings and training for members are also provided on an ad-hoc basis. The Corporation has a strong and independent non-executive element and no individual or group dominates its decision making process. The Corporation considers that each of its non-executive members is independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. There is a clear division of responsibility in that the roles of the Chair of the Corporation and Accounting Officer of the College are separate.

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. In 2018/19, the search function was undertaken by the Search, Remuneration and Governance Committee, comprising Chris Linacre (Chair), Jay Bhayani, Ian Falconer, Angela Foulkes (ex-officio); Beri Hare; Michelle MacDonald, Seb Schmoller; Kim Streets and John Timms. The Committee is responsible for the selection and nomination of any new member for the Corporation's consideration other than those elected according to section 2 of the Instrument of Government. The Corporation is responsible for ensuring that appropriate training is provided as required.

In 2018/19, the Corporation advertised for new governors on its website, to recruit governors with specialist knowledge of education and training, public sector leadership and community work. In line with the College's equality objectives, the recruitment campaign was explicit in welcoming applications from people with Black, Asian and Minority Ethnic heritage to strengthen diversity on the Governing Body.

Members of the Corporation are appointed for an initial term of office between two to four years, with the maximum period of office normally not exceeding eight years in line with the maximum period and number of terms recommended by the AoC Code of Good Governance for English Colleges. The Corporation currently has one governor (Seb Schmoller) who has served longer than eight years. This exceptional extension was initially approved to provide continuity and specialist FE expertise during the Area Based Review process. The appointment was further extended by Governing Body in January 2018 when Seb Schmoller was elected as Chair of Governors until 31 July 2020 and in September 2019 was extended until 31 March 2021 to ensure a smooth transition following the search and recruitment of a new Chair Designate in Spring 2020.. This exceptional extension of appointment was agreed by the Governing Body as being in the best interests of the College to provide continuity to a new senior team.

Corporation performance

The Corporation monitors and reviews its performance in a number of ways including:

- A corporate annual self-assessment of compliance with relevant laws and regulations including the College's funding agreements and Financial Memorandum (considered by the Audit and Risk Assurance Committee) indicates that the College's compliance with regulations and legal requirements is good.
- A self-assessment by the Governing Body of compliance with the Code of Good Governance for English Colleges and the College's compliance with relevant legislation and regulatory requirements, which is kept under regular review by the Search, Remuneration and Governance Committee, indicates that the College's performance against the requirements of the Code is good.

Governor Self-Assessment process and a 360 degree feedback process for evaluating the performance of the Chair.

Annual reports of the four standing committees of the Governing Body including the Audit and Risk Assurance Committee annual report.

A programme of internal audit that includes governance matters, that is summarised in an internal audit report received by the Audit and Risk Assurance Committee. The report gives the opinion that overall, the College had demonstrated good progress in implementing agreed management action.

On the basis of the processes outlined above and the opinions received from internal audit service and external auditor, the Corporation self-assesses that governance arrangements for the year ended 31 July 2019 were broadly effective, although the College may not yet be seeing the full impact of this in the outcomes of learners. The Governing Body will maintain the challenge that it brings to the senior team with the intention that this will have a positive impact on the College's overall effectiveness.

Remuneration Committee

The Corporation adopted the AoC's Senior Staff Remuneration Code at its meeting on 27 March 2019. Throughout the year ending 31 July 2019, the seven independent members of the College's Search, Remuneration and Governance Committee (see below) performed the functions of a remuneration committee on behalf of the Governing Body including agreeing a performance development review (PDR) framework (which includes agreeing objectives) for the Chief Executive and Principal and other Senior Post Holders, advising the Governing Body on a framework for the remuneration for Senior Post Holders in line with the principles in the AoC Remuneration Code, and determining on behalf of the Governing Body and within the approved framework, the remuneration and benefits of the Chief Executive and Principal and other key management personnel. The Committee met on 25 April 2019 to consider changes to the remuneration framework following adoption of the AoC Remuneration Code and made decisions on 2017/18 performance to implement the new framework. The independent members of the Committee met on 13 November 2019 to consider senior post holder appraisal for 2018/19 and remuneration for 2019/20.

Details of remuneration for the year ended 31 July 2019 are set out in note 8 to the financial statements. Details of remuneration for the year ended 31 July 2018 are set out in note 7 to the financial statements.

Audit and Risk Assurance Committee

The Audit and Risk Assurance Committee comprised Ian Falconer (Chair), Gwyn Arnold, Richard Calvert, Shelley Hemsley (from 1 January 2019), Jane Jones (until 7 January 2019), and Michelle MacDonald (from 1 July 2019 following a change to Audit Code of Practice). The Accounting Officer and Chair are excluded from membership. The Committee operates in accordance with written terms of reference approved by the Corporation. Its purpose is to advise the Corporation on the adequacy and effectiveness of the College's system of internal control and its arrangements for risk management, control and governance processes.

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

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

Management is responsible for implementing agreed recommendations and internal audit undertake annual follow up reviews to ensure such recommendations have been implemented.

The Audit and Risk Assurance 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.

Finance Employment and General Purposes Committee

In 2018/19, the membership of the Finance, Employment and General Purposes Committee comprised eight members including Kim Streets (Chair), Stephan Hollingshead (Vice Chair), Jay Bhayani, Peter Brooks (from 23/01/2019), Angela Foulkes, Beri Hare, Seb Schmoller and Saleem Rashid.

The Committee operates in accordance with terms of reference approved by the Corporation. Its purpose is to advise the Corporation on the College's financial health and solvency in addition to monitoring the effective and efficient deployment of resources and performance against financial targets. The Committee also scrutinises the assumptions underpinning the budget and financial planning process, and may approve minor changes to the College's Financial Regulations. The Committee normally meets twice per term.

Teaching, Learning, Quality and Student Experience Committee

The Teaching, Learning, Quality and Student Experience Committee comprised eight members, Beri Hare (Chair), Gwyn Arnold, Stephen Betts (from 23 January 2019), Angela Foulkes, Chris Linacre, Saleem Rashid, Seb Schmoller and John Timms.

The Committee operates in accordance with terms of reference approved by the Corporation. Its purpose is to advise the Corporation on the College's education character and its strategic aims and objectives, as well as monitoring quality standards and the College's plans for continuous improvement. The Committee meets once or twice a term.

Search, Remuneration and Governance Committee

The Search, Remuneration and Governance Committee comprised nine members Chris Linacre (Chair), Jay Bhayani, Ian Falconer, Angela Foulkes, Beri Hare, Michelle MacDonald, Seb Schmoller, Kim Streets and John Timms. The Committee operates in accordance with terms of reference approved by the Corporation. Its search function are to advise the Corporation on the search for and appointment of new governors and it keeps under review vacancies, succession planning, the skills mix and diversity of the Corporation, governor training

and development. The Committee meets at least once a term with additional meetings to shortlist and interview applicants as required. The Committee aims to attract and recruit outstanding individuals who can meet or exceed the person specification for appointment as a governor. In addition to its Search and Remuneration responsibilities, the Committee is also responsible for monitoring and advising the Corporation on the effectiveness of governance and its compliance with relevant governance codes; ensuring that the annual self-

assessment and review processes operate and submitting an annual report to the Corporation and the Audit and Risk Assurance Committee on the effectiveness of governance.

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 Chief Executive and Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives whilst safeguarding the public funds and assets for which she is personally responsible, in accordance with the responsibilities assigned to her in the Financial Memorandum between the College and the funding bodies. She is also responsible for reporting to the Corporation any material weaknesses or break-downs 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 The Sheffield College for the year ended 31 July 2019 and up to the date of approval of the annual report and financial statements.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2019 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation. The Risk Management Policy was most recently reviewed and approved by the Governing Body at its meeting on 6 November 2019 and governors also reviewed the Strategic Risk Assurance Map (an extract of the key risks from the updated Strategic Risk Register). On a termly basis, the Audit and Risk Assurance Committee reviews the Strategic Risk Register and monitors progress against risk management actions.

The risk and control framework

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

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

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

Risk Assurance Committee. As a minimum, annually, the Head of Internal Audit (HIA) provides the Governing Body with a report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes. Following a tender process, the College appointed a new internal audit service provider from 1 August 2018 and re-appointed its provider of external audit services. The College appointed different providers for its internal audit service and as external auditor, in line with its Instrument and Articles of Government.

Review of effectiveness

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

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

The Accounting Officer has been advised on the implications of the result of their review of the effectiveness of the system of internal control by the Audit and Risk Assurance Committee which oversees the work of the internal audit service, and other resources, and the assurance plan to address weaknesses and ensure continuous improvement of the system is in place.

The Executive Leadership 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. The Executive Leadership Team and Audit and Risk Assurance Committee also receive regular reports from the internal audit service, and other sources of assurance which include recommendations for improvement. The Audit and Risk Assurance Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Executive Leadership Team and the Audit and Risk Assurance Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its November 2019 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2019 by considering documentation from the Executive Leadership Team and internal audit service and taking account of events since 31 July 2019.

Based on the advice of the Audit and Risk Assurance 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 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 cash flow, liquidity and borrowings are presented in the Financial Statements and accompanying Notes.

The College currently has £12.7m of loans outstanding with bankers on terms renegotiated in 2015 and amended in October 2018. The terms of the existing agreements are for up to another 16 years. The College has worked closely with Barclays and AIB to ensure that it provides them with assurance in respect of its financial health and its ability to make loan repayments as they fall due. The banks are supportive of the College and covenants attached to the loans updated last year were amended to reflect the ongoing retention of the Lennartz monies. The College is forecasting that it will achieve compliance with the new covenants from both banks for the foreseeable future.

After making appropriate enquiries the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. The College has prepared a three-year financial plan up to and including the 2021/22 financial year, which was approved by the Governing Body on 10 July 2019. The College planned to increase income by growing the 16-18 Learner Responsive, HE and

Apprenticeship curriculum, with resultant marginal increases in surplus and cash balances. The current position is that whilst 16-18 income is in line with the plan, growth in HE and apprenticeship growth is slower than planned. The cost base will be managed to ensure that the College's budget is met and cash flows are sufficient to fund the College's activity. The introduction of more integrated financial statements and a new model to inform forecasting as well as high levels of accountability and ownership by budget holders to manage costs, will ensure that the College remains a going concern. For these reasons, the Corporation continues to adopt the going concern basis in preparing the financial statements.

Approved by order of the members of the Corporation on 18 December 2019 and signed on its behalf by:



Seb Schmoller

Chair of the Governing Body



Angela Foulkes

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 Skills Funding Agency terms and conditions of funding, under the College's financial memorandum. As part of its consideration the Corporation has 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 its 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.



Seb Schmoller

*Chair of the Governing Body
18 December 2019*



Angela Foulkes

*Accounting Officer
18 December 2019*

Statement of Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the College's grant funding agreements and contracts with ESFA, the corporation – through its Accounting Officer – is required to prepare financial statements and an operating and financial review for each financial year in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education, ESFA's college accounts direction and the UK's Generally Accepted Accounting Practice, and which give a true and fair view of the state of affairs of the college and its surplus / deficit of income over expenditure for that period.

In preparing the group and parent College 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 group and parent 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 they either intend to liquidate the group or the parent College or to cease operations or have no realistic alternative but to do so.

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 to enable it to ensure that the financial statements are prepared in accordance with the relevant legislation including the Further and Higher Education Act 1992 and Charities Act 2011, and other relevant accounting standards. It is responsible for taking steps that are reasonably open to it to safeguard 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 ESFA's grant agreements and contracts and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place to safeguard public and other funds and to ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the College's resources and expenditure, so that the benefits that should be derived from the application of public funds from the ESFA are not put at risk.

Approved by order of the members of the Corporation on 18 December 2019 and signed on its behalf by:


Seb Schmoller

Chair of the Governing Body

Independent Auditor's Report to the corporation of The Sheffield College

Opinion

We have audited the financial statements of The Sheffield College ("the College") for the year ended 31 July 2019 which comprise the Consolidated and College Statement of Comprehensive Income and Expenditure, Consolidated and College Statement of Changes in Reserves, Consolidated and College Balance Sheets, Consolidated 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 Group's and the College's affairs as at 31 July 2019, and of the Group's and the College's income and expenditure, gains and losses and changes in reserves, and of the Group's 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 group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

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

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the Directors, such as the valuation of pension assets, liabilities and provisions, recoverability of debtors and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group and the association's future prospects and performance.

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

Going concern

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

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Corporation's conclusions, we considered the inherent risks to the Group's business model, including the impact of Brexit, and analysed how those risks might affect the Group and the College's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group or the College will continue in operation.

Other information

The Corporation is responsible for the other information, which comprises the Strategic Report and the Corporation's Statement of Corporate Governance and Internal Control. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Corporation's responsibilities

As explained more fully in their statement set out on page 23, the Corporation is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent 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 group or the parent 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.



Clare Partridge

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

1 Sovereign Square

Sovereign Street

Leeds

LS1 4DA

19 December 2019

Reporting Accountant's Report on Regularity to the Corporation of The Sheffield 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 15 October 2015 and further to the requirements of the funding agreement with Education and Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by The Sheffield College during the period 1 August 2017 to 31 July 2018 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

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

Respective responsibilities of The Sheffield College and the reporting accountant

The corporation of The Sheffield 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 1 August 2018 to 31 July 2019 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Post-16 Audit Code of Practice issued by the Education and Skills 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 2018 to 31 July 2019 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



Clare Partridge
For and on behalf of KPMG LLP, Reporting Accountant
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

19 December 2019

Consolidated and College Statements of Comprehensive Income and Expenditure

	Notes	Year ended 31 July 2019 Group College £'000 £'000		Year ended 31 July 2018 Group College £'000 £'000	
INCOME					
Funding body grants	2	39,993	39,993	38,300	38,300
Tuition fees and education contracts	3	6,041	6,041	7,167	7,167
Other grants and contracts	4	342	342	349	349
Other income	5	2,157	2,028	2,040	1,942
Endowment and investment income	6	61	61	17	17
Total income		48,594	48,465	47,873	47,775
EXPENDITURE					
Staff costs	7	32,958	32,865	31,539	31,431
Other operating expenses	8	12,285	12,250	12,240	12,259
Depreciation	11	3,156	3,156	2,771	2,765
Interest and other finance costs	9	1,563	1,563	1,675	1,675
Total expenditure		49,962	49,834	48,225	48,130
(Deficit)/surplus before other gains and losses		(1,368)	(1,369)	(352)	(355)
Gain on disposal of assets		20	20	-	-
(Deficit)/surplus before tax		(1,348)	(1,349)	(352)	(355)
Taxation		-	-	-	-
(Deficit)/surplus for the year		(1,348)	(1,349)	(352)	(355)
Unrealised surplus on revaluation of assets		-	-	-	-
Actuarial gain/(loss) in respect of pensions schemes		(13,298)	(13,298)	11,151	11,151
Total Comprehensive Income for the year		(14,646)	(14,647)	10,799	10,796

The accompanying notes form part of the financial statements

Consolidated and College Statement of Changes in Reserves

	Income and Expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Group			
Balance at 1st August 2017	55,891	646	56,537
Surplus/(deficit) from the income and expenditure account	(352)	-	(352)
Other comprehensive income	11,151	-	11,151
Transfers between revaluation and income and expenditure reserves	-	-	-
	10,799	-	10,799
Balance at 31st July 2018	66,690	646	67,336
Surplus/(deficit) from the income and expenditure account	(1,348)	-	(1,348)
Other comprehensive income	(13,298)	-	(13,298)
Transfers between revaluation and income and expenditure reserves	-	-	-
Total comprehensive income for the year	(14,646)	-	(14,646)
Balance at 31st July 2019	52,044	646	52,690
College			
Balance at 1st August 2017	55,976	646	56,622
Surplus/(deficit) from the income and expenditure account	(355)	-	(355)
Other comprehensive income	11,151	-	11,151
Transfers between revaluation and income and expenditure reserves	-	-	-
	10,796	-	10,796
Balance at 31st July 2018	66,772	646	67,418
Surplus/(deficit) from the income and expenditure account	(1,349)	-	(1,349)
Other comprehensive income	(13,298)	-	(13,298)
Transfers between revaluation and income and expenditure reserves	-	-	-
Total comprehensive income for the year	(14,647)	-	(14,647)
Balance at 31st July 2019	52,125	646	52,771

The accompanying notes form part of the financial statements.

Consolidated and College Balance sheets as at 31 July 2019

	Notes	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
Fixed assets					
Tangible fixed assets	11	98,456	98,454	100,406	100,404
		98,456	98,454	100,406	100,404
Current assets					
Stocks		24	24	22	22
Trade and other receivables	13	2,454	2,509	2,297	2,362
Cash and cash equivalents	18	9,825	9,825	7,570	7,570
		12,303	12,358	9,889	9,954
Less: Creditors – amounts falling due within one year					
	14	(10,437)	(10,409)	(9,677)	(9,658)
Net current assets		1,866	1,949	212	296
Total assets less current liabilities		100,322	100,403	100,618	100,700
Less: Creditors – amounts falling due after more than one year					
	15	(12,867)	(12,867)	(13,965)	(13,965)
Provisions					
Defined benefit obligations	17	(31,335)	(31,335)	(16,050)	(16,050)
Other provisions	17	(3,430)	(3,430)	(3,267)	(3,267)
Total net assets		52,690	52,771	67,336	67,418
Restricted reserves		-	-	-	-
Unrestricted reserves					
Income and expenditure account		52,044	52,125	66,690	66,772
Revaluation reserve		646	646	646	646
Total unrestricted reserves		52,690	52,771	67,336	67,418
Total reserves		52,690	52,771	67,336	67,418

The financial statements on pages 28 to 54 were approved and authorised for issue by the Corporation on 18 December 2019 and were signed on its behalf on that date by:



Seb Schmoller
Chair of Governors
18 December 2019



Angela Foulkes
Accounting Officer
18 December 2019

The accompanying notes form part of the financial statements.

Consolidated Statement of Cash Flows

	Notes	2019 £'000	2018 £'000
Cash inflow from operating activities			
Surplus/(deficit) for the year		(1,348)	(352)
Adjustment for non cash items			
Depreciation		3,156	2,771
(Increase)/decrease in stocks		(2)	(4)
(Increase)/decrease in debtors		(153)	(672)
Increase/(decrease) in creditors due within one year		470	1,303
Increase/(decrease) in creditors due after one year		(752)	(716)
Increase/(decrease) in provisions		(190)	(448)
Pensions costs less contributions payable		2,340	1,541
Taxation		-	-
Adjustment for investing or financing activities			
Investment income		(61)	(17)
Interest payable		1,015	944
Taxation paid		-	-
Gain on sale of fixed assets		(20)	-
Net cash flow from operating activities		4,455	4,350
Cash flows from investing activities			
Proceeds from sale of fixed assets		20	-
Disposal of non-current asset investments		-	-
Investment income		58	13
Withdrawal of deposits		-	-
New deposits		-	-
Payments made to acquire fixed assets		(858)	(637)
		(780)	(624)
Cash flows from financing activities			
Interest paid		(966)	(896)
Interest element of finance lease rental payments		(58)	(59)
New unsecured loans		-	-
Repayments of amounts borrowed		(831)	(1,141)
Capital element of finance lease rental payments		(250)	(261)

New finance leases		<u>685</u>	<u>253</u>
		<u>(1,420)</u>	<u>(2,104)</u>
Increase / (decrease) in cash and cash equivalents in the year		<u>2,255</u>	<u>1,622</u>
Cash and cash equivalents at beginning of the year	18	7,570	5,948
Cash and cash equivalents at end of the year	18	9,825	7,570
The accompanying notes form part of the 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 2018 to 2019* and in accordance with Financial Reporting Standard 102 – “*The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland*” (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

Basis of accounting

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

Basis of consolidation

The consolidated financial statements include the College and its subsidiary undertakings, controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra-group sales and profits are eliminated fully on consolidation. The College and the students' union are managed on a unified basis. All financial statements are made up to 31 July 2019. The Sheffield UTC Academy Trust is not consolidated in to the financial statements on the basis that legislation governing the disposal of UTC assets represents a severe long-term restriction on the College's power to control the trust. The Sheffield College Students' Union is an unincorporated association of students that operates in accordance with a constitution approved by the Corporation and to which the College grants funds for the Union to provide social and cultural opportunities for students. The Students' Union is required to adopt the policies and procedures of the College including the financial regulations. The Governing Body ensures that the Students' Union operates in a fair and democratic manner and is accountable for its finances.

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 cash flow, liquidity and borrowings are presented in the Financial Statements and accompanying Notes.

The College currently has £12.7m of loans outstanding with bankers on terms renegotiated in 2015, with amendments to the terms in October 2018. The terms of the existing agreements are for up to another 16 years. The College has worked closely with Barclays and AIB to ensure that it provides them with assurance in respect of its financial health and its ability to make loan repayments as they fall due. The banks are supportive of the College and have agreed changes to the covenants attached to the loans to reflect the 2019/20 budget and three-year financial plan. The College is forecasting that it will achieve compliance with the new covenants from both banks for the foreseeable future.

After making appropriate enquiries the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. The College has prepared a three-year financial plan up to and including the 2021/22 financial year, which was approved by the Governing Body on 10 July 2019. The College planned to increase income by growing the 16-18 Learner Responsive, HE and Apprenticeship curriculum, with resultant marginal increases in surplus and cash balances. The current position is that whilst 16-18 income is in line with the plan, growth in HE and apprenticeship growth is slower than planned. The cost base will be managed to ensure that the College's budget is met and cash flows are sufficient to fund the College's activity. The introduction of more integrated financial statements and a new model to inform forecasting as well as high levels of accountability and ownership by budget holders to manage

costs, will ensure that the College remains a going concern. For these reasons, the Corporation continues to adopt the going concern basis in preparing the financial statements.

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 Education Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

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

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

All capital grants (whether governmental or non-governmental) are recognised in income when the College is entitled to the funds, subject to any performance related conditions being met. Income from tuition fees is stated gross of any expenditure which is not a discount and is recognised in the period for which it is received. All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned on a receivable basis.

Where the College receives and disburses funds in which it has no direct beneficial interest, such funds are excluded from the income and expenditure account on the grounds that the College is exposed to minimal risk and enjoys minimal economic benefit from the transactions. The College has applied this policy to certain funds received during the year from the ESFA (see note 23).

Accounting for post-employment benefits

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

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

The LGPS (provided by the South Yorkshire Pensions Authority) is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses. Actuarial gains and losses are recognised immediately in other recognised gains and losses.

Further Details of the pension schemes are given in note 21.

Short term Employment benefits

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

Enhanced Pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by a college annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to the College's income in the year that the member of staff retires. In subsequent years a charge is made to provisions in the balance sheet using the enhanced pension spreadsheet provided by the funding bodies.

Non-current Assets - Tangible fixed assets

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

Land and buildings

Freehold buildings are depreciated on a straight-line basis over their expected useful economic life to the College of fifty years. This policy applies to all College Freehold buildings.
Freehold land is not depreciated.

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to the income and expenditure account when the College is entitled to the income and performance conditions have been met. A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of any fixed asset may not be recoverable.

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings which were revalued in 1998 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 each year. 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 meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis:

- Market value of the fixed asset has subsequently improved
- Asset's capacity increases
- Substantial improvement in the quality of output or reduction in operating costs
- Significant extension of the asset's life beyond that conferred by repairs and maintenance

Buildings owned by third parties

Where land and buildings are used, but the legal rights are held by a third party [for example a charitable trust], they are only capitalised if the College has rights or access to ongoing future economic benefit. These assets are then depreciated over their expected useful economic life.

Equipment

Equipment costing less than £2,000 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:

- | | |
|------------------------------------|----------|
| • technical equipment | 10 years |
| • motor vehicles | 5 years |
| • computer equipment | 5 years |
| • furniture, fixtures and fittings | 10 years |

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. 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, and the assets are treated as if they had been purchased outright.

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

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding. Where finance lease payments are funded in full from funding council capital equipment grants, the associated assets are designated as grant-funded assets.

Assets which are held under hire purchase contracts which have the characteristics of finance leases are depreciated over their useful lives.

Investments***Investments in subsidiaries***

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

Other investments

Listed investments held as non-current assets and current asset investments, which may include listed investments, are stated at fair value, with movements recognised in Comprehensive Income. Investments comprising unquoted equity instruments are measured at fair value, estimated using a valuation technique.

Inventories

Inventories are stated at the lower of their cost (using the first-in, first-out method) and net realisable value, being selling price less costs to complete and sell. Where necessary, provision is made for obsolete, slow-moving and defective items.

Cash and cash equivalents

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

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

Financial liabilities and equity

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

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

Foreign currency translation

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

Taxation

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

The College is partially exempt in respect of Value Added Tax, so that it can only recover around 2% of the VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

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

Provisions and contingent liabilities

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

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

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

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

Agency arrangements

The College acts as an agent in the collection and payment of discretionary support funds and 16-19 Bursary Funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure of the College, except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant.

Judgements in applying accounting policies and key sources of estimation uncertainty

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

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

Other key sources of estimation uncertainty

- *Tangible fixed assets*

Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors

such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 21, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2019. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2 Funding body grants

	Year ended 31 July		Year ended 31 July	
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Recurrent grants				
Education and Skills Funding Agency - adult	8,182	8,182	8,133	8,133
Education and Skills Funding Agency – 16 -18	24,860	24,860	24,549	24,549
Education and Skills Funding Agency - apprenticeships	6,299	6,299	4,711	4,711
Higher Education Funding Council/Office for Students	549	549	635	635
Specific Grants				
Access Funds	83	83	127	127
Education and Skills Funding Agency - Free School Meals	20	20	145	145
Total	39,993	39,993	38,300	38,300

3 Tuition fees and education contracts

	Year ended 31 July		Year ended 31 July	
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Adult education fees	696	696	1,062	1,062
Apprenticeship fees and contracts	101	101	465	465
Fees for FE loan supported courses	1,150	1,150	1,294	1,294
Fees for HE loan supported courses	2,605	2,605	2,835	2,835
International students' fees	289	289	274	274
Total tuition fees	4,841	4,841	5,930	5,930
Education contracts	1,200	1,200	1,237	1,237
Total	6,041	6,041	7,167	7,167

4 Other grants and contracts

	Year ended 31 July		Year ended 31 July	
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
European Commission	-	-	7	7
Other grants and contracts	342	342	342	342
Total	342	342	349	349

5 Other income

	Year ended 31 July		Year ended 31 July	
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Catering and residences	714	714	676	676
Other income generating activities	1,443	1,314	1,364	1,266
Total	2,157	2,028	2,040	1,942

6 Investment income

	Year ended 31 July		Year ended 31 July	
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other interest receivable	61	61	17	17
	61	61	17	17
Net return on pension scheme (note 21)	-	-	-	-
Total	61	61	17	17

7 Staff costs - Group and College

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

	2019	2018
	No.	No.
Teaching staff	327	318
Non teaching staff	455	474
	782	792

Staff costs for the above persons

	2019	2018
	£'000	£'000
Wages and salaries	24,385	23,927
Social security costs	2,174	2,116
Other pension costs	5,632	4,527
Payroll sub total	32,191	30,570
Contracted out staffing services	448	536
	32,639	31,106
Fundamental restructuring costs - contractual	253	110
non contractual	66	323
Total Staff costs	32,958	31,539

The costs shown in the table above are for the Group, and are not materially different from those of the College.

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 Executive Leadership Team which comprises the Chief Executive & Principal, Deputy CEO & Directors. Staff costs include compensation paid to key management personnel for loss of office.

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

	2019	2018
	No.	No.
The number of key management personnel including the Accounting Officer was:	9	11

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

	Key management personnel		Other staff	
	2019	2018	2019	2018
	No.	No.	No.	No.
£5,001 to £10,000	1	-	-	-
£15,001 to £20,000	-	2	-	-
£30,001 to £35,000	1	1	-	-
£35,001 to £40,000	-	1	-	-
£40,001 to £45,000	-	1	-	-
£50,001 to £55,000	1	1	-	-
£60,001 to £65,000	-	-	2	2
£65,001 to £70,000	1	-	2	1
£75,001 to £80,000	-	2	-	-
£80,001 to £85,000	2	1	-	-
£85,001 to £90,000	1	-	-	-
£110,001 to £115,000	1	1	-	-
£120,001 to £125,000	-	1	-	-
£145,001 to £150,000	1	-	-	-
	9	11	4	3

Key management personnel compensation is made up as follows:

	2019	2018
	£'000	£'000
Basic salary	666	681
Pension contributions	108	97
Total key management personnel compensation	774	778

The above compensation includes amounts paid to the Chief Executive & Principal who is the accounting officer and who is also the highest paid member of staff. Their pay and remuneration is as follows:

	2019	2018
	£'000	£'000
Basic salary	145	125
Performance related pay and bonus	-	-
Benefits in kind	-	-
Pension contributions	24	21

The governing body has adopted AoC's Senior Staff Remuneration Code in March 2019 and will assess pay in line with its principles in future.

The remuneration package of the Chief Executive & Principal is subject to annual review by the Search, Remuneration & Governance Committee of the governing body who use the AoC Senior Staff Survey benchmarking information to provide objective guidance.

The Chief Executive & Principal reports to the Chair of Governors, who undertakes an annual review of her performance against the college's overall objectives using both qualitative and quantitative measures of performance.

Relationship of Chief Executive & Principal's pay and remuneration expressed as a multiple

	2019	2018
Chief Executive & Principal's basic salary as a multiple of the median of all staff	5.2	4.1
Chief Executive & Principal's total remuneration as a multiple of the median of all staff	5.2	5.3

Compensation for loss of office paid to former key management personnel

	2019 £'000	2018 £'000
Compensation paid to the former post-holder - contractual	-	45
Estimated value of other benefits, including provisions for pension benefits	-	-
	-	45

The 2018 severance payment was approved by the College's remuneration committee.

The members of the Corporation other than the Accounting Officer (Chief Executive & Principal), the staff governors and the student union governor did not receive any payment from the institution other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

8 Other operating expenses

	Year ended 31 July		Year ended 31 July	
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Teaching costs	4,537	4,551	4,344	4,374
Non teaching costs	4,978	4,952	4,623	4,609
Premises costs	2,770	2,747	3,273	3,276
Total	12,285	12,250	12,240	12,259

Other operating expenses include:

	2019 £'000	2018 £'000
Auditors' remuneration:		
Financial statements audit*	48	33
Internal audit**	33	44
Other services provided by the financial statements auditors***	16	16
Other services provided by the internal auditors	-	-
Hire of assets under operating leases	129	127

*includes £36,000 in respect of the College (2017/18 £28,000)

**includes £33,000 in respect of the College (2017/18 £44,000)

*** includes £7,000 in respect of the College (2017/18 £7,000)

9 Interest payable - Group and College

	2019 £'000	2018 £'000
On bank loans, overdrafts and other loans:	957	885
	<hr/> 957	<hr/> 885
On finance leases	58	59
Interest on enhanced pensions provisions	75	78
Net interest on defined pension liability (note 21)	473	653
Total	<hr/> 1,563 <hr/>	<hr/> 1,675 <hr/>

10. Taxation Group only

The members do not believe that either the College or the Group was liable for any corporation tax arising out of its activities during either year.

11. Tangible fixed assets (Group)

	Land and buildings Freehold £'000	Equipment £'000	Assets in the Course of Construction £'000	Total £'000
Cost or valuation				
At 1 August 2018	118,807	10,401		129,208
Additions	17	706	483	1,206
Disposals	(473)	-	-	(473)
At 31 July 2019	118,351	11,107	483	129,941
Depreciation				
At 1 August 2018	20,495	8,307		28,802
Charge for the year	2,580	576		3,156
Elimination in respect of disposals	(473)			(473)
At 31 July 2019	22,602	8,883		31,485
Net book value at 31 July 2019	95,749	2,224	483	98,456
Net book value at 31 July 2018	98,312	2,094		100,406

11. Tangible fixed assets (College only)

	Land and buildings	Equipment	Assets in the Course of Construction	Total
	Freehold			
	£'000	£'000		£'000
Cost or valuation				
At 1 August 2018	118,807	10,363		129,170
Additions	17	706	483	1,206
Disposals	(473)	-		(473)
At 31 July 2019	118,351	11,069	483	129,903
Depreciation				
At 1 August 2018	20,495	8,271		28,766
Charge for the year	2,580	576		3,156
Elimination in respect of disposals	(473)	-		(473)
At 31 July 2019	22,602	8,847		31,449
Net book value at 31 July 2019	95,749	2,222	483	98,454
Net book value at 31 July 2018	98,312	2,092		100,404

Land and buildings were valued in 1998 on a depreciated replacement cost basis by GVA Grimley, a firm of independent chartered surveyors, in accordance with the RICS Statement of Asset Valuation Practice and Guidance notes. Other tangible fixed assets inherited from the Local Education Authority at incorporation have been valued by the College on a depreciated replacement cost basis with the assistance of independent professional advice.

The net book value of equipment includes an amount of £749,000 (2017/18 – £543,000) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £226,000 (2017/18 – £196,000).

If fixed assets had not been revalued they would have been included at the following historical cost amounts:

	£'000
Cost	Nil
Aggregate depreciation based on cost	Nil
Net book value based on cost	Nil

12 Non current Investments

The College, along with four other equal partners, holds a 20% membership in Sheffield Futures, a registered charity and company limited by guarantee. Under the charities' Memorandum of Association the members undertake to contribute to the assets of the company such an amount as may be required, not exceeding £1 in the event of it being wound up.

The College, along with four other equal partners, holds a 20% membership in The Sheffield UTC Academy Trust, a charitable company limited by guarantee. Under the trust's Memorandum of Association the members undertake to contribute to the assets of the company such an amount as may be required, not exceeding £10 in the event of it being wound up.

The College owns 100% of the issued ordinary £1 shares of Sparks Managed Services Limited, a company incorporated in England and Wales. The principal business activity of Sparks Managed Services Limited is the provision of cleaning, caretaking and administration services.

The College owns 100% of the issued ordinary £1 shares of Sparks Teaching Services Limited, a company incorporated in England and Wales. The principal business activity of Sparks Teaching Services Limited is the provision of part-time teaching and lecturing services.

The College owns 100% of the issued ordinary £1 shares of Sparks Solutions Limited, a company incorporated in England and Wales. The principal business activity of Sparks Solutions Limited is the provision of education, training and employment opportunities for Apprentices.

The College is one of many members of Learn Sheffield, a private company limited by guarantee incorporated on 14 August 2015 under company number 9734238. In consideration of its membership, the College provides to Learn Sheffield a guarantee up to the limit of £25.00. The Chief Executive and Principal serves as a director of Learn Sheffield, representing the FE and training sector.

The College holds a 100% membership in The Sheffield College Students Trust, a registered charity and company limited by guarantee. Under the charities' Memorandum of Association the members undertake to contribute to the assets of the company such an amount as may be required, not exceeding £1 in the event of it being wound up.

The College, along with 175 equal partners, holds a <1% membership in Learn Sheffield, a registered charity and company limited by guarantee. Under the charities' Memorandum of Association the members undertake to contribute to the assets of the company such an amount as may be required, not exceeding £25 in the event of it being wound up.

13 Trade and other receivables

	Group 2019	College 2019	Group 2018	College 2018
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade receivables	1,074	1,042	1,145	1,124
Amounts owed by group undertakings	-	87	-	86
Accrued Grant income	61	61	27	27
Prepayments and accrued income	322	322	236	236
Amounts owed by the ESFA	997	997	889	889
Total	2,454	2,509	2,297	2,362

14 Creditors: amounts falling due within one year

	Group 2019	College 2019	Group 2018	College 2018
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	846	846	831	831
Obligations under finance leases	225	225	289	289
VAT deferment schemes	3,188	3,188	2,436	2,436
Trade payables	3,218	3,178	2,843	2,816
Amounts owed to group undertakings	17	29	-	12
Other taxation and social security	524	524	578	574
Other employment related creditors	672	672	690	690
Accruals and deferred income	1,490	1,490	1,506	1,506
Deferred income - government revenue grants	182	182	429	429
Amounts owed to the ESFA	75	75	75	75
Total	10,437	10,409	9,677	9,658

15 Creditors: amounts falling due after one year

	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
Bank loans				12,714
	11,869	11,869	12,714	
Obligations under finance leases				492
	991	991	492	
VAT deferment schemes	7	7	759	759
Total	12,867	12,867	13,965	13,965

16 Maturity of debt**(a) Bank loans and overdrafts**

Bank loans and overdrafts are repayable as follows:

	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
In one year or less	846	846	831	831
Between one and two years	959	959	846	846
Between two and five years	2,943	2,943	2,912	2,912
In five years or more	7,967	7,967	8,956	8,956
Total	12,715	12,715	13,545	13,545

A variable rate loan calculated at the 3 month LIBOR rate plus 2.5% repayable by quarterly instalments falling due until 31st December 2021 totalling £1,717,000. This loan is secured on the freehold properties on the Hillsborough Campus.

A variable rate loan calculated at the 3 month LIBOR rate plus 2.5% repayable by quarterly instalments falling due until 1st December 2021 totalling £1,835,000. This loan is secured on the freehold properties on the Hillsborough Campus.

A fixed term loan at a fixed rate of 8.05% repayable by monthly instalments falling due until 24th August 2035 totalling £3,944,000. The loan is secured on the freehold properties on the City, Olive Grove and Peaks Campuses.

A fixed term loan at a fixed rate of 8.19% until 24th August 2020 and thereafter at the variable rate calculated at the 3 month LIBOR rate plus 2.85% repayable by monthly instalments until 24th August 2023 totalling £4,019,000. An agreement will have to be reached with the bank during the 12 months prior to the 2023 repayment date over the £3.1m which will be outstanding (repayment or a new termination date agreed). The loan is secured on the freehold properties on the City, Olive Grove and Peaks Campuses.

A fixed term loan at a variable rate calculated at the 3 month LIBOR rate plus 2.5% and repayable by quarterly instalments falling due until 24th July 2022 totalling £1,200,000.

(b) Finance leases

The net finance lease obligations to which the institution is committed are:

	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
In one year or less	225	225	289	289
Between two and five years	991	991	492	492
Total	1,216	1,216	781	781

Finance lease obligations are secured on the assets to which they relate.

17 Provisions**Group and College**

	Defined benefit Obligations £'000	Enhanced pensions £'000	Total £'000
At 1 August 2018	16,050	3,267	19,317
Expenditure in the period	2,340	(190)	2,150
Transferred from income and expenditure account	12,945	353	13,298
At 31 July 2019	31,335	3,430	34,765

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government Pension Scheme. Further details are given in Note 21.

The Enhanced pension provision relates to the College liability to the Teachers' Pension Scheme to fund the estimated future costs of enhanced pensions granted to employees retiring early under the terms of the College's restructuring programmes. This provision has been calculated in accordance with guidance issued by the Education & Skills Funding Agency and the Association of Colleges. The charge to income and expense during the year is £75,000 (2017/18 £78,000). The actuarial gain or loss is recognised in the statement of total recognised gains and losses, during the current period a loss of £353,000 is recognised (2017/18 £5,000 gain). Payments of £265,000 (2017/18 £221,000) have been made against the provision and paid into the scheme during the period.

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

18 Cash and cash equivalents

	At 1 August 2018 £'000	Cash flows £'000	Other changes £'000	At 31 July 2019 £'000
Cash and cash equivalents	7,570	2,255	-	9,825
Total	7,570	2,255	-	9,825

19 Capital commitments

Group and College	2019	2018
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	£'000	£'000
Commitments contracted for at 31 July	<u>348</u>	<u>-</u>
20 Lease Obligations		

At 31 July 2019 the College had no annual commitments in relation to non-cancellable operating leases.

21 Defined benefit obligations

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

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2016 and of the LGPS 31 March 2016.

Total pension cost for the year	2019	2018
	£'000	£'000
Teachers Pension Scheme: contributions paid	1,558	1,514
Local Government Pension Scheme:		
Contributions paid	2,150	2,129
FRS 102 (28) charge	1,867	883
Charge to the Statement of Comprehensive Income	<u>4,017</u>	<u>3,012</u>
Enhanced pension charge to Statement of Comprehensive Income	75	78
Total Pension Cost for Year	<u>5,650</u>	<u>4,604</u>

Contributions amounting to £127,000 (2018: £132,000) were payable to the TPS, and £120,000 (2018: £126,000) to the LGPS - these amounts are included within creditors.

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools, colleges and other educational establishments. Membership is automatic for teachers and lecturers at eligible institutions. Teachers and lecturers are able to opt out of the TPS.

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

Under the definitions set out in FRS 102 (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.

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

The latest actuarial review of the TPS was carried out as at 31 March 2016. The valuation report was published by the Department for Education (the Department in April 2019). The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £198 billion giving a notional past service deficit of £22 billion.

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/9). DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2019-20 academic year.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website.

The pension costs paid to TPS in the year amounted to £1,558,000 (2018: £1,514,000)

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

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

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by the South Yorkshire Pensions Authority. The total contribution made for the year ended 31 July 2019 was £2.69m, of which employer's contributions totalled £2.10m and employees' contributions totalled £591,000. The agreed contribution rates for future years are 15.9% for the College as the employer, and range from 5.5% to 12.5% for employees depending on salary.

On 26 October 2018, the High Court handed down a judgement involving the Lloyds Banking Group's defined benefit pension schemes. The judgement concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits, "GMP". The Government will need to consider this outcome in conjunction with the Government's recent consultation on GMP indexation in public sector schemes before concluding on any changes required to LGPS schemes.

Principal Actuarial Assumptions

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

	At 31 July 2019	At 31 July 2018
Rate of increase in salaries	3.45%	3.45%
Future pensions increases	2.30%	2.30%
Discount rate for scheme liabilities	2.10%	2.90%
Inflation assumption (CPI)	2.20%	2.20%
Commutation of pensions to lump sums	50%	50%

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

	At 31 July 2019 years	At 31 July 2018 years
<i>Retiring today</i>		
Males	23.10	23.00
Females	25.90	25.80
<i>Retiring in 20 years</i>		
Males	25.30	25.20
Females	28.30	28.10

Sensitivity analysis	At 31 July 2019 £'000	At 31 July 2018 £'000
Discount rate +0.1%	28,696	14,073
Mortality assumption – 1 year increase	33,675	18,227
CPI rate +0.1%	33,478	18,063

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

	Fair Value at 31 July 2019 £'000	Fair Value at 31 July 2018 £'000
Equities	54,165	51,236
Government bonds	14,810	13,772
Other bonds	7,560	7,030
Property	9,010	9,342
Cash/liquidity	3,314	4,430
Other	14,706	10,497
Total market value of assets	103,565	96,307
Actual return on plan assets	7,546	6,581

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

	2019 £'000	2018 £'000
Fair value of plan assets	103,565	96,307
Present value of plan liabilities	(134,437)	(111,914)
[Present value of unfunded liabilities]	(463)	(443)
Net pensions (liability)/asset (Note 17)	(31,335)	(16,050)

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

	2019 £'000	2018 £'000
Amounts included in staff costs		
Current service cost	2,799	3,012
Past service cost	1,191	-
Total	3,990	3,012
Amounts included in interest and other finance costs		
Net interest cost	435	616
Administration expenses	38	37
	473	653

Amounts recognised in Other Comprehensive Income

Return on pension plan assets	4,759	4,335
Experience losses arising on defined benefit obligations	-	-
Changes in assumptions underlying the present value of plan liabilities	(17,704)	6,811

	(12,945)	11,146
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Amount recognised in Other Comprehensive Income

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

	2019 £'000	2018 £'000
Surplus/(deficit) in scheme at 1 August	(16,050)	(25,660)
Movement in year:		
Current service cost	(2,799)	(3,012)
Employer contributions	2,150	2,129
Past service cost	(1,191)	-
Curtailments	(27)	-
Net interest on the defined (liability)/asset	(435)	(616)
Administration expenses	(38)	(37)
Actuarial gain or loss	(12,945)	11,146
Net defined benefit (liability)/asset at 31 July	(31,335)	(16,050)

Asset and Liability Reconciliation

	2019 £'000	2018 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	112,357	115,760
Current Service cost	2,799	3,012
Interest cost	3,224	2,864
Contributions by Scheme participants	597	592
Experience gains and losses on defined benefit obligations	-	-
Changes in financial assumptions	17,704	(6,811)
Estimated benefits paid	(2,999)	(3,060)
Past Service cost	1,191	-
Curtailments and settlements	27	-
Defined benefit obligations at end of period	134,900	112,357

Reconciliation of Assets

Fair value of plan assets at start of period	96,307	90,100
Interest on plan assets	2,789	2,248
Return on plan assets	4,759	4,335
Administration expenses	(38)	(37)
Employer contributions	2,150	2,129
Contributions by Scheme participants	597	592
Estimated benefits paid	(2,999)	(3,060)
Fair value of plan assets at end of period	103,565	96,307

These accounts include a past service cost of £922,000 in respect of the McCloud / Sergeant judgement which ruled that the transitional protection for some members of public service schemes implemented when they were reformed constituted age discrimination. This provision is just under 3% of the total scheme liability as at 31 March 2019. The calculation of adjustment to past service costs, £7 billion, arising from the outcome of the Court of Appeal judgment is based on a number of key assumptions including:

- the form of remedy adopted
- how the remedy will be implemented
- which members will be affected by the remedy
- the earning assumptions
- the withdrawal assumption

The other financial and demographic assumptions adopted to calculate the past service cost are the same as those used to calculate the overall scheme liability. Adopting different assumptions, or making other adjustments to reflect behavioural changes stemming from the judgment, would be expected to change the disclosed past service cost. Similarly, allowing for variations in individual members' future service or salary progression is expected to produce higher costs. The past service cost is particularly sensitive to the difference between assumed long term general pay growth and the CPI. If the long term salary growth assumptions were 0.5% pa lower, then the past service cost disclosed here would be expected to reduce by 50% and conversely a 0.5% pa increase would increase the estimated cost by 65%.

22 Related party transactions

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

The total expenses paid to or on behalf of the Governors during the year was £385; four governors (2018: £536; four governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and conferences in their official capacity. No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year, in relation to their role as Governor (2018: None).

Sheffield Hallam University - a Higher Education institution in which Mr Calvert (Governor) is the Chief Operating Officer.

Sales transactions in the year amounted to £211,000 (2018 – £175,000), relating to the provision of teaching & training services. The outstanding balance at the year end was £nil (2018 – £nil)

Purchase transactions in the year amounted to £279,000 (2018 - £267,000), relating to academic validation fees. The outstanding balance at the year end was £11,000 (2018 - £nil).

The Sheffield UTC Academy Trust - an academy school trust in which the College and Ms Foulkes (Chief Executive) are members, and Ms Foulkes (Chief Executive) and Ms Platts (Executive Team member) are Directors.

Sales transactions in the year amounted to £159,000 (2018 – £147,000), relating to the provision of Financial, Human Resources & Premises services. The outstanding balance at the year end was £500 (2018 – £6,000)

NOCN - a qualification awarding body in which Mr Schmoller (Chair of Governors) is a trustee.

Purchase transactions in the year amounted to £39,000 (2018 - £21,000), relating to exam fees. The outstanding balance at the year end was £nil (2018 - £700).

Learn Sheffield – an education improvement body in which the College is a member, and Mr Betts (Governor) is CEO.

Purchase transactions in the year amounted to £300 (2018 - £nil), relating to training courses. The outstanding balance at the year end was £nil (2018 - £nil).

Sheffield Futures - a careers advice charity in which the College is a member, and Ms Foulkes (Chief Executive) is a Director.

Sales transactions in the year amounted to £300 (2018 – £1,300), relating to the provision of award sponsorship and catering services. The outstanding balance at the year end was £nil (2018 – £nil)

Purchase transactions in the year amounted to £nil (2018 – £23,000), relating to the provision of guidance services. The outstanding balance at the year end was £nil (2018 – £nil)

23 Amounts disbursed as agent

	2019 £'000	2018 £'000
Learner support funds		
Funding body grants – hardship support and childcare	820	584
Funding body grants – Advanced Learner Loan Bursaries	253	302
Funding body grants – residential bursaries	-	-
Funding body grants – 16 to 19 Bursary Funding	1,345	1,090
	2,418	1,976
Disbursed to students	(2,321)	(1,835)
Administration costs	(97)	(87)
Balance unspent as at 31 July, included in creditors	-	54

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.