

The Sheffield
College

Report of the members' of the Corporation and Financial Statements

For the 12 month period from 1 August 2013 to 31 July 2014

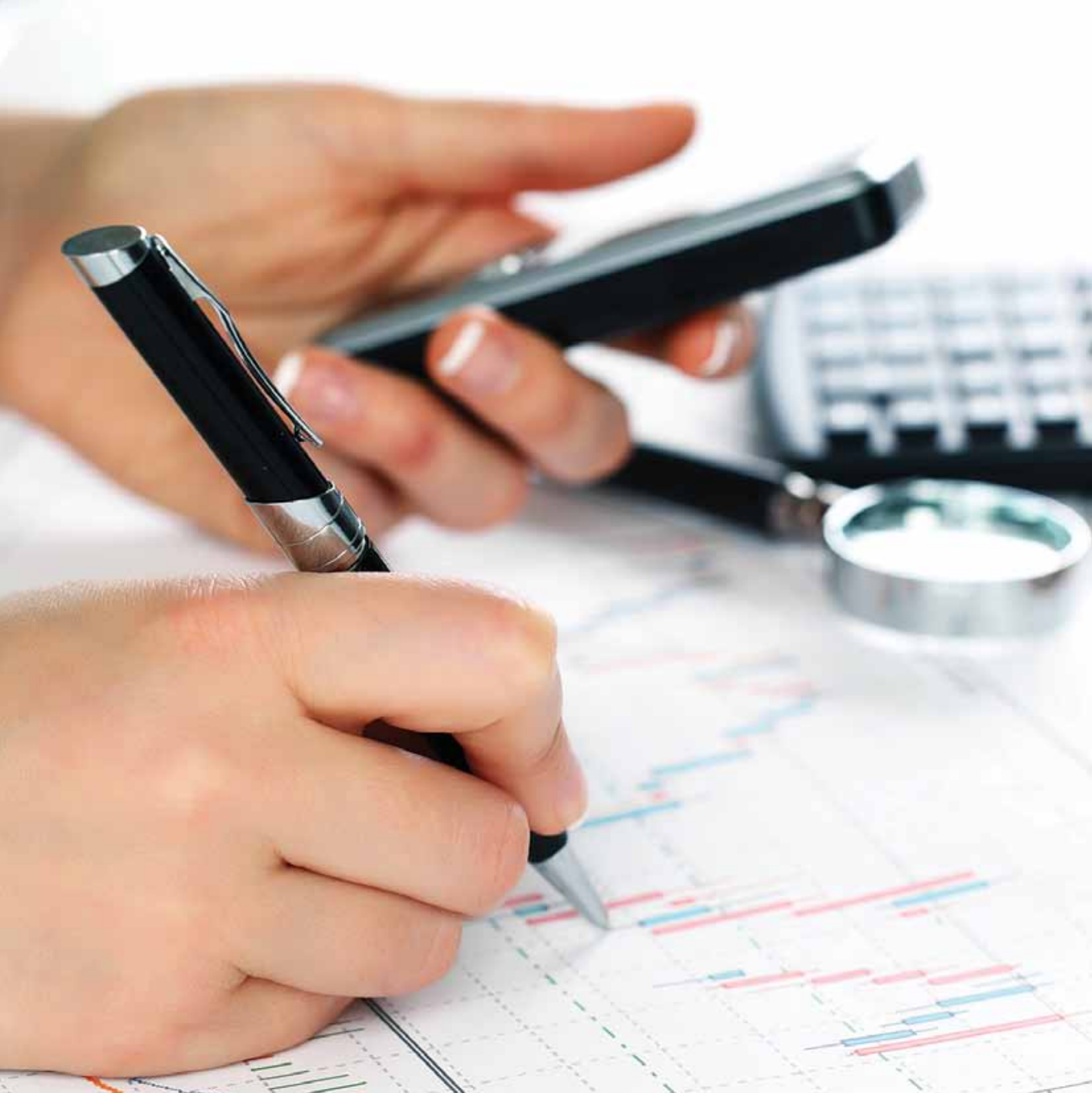
Excellence

Employability

Enterprise

E-Enabled

Engagement



Report of the members of the Corporation and Financial Statements

For the 12 month period from 1 August 2013 to 31 July 2014

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 means the composite body of Sheffield City College, Norton College and Hillsborough College.
- The Sheffield College Group means The Sheffield College, Sparks Managed Services Ltd, Sparks Teaching Services Ltd, Sparks Solutions Ltd and The Enterprise Gateway Community Interest Company.

Members' report and financial statements

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Members' Report

Operating and Financial Review

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 the Charities Act 1993 as amended by the Charities Act 2006.

Mission

The College's Mission as determined by its Governors, is:

"To inspire and equip learners for productive employment and fulfilling lives"

The College is a general further education college with students engaged on a comprehensive range of Further and Higher Education programmes. The College operates at variety of locations across the city of Sheffield, with main campuses located at:

- Sheffield City College – Granville Road, Sheffield S2 2RL
- Sheffield College of Applied Engineering – Olive Grove Road, Sheffield S2 3GE
- Norton College – Dyche Lane, Sheffield S8 8BR
- Hillsborough College – Livesey Street, Sheffield S6 2ET
- Peaks College – Waterthorpe Greenway, Sheffield S20 8LY

The Sheffield College has four subsidiary companies:

- Sparks Managed Services Ltd. incorporated in 2011, this company provides cleaning and caretaking services to the College. In the financial year ending 31 July 2014, this company broke even.
- Sparks Teaching Services Ltd. incorporated in 2012, this company employs temporary teaching staff to the College. In the financial year ending 31 July 2014, this company broke even.
- The Enterprise Gateway Community Interest Company incorporated in 2011, this was a social enterprise that is a vehicle for a College learning company. In the financial year ending 31 July 2014, this company made an operating loss of £32,000. The Enterprise Gateway Community Interest Company was dissolved on 16 September 2014.
- Sparks Solutions Ltd. incorporated in 2014, this company provides sales business support services to the College. In the financial year ending 31 July 2014, this company broke even.

Throughout these financial statements, any reference to The Sheffield College Group includes these subsidiaries. Any reference to The Sheffield College excludes these subsidiaries.



Implementation of Strategic Development Plan

The College's Strategic Framework 2012-2014 was approved by Governors in October 2012.

This was the result of our large scale consultation with our stakeholders, including staff and students that established the College's Vision, Values and Strategic Objectives.

The Objectives are:

- Excellence
- Employability
- Enterprise
- E-Enabled
- Engagement

A comprehensive Operational Plan, combined with the College's Self Assessment Quality Improvement Plan, has underpinned the Framework, together with nine Enabling Strategies. Each of these is monitored at a strategic level and there has been excellent progress against many of the objectives. This was recognised in the Ofsted inspection (April 2013).

'Senior leaders carried out a wide-ranging consultation on the development of the strategic framework, internally with college staff and externally with more than 100 key stakeholders. All staff understand the values and the five strategic themes of excellence, employability, enterprise, engagement and E-enabled.'

Ofsted 2013

Part of the Framework is a Curriculum Blueprint, which translates the strategic vision of the College into aspirational targets for all Departments to reach. The College is expanding its curriculum and diversifying its income, particularly in Higher Education, links with Job Centre Plus and students funded through the new 24+ Advanced Learner Loans. Further work is required to expand apprenticeship provision and full-cost programmes.



Financial Objectives

Key financial targets for the College are set each year as part of the strategic planning process. In July 2011 the following targets were stipulated by Governors:

1. To maintain an appropriate level of liquidity with cash reserves of £4,974,000 at 31 July 2014.

The College has exceeded this target through the careful management of its working capital position throughout the 2013/14 financial year. It has also benefitted from Skills Funding Agency (SFA) capital grant receipts in respect of the Hillsborough College and Olive Grove projects. At 31 July 2014 the College had cash reserves of £5,480,000 and had achieved 38 cash days in hand. (This compares to 42 days in 2012/13).

2. To ensure that the College achieves an income diversity figure (non-Education Funding Agency (EFA) or SFA income as a proportion of total turnover) of at least 20%.

The College has not achieved this target. Non-EFA or SFA income as a proportion of total cash income in 2013/14 was 18.9%. (In 2012/13 the College achieved income diversity of 15.7%).

3. To deliver an operating surplus of at least £838,000 excluding any accelerated depreciation costs related to the disposal of the Norton College campus.

The College has not achieved this target, generating an operating surplus of £823,000 before the accelerated depreciation costs and capital grant releases relating to Norton College are taken into account. (In 2012/13 the College generated an operating surplus of £1,193,000).

4. To reduce the proportion of income spent on direct and agency staffing costs to no more than 67% of turnover.

The College has not achieved this target, as direct and agency staffing costs in 2013/14 were 68.6% of turnover. (In 2012/13, staffing costs were 64.8% of turnover).

Performance Indicators

The 'Framework for Excellence' has four key performance indicators:

- Success rates
- Learner destinations
- Learner views
- Employer views

The College is committed to observing the importance of the measures and indicators within the Framework and is monitoring these through the completion of the annual Finance Record for the SFA.

FINANCIAL POSITION

Financial Results

The College generated an operating surplus before the disposal of assets in the year of £823,000 (2012/13 - operating surplus of £1,193,000).

The College's reserves on 31 July 2014 (excluding the revaluation reserve, the FRS17 pension reserve and restricted reserves) stood at £20,498,000 (31 July 2013 - £19,264,000).

Treasury Management

The College benefitted from the receipt of SFA capital grant funding in 2013/14.

The College continued to pay down its loans during the year and has met all financial performance covenants associated with these.

Cash Flows

The College realised a net cash inflow on operating activities of £2,285,000 during 2013/14 (£3,209,000 in 2012/13).

The net decrease in the College cash position for the year ending 31 July 2014 was £562,000 (the College saw a net cash increase of £2,688,000 for the year ending 31 July 2013).

Liquidity

College liquidity was boosted by receipts from the sale of the Walkley and Loxley campuses during 2012/13. Although there were no similar receipts during 2013/14 the College ended the year with cash reserves marginally higher than originally planned.

Although the College is confident that it will remain a going concern, anticipated cuts to EFA and SFA revenues over the next few years combined with capital investment in our accommodation will present some liquidity challenges over the next few years.



CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student Numbers

In 2013/14 the College delivered provision that produced £43,153,000 in cumulative recurrent grant funding (2012/13 - £44,787,000) from the EFA, the SFA and the Higher Education Funding Council for England. The College had 6,128 EFA funded students and 11,521 SFA funded students.

Student Achievements

In 2013/14 students at the College achieved an overall success rate of 83%, a marginal decline on the rate of 84% achieved in 2012/13. This was driven at least in part by a substantial reduction in the volume of short enrichment programmes offered by the College. However, it should be noted that the overall success rate for long programmes in 2013/14 was 81%, a 1% improvement on the rate achieved in 2012/13.

Curriculum Developments

The College was subject to an Ofsted inspection in May 2013. This judged the College to be 'good' in terms of overall effectiveness, and noted in particular:

- Teaching, learning and assessment are mostly good. Much effective learning takes place outside of lessons and teachers and trainers rigorously monitor the achievement and progress of students and apprentices.
- Students benefit significantly from high quality, individualised support from teachers, trainers and specialist support staff. This support plays a crucial role in helping them to achieve.
- Leaders and managers of the college have demonstrated their ability to bring about significant improvements in the facilities, guidance and support experienced by students, and the impact of these is evident in the marked increases in success rates for most types of course.
- The College uses its excellent range of external partnerships very effectively to develop the curriculum, raise the aspirations of students and increase their employability.

The College continued its sponsorship of UTC Sheffield, a University Technical College located in the centre of Sheffield specialising in engineering and advanced manufacturing and creative and digital industries. UTC Sheffield opened to students in September 2013.

The College submitted a bid to support a second University Technical College, and a 2-16 academy school in Sheffield during 2013. Whilst our bid to sponsor the 2-16 academy school was unsuccessful, our proposal to sponsor a second University Technical College in Sheffield met with approval, and the College is working to ensure that this will open in September 2016.

The College continued to expand the breadth and volume of its apprenticeship provision during 2013/14, developing new partnerships with a number of employers and introducing several new frameworks such as that for accounting technicians.

Capital Projects

The College has secured a SFA capital grant of £9,971,000 to support a £15,600,000 project to redevelop our Olive Grove campus and extend our Hillsborough College campus. Work commenced on these projects in 2013/14 and practical completion is expected during the summer of 2015. A key outcome of these works will be the closure of our Norton College campus in summer 2015, and as a consequence, the College has elected to accelerate the depreciation of the Norton site. With regard to these financial statements this has meant an additional depreciation charge of £1,176,000 for the year ending 31 July 2014, offset by an associated release of capital grants of £427,000. The net impact of this adjustment has therefore been to reduce our reported operating surplus by £749,000.

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 2013 to 31 July 2014, the College exceeded this target. The College incurred no interest charges in respect of late payment for this period.

Future Developments

The College has agreed total funding from the EFA for the 2014/15 financial year of £29,243,609. Funding from the SFA has been confirmed at £10,638,520 for the same period, with a 24+ Advanced Learning Loans allocation of £1,652,788.

It is anticipated that participation levels for directly funded provision aimed at 16-18 learners will decrease in 2014/15 due to demographic, curriculum and accommodation changes.

The College expects previously announced changes to the funding for these learners to have an adverse financial impact over time, although the EFA has confirmed that there will be some modest protection to our funding until 2014/15.

The College has been allocated £988,991 of funding from the SFA to facilitate the provision of ESOL courses to learners mandated to study by Job Centre Plus. It is anticipated that this funding will be available for the 2014/15 financial year only.

PRINCIPAL RISK AND UNCERTAINTIES

Risk Management Framework

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 which monitors the College's response to significant risk. It also advises the Board 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 review 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.

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.

Funding Environment

The full impact of the Comprehensive Spending Review continues to be felt. It is clear that there will be a protracted squeeze on public expenditure that is likely to have a fundamental impact on how the College operates. Funding rates for all categories of learner are likely to fall over the medium term, and the generation of alternative revenue sources will continue to be a priority. Neither the EFA nor the SFA are yet able to offer any clear guidance on likely funding policy and priorities for 2015/16 or 2016/17, and this uncertainty is exacerbated by the prospect of a general election in May 2015.

The EFA and the SFA introduced new funding methodologies for 2013/14. The financial implications of these changes have been limited in the first instance but as transitional funding protection is removed and funding rates continue to be reduced, the impact will become substantial.

The increasing role of the Sheffield City Region Local Enterprise Partnership (LEP) in commissioning and funding the provision of skills training and education in the city region could have profound implications for the College. Perhaps the most significant of these is the potential for adult skills funding to be allocated to the LEP rather than the College in the future. The availability of tuition fee loans for further education students aged 24+ enrolling on courses at or above Level 3 is now well established. The College anticipates that tuition fee loans will be offered to all adult learners studying programmes at Level 2 and above from the beginning of the 2016/17 financial year.

Quality of Provision

The College seeks to continue to improve learner success rates and has delivered overall learner responsive success rates of 83% in 2012/13 (down from 84% in 2012/13) in line with sector averages.

STAKEHOLDER RELATIONSHIPS

Stakeholder Engagement

In line with other colleges and with universities, The Sheffield College has many stakeholders. These include:

- Students;
- Funding Councils;
- Staff;
- Local employers (with specific links);
- Local Authorities;
- Government Offices;
- The local community;
- Other FE institutions;
- Trade unions;
- Professional bodies;
- The University of Sheffield and Sheffield Hallam University.

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

Equal opportunities and employment of disabled persons

The Sheffield College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, gender, sexual orientation, ability, class and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry. This Single Equality Scheme captures all of the College's policy and strategies in the areas of equality and diversity and these are resourced, implemented and monitored on a planned basis.

A statement on the approach of the College to equality issues is published on the College Internet site www.sheffcol.ac.uk.

The College considers all applications from disabled persons, bearing in mind the aptitudes of the individuals concerned. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion, which are, as far as possible, identical to those for other employees.

Disability statement

The College seeks to achieve the objectives set down in the Disability Discrimination Act 1995 as amended by the Special Education Needs and Disability Acts 2001 and 2005. These have been included in the College Single Equality Scheme which is reviewed and updated annually.

- As part of its accommodation strategy the College updated its access audit. Experts in this field conducted a full access audit during 2005/06, and the results of this formed the basis of a bid to the LSC for funding capital projects aimed at improving access.
- The College has an Access Co-ordinator, who provides information, advice and arranges 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 admissions policy for all students is described in the College charter. Appeals against a decision not to offer a place are dealt with under the complaints policy.
- The College has made a significant investment in the appointment of specialist lecturers to support students with learning difficulties and/or disabilities. There are a number of learner support assistants who can provide a variety of support for learning.
- Specialist programmes are described in College prospectuses, and achievements and destinations are recorded and published in the standard College format.
- Counselling and welfare services are described in the College Student Guide, which is issued to students together with the Complaints and Disciplinary Procedure leaflets at induction.

Disclosure of information to auditors

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

List of Professional Advisers

Financial statements and regularity auditors:

KPMG LLP
1 The Embankment
Neville Street
Leeds LS1 4DW

Internal auditors:

Grant Thornton UK, LLP
Unit 2
Broadfield Court
Sheffield S8 0XF

Bankers:

Barclays Bank Plc
NE and Yorkshire Larger Business Team
PO Box 378
71 Grey Street
Newcastle Upon Tyne
Tyne and 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

Hill Dickinson LLP
The Balance
Pinfold Street
Sheffield S1 2GU



Statement of Corporate Governance and Internal Control

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

The College endeavours to conduct its business:

- 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 English Colleges' Foundation Code of Governance ("the Foundation Code"); and
- iii. having due regard to the UK Corporate Governance Code ("the Code") insofar as it is applicable to the further education sector.

The College is committed to exhibiting best practice in all aspects of corporate governance and in particular the College/Board has adopted and complied with the Foundation Code. In the opinion of the Governors, the College complies with all the provisions of the Foundation Code, and it has complied throughout the year ended 31 July 2014. 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. In carrying out its responsibilities, it takes full account of The English Colleges' Foundation Code of Governance issued by the Association of Colleges in December 2011, which it formally adopted in July 2012.

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.

Public Benefit Statement

- The Sheffield College seek the engagement of stakeholders as a vehicle for improvement.
- Stakeholders receive clear, coherent and consistent messages.
- The Sheffield College makes effective use of people's time in seeking their views, involving them in decisions and sharing relevant information.
- The Sheffield College is able to make use, at a strategic level, of information, opinions and feedback gained from engaging with stakeholders.



Richard Wright
Chair of Governors



Heather MacDonald
Chief Executive



Sally Neocosmos
Chair, Finance,
Employment and
General purpose
Committee



John Timms
Planning and
Performance



Seb Schmoller
Chair, Planning
and Performance
Committee

A selection of The Sheffield College Governors

The members who served the Corporation during the year and up to the date of signature of this report were as follows:

Name	Date of appointment	Term of office	Date of resignation/retirement	Status of appointment	Committees served	Attendance at meetings
Chris Addy	26/9/2011	4 years		Resigned 11/11/14	Governing Body Audit and Risk Assurance FEGP from 1/4/2014	58% 100% 0%
Mike Atkins	1/9/2008	8 years		Current	Governing Body Planning and Performance Search	58% 50% 50%
Kathy Atkin	31/3/2010 (Re-appointed 31/3/2014 for 2 years until 31/8/2016)	4 years		Current	Governing Body Audit and Risk Assurance	73% 75%
Isabelle Beckett-Smith (Student)	17/12/2012 Re-appointed 1/8/2013	1 year 1 year	31/8/2014	Retired	Governing Body Planning and Performance	43% 0%
Steve Brosnan	1/9/2008	8 years	Resigned 31/3/2014	Current	Governing Body FEGP	0% 0%
Neil Fletcher	1/9/2009	8 years		Current	Governing Body Audit and Risk Assurance (Chair)	100% 100%
Brian Fordham	20/12/2005 reappointed 1/9/2009	8 years As a Governor	31/1/11	Resigned 31/1/11 Current non- Governor Co-optee	Audit and Risk Assurance	50%
Karan Green	1/9/2008	8 years	31/8/2013	Resigned	Planning and Performance	0%
Edward Highfield	1/9/2013	2 years		Current	Governing Body Planning and Performance	73% 100%
Chris Linacre	25/3/2012	4 years		Current	Governing Body Audit and Risk Assurance Planning and Performance Remuneration	87% 75% 75% 100%
Heather MacDonald	1/9/2008	Ex-officio Principal/ Chief Executive		Current	Governing Body FEGP Planning and Performance Remuneration	100% 100% 100% 100%
Louisa Moore (Student)	1/9/2013	1 year	31/8/2014	Retired	Governing Body Planning and Performance	29% 0%
Sally Neocosmos	1/9/2009	8 years		Current Vice Chair of Governing Body	Governing Body FEGP (Chair from 1/9/2013), Remuneration	73% 88% 100%
Valerie Petersen	16/5/2011	4 years	Resigned 31/8/2014	Resigned	Governing Body Planning and Performance	58% 75%
Seb Schmoller	1/9/2008	8 years		Current Vice Chair of Governing Body	Governing Body Planning and Performance (Chair) Search	87% 100% 100%
Kim Streets	31/10/2013	2 years		Current	Governing Body Appointed to A and RA 1/4/2014	43% 0%
Liz Swynnerton	1/9/2007	8 years	Resigned 31/8/2014	Resigned	Governing Body FEGP Search	87% 63% 100%
Graeme Symonds	31/10/2013	2 years	13/8/14	Resigned	Governing Body Appointed to FEGP 1/4/2014	29% 66%
John Timms	1/9/2012	4 years		Current	Governing Body Planning and Performanc	100% 100%
David Waxman	1/9/2005 reappointed 22/6/2009	8 years	31/8/2013	Retired (Chair of Governing Body until 31/8/2013)	Governing Body FEGP Search Remuneration	0% 0% 0% 0%
Richard Wright	26/9/2011	4 years		Current Chair of Governing Body from 1/9/2013	Governing Body FEGP (Chair from 20/2/2012) Remuneration Search	100% 75% 100% 100%

The following Members were appointed/resigned during the period 1 August 2013 to 31 July 2014

- I. Chris Addy resigned 11 November 2014
- II. Kathy Atkin Re-appointed 31 March 2014 for 2 years until 31 August 2016
- III. James Bangert (Student) Appointed 1 August 2014 for 1 year until 31 July 2015
- IV. Isabelle Beckett-Smith (Student) Resigned 31 July 2014
- V. Steve Brosnan Resigned 31 March 2014
- VI. Karan Green Resigned 31 August 2013
- VII. Edward Highfield Appointed 1 September 2013 for 2 years until 31 August 2015
- VIII. Louisa Moore (Student) Resigned 31 July 2014
- IX. Valerie Petersen Resigned 31 August 2014
- X. Kim Streets Appointed 31 October 2013 for 2 years until 1 November 2015
- XI. Liz Swynnerton Resigned 31 August 2014
- XII. Graeme Symonds Appointed 31 October 2013 for 2 years until 1 November 2015
- XIII. Ben Walters (Student) Appointed 1 August 2014 for 1 year until 31 July 2015
- XIV. David Waxman Resigned 31 August 2013

Val Struggles acts as the Clerk to the Corporation.

Statement of Corporate Governance and Internal Control

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. These committees are Finance, Employment and General Purposes, Remuneration, Search and Audit and Risk Assurance. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available 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.

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

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

The Corporation has a strong and independent non-executive element and no individual or group dominates its decision making process. The Corporation considers that each of its non-executive members is independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent 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. The Corporation has a Search Committee, the membership of which during 2013/14 comprised of Mike Atkins, Seb Schmoller, Liz Swynnerton, Richard Wright and in attendance, Heather MacDonald, Chief Executive. The Committee is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

Members of the Corporation are appointed for an initial term of office between 2 - 4 years, with the maximum period of office normally not exceeding 8 years.

Remuneration Committee

Throughout the year ending 31 July 2014, membership of the College's Remuneration Committee comprised of Richard Wright, Chris Linacre, Sally Neocosmos and in attendance, Heather MacDonald, Chief Executive. The Committee's responsibilities are to make recommendations to the Corporation on the remuneration and benefits of the Accounting Officer and other senior postholders.

Details of remuneration for the year ended 31 July 2014 are set out in note 8 to the financial statements.

Audit and Risk Assurance Committee

The Audit and Risk Assurance Committee comprises five members including Neil Fletcher, Kathy Atkin, Chris Linacre, Kim Streets who are Governors and Brian Fordham, a co-opted member, of the Corporation. 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.

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

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

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

Internal Control

Scope of responsibility

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

The Corporation has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives whilst safeguarding the public funds and assets for which 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 2014 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 2014 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

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

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

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

Review of effectiveness

As Accounting Officer, the 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 regularity auditors, in their management letters and other reports.

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

The Senior Management Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Senior Management Team and Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Senior Management Team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2014 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2014 by considering documentation from the Senior Management Team and internal audit, and taking account of events since 31 July 2014.

Based on the advice of the Audit 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"*.

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

The Corporation has considered its responsibility to notify the SFA of material irregularity, impropriety and non-compliance with SFA terms and conditions of funding, under the financial memorandum in place between the College and the SFA. 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 to the best of its knowledge, the Corporation believes it is able to identify any material irregular or improper use of funds by the College, or material non-compliance with the SFA's terms and conditions of funding under the College's funding agreement. We further confirm that any instances of material irregularity, impropriety or funding non-compliance discovered to date have been notified to the SFA.

Going Concern

After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Approved by order of the members of the Corporation on 15 December 2014 and signed on its behalf by:



Richard Wright
Chair of the Governing Body



Heather MacDonald
Accounting Officer

Statement of the responsibilities of the members of the Corporation

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

Within the terms and conditions of the Financial Memorandum agreed between the SFA and the Corporation of the College, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education and with the Accounts Direction for 2013/14 financial statements issued jointly by the SFA and the EFA, and which give a true and fair view of the state of affairs of the College and the result for that year.

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

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare financial statements on the going concern basis unless it is inappropriate to assume that the College will continue in operation.

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 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 of incorporation 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 governing body 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 SFA are used only in accordance with the Financial Memorandum with from the SFA and any other conditions 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 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 SFA are not put at risk.

Approved by order of the members of the Corporation on 15 December 2014 and signed on its behalf by:



Richard Wright
Chair of the Corporation

Independent auditor's report to the Corporation of the College

We have audited the College financial statements ("the financial statements") of the College for the year ended 31 July 2014 set out on pages 21 to 47. The financial reporting framework that has been applied in their preparation is applicable law and UK accounting standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Corporation, as a body, 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, as a body, 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 Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Corporation of the College and Auditor

As explained more fully in the Statement of the Corporation's responsibilities set out on page 18, the Corporation is responsible for the preparation of financial statements which give a true and fair view.

Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the College's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Corporation; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Operating and Financial Review to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Group's and of the College's affairs as at 31 July 2014 and of the Group surplus of income over expenditure for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education.

Opinion on other matters prescribed by the Joint Audit Code of Practice (Parts 1 and 2) issued jointly by the SFA and the EFA.

In our opinion:

- proper accounting records have been kept, and
- the financial statements are in agreement with the accounting records.



Clare Partridge (Senior Statutory Auditor)

For and on behalf of KPMG LLP Statutory Auditor

Chartered Accountants

1 The Embankment

Neville Street

Leeds LS1 4DW

December 2014

Independent Auditor's Report on Regularity to the Corporation of The Sheffield College and the Chief Executive of Skills Funding

- This report is produced in accordance with the terms of our engagement letter dated 19 July 2012 for the purpose of reporting on the College's Statement of Regularity, Propriety and Compliance in respect of whether the transactions underlying the College's financial statements for the year ended 31 July 2014 are regular as defined by and in accordance with the Financial Memorandum with the Chief Executive of Skills Funding, and in accordance with the authorities that govern them.
- The regularity assurance framework that has been applied is set out in the Joint Audit Code of Practice and the Regularity Audit Framework published by the SFA and the EFA.
- Our review has been undertaken so that we might state to the Corporation of The Sheffield College and the Chief Executive of Skills Funding those matters we are required to state to them in a report and for no other purpose. This report is made solely to the Corporation of The Sheffield College and the Chief Executive of Skills Funding in accordance with the terms of our engagement letter. 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 Chief Executive of Skills Funding, for our review work, for this report, or for the opinion we have formed.

Responsibilities of the Corporation of The Sheffield College

- The Corporation of The Sheffield College is responsible under the requirements of the Further and Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that financial transactions are in accordance with the framework of authorities which govern them and that transactions underlying the financial statements for the year ended 31 July 2014 are regular.
- The Corporation of The Sheffield College is also responsible, under the requirements of the Accounts Direction for 2013/14 Financial Statements published by the SFA and the EFA, for the preparation of the Statement on Regularity, Propriety and Compliance. The Statement confirms that, to the best of its knowledge, the Corporation believes it is able to identify any material, irregular or improper use of funds by the College, or material non-compliance with the SFA's terms and conditions of funding under the College's financial memorandum. It further confirms that any instances of material irregularity, impropriety or funding non-compliance discovered in the year to 31 July 2014 have been notified to the SFA.

Auditor's responsibilities

Our responsibility is to express a reasonable assurance opinion that the College's Statement on Regularity, Propriety and Compliance is fairly stated in respect of whether the transactions underlying the College's financial statements for the year ended 31 July 2014 are in all material respects regular, based on the procedures that we have performed and the evidence we have obtained. Our reasonable assurance engagement was undertaken in accordance with the Joint Audit Code of Practice, the Regularity Audit Framework and our engagement letter dated 31 July 2014. The International Standards on Auditing (UK and Ireland) and Joint Audit Code of Practice require that we plan and perform this engagement to obtain reasonable assurance in respect of the Assertion that the transactions underlying the financial statements are in all material respects regular.

Basis of opinion

We have performed procedures on a sample basis so as to obtain information and explanations which we consider necessary in order to provide us with sufficient appropriate evidence to express reasonable assurance that the College's Statement on Regularity, Propriety and Compliance is fairly stated in respect of whether the transactions underlying the College's financial statements are in all material respects regular for the year ended 31 July 2014.

Opinion

In our opinion the College's Statement on Regularity, Propriety and Compliance is fairly stated in respect of whether the transactions underlying the College's financial statements are in all material respects regular for the year ended 31 July 2014.



Clare Partridge

For and on behalf of
KPMG LLP Statutory Auditor
Chartered Accountants
1 The Embankment
Neville Street
Leeds LS1 4DW

December 2014

Consolidated income and expenditure account

for the year ended 31 July 2014

	Notes	Group 31 July 2014 £'000	College 31 July 2014 £'000	Group 31 July 2013 £'000	College 31 July 2013 £'000
Income					
Funding body income	2	44,940	44,940	47,048	47,048
Tuition fees and education contracts	3	5,814	5,814	4,197	4,197
Other grant income	4	921	907	680	655
Other operating income	5	2,566	2,506	2,520	2,430
Investment income	6	29	29	35	35
Total income		54,270	54,196	54,480	54,365
Expenditure					
Staff costs	7	37,223	36,539	35,327	34,571
Other operating expenses	9	12,248	12,817	13,716	14,302
Depreciation	13	2,789	2,781	2,769	2,769
Interest payable	10	1,236	1,236	1,530	1,530
Total expenditure		53,496	53,373	53,342	53,172
Surplus on continuing operations prior to costs relating to the property strategy					
		774	823	1,138	1,193
Accelerated depreciation on buildings		(1,176)	(1,176)	(1,176)	(1,176)
Release of capital grants related to accelerated depreciation		427	427	427	427
Loss on impairment of assets		-	-	-	-
Property strategy costs		-	-	-	-
Grant support for property strategy costs		-	-	-	-
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and before exceptional items and tax					
		25	74	389	444
Gain on disposal of assets		-	-	630	630
Surplus on continuing operations after depreciation of assets at valuation, exceptional items, disposals of assets and tax	12	25	74	1,019	1,074
Taxation	11	-	-	-	-
Surplus on continuing operations after depreciation of assets at valuation, exceptional items, disposal of assets and tax		25	74	1,019	1,074

The income and expenditure account is in respect of continuing activities.

Consolidated statement of historical cost surpluses and deficits

for the year ended 31 July 2014

		Group	College	Group	College
		31 July 2014	31 July 2014	31 July 2013	31 July 2013
Note	£'000	£'000	£'000	£'000	£'000
Surplus on continuing operations after depreciation of assets at valuation, exceptional items, disposal of assets and tax		25	74	1,019	1,074
Difference between historical cost depreciation and the actual charge for the period calculated on the revalued	21	109	109	108	108
Difference between historical cost depreciation and the accelerated charge on revalued assets					
Realisation of property revaluation gains of previous years	21	-	-	1,074	1,074
Historical cost surplus for the period before tax		824	873	2,891	2,946
Historical cost surplus for the period after tax		824	873	2,891	2,946

Statement of Total recognised gains and losses

for the year ended 31 July 2014

		Group	College	Group	College
		31 July 2014	31 July 2014	31 July 2013	31 July 2013
Note	£'000	£'000	£'000	£'000	£'000
Surplus on continuing operations after depreciation of tangible fixed assets at valuation, disposal of assets and tax		25	74	1,019	1,074
Actuarial gain/(loss) in respect of TPA Enhanced Pensions		(34)	(34)	(180)	(180)
Actuarial gain/(loss) in respect of the South Yorkshire Pension Scheme		788	788	4,284	4,284
Total recognised gains since the last period		779	828	5,123	5,178
Reconciliation					
Opening reserves		7,058	7,179	1,935	2,001
Total recognised gains/(losses) for the year		779	828	5,123	5,178
Closing reserves		7,837	8,007	7,058	7,179

Balance Sheet as at 31 July 2014

	Notes	Group 31 July 2014 £'000	College 31 July 2014 £'000	Group 31 July 2013 £'000	College 31 July 2013 £'000
Fixed assets					
Tangible assets	13	96,479	96,447	97,845	97,845
Investments	14	-	-	-	-
		96,479	96,447	97,845	97,845
Current assets					
Stock		26	26	26	26
Debtors	15	1,334	1,507	872	1,049
Assets held for resale					
Investments		-	-	-	-
Cash at bank and in hand		5,480	5,480	6,064	6,042
Total current assets		6,840	7,013	6,962	7,117
Creditors: amounts falling due within one year	16	9,560	9,531	9,305	9,339
Net current assets/liabilities		(2,720)	(2,518)	(2,343)	(2,222)
Total assets less current liabilities		93,759	93,929	95,502	95,623
Creditors: amounts falling due after more than one year	17	17,860	17,860	19,727	19,727
Provisions for liabilities and charges	19	4,545	4,545	4,591	4,591
Net assets excluding pension asset/(liability)		71,354	71,354	71,184	71,184
Net pension asset/(liability)	23	(15,865)	(15,865)	(16,258)	(16,258)
NET ASSETS INCLUDING PENSION ASSET/(LIABILITY)		55,489	55,659	54,926	55,047
Deferred capital grants	20	47,652	47,652	47,868	47,868
Endowments					
Expendable Endowments		-	-	-	-
Permanent Endowments		-	-	-	-
Total Endowments		-	-	-	-
Reserves					
Revaluation reserve	21	3,374	3,374	4,173	4,173
Other reserves	21	-	-	-	-
Income and expenditure account excluding pension reserve	22	20,328	20,498	19,143	19,264
Pension reserves	22	(15,865)	(15,865)	(16,258)	(16,258)
Total reserves		7,837	8,007	7,058	7,179
TOTAL FUNDS		55,489	55,659	54,926	55,047

The financial statements on pages 21 to 47 were approved by the Corporation on 15 December 2014 and were signed on its behalf by:



Richard Wright
Chair of the Governing Body



Heather MacDonald
Principal and Chief Executive

Consolidated cash flow statement for the year ended 31 July 2014

	Notes	Group 31 July 2014 £'000	College 31 July 2014 £'000	Group 31 July 2013 £'000	College 31 July 2013 £'000
Net cash inflow from operating activities	24	2,303	2,285	3,219	3,209
Net cash (outflow) from returns on investments and servicing of finance	26	(1,116)	(1,116)	(1,171)	(1,171)
Net cash (outflow) for Capital expenditure and financial investment	26	(1,054)	(1,014)	1,467	1,467
Net cash (outflow) from financing	26	(717)	(717)	(817)	(817)
(Decrease)/Increase in cash in the period		(584)	(562)	2,698	2,688
Reconciliation of net cash flow to movement in net funds/ (debt)					
(Decrease)/Increase in cash in the period		(584)	(562)	2,698	2,688
Cash outflow from loans repayments		757	757	725	725
Cash outflow from finance lease repayments		175	175	267	267
Change in net funds (debt) resulting from cashflows		348	370	3,690	3,680
New finance leases		(215)	(215)	(175)	(175)
Movement of net funds (debt) in the period		133	155	3,515	3,505
Net funds (debt) at 1 August	25	(11,030)	(11,052)	(14,545)	(14,557)
Net funds (debt) at 31 July	25	(10,897)	(10,897)	(11,030)	(11,052)



Notes

1. Statement of accounting policies

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

Basis of preparation

These financial statements have been prepared in accordance with the 2007 Statement of Recommended Practice (SORP): Accounting for Further and Higher Education and in accordance with applicable Accounting Standards. They conform to guidance published jointly by the SFA and the EFA in the 2013/14 Accounts Direction.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets and in accordance with applicable United Kingdom Accounting Standards.

Going concern

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

The College currently has £15.5m of loans outstanding with bankers on terms re negotiated in 2012. The terms of the existing agreement are for up to another 21 years. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

Accordingly the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

Basis of consolidation

The consolidated financial statements of the group include the financial statements of the College and its subsidiary undertakings. The results of subsidiary and associated undertakings acquired or disposed of during the year are included in the consolidated income and expenditure account from or up to the date on which control of the undertaking passes. Intra-group sales and profits are eliminated fully on consolidation. All financial statements are prepared to 31 July 2014.

Recognition of income

The recurrent grant from HEFCE represents the funding allocations attributable to the current financial year and is credited direct to the income and expenditure account.

Funding body recurrent grants are recognised 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 learner responsive funding element 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. Employer responsive grant income is recognised based on a year-end reconciliation of income claimed and actual delivery with the SFA. 16-18 learner-responsive funding is not normally subject to a reconciliation and is therefore not subject to contract adjustments.

Non-recurrent grants from the funding bodies or other bodies received in respect of the acquisition of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

Other discrete grants and funding received from the SFA and EFA received during the year are taken to income as expenditure is incurred in line with the specific terms and conditions attached to each fund by the funding bodies.

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 does not have direct control over the future economic benefits derived from these funds. The College has applied this policy to certain funds received during the year from the SFA and EFA (see note 31).

Non-recurrent grants from the SFA and EFA or other bodies received in respect of the acquisition of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

Income from grants, contracts and other services rendered is included to the extent the conditions of the funding have been met or the extent of the completion of the contract or service concerned.

All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned. Income from restricted purpose endowment funds not expended in accordance with the restrictions of the endowment in the period is transferred from the income and expenditure account to accumulated income within endowment funds.

Post retirement benefits

Retirement benefits to employees of the College are provided by the Teachers' Pension Scheme (TPS) and the South Yorkshire Pensions Authority Scheme (SYPA). These are defined benefit schemes which are externally funded and contracted out of the State Earnings Related Pension Scheme (SERPS).

Contributions to the TPS scheme are charged as incurred to the income and expenditure account 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 quinquennial valuations using a prospective benefit method.

The assets of the SYPA are measured using closing market values. SYPA liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the operating surplus. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in pension finance costs. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

Further details of the pension schemes are given in note 23.

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 and expenditure account 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.

Tangible fixed assets

Land and buildings

Land and buildings inherited from the Local Education Authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable. Land and buildings acquired since incorporation are included in the balance sheet at cost. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College of fifty years. Leasehold land and buildings are amortised over fifty years or, if shorter, the period of the lease. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life.

On adoption of FRS 15, the College followed the transitional provisions to retain the book value of land and buildings, which were revalued in 1998, but not to adopt a policy of revaluations of these properties in the future. These values are retained subject to the requirement to test assets for impairment in accordance with FRS 11.

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

Finance costs which are directly attributable to the construction of land and buildings are not capitalised as part of the cost of those assets.

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(s) may not be recoverable.

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
- Assets capacity increases
- Substantial improvement in the quality of output or reduction in operating costs
- Significant extension of the assets 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.

Assets under construction

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

Equipment

Equipment costing less than £2,000 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost. Equipment inherited from the Local Education Authority is included in the balance sheet at valuation.

All capitalised equipment is depreciated over its useful economic life as follows:

Information Technology equipment	-	5 years
Motor vehicles and general equipment	-	5 years
General equipment	-	10 years
Furniture and fittings	-	10 years

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

Leased assets

Costs in respect of operating leases are charged on a straight line basis over the lease term. Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The relevant assets are capitalised at their fair value at the inception of the lease and depreciated over the shorter of the lease term or the useful economic lives of equivalently owned assets. The capital element outstanding is shown as obligations under finance leases.

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 and endowment assets

Fixed asset investments are carried at historical cost less any provision for impairment in their value.

Listed investments held as fixed assets or endowment assets are stated at market value.

Current asset investments, which may include listed investments, are stated at the lower of their cost and net realisable value.

Stocks

Stocks are stated at the lower of their cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks.

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 year with all resulting exchange differences being taken to the income and expenditure account 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 Chapter 3 Part 11 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 a minor element of 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.

Liquid resources

Liquid resources include sums on short-term deposits with recognised banks and building societies and government securities.

Provisions

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.

Cash

Cash for the purposes of the cash flow statement comprises cash in hand and deposits repayable on demand less overdrafts repayable on demand.

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 main funding body and subsequent disbursements to students are excluded from the Income and Expenditure account and are shown separately in note 34 except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant.

2 Funding Council Grants

		Group	College	Group	College
		31 July 2014	31 July 2014	31 July 2013	31 July 2013
	Note	£'000	£'000	£'000	£'000
SFA Recurrent Grant		13,309	13,309	14,843	14,843
EFA Recurrent Grant		29,254	29,254	29,082	29,082
Adjustment to SFA/EFA recurrent funding relating to previous year		48	48	-	-
Higher Education (HEFCE) grant		425	425	752	752
HE Development Fund		117	117	110	110
Releases of deferred capital grants					
Buildings	20	1,042	1,042	1,168	1,168
Equipment	20	299	299	302	302
Access funds		82	82	92	92
Other funds		364	364	699	699
Total		44,940	44,940	47,048	47,048

3 Tuition fees and education contracts

	Group 31 July 2014 £'000	College 31 July 2014 £'000	Group 31 July 2013 £'000	College 31 July 2013 £'000
Tuition Fees	4,820	4,820	3,158	3,158
Education contracts	994	994	1,039	1,039
Total	5,814	5,814	4,197	4,197

4 Other grants and contract income

	Group 31 July 2014 £'000	College 31 July 2014 £'000	Group 31 July 2013 £'000	College 31 July 2013 £'000
European Grant funding	342	328	519	519
Other Grant and contracts	529	529	104	79
Releases from deferred capital grants (non-Funding Council)	50	50	57	57
Total	921	907	680	655

5 Other operating income

	Group 31 July 2014 £'000	College 31 July 2014 £'000	Group 31 July 2013 £'000	College 31 July 2013 £'000
Catering and residence operations	977	977	1,072	1,072
Other income	1,589	1,529	1,448	1,358
Total	2,566	2,506	2,520	2,430

6 Investment income

	Group 31 July 2014 £'000	College 31 July 2014 £'000	Group 31 July 2013 £'000	College 31 July 2013 £'000
Bank deposit interest income	29	29	35	35
Total	29	29	35	35

7 Staff costs

The average number of persons employed by the group (including senior post holders) during the year, expressed as full-time equivalents, was as follows:

	Group 31 July 2014 Number	College 31 July 2014 Number	Group 31 July 2013 Number	College 31 July 2013 Number
Teaching staff	418	418	439	439
Non-Teaching staff	561	504	549	494
Total	979	922	988	933

The staff numbers do not include estimates of the staff numbers employed through agencies and contracting out arrangements.

Staff costs for the above persons

The average number of persons employed by the group (including senior post holders) during the year, expressed as full-time equivalents, was as follows:

		Group	College	Group	College
		2014	2014	2013	2013
	Note	£'000	£'000	£'000	£'000
Teaching staff		16,853	16,853	16,768	16,768
Other staff		15,625	14,941	15,515	14,759
Staff restructuring costs		80	80	27	27
FRS 17 retirement benefits charges	19 and 23	479	479	482	482
Other pension costs		-	-	-	-
Total College staff		33,037	32,353	32,792	32,036
Contracted out lecturing services		4,137	4,137	2,524	2,524
Other Agency staff		49	49	11	11
Exceptional restructuring costs		-	-	-	-
Total		37,223	36,539	35,327	34,571

	Group	College	Group	College
	31 July 2014	31 July 2014	31 July 2013	31 July 2013
	£'000	£'000	£'000	£'000
Wages and salaries	26,973	26,318	26,718	26,084
Social security costs	1,882	1,853	1,951	1,829
Other pension costs (including FRS 17 adjustments)	4,102	4,102	3,974	3,974
	32,957	32,273	32,643	31,887
Agency and Contracted Out Lecturing Staffing	4,186	4,186	2,535	2,535
Staff restructuring costs	80	80	149	149
Total	37,223	36,539	35,327	34,571

The number of senior staff who received annual emoluments, excluding pension contributions, but including benefits in kind, in excess of £60,000 in the following ranges was

	Group	College	Group	College
	31 July 2014	31 July 2014	31 July 2013	31 July 2013
	Number of staff	Number of staff	Number of staff	Number of staff
£60,001 to £70,000	2	2	1	1
	2	2	1	1

A general pay award was made to all staff below the Leadership and Management Team from 1 February 2014 of 1%.

Members of the Leadership and Management Team were awarded differentiated pay awards based upon performance effective 1 February 2014. Senior Post Holders received performance pay award of between 0% and 3.19% effective from 1 February 2014.

During the year ended 31 July 2013 a general pay award was made to all staff below the Leadership and Management Team from 1 February 2013 being the greater of 0.8% or £200 per annum.

During the year ended 31 July members of the Leadership and Management Team were awarded differentiated pay awards based upon performance effective 1 January 2013.

Senior Postholders received a performance pay award of between 0.8% and 2% effective 1 January 2013.

8 Emoluments of senior postholders

Senior postholders are defined as the Chief Executive Officer and holders of other senior posts whom the Governing Body have selected for the purposes of the Articles of Government of the College relating to the appointment and promotion of staff who are appointed by the Governing Body. The Governing Body have determined that eight posts (2012-13 eight posts) should be designated as senior post holders.

	2014 Number	2014 Number	2013 Number	2013 Number
The number of senior post holders serving in the period including the Chief Executive Officer	8	8	8	8

Senior post-holders' emoluments are made up as follows:

	31 July 2014 £'000	31 July 2014 £'000	31 July 2013 £'000	31 July 2013 £'000
Salaries	697	697	683	683
Benefits in kind	-	-	-	-
Total emoluments	697	697	683	683

The pension contributions in respect of the Chief Executive and senior post holders are in respect of employer's contributions to the Teachers' Pension Scheme and/or the South Yorkshire Pension Fund, and are paid at the same rate as for other employees.

The figures reported below, and included in the emoluments reported above, represent payments made to the Chief Executive. The position of Chief Executive is the highest paid senior post holder role within the College.

	Group 31 July 2014 £'000	College 31 July 2014 £'000	Group 31 July 2013 £'000	College 31 July 2013 £'000
Salaries	147	147	145	145
Bonus payment	-	-	-	-
Benefits in kind	-	-	-	-
Total emoluments	147	147	145	145

Other than the Chief Executive, the staff governors and the student union governor no member of the Corporation received payment from the College other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

The number of senior post holders who received emoluments including pension contributions and benefits in kind, in the following ranges was:

	Group 31 July 2014 Number of senior post holders	College 31 July 2014 Number of senior post holders	Group 31 July 2013 Number of senior post holders	College 31 July 2013 Number of senior post holders
£50,001 to £60,000	1	1	1	1
£60,001 to £70,000	1	1	1	1
£70,001 to £80,000	-	-	-	-
£80,001 to £90,000	4	4	4	4
£90,001 to £100,000	1	1	1	1
£100,001 to £110,000	-	-	-	-
£110,001 to £120,000	-	-	-	-
£120,001 to £130,000	-	-	-	-
£130,001 to £140,000	-	-	-	-
£140,001 to £150,000	1	1	1	1
	8	8	8	8

The Governing Body approved pay awards of between 0 and 3.19% for senior postholders from 1 February 2014.

In the previous period the Governing Body approved pay awards of between 0.8% and 2% for senior post holders from 1 February 2013.

9 Other operating expenses

	Group 31 July 2014 £'000	College 31 July 2014 £'000	Group 31 July 2013 £'000	College 31 July 2013 £'000
Teaching costs	4,072	4,072	3,388	3,388
Non teaching overheads	5,327	5,317	6,807	6,746
Premises expenditure	2,849	3,428	3,521	4,168
Total	12,248	11,817	13,716	14,302
Other operating expenses include:				
Auditors' remuneration:				
- Financial statements audit *	46	35	34	25
- Internal audit **	42	42	35	35

10 Interest payable

	Group 31 July 2014 £'000	College 31 July 2014 £'000	Group 31 July 2013 £'000	College 31 July 2013 £'000
On bank loans and overdrafts:				
Repayable within five years, not by instalments	-	-	-	-
Repayable within five years, by instalments	-	-	-	-
Repayable wholly or partly in more than 5 years	1,075	1,075	1,100	1,100
	1,075	1,075	1,100	1,100
On finance leases	94	94	100	100
Interest on enhanced pensions provision	19	151	135	135
Pension finance costs	23	(84)	195	195
Total	1,236	1,236	1,530	1,530

11 Taxation

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

12 Surplus/(deficit) on continuing operations for the period

The surplus/(deficit) on continuing operations for the year is made up as follows:

	Group 31 July 2014 £'000	College 31 July 2014 £'000	Group 31 July 2013 £'000	College 31 July 2013 £'000
College's surplus/(deficit) for the year	74	74	1,074	1,074
Surplus generated by subsidiary undertakings and transferred to the College under Gift Aid	0	0	0	0
Retained by subsidiary undertakings	(49)	0	(55)	0
	25	74	1,019	1,074

13 Tangible fixed assets

13.1 Group

	Freehold Land and Buildings £'000	Leasehold Land and Buildings £'000	Assets under Construction £'000	Equipment £'000	Total £'000
Cost or valuation					
At 1 August 2013	108,859	0	0	7,730	116,589
Additions	1,826	0	0	773	2,599
Disposals	0	0	0	(73)	(73)
At 31 July 2014	110,685	0	0	8,430	119,115
Accumulated Depreciation					
At 1 August 2013	13,314	0	0	5,430	18,744
Charge for year	2,033	0	0	756	2,789
Accelerated depreciation	1,176	0	0	0	1,176
Eliminated in respect of disposals	0	0	0	(73)	(73)
At 31 July 2014	16,523	0	0	6,113	22,636
Net book value at 31 July 2014	94,162	0	0	2,317	96,479
Net book value at 1 August 2013	95,545	0	0	2,300	97,845
Inherited	3,374	0	0	0	3,374
Financed by capital grant	47,621	0	0	31	47,652
Other	43,162	0	0	2,286	45,453
	94,162	0	0	2,317	96,479

13.2 College only

	Freehold Land and Buildings £'000	Leasehold Land and Buildings £'000	Assets under Construction £'000	Equipment £'000	Total £'000
Cost or valuation					
At 1 August 2013	108,859	0	0	7,730	116,589
Additions	1,826	0	0	733	2,559
Disposals	0	0	0	(73)	(73)
At 31 July 2014	110,685	0	0	8,390	119,075
Accumulated Depreciation					
At 1 August 2013	13,314	0	0	5,430	18,744
Charge for year	2,033	0	0	748	2,781
Accelerated depreciation	1,176	0	0	0	1,176
Eliminated in respect of disposals	0	0	0	(73)	(73)
At 31 July 2014	16,523	0	0	6,105	22,628
Net book value at 31 July 2014	94,162	0	0	2,285	96,447
Net book value at 1 August 2013	95,545	0	0	2,300	97,845
Inherited	3,374	0	0	0	3,374
Financed by capital grant	47,621	0	0	31	47,652
Other	43,167	0	0	2,254	45,421
	94,162	0	0	2,285	96,447

The transitional rules set out in FRS 15 Tangible Fixed Assets have been applied on implementing FRS 15. Accordingly, the book values at implementation have been retained.

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 inherited assets carried by the College is £3,374,000 (2012/13 £4,173,000). The value at a historic cost of the inherited assets is nil.

Land and buildings with a net book value of £47,621,000 (2012/13: £46,624,000) have been financed from exchequer funds, through for example the receipt of capital grants. Should these assets be sold, the College may be liable, under the terms of the Financial Memorandum with the SFA, to surrender the proceeds.

Land and buildings include properties with a net book value of £94,162,000 (2012/13: £95,545,000) for which title deeds and leasehold agreements have been transferred to the College.

In the previous year the College commissioned plans to close its Norton Campus in July 2015 and move its provision of education and training to other College sites which in turn would be extended to receive the transferred provision. As a result it was determined that the Norton site would have a shortened useful economic life and generate an accelerated depreciation of £1,176,000 at the July 2013 year end and in each of the next two years including the current year to 31st July 2014. The release of deferred capital grants has also been accelerated. A release of revaluation reserves related to the accelerated depreciation of inherited assets has also been made to the Income and Expenditure Statement and Balance Sheet Reserves.

The net book value of tangible fixed assets includes an amount of £669,000 (2012/13: £794,000) in respect of other assets held under finance leases. The depreciation charge on these assets for the year was £340,000 (2012/13: £314,000).

	Group	College	Group	College
	31 July 2014	31 July 2014	31 July 2013	31 July 2013
	£'000	£'000	£'000	£'000
The depreciation charge for the period is analysed as follows:				
Owned assets	3,625	3,617	3,631	3,631
Assets held under finance lease and hire purchase arrangements	340	340	314	314
Buildings leasehold charge	0	0	0	0
	3,965	3,957	3,945	3,945

If inherited land and buildings had not been revalued they would have been included at the following amounts:

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

14 Investments

	Group	College	Group	College
	31 July 2014	31 July 2014	31 July 2013	31 July 2013
	£'000	£'000	£'000	£'000
Investment in subsidiary company at cost	0	0	0	0

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 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 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 holds a 100% membership in Enterprise Gateway Community Interest Company, a company incorporated in England and Wales. As a Community Interest Company it has members in place of shareholders. The liability of a member in the event of a winding up is limited to £1. The principal business activity of Enterprise Gateway Community Interest Company is to provide education, training and a working environment for apprentices who are enrolled on Sheffield College training programmes.

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.

15 Debtors

	Group	College	Group	College
	31 July 2014	31 July 2014	31 July 2013	31 July 2013
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade debtors	658	652	390	385
Amounts owed by subsidiary undertakings	0	182	0	192
Accrued grant income	343	343	74	74
Amounts owed by the SFA	126	126	156	156
Prepayments and other income accrued	207	204	252	242
Total	1,334	1,507	872	1,049

Amounts falling due within one year including the following amounts due from the SFA.

Accrued grant income	126	126	156	156
	126	126	156	156

16 Creditors: Amounts falling due within one year

		Group	College	Group	College
		31 July 2014	31 July 2014	31 July 2013	31 July 2013
	Notes	£'000	£'000	£'000	£'000
Bank loans and overdrafts	18	797	797	767	767
Obligations under finance leases and hire purchase agreements	18	245	245	243	243
VAT Deferment Schemes	18	1,148	1,148	1,166	1,166
Payments received on account		2,581	2,581	1,585	1,585
Trade creditors		2,434	2,375	3,859	3,790
Amounts owed to group undertakings		0	42	0	159
Amounts owed to funding bodies		889	889	0	0
Other taxation and social security		572	560	638	580
Other employment related creditors		506	506	526	528
Accruals and other creditors		388	388	521	521
Total		9,560	9,531	9,305	9,339

17 Creditors: Amounts falling due after more than one year

		Group	College	Group	College
		31 July 2014	31 July 2014	31 July 2013	31 July 2013
	Notes	£'000	£'000	£'000	£'000
Bank and other loans	18	14,661	14,661	15,448	15,448
Obligations under finance leases and hire purchase agreements	18	674	674	636	636
VAT Deferment Schemes	18	2,525	2,525	3,643	3,643
Total		17,860	17,860	19,727	19,727

18 Analysis of borrowings and deferred VAT

	Group	College	Group	College
	31 July 2014	31 July 2014	31 July 2013	31 July 2013
	£'000	£'000	£'000	£'000
Bank loans, overdrafts and other loans are repayable as follows:				
In one year or less	797	797	767	767
Between one and two years	839	839	807	807
Between two and five years	2,567	2,567	2,631	2,631
In five years or more	11,255	11,255	12,010	12,010
Total	15,458	15,458	16,215	16,215

Bank loans include:

A fixed term loan at a fixed rate of 8.02% repayable by quarterly instalments falling due between 1 August 2014 and 29 August 2017 totalling £271,000. This loan is secured on freehold properties on the City site (previously known as the Castle site).

A variable rate loan calculated at the Libor rate plus 0.51% and repayable by quarterly instalments falling due between 1 August 2014 and 8 February 2020 totalling £613,000. This loan is secured on a portion of the freehold Land and Buildings of the College.

A fixed term loan at a fixed rate of 7.32% until 4 December 2017 and thereafter at a variable rate calculated at the 3 month Libor rate plus 0.76% repayable by quarterly instalments falling due between 1 August 2014 and 4 December 2024 totalling £2,675,000. This loan is secured on the freehold properties on the Hillsborough site.

A fixed term loan at a fixed rate of 6.96% until 1 December 2014 and thereafter at a variable rate calculated at the 3 month Libor rate plus 0.76% repayable by quarterly instalments falling due between 1 August 2014 and 1 December 2024 totalling £2,667,000. This loan is secured on the freehold properties on the Hillsborough site.

A fixed term loan at a fixed rate of 6.56% repayable by monthly instalments falling due between 1 August 2014 and 24 August 2035 totalling £4,600,000. The loan is secured on the freehold properties on the City Site (previously known as the Castle Site).

A fixed term loan at a fixed rate of 6.7% until 24 August 2020 and thereafter at a variable rate calculated at the 3 month Libor rate plus 1.36% repayable by monthly instalments falling due between 1 August 2014 and 24 August 2035 totalling £4,630,000. The loan is secured on the freehold properties on the City Site (previously known as the Castle Site).

Finance leases and hire purchase agreements

	Group 31 July 2014 £'000	College 31 July 2014 £'000	Group 31 July 2013 £'000	College 31 July 2013 £'000
The net finance lease obligations to which the College is committed are:				
In the next year	245	245	243	243
In the second to fifth years inclusive	674	674	636	636
Total	919	919	879	879

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

Deferred Taxes

	Group 31 July 2014 £'000	College 31 July 2014 £'000	Group 31 July 2013 £'000	College 31 July 2013 £'000
At 1 August 2013	4,809	4,809	5,973	5,973
Repayments of VAT to HMRC as Output Tax	(1,136)	(1,136)	(1,164)	(1,164)
At 31 July 2014	3,673	3,673	4,809	4,809
Deferment of VAT is repayable as follows:				
In the next year	1,148	1,148	1,166	1,166
In the second to fifth years inclusive	2,525	2,525	3,643	3,643
After five years	0	0	0	0
Total	3,673	3,673	4,809	4,809

In 2007 HM Revenue and Customs (HMRC) agreed to apply the rules of the Lennartz methodology to the VAT Input Tax incurred on the construction costs of the Hillsborough site. This allowed the College to reclaim a proportion of the Input Tax paid in the construction of the building. The reclaimed amount is then repayable to HMRC over a period of ten years ending in 2016. The balance repayable at the end of the period is £532,000 (2012/13 £888,000).

In 2008 HM Revenue and Customs (HMRC) agreed to apply the rules of the of the Lennartz methodology to the construction costs of the City Centre (formerly Castle Centre) Rebuild Project. This allowed the College to reclaim a portion of the Input Tax paid in the construction of the building. The reclaimed amount is then repayable to HMRC over a period of ten years ending in 2020. The balance repayable at the end of the period is £3,141,000 (2012/13 £3,921,000).

19 Provisions for liabilities and charges Group and College

		Enhanced Pension Provision	Other Provisions	Total
	Notes	£'000	£'000	£'000
At 1 August 2013		3,539	1,052	4,591
Transferred from income and expenditure account:				
- Interest payable on enhanced pension provision	10	151	-	151
- Actuarial (gain)/loss		34	-	34
Expenditure in the period		(231)	-	(231)
At 31 July 2014		3,493	1,052	4,545

Enhanced Pensions Provision

The balance of the Pensions Restructuring 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 SFA and the Association of Colleges. The charge to income and expense during the year is £151,000 (2012/13 £178,000). The actuarial gain or loss is recognised in the statement of total recognised gains and losses, during the current period a loss of £34,000 is recognised (2012/13 £188,000 loss). Payments of £231,000 (2012/13 £254,000) have been made against the provision and paid into the scheme during the period.

The principal assumptions for the calculation of liabilities are:

	2014	2013
Price inflation	4.06%	4.28%
Discount rate	2.25%	2.50%

Other Provisions

Other Provisions include provision of £749,000 (2012/13 £749,000) for the cost of demolition and/or remedial building works for College owed properties and a provision of £303,000 (2012/13 £303,000) for potential legal costs.

20 Deferred capital grants (Group and College)

	FE Funding Bodies	Other Grants	Total
	£'000	£'000	£'000
Balance at 1 August 2013:			
Land and buildings	46,480	144	46,624
Equipment	1,011	233	1,244
	47,491	377	47,868
Grants received and receivable			
Land and buildings	1,581	0	1,581
Equipment	0	21	21
	1,581	21	1,602
Release to income and expenditure account			
Land and buildings	1,042	4	1,046
Accelerated release of capital grants relating to the property strategy	427	0	427
Equipment	299	46	345
	1,768	50	1,818
Balance at 31 July 2014			
Land and buildings	46,592	140	46,732
Equipment	712	208	920
Total	47,304	348	47,652

21 Reserves

Revaluation reserve

	Group	College	Group	College
	31 July 2014	31 July 2014	31 July 2013	31 July 2013
	£'000	£'000	£'000	£'000
At 1 August 2013	4,173	4,173	6,045	6,045
Transfer from revaluation reserve to general reserve in respect of:				
Disposals	0	0	(1,074)	(1,074)
Accelerated Depreciation on revalued reserves	(690)	(690)	(690)	(690)
Depreciation on revalued assets	(109)	(109)	(108)	(108)
Total transfer to general reserves	(799)	(799)	(1,872)	(1,872)
At 31 July 2014	3,374	3,374	4,173	4,173

22 Movement on general reserves

	Group	College	Group	College
	31 July 2014	31 July 2014	31 July 2013	31 July 2013
	£'000	£'000	£'000	£'000
Income and expenditure account				
At 1 August	2,885	3,006	(4,110)	(4,044)
Surplus on continuing operations after depreciation of assets at valuation and tax	25	74	1,019	1,074
Transfer from revaluation reserve	799	799	1,872	1,872
Actuarial gain/(loss) in respect of enhanced pensions	(34)	(34)	(180)	(180)
Actuarial gain/(loss) in respect of pension scheme	788	788	4,284	4,284
At 31 July	4,463	4,633	2,885	3,006
Income and expenditure account balance represented by:				
Pension reserve at 1 August	(16,258)	(16,258)	(19,865)	(19,865)
Charged to Surplus/(Deficit) on continuing operations	(395)	(395)	(677)	(677)
Actuarial gain/(loss) in respect of pension scheme	788	788	4,284	4,284
Pension Reserve at 31 July	(15,865)	(15,865)	(16,258)	(16,258)
Income and expenditure account reserve excluding pension reserve	20,328	20,498	19,143	19,264
Income and expenditure account at 31 July	4,463	4,633	2,885	3,006

23 Pensions and similar obligations

The two principal pension schemes for the College's staff are the Teachers' Pension Scheme (TPS) and the South Yorkshire Pensions Authority Scheme (SYPA). TPS provides benefits based on final pensionable salary principally for academic staff of UK academic institutions and other related employers. SYPA provides similar benefits for other employees of the College.

Total pension costs for the period was £4,118,000 (2012/13 £3,970,000)

	Group	College	Group	College
	31 July 2014	31 July 2014	31 July 2013	31 July 2013
	£'000	£'000	£'000	£'000
Teachers Pension Scheme: contributions paid	1,947	1,947	1,911	1,911
South Yorkshire Pension Authority Scheme:				
Contributions paid	1,692	1,692	1,577	1,577
FRS 17 charge	479	479	482	482
	4,118	4,118	3,970	3,970

Teachers' Pension Scheme

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

The Teachers' Pension Budgeting and Valuation Account

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

The Teachers' Pensions Regulations require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pensions' increases). From 1 April 2001, the Account has been credited with a real rate of return (in excess of price increases and currently set at 3.5%), which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

Valuation of the Teachers' Pension Scheme

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

- employer contribution rates were set at 16.48% of pensionable pay (including a 0.08% level for administration)
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving notional past service deficit of £14.9 billion
- an employer cost cap of 10.9% of pensionable pay will be applied to future valuation

The new employer contribution rate for the TPS will be implemented in September 2015.

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

Scheme Changes

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

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

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

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

The pension costs paid to TPS in the year amounted to £1,947,000 (2012/13: £1,911,000).

FRS 17

Under the definitions set out in Financial Reporting Standard (FRS 17) Retirement Benefits, 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 FRS17 and has accounted for its contributions to the scheme as if it were a defined-contribution scheme. The College has set out above the information available on the scheme and the implications for the College in terms of the anticipated contribution rates.

South Yorkshire Pensions Authority Scheme (SYPA)

The College participates in the SYPA, which is a funded defined benefit pension scheme, with the assets held in separate trustee administered funds. The total contribution made for the year ended 31 July 2014 was £2,346,000 of which employers' contributions totalled £1,692,000 and employee contributions totalled £654,000. From 1 April 2011 until 31 March 2014 the employer contribution rate was 13.4% plus a lump sum annual payment. From 1 April 2014 to 31 July 2014 the employer contribution rate was increased to 14.4% plus a lump sum annual payment. The lump sum payment from 1 August 2013 until 31 July 2014 was £255,000 (2012/13 £208,000). Future payments will be at the contribution rate of 14.4% plus an annual lump sum payment. The current employee contribution rates vary according to employee pensionable pay and range from 5.5% up to 7.5%.

FRS 17 Principal Actuarial Assumptions

The following information is based on a full actuarial valuation of the fund as at 31st March 2013 updated to 31st July 2014 by a qualified independent actuary. The principal actuarial assumptions made in the calculations of scheme liabilities are as follows:

	At 31 July 2014	At 31 July 2013
Inflation assumption (CPI)	2.30%	2.40%
Rate of increase in salaries	4.05%	4.15%
Rate of increase in pensions	2.30%	2.40%
Discount rate for liabilities	4.30%	4.50%

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 2014	At 31 July 2013
Retiring today:		
Males	22.9 years	21.8 years
Females	25.5 years	24.7 years
Retiring in 20 years:		
Males	25.2 years	23.7 years
Females	28.3 years	26.6 years

The College's share of the assets and liabilities in the scheme (the College's share of the SYPF scheme is estimated to be 1.15%) and the expected rates of return were:

	Long-term rate of return expected at 31 July 2014	Value at 31 July 2014 £000s	Long-term rate of return expected at 31 July 2013	Value at 31 July 2013 £000s
Equities	7.0%	39,748	7.0%	37,465
Government Bonds	3.2%	8,508	3.3%	8,503
Other Bonds	4.1%	4,286	4.3%	4,067
Property	6.2%	7,014	5.7%	5,854
Cash	0.5%	1,169	0.5%	1,232
Other	7.0%	4,221	7.0%	4,498
Total market value of assets		64,946		61,619

	Year ended 31 July 2014 £000s	Year ended 31 July 2013 £000s
College's estimated asset share	64,946	61,619
Present value of Funded Benefit Obligations	(80,333)	(77,416)
Present value of Unfunded Benefit Obligations	(478)	(461)
Present value of scheme liabilities	(80,811)	(77,877)
Surplus/(deficit) in the scheme	(15,865)	(16,258)

	Year ended 31 July 2014 £000s	Year ended 31 July 2013 £000s
Analysis of the amount charged to income and expenditure account		
Employer Service cost (net of employee contributions)	2,145	2,059
Curtailments	26	-
Past service cost/(gain)	-	-
Pension finance income/(costs)	-	-
Total operating charge	2,171	2,059

Analysis of net return on pension scheme

Expected return on pension scheme assets	3,608	2,935
Interest on pension liabilities	(3,524)	(3,130)
Pension finance income/(costs)	84	(195)

	Year ended 31 July 2014 £000s	Year ended 31 July 2013 £000s
Amount recognised in the statement of total recognised gains and losses (STRGL)		
Actual return less expected return on pension scheme assets	(689)	5,642
Experience gains and losses arising on the scheme liabilities	-	-
Actuarial (gain) arising on changes in the inflation rate index	-	-
Change in financial demographic assumptions underlying the scheme liabilities	1,477	(1,358)
Actuarial gain/(loss) recognised in STRGL	788	4,284

Movement in surplus (deficit) during year

Surplus/(deficit) in scheme at 1 August	(16,258)	(19,865)
Movement in year:		
Current service charge	(2,145)	(2,059)
Contributions	1,692	1,577
Past service costs	-	-
Curtailments	(26)	-
Net interest/return on assets	84	(195)
Actuarial gain or loss	788	4,284
Surplus/(deficit) in scheme at 31 July	(15,865)	(16,258)

Asset and Liability Reconciliation

	Year ended 31 July 2014 £000s	Year ended 31 July 2014 £000s	Year ended 31 July 2014 £000s
	Unfunded benefits	All benefits	All benefits
Reconciliation of Liabilities			
Liabilities at start of period	461	77,877	72,189
Service cost	-	2,145	2,059
Interest cost	20	3,524	3,130
Employee contributions	-	654	621
Experience gains and losses on scheme liabilities	-	-	-
Actuarial (gain)/loss	31	(1,477)	1,358
Actuarial (gain) arising on changes in the inflation rate index	-	-	-
Benefits paid	(34)	(1,938)	(1,480)
Past Service cost	-	-	-
Curtailments and settlements	-	26	-
Liabilities at end of period	478	80,811	77,877
Reconciliation of Assets			
Assets at start of period	-	61,619	52,324
Expected return on assets	-	3,608	2,935
Actuarial gain/(loss)	-	(689)	5,642
Employer contributions	34	1,692	1,577
Employee contributions	-	654	621
Benefits paid	(34)	(1,938)	(1,480)
Assets at end of period	-	64,946	61,619

The estimated value of employer contributions for the year ended 31st July 2015 is £1,917,000

History of experience gains or losses

	Year ended 31 July 2014 £'000	Year ended 31 July 2013 £'000	Year ended 31 July 2012 £'000	Year ended 31 July 2011 £'000	Year ended 31 July 2010 £'000
Difference between the expected and the actual return on assets	(71)	5,642	(1,206)	1,834	3,753
Experience gains and losses on scheme liabilities	1,477	(1,358)	(3,288)	(638)	(3,438)
Total amount recognised in STRGL	788	4,284	(4,494)	1,196	4,366

24 Reconciliation of consolidated operating surplus/(deficit) to net cash inflow/(outflow) from operating activities

	Group 31 July 2014 £'000	College 31 July 2014 £'000	Group 31 July 2013 £'000	College 31 July 2013 £'000
Surplus/(deficit) on continuing operations after depreciation of assets at valuation and tax	25	74	1,019	1,074
Depreciation (note 13)	3,965	3,957	3,945	3,945
Deferred capital grants released to income (notes 2 and 4)	(1,818)	(1,818)	(1,954)	(1,954)
Loss on disposal of tangible fixed assets	0	0	36	36
Profit on disposal of tangible fixed assets	0	0	(666)	(666)
(Increase)/decrease in stocks	0	0	5	5
Interest payable (note 10)	1,169	1,169	1,200	1,200
Pension cost less contributions payable (note 23)	361	361	497	497
Decrease/(increase) in debtors	(464)	(460)	113	29
Increase/(decrease) in creditors	276	213	40	59
Increase/(decrease) in deferred VAT creditor	(1,136)	(1,136)	(1,164)	(1,164)
Increase/(decrease) in provisions	(46)	(46)	183	183
Interest receivable (note 6)	(29)	(29)	(35)	(35)
Net cash inflow/(outflow) from operating activities	2,303	2,285	3,219	3,209

25 Analysis of consolidated changes in net funds

	Notes	At 1 August 2013 £'000	Cash flows £'000	Other changes £'000	At 31 July 2014 £'000
Cash at bank and in hand		6,064	(584)	-	5,480
Overdrafts		-	-	-	-
Debts due after 1 year	18	(767)	(30)	-	(797)
Debts due after 1 year	18	(15,448)	787	-	(14,661)
Finance leases	18	(879)	(40)	-	(919)
Current asset investments		-	-	-	-
Total		(11,030)	133	-	(10,897)

26 Analysis of cash flows for headings netted in the cash flow statement

	Group 31 July 2014 £'000	College 31 July 2014 £'000	Group 31 July 2013 £'000	College 31 July 2013 £'000
Returns on investments and servicing of finance				
Interest received	31	31	32	32
Interest paid	(1,053)	(1,053)	(1,103)	(1,103)
Interest paid on finance leases	(94)	(94)	(100)	(100)
Net cash inflow/(outflow) from returns on investments and servicing of finance	(1,116)	(1,116)	(1,171)	(1,171)

Capital expenditure and financial investment

Payments to acquire tangible fixed assets	(2,656)	(2,616)	(277)	(277)
Proceeds of sale of tangible fixed assets	0	0	1,740	1,740
Capital grants received	1,602	1,602	4	4
Net cash inflow/(outflow) for capital expenditure and financial investment	(1,054)	(1,014)	1,467	1,467

Financing and reserves

Finance leases entered into in the year	215	215	175	175
Repayment of loans	(757)	(757)	(725)	(725)
Capital element of finance lease and hire purchase agreement repayments	(175)	(175)	(267)	(267)
Net cash inflow/(outflow) from financing	(717)	(717)	(817)	(817)

27 Capital commitments

	Group	College	Group	College
	31 July 2014	31 July 2014	31 July 2013	31 July 2013
	£'000	£'000	£'000	£'000
	£'000	£'000	£'000	£'000
Commitments contracted for at 31 July	369	369	-	-

28 Financial commitments

At 31 July, the College had no annual commitments under non-cancellable operating leases.

29 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 organisations in which a member of the Board of Governors may have an interest are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures.

No transactions were identified which should be disclosed under Financial Reporting Standard 8 'Related Party Disclosures'.

Transactions with the SFA, EFA and HEFCE are detailed in notes 2, 14, 15 and 16.

30 Major cash transactions

	Group	College	Group	College
	31 July 2014	31 July 2014	31 July 2013	31 July 2013
	£'000	£'000	£'000	£'000

During the previous year the College sold land which had previously been the site of a College Campus. The proceeds on the sale of the property had been identified in 2003 as contributing towards the financing of a new building which was completed in 2006.

	-	-	1,500	1,500
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31 Major non-cash transactions

There are no major non-cash transactions to report for the period.

32 Amounts Disbursed as Agent

Learner Support Funding

	Group	College	Group	College
	31 July 2014	31 July 2014	31 July 2013	31 July 2013
	£'000	£'000	£'000	£'000
Funding body grants – hardship support	629	629	634	634
Funding body grants – childcare	494	494	706	706
Funding body grants – 24+ Advanced Learner Loan Bursaries	140	140	-	-
Funding body grants – residential bursaries	-	-	-	-
Funding body grants – 16 to 19 Bursary Funding	879	879	859	859
Other funding bodies grants	-	-	-	-
Interest earned	-	-	-	-
	2,142	2,142	2,199	2,199
Disbursed to students	(2,026)	(2,026)	(1,846)	(1,846)
Staffing	-	-	-	-
Administration costs	(107)	(107)	(92)	(92)
Audit fees	-	-	-	-
Amount consolidated in financial statements	-	-	-	-
Balance unspent at 31 July, included in creditors	9	9	261	261

Other Learner Support Funds

	Group	College	Group	College
	31 July 2014	31 July 2014	31 July 2013	31 July 2013
	£'000	£'000	£'000	£'000
Learning & Skills Council Grants:				
Childcare	-	-	-	-
Residential bursaries	-	-	-	-
HE Grants	14	14	15	15
Interest earned	-	-	-	-
	14	14	15	15
Disbursed to students	(5)	(5)	(15)	(15)
Administration costs	-	-	-	-
Amount consolidated in financial statements	-	-	-	-
Balance unspent at 31 July	9	9	-	-

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 income and expenditure account, other than when the College has directly incurred expenditure.

The income and expenditure consolidated in the College's financial statements relates to the purchase of some goods and services from the access fund for which payments of accommodation are made by the College on the student's behalf.

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Livesey Street
Sheffield S6 2ET

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Dyche Lane
Sheffield S8 8BR

Peaks College
Waterthorpe Greenway
Sheffield S20 8LY

Sheffield City College
Granville Road
Sheffield S2 2RL

Sheffield College of Applied Engineering
Olive Grove Road
Sheffield S2 3GE