

Report of the members' of the Corporation and Financial Statements

For the 12 month period from 1 August 2012 to 31 July 2013

Excellence

Employability

Enterprise

E-Enabled

Engagement



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Definition of terms

- The Corporation means The Sheffield College Further Education Corporation established under the Further and Higher Education Act 1992.
- Member(s) means a member of the Corporation elected to/or appointed by the Corporation.
- The Sheffield College 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 and The Enterprise Gateway Community Interest Company.

Members' report and financial statements

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Members' Report

Operating and Financial Review

Nature, Objectives and Strategies

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
- Sheffield Norton College – Dyche Lane, Sheffield S8 8BR
- Sheffield Hillsborough College – Livesey Street, Sheffield S6 2ET
- Sheffield Peaks College – Waterthorpe Greenway, Sheffield S20 8LY

The Sheffield College has three 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 2013, 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, this company broke even.
- The Enterprise Gateway Community Interest Company. Incorporated in 2011, this is a social enterprise that is a vehicle for two College learning companies. In the financial year ending 31 July 2013, this company made an operating loss of £55,000.

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 £2,523,000 at 31 July 2013.

The College has exceeded this target through the careful management of its working capital position throughout the 2012/13 financial year and the sale of our Walkely and Loxley campuses. At 31 July 2013 the College had cash reserves of £6,042,000 and had achieved 42 cash days in hand. (This compares to 23 days in 2011/12).

2. To ensure that the College achieves an income diversity figure (non-YPLA 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 2012/13 was 13.5%. (In 2011/12 the College achieved income diversity of 14.9%).

3. To deliver an operating surplus of at least £751,000 excluding any accelerated depreciation costs related to the disposal of the Norton College campus.

The College has achieved this target, generating an operating surplus of £1,193,000 before the accelerated depreciation costs and capital grant releases relating to Norton are taken into account. (In 2011/12 the College generated an operating surplus of £729,000).

4. To reduce the proportion of income spent on direct and agency staffing costs to no more than 66% of turnover.

The College has achieved this target, as direct and agency staffing costs in 2012/13 were 64.6% of turnover. (In 2011/12, staffing costs were 63.6% 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 Skills Funding Agency.

Financial Position

Financial Results

The College generated an operating surplus before the disposal of assets in the year of £1,193,000 (2011/12 - operating surplus of £729,000).

The College's reserves on 31 July 2013 (excluding the revaluation reserve, the FRS17 pension reserve and restricted reserves) stood at £19,323,000 (31 July 2012 - £15,821,000).

Treasury Management

The College benefitted from capital receipts from the sale of the Walkley and Loxley campuses during 2012/13.

The sale of the Walkley campus was completed in August 2012, realising a receipt of £239,500.

The sale of the Loxley campus was completed in April 2013, realising a receipt of £1,500,000.

Cash Flows

The College realised a net cash inflow on operating activities of £3,209,000 during 2012/13.

The net increase in the College cash position for the year ending 31 July 2013 was £2,688,000.

Liquidity

The College significantly improved liquidity during 2012/13 and does not anticipate any challenges to maintaining this position in 2013/14.



Current and Future Development and Performance

Student Numbers

In 2012/13 the College delivered provision that produced £44,787,000 in recurrent grant funding (2011/12 - £45,606,000) from the Education Funding Agency, the Skills Funding Agency and the Higher Education Funding Council for England. The College had 6,266 EFA funded students and 11,614 Skills Funding Agency funded students.

Student Achievements

In 2012/13 students at the College achieved an overall success rate of 84%, a marginal improvement on the rate of 83% achieved in 2011/12.

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 is scheduled to open to students in September 2013 and good progress was made towards recruiting learners and completing the construction of its purpose built campus during 2012/13.

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 2012 to 31 July 2013, the College paid 99% of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

Post-Balance Sheet Events

The College intends to wind-up The Enterprise Gateway Community Interest Company in December 2013.

Future Developments

The College has agreed total funding from the EFA for the 2013/14 financial year of £29,663,518. Funding from the Skills Funding Agency has been confirmed at £11,245,029 for the same period, with a 24+ Advanced Learning Loans allocation of £925,822.

It is anticipated that participation levels for directly funded provision aimed at 16-18 learners will continue to increase in 2013/14.

The College expects recently 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 protection to our funding until 2014/15.

The Sheffield region has secured significant funding for the provision of apprenticeship programmes under the City Deal Initiative. This is expected to provide the College with the opportunity to increase and diversify its income in 2013/14 and beyond.

The College has submitted bids to support a second University Technical College, and a 2-16 academy school in Sheffield. The outcome of these bids should be known in early 2014.

The College has received confirmation of a Skills Funding Agency 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 will commence on these projects in 2013/14 with practical completion scheduled for summer 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 2013, 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.



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.

Both the Education Funding Agency and the Skills Funding Agency are to introduce new funding methodologies in 2013/14. The financial implications of these changes are initially expected to be limited. One possible benefit could be a helpful reduction in the level of central government control on curriculum offer. A funding environment with fewer detailed targets will leave the College better able to meet the needs of learners and other major stakeholders.

The College has seen the introduction of the new Higher Education funding system which has placed a far greater emphasis on tuition fee loans. A similar system will be introduced for adult further education learners in 2013/14.

Restructure

The College made further structural changes in 2012/13, most notably the reorganisation of the middle management team. This change was motivated by a desire to improve the quality of provision and improve income diversity by providing Heads of Department with the capacity to develop new curriculum and concentrate on engaging external stakeholders and employers.

The College made sure that these changes were managed effectively with no detrimental impact on the quality of teaching and learning.

Quality of Provision

The College seeks to continue to improve learner success rates and has delivered an improvement in overall learner responsive success rates of 1% in 2012/13 (up to 84% from 83% in 2011/12) and is 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 (<http://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 St James' Square Manchester M2 6DS
Internal auditors:	Grant Thornton UK, LLP Unit 2 Broadfield Court Sheffield S8 0XF
Bankers:	Barclays Bank Plc NE & Yorkshire Larger Business Team PO Box 378 71 Grey Street Newcastle Upon Tyne Tyne & Wear NE99 1JP Allied Irish Bank Vantage Point Hardman Street Spinningfields Manchester M3 3PL
Solicitors:	EEF 59 Clarkehouse Road Sheffield S10 2LE Wake Smith LLP 68 Clarkehouse Road Sheffield S10 2LJ Hill Dickinson LLP The Balance Pinfold Street Sheffield S1 2GU

Statement of Corporate Governance and Internal Control

The College is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the College has applied the principles set out in the UK Corporate Governance Code issued by the London Stock Exchange in June 2010 and the Foundation Code of Governance for English Colleges adopted by the Governing Body in July 2012. Its purpose is to help the reader of the financial statements understand how the principles have been applied.

In the opinion of the Governors, the College complies with all the provisions of the Codes in so far as they apply to the Further Education Sector and it has complied throughout the year ended 31 July 2013.



Richard Wright
Chair of Governors



Heather MacDonald
Chief Executive



Sally Neocosmos
Chair, Finance,
Employment and
General purpose
Committee



Neil Fletcher
Chair, Audit and
Risk Assurance
Committee



Seb Schmoller
Chair, Planning
and Performance
Committee

A selection of The Sheffield College Governors

The Corporation

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

Name	Date of appointment	Term of office	Date of resignation / retirement	Status of appointment	Committees served
Chris Addy	26/9/2011	4 years		Current	Audit & Risk Assurance
Mike Atkins	1/9/2008	8 years		Current	Planning & Performance Search
Kathy Atkin	31/3/2010	4 years		Current	Audit & Risk Assurance
Isabelle Beckett-Smith (Student)	17/12/2012 Re-appointed 1/8/2013	1 year		Current	Planning & Performance
Steve Brosnan	1/9/2008	8 years		Current	Finance, Employment & General Purposes
Cllr Jackie Drayton	26/9/2011	4 years	30/4/2013	Resigned	Planning & Performance
Neil Fletcher	1/9/2009	8 years		Current	Audit & Risk Assurance (Chair)
Brian Fordham	20/12/2005 reappointed 1/9/2009	8 years	31/1/11	Resigned 3/2/11 Current non-Governor Co-optee	Audit & Risk Assurance
Karan Green	1/9/2008	8 years	31/8/2013	Resigned	Planning & Performance
Chris Linacre	25/3/2012	4 years		Current	Audit & Risk Assurance Planning & Performance; Remuneration
Heather MacDonald	1/9/2008	Ex-officio Principal/ Chief Executive		Current	Finance, Employment & General Purposes Planning & Performance; Remuneration
Daniel Powell (Student)	1/8/2012	1 year	15/10/12	Resigned	Planning & Performance
Sally Neocosmos	1/9/2009	8 years		Current Vice Chair of Governing Body	Finance, Employment & General Purposes (Vice Chair 2012/13 Chair from 1/9/2013); Remuneration
Barbara Ntuny (Student)	1/8/2012	1 year	31/7/2013	Retired	Planning & Performance
Valerie Petersen	16/5/2011	4 years		Current	Planning & Performance
Seb Schmoller	1/9/2008	8 years		Current Vice Chair of Governing Body	Planning & Performance (Chair) Search
Liz Swynnerton	1/9/2007	8 years		Current	Finance, Employment & General Purposes Search
John Timms	1/9/2012	4 years		Current	Planning & Performance
David Waxman	1/9/2005 reappointed 22/6/2009	8 years	31/8/2013	Retired (Chair of Governing Body until 31/8/2013)	Finance & General Purpose Committee Search; Remuneration
Richard Wright	26/9/2011	4 years		Current Chair of Governing Body from 1/9/2013	Finance & General Purpose Committee (Chair from 20/2/2012) Remuneration, Search

NOTE:

1. David Waxman was appointed Chair of the Governing Body with effect from 1 September 2011 and re-appointed with effect from 1 September 2012. He retired from the Governing Body on 31/8/2013.
2. Brian Fordham has remained as a non Governor co-optee member of the Audit and Risk Assurance Committee

The following were appointed to the Corporation:

3. John Timms, with effect from 1 September 2012, Isabelle Beckett-Smith with effect from 17 December 2012
4. Daniel Powell resigned with effect from 15 October 2012
5. Jackie Drayton resigned with effect from 30 April 2013
6. Karan Green resigned with effect from 31 August 2013
7. Since 31 July 2013 the following have been appointed: Louisa Moore (Student) with effect from 1 August 2013, Edward Highfield with effect from 14 October 2013, Kim Streets and Graeme Symonds with effect from 4 November 2013
8. The Clerk to the Corporation is Val Struggles

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. During 2012/13 these Committees were:

- Finance, Employment & General Purposes
- Planning & Performance
- Search
- Remuneration Committee (established December 2012)

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

**The Sheffield College
Granville Road
Sheffield
S2 2RL**

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

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 Governing Body 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 Governing Body 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 Principal 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. During 2012/13 its membership comprised Mike Atkins, Seb Schmoller, Liz Swynnerton and David Waxman. The Committee is responsible for the selection and nomination of any new member and the re-appointment of current members 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 between 2 to 4 years, and may be re-appointed, serving a maximum period of 8 years in total.

Remuneration Committee

At its meeting on 17 December 2012 the Governing Body agreed to re-establish a Remuneration Committee. The first meeting of the Remuneration Committee was convened on 13 March 2013.

Details of remuneration for the year ended 31 July 2013 are set out in note 8 to the financial statements.

Audit and Risk Assurance Committee

The Audit and Risk Assurance Committee comprises up to five members of the Corporation (excluding the Principal and Chair). The Committee's membership also includes a non-governor co-optee with financial experience (who was previously a member of the Governing Body). 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 SFA and other FE funding bodies, as they affect the College's business.

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

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

The Audit and Risk Assurance Committee also advises the Corporation on the appointment of internal 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 Skills Funding Agency (SFA). 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 2013 and up to the date of approval of the members' 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 2013 and up to the date of approval of the members' 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 College has an internal audit service, which operates in accordance with requirements of the (former) LSC's Audit Code of Practice (Superseded by the Joint Audit Code of Practice with effect from 1 August 2013). The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit and Risk Assurance Committee.

As a minimum, the Internal Auditors annually provide the Corporation with a report on internal audit activity in the College. The report includes the Internal Auditors independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.



Review of effectiveness

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

- The work of the internal auditors
- The work of the executive managers within the College 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, funding auditors appointed by the Skills Funding Agency in their management letters and other reports

The Principal has been advised on the implications of the result of her review of the effectiveness of the system of internal control by the Audit and Risk Assurance Committee which oversees the work of the internal auditor, and a plan to address weaknesses and ensure continuous improvement of the systems 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 and Risk Assurance Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit and Risk Assurance Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and through reports from the Senior Management Team and the Audit and Risk Assurance Committee.

The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2013 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2013 by considering documentation from the Internal Auditors, and taking account of events since 31 July 2013.

Significant internal control issues

The Principal's review of the effectiveness of the system of internal control confirmed that there were no significant internal control issues arising that affected the College during 2012/13.

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. However, the Corporation is mindful that the College will be reliant on the goodwill and exceptional financial support of the Skills Funding Agency to maintain this position.

Approved by order of the members of the Corporation on 16 December 2013 and signed on its behalf by:



Richard Wright
Chair of the Corporation



Heather MacDonald
Principal and Chief Executive

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 Skills Funding Agency and the Corporation of the College, the Corporation, through its Principal, 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 issued jointly by the Skills funding Agency and the Young Peoples Learning Agency, 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 including an Operating and Financial Review 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.

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 Skills Funding Agency and other funding bodies are used only in accordance with the Financial Memorandum with the Skills Funding Agency and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place to safeguard public and other funds and 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 by the Skills Funding Agency and other funding bodies are not put at risk.

Approved by order of the members of the Corporation on 16 December 2013 and signed on its behalf by:



Richard Wright
Chair of the Corporation

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

We have audited the Group and College financial statements ("the financial statements") of The Sheffield College for the year ended 31 July 2013 set out on pages 20 to 50. 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 Sheffield College and Auditors

As explained more fully in the Statement of the Corporation's responsibilities set out on page 15, 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 Financial Review to identify material inconsistencies with the audited financial statements. 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 2013 and of the Group and College's surplus of income over expenditure for the year then ended;
- have been properly prepared in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education Institutions

Opinion on other matters prescribed by the revised Joint Audit Code of Practice (Part 1) issued jointly by the Skills Funding Agency and the Education Funding Agency and the Audit Code of Practice issued by the Learning and Skills Council

In our opinion:

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



Trevor Rees

For and on behalf of
KPMG LLP Statutory Auditor
Chartered Accountants
St James' Square
Manchester M2 6DS

Independent Regularity Report to the Corporation of The Sheffield College and the Chief Executive of Skills Funding Agency

In accordance with the terms of our engagement letter dated 19 July 2012 and further to the requirements of the Chief Executive of Skills Funding Agency, we have carried out a review to obtain assurance about whether, in all material respects, the expenditure disbursed and income received of Sheffield College ('the College') during the year ended 31 July 2013 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them. This report is made solely to the Corporation and Chief Executive of Skills Funding Agency. Our review work has been undertaken so that we might state to the Corporation and Chief Executive of Skills Funding Agency those matters we are required to state to it in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation and Chief Executive of Skills Funding Agency for our review work, for this report, or for the opinion we have formed.

Respective responsibilities of the Corporation of Sheffield College and Auditors

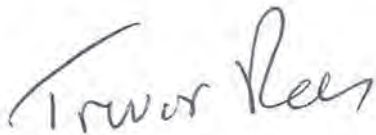
The College's Corporation is responsible, under the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. Our responsibilities for this review are established in the United Kingdom by our profession's ethical guidance and the audit guidance set out in the Audit Code of Practice and the Regularity Audit Framework issued by the Learning and Skills Council. We report to you whether, in our opinion, in all material respects, expenditure disbursed and income received during the year ended 31 July 2013 have been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Basis of opinion

We conducted our review in accordance with the Audit Code of Practice and the Regularity Audit Framework issued by the Learning and Skills Council in 2004. Our review includes examination, on a test basis, of evidence relevant to the regularity and propriety of the College's income and expenditure.

Opinion

In our opinion, in all material respects, the expenditure disbursed and income received during the year ended 31 July 2013 have been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them.



Trevor Rees

For and on behalf of
KPMG LLP Statutory Auditor
Chartered Accountants
St James' Square
Manchester M2 6DS



Consolidated income and expenditure account for the year ended 31 July 2013

	Notes	GROUP 2013 £'000	COLLEGE 2013 £'000	GROUP 2012 £'000	COLLEGE 2012 £'000
Income					
Funding Body Income	2	47,048	47,048	47,580	47,580
Tuition fees and education contracts	3	4,197	4,197	3,303	3,303
Other grant income	4	680	655	746	746
Other operating income	5	2,520	2,430	2,268	2,228
Investment Income	6	35	35	34	34
Total income		54,480	54,365	53,931	53,891
Expenditure					
Staff costs	7	35,327	34,571	34,428	33,969
Other operating expenses	9	13,716	14,302	14,081	14,434
Depreciation	13	2,769	2,769	2,895	2,895
Interest payable	10	1,530	1,530	1,864	1,864
Total expenditure		53,342	53,172	53,268	53,162
Surplus/(Deficit) on continuing operations prior to costs relating to the property strategy					
		1,138	1,193	663	729
Accelerated depreciation on buildings	13	(1,176)	(1,176)	-	-
Release of capital grants related to accelerated depreciation	20	427	427	-	-
Surplus/(deficit) on continuing operations after depreciation of tangible fixed assets at valuation and before exceptional items and tax					
		389	444	663	729
Gain/(loss) on disposal of assets		630	630	(22)	(22)
Surplus/(Deficit) on continuing operations after depreciation of assets at valuation, exceptional items and disposal of assets but before tax					
	12	1,019	1,074	641	707
Taxation	11	-	-	-	-
Surplus/(Deficit) on continuing operations after depreciation of assets at valuation, exceptional items, disposal of assets and tax					
		1,019	1,074	641	707

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 2013

	Notes	GROUP 2013 £'000	COLLEGE 2013 £'000	GROUP 2012 £'000	COLLEGE 2012 £'000
Surplus/(Deficit) on continuing operations after depreciation of assets at valuation, exceptional items, disposal of assets and tax		1,019	1,074	641	707
Difference between historical cost depreciation and the actual charge for the period calculated on the revalued amount	21	108	108	108	108
Difference between historical cost depreciation and the accelerated charge on revalued assets	21	690	690	-	-
Realisation of property revaluation gains of previous years	21	1,074	1,074	-	-
Historical Cost Surplus/(Deficit) for the Period before tax		2,891	2,946	749	815
Historical Cost Surplus/(Deficit) for the Period after tax		2,891	2,946	749	815

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 JULY 2013

	Notes	GROUP 2013 £'000	COLLEGE 2013 £'000	GROUP 2012 £'000	COLLEGE 2012 £'000
Surplus/(Deficit) on continuing operations after depreciation of tangible fixed assets at valuation, disposal of assets and tax		1,019	1,074	641	707
Actuarial gain/(loss) in respect of TPA Enhanced Pensions	19	(180)	(180)	(192)	(192)
Actuarial gain/(loss) in respect of the South Yorkshire Pension Scheme	23	4,284	4,284	(4,494)	(4,494)
Total recognised gains/(losses) since the last period		5,123	5,178	(4,045)	(3,979)
Reconciliation					
Opening reserves		1,935	2,001	5,980	5,980
Total recognised gains/losses for the year		5,123	5,178	(4,045)	(3,979)
Closing reserves		7,058	7,179	1,935	2,001

Balance sheet as at 31 July 2013

BALANCE SHEET AS AT 31 JULY 2013

	Notes	GROUP 2013 £'000	COLLEGE 2013 £'000	GROUP 2012 £'000	COLLEGE 2012 £'000
Fixed assets					
Tangible assets	13	97,845	97,845	102,623	102,623
Investments	14	-	-	-	-
		97,845	97,845	102,623	102,623
Current assets					
Stock		26	26	31	31
Debtors	15	872	1,049	982	1,075
Cash at bank and in hand		6,064	6,042	3,366	3,354
		6,962	7,117	4,379	4,460
Creditors: amounts falling due within one year	16	9,305	9,339	9,192	9,207
Net current assets/liabilities		(2,343)	(2,222)	(4,813)	(4,747)
Total assets less current liabilities		95,502	95,623	97,810	97,876
Creditors: amounts falling due after more than one year	17	19,727	19,727	21,784	21,784
Provisions for liabilities and charges	19	4,591	4,591	4,408	4,408
Net assets excluding pension asset/(liability)		71,184	71,305	71,618	71,684
Net pension asset/(liability)	23	(16,258)	(16,258)	(19,865)	(19,865)
NET ASSETS INCLUDING PENSION ASSET/(LIABILITY)		54,926	55,047	51,753	51,819
Deferred capital grants	20	47,868	47,868	49,818	49,818
Reserves					
Revaluation reserve	21	4,173	4,173	6,045	6,045
Income and expenditure account excluding pension reserve	22	19,143	19,264	15,755	15,821
Pensions Reserves	22	(16,258)	(16,258)	(19,865)	(19,865)
Total Reserves		7,058	7,179	1,935	2,001
TOTAL FUNDS		54,926	55,047	51,753	51,819

The financial statements on pages 22 to 50 were approved by the Corporation on 16 December 2013 and were signed on its behalf by:



Richard Wright
Chair of the Corporation



Heather MacDonald
Principal and Chief Executive

Consolidated cash flow statement for the year ended 31 July 2013

	Notes	GROUP 2013 £'000	COLLEGE 2013 £'000	GROUP 2012 £'000	COLLEGE 2012 £'000
Net cash inflow (outflow) from operating activities	24	3,219	3,209	3,713	3,701
Net cash (outflow) inflow from returns on investments and servicing of finance	26	(1,171)	(1,171)	(1,160)	(1,160)
Taxation	11	-	-	-	-
Net cash inflow (outflow) for Capital expenditure and financial investment	26	1,467	1,467	(374)	(374)
Management of liquid resources	26	-	-	-	-
Net cash inflow (outflow) from financing	26	(817)	(817)	(4,976)	(4,976)
Increase / (decrease) in cash in the period		2,698	2,688	(2,797)	(2,809)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS / (DEBT)

Increase/(decrease) in cash in the period		2,698	2,688	(2,797)	(2,809)
Cash inflow from new loans		-	-	-	-
Cash outflow from loan repayments		725	725	4,695	4,695
Cash outflow from finance lease repayments		267	267	281	281
Cash (inflow)/outflow from liquid resources		-	-	-	-
Change in net funds (debt) resulting from cashflows		3,690	3,680	2,179	2,167
New finance leases		(175)	(175)	-	-
Movement of net funds (debt) in the period		3,515	3,505	2,179	2,167
Net funds (debt) at 1 August	25	(14,545)	(14,557)	(16,724)	(16,724)
Net funds (debt) at 31 July	25	(11,030)	(11,052)	(14,545)	(14,557)

1 Statement of Accounting Policies

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

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2007 (the SORP), the Accounts Direction for 2012-13 financial statements and in accordance with applicable Accounting Standards.

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 £16.2m of loans outstanding with bankers on terms renegotiated in 2012. The terms of the existing agreements are for up to another 22 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 include the College and its subsidiaries, Sparks Managed Services Limited, Sparks Teaching Services Limited and Enterprise Gateway Community Interest Company Limited. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra-group sales and profits are eliminated fully on consolidation.

The activities of the student union are included in the College accounts as transactions arising from Union activities are managed through budgets set as part of the Student Services function within the College. All financial statements are prepared to 31 July 2013.

Recognition of income

Recurrent grant from the Higher Education Funding Council for England (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 single adult skills budget 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 at the end of November following the year end. Employer responsive grant income is recognised based on a year end reconciliation of income claimed and actual delivery with the Skills Funding Agency. 16-18 learner-responsive funding is not normally subject to a reconciliation and is therefore not subject to contract adjustments.

Other discrete grants and funding received from the Skills Funding Agency (SFA) and the Education Funding Agency (EFA) 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 the EFA (see note 34).

Non-recurrent grants from the SFA and the 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 tuition fees is recognised in the period for which it is receivable and includes all fees chargeable to students or their sponsors.

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 TPS is a multi employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

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 on-going 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 on-going 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 on-going 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 including VAT 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 a valuation as at 1 April 1993, based on depreciated historic cost.

Information Technology Equipment	5 years on a straight line basis
Motor vehicles	5 years on a straight line basis
General equipment	10 years on a straight line basis
Furniture, Fixtures and Fittings	10 years on a straight line basis

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.

Foreign currency translation

- Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions.
- 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.

Stocks

College refectory stocks and stocks of goods held for re-sale in College shops are included in the balance sheet at the lower of cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Maintenance of premises

The cost of routine corrective maintenance is charged to the income and expenditure account in the period it is incurred.

Taxation

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2011 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 2011 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. It can only recover a minor element of Input VAT charged on the goods and services purchased. Irrecoverable VAT on the goods and services purchased is included in College expenditure cost and added to the cost of tangible fixed assets where the expenditures are categorised as fixed assets by their 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 2013 £'000	COLLEGE 2013 £'000	GROUP 2012 £'000	COLLEGE 2012 £'000
Skills Funding Agency Recurrent Grant		14,843	14,843	14,091	14,091
Education Funding Agency Recurrent grant		29,082	29,082	29,973	29,973
Higher Education (HEFCE) grant		752	752	1,495	1,495
HE Development Fund		110	110	47	47
Releases of deferred capital grants					
Buildings	20	1,168	1,168	1,045	1,045
Equipment	20	302	302	301	301
Access funds		92	92	55	55
Other Funds		699	699	573	573
Total		47,048	47,048	47,580	47,580

3 Tuition fees and education contracts

		GROUP 2013 £'000	COLLEGE 2013 £'000	GROUP 2012 £'000	COLLEGE 2012 £'000
Tuition Fees		3,158	3,158	2,270	2,270
Education Contracts		1,039	1,039	1,033	1,033
Total		4,197	4,197	3,303	3,303

4 Other grants and contract income

		GROUP 2013 £'000	COLLEGE 2013 £'000	GROUP 2012 £'000	COLLEGE 2012 £'000
European Grant funding		519	519	630	630
Other Grant and contracts		104	79	60	60
Releases from deferred capital grants (non-Funding Council)		57	57	56	56
Total		680	655	746	746

5 Other operating income

		GROUP 2013 £'000	COLLEGE 2013 £'000	GROUP 2012 £'000	COLLEGE 2012 £'000
Catering and residence operations		1,072	1,072	1,025	1,025
Other income		1,448	1,358	1,243	1,203
Total		2,520	2,430	2,268	2,228

6 Investment income

		GROUP 2013 £'000	COLLEGE 2013 £'000	GROUP 2012 £'000	COLLEGE 2012 £'000
Bank deposit interest income		35	35	34	34
Total		35	35	34	34

7 Staff costs

Group Staff Numbers for 2012 have been restated from 494 to 552 (an increase of 58 staff) to include staff employed by College subsidiaries. Staff costs reported below required no similar adjustment.

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

Staff costs for the above persons:	GROUP	COLLEGE	GROUP	COLLEGE
	2013	2013	2012	2012
	£'000	£'000	£'000	£'000
Teaching staff	16,768	16,768	16,662	16,662
Other staff	15,515	14,759	14,812	14,353
Staff restructuring costs	27	27	365	365
FRS 17 retirement benefits charges	19 & 23 482	482	233	233
Total College Staff	32,792	32,036	32,072	31,613
Contracted out lecturing services	2,524	2,524	2,325	2,325
Other Agency Staff	11	11	31	31
Total	35,327	34,571	34,428	33,969

	GROUP	COLLEGE	GROUP	COLLEGE
	2013	2013	2012	2012
	£'000	£'000	£'000	£'000
Wages and salaries	26,718	26,084	26,294	25,850
Social security cost	1,951	1,829	1,742	1,727
Other pension costs (including FRS 17 adjustments)	3,974	3,974	3,671	3,671
	32,643	31,887	31,707	31,248
Agency and Contracted Out Lecturing Staffing	2,535	2,535	2,356	2,356
Staff restructuring costs	149	149	365	365
Total	35,327	34,571	34,428	33,969

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

	GROUP	COLLEGE	GROUP	COLLEGE
	2013	2013	2012	2012
	Number of Staff	Number of Staff	Number of Staff	Number of Staff
£ 60,001 to £ 70,000	1	1	2	2
	1	1	2	2

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.

The minimum wage for any member of staff (excluding apprentices) working for The Sheffield College was increased to £14,344 effective from 1st February 2013.

Members of the Leadership and Management Team were awarded differentiated pay awards based upon performance effective 1st January 2013.

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

During the year ended 31st July 2012 a general pay award was made from 1st February 2012 being the greater of 0.2% or £50 per annum.

A general pay award was made from 1st May 2012 to raise staff annual pay up to a minimum of £13,850, a pay award of £200 for other staff earning below £21,000 and for staff earning £21,000 and above £125 per annum.

No pay award was made to Senior Postholders or members of the Leadership and Management Team during the year ended 31st July 2012.

8 Emoluments of Senior Postholders

Senior post-holders are defined as the Principal 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 (2011-12 seven posts) should be designated as senior post-holders.

	2013 Number	2013 Number	2012 Number	2012 Number
The number of senior post-holders serving in the period including the principal :	8	8	7	7
Senior post-holders emoluments are made up as follows				
	GROUP 2013 £'000	COLLEGE 2013 £'000	GROUP 2012 £'000	COLLEGE 2012 £'000
Salaries	683	683	611	611
Benefits in kind	-	-	-	-
Total emoluments	683	683	611	611

The pension contributions in respect of the Principal 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 Principal and Chief Executive. The position of Principal and Chief Executive is the highest paid Senior Post-holder role within the College.

	GROUP 2013 £'000	COLLEGE 2013 £'000	GROUP 2012 £'000	COLLEGE 2012 £'000
Salaries	145	145	144	144
Benefits in kind	-	-	-	-
Total emoluments	145	145	144	144

Other than the Principal, 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 2013 Number	COLLEGE 2013 Number	GROUP 2012 Number	COLLEGE 2012 Number
	Senior post- holders	Senior post- holders	Senior post- holders	Senior post- holders
£ 50,001 to £ 60,000	1	1	1	1
£ 60,001 to £ 70,000	1	1	-	-
£ 80,001 to £ 90,000	4	4	4	4
£ 90,001 to £ 100,000	1	1	1	1
£ 140,001 to £ 150,000	1	1	1	1
	8	8	7	7

The Governing body approved pay awards of between 0.8% and 2% for Senior post-holders from 1st February 2013. No pay award was made in the previous period.

9 Other Operating Expenses

	GROUP 2013 £'000	COLLEGE 2013 £'000	GROUP 2012 £'000	COLLEGE 2012 £'000
Teaching costs	3,388	3,388	3,055	3,055
Non teaching overhead	6,807	6,746	6,799	6,792
Premises expenditures	3,521	4,168	4,227	4,587
Total	13,716	14,302	14,081	14,434

Other operating expenses include:

Auditors' remuneration				
- Financial statements audit	34	25	32	32
- Internal audit	35	35	52	52
- Other services from external auditors	-	-	-	-
- Other services from internal auditors	-	-	-	-
Hire of plant and machinery - operating leases	-	-	-	-
Hire of other assets - operating leases	-	-	-	-

10 Interest Payable

	GROUP 2013 £'000	COLLEGE 2013 £'000	GROUP 2012 £'000	COLLEGE 2012 £'000
On bank loans, overdrafts and other loans:				
- Repayable within 5 years, not by instalments	-	-	-	-
- Repayable within 5 years, by instalments	-	-	-	-
- Repayable wholly or partly in more than 5 years	1,100	1,100	1,116	1,116
	1,100	1,100	1,116	1,116
On finance leases	100	100	86	86
Interest on enhanced pensions provisions	19	135	178	178
Pension finance costs	23	195	484	484
Total	1,530	1,530	1,864	1,864

11 Taxation

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

12 (Deficit)/Surplus on Continuing Operations for the Period

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

	GROUP 2013 £'000	COLLEGE 2013 £'000	GROUP 2012 £'000	COLLEGE 2012 £'000
College's (deficit)/surplus for the period	1,074	1,074	707	707
Retained by subsidiary undertakings	(55)	-	(66)	-
	1,019	1,074	641	707

13 Tangible Fixed Assets (Group)

	Freehold Land and Buildings £000	Equipment £000	Total £000
Cost or valuation			
At 1 August 2012	109,919	8,996	118,915
Additions	24	253	277
Disposals	(1,084)	(1,519)	(2,603)
At 31 July 2013	108,859	7,730	116,589
Accumulated Depreciation			
At 1 August 2012	10,115	6,177	16,292
Charge for period	2,034	735	2,769
Accelerated Depreciation	1,176	-	1,176
Eliminated in respect of disposals	(11)	(1,482)	(1,493)
At 31 July 2013	13,314	5,430	18,744
Net book value At 31 July 2013	95,545	2,300	97,845
Net book value At 1 August 2012	99,804	2,819	102,623
Net book value At 31 July 2013			
Inherited	4,173	-	4,173
Financed by capital grant	46,624	1,244	47,868
Other	44,748	1,056	45,804
	95,545	2,300	97,845

13 Tangible Fixed Assets (College Only)

	Freehold Land and Buildings £000	Equipment £000	Total £000
Cost or valuation			
At 1 August 2012	109,919	8,996	118,915
Additions	24	253	277
Disposals	(1,084)	(1,519)	(2,603)
At 31 July 2013	108,859	7,730	116,589
Accumulated Depreciation			
At 1 August 2012	10,115	6,177	16,292
Charge for period	2,034	735	2,769
Accelerated depreciation	1,176	-	1,176
Eliminated in respect of disposals	(11)	(1,482)	(1,493)
At 31 July 2013	13,314	5,430	18,744
Net book value At 31 July 2013	95,545	2,300	97,845
Net book value At 1 August 2012	99,804	2,819	102,623
Net book value At 31 July 2013			
Inherited	4,173	-	4,173
Financed by capital grant	46,624	1,244	47,868
Other	44,748	1,056	45,804
	95,545	2,300	97,845

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.

In August 2012 the College disposed of its Walkley site receiving sales proceeds of £239,500. In April 2013 the College disposed of its Loxley site receiving sales proceeds of £1,500,000.

The net book value of inherited assets carried by the College is £4,173,000 (2011-12 £6,045,000). The value at a historic cost of the inherited assets is nil.

Land and buildings with a net book value of £46,624,000 (2011/12: £48,075,000) 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 Skills Funding Agency, to surrender the proceeds.

Land and buildings include properties with a net book value of £95,545,000 (2011/12: £99,719,000) for which title deeds and leasehold agreements have been transferred to the College.

In the year to July 2013 the College commissioned plans to close its Norton College 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. 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 £794,000 (2011/12: £932,000) in respect of other assets held under finance leases. The depreciation charge on these assets for the year was £314,000 (2011/12: £320,000).

	GROUP	COLLEGE	GROUP	COLLEGE
	2013	2013	2012	2012
	£000	£000	£000	£000
The depreciation charge for the period is analysed as follows :				
Owned assets	3,631	3,631	2,575	2,575
Assets held under finance lease and hire purchase arrangements	314	314	320	320
Buildings leasehold charge	-	-	-	-
	<u>3,945</u>	<u>3,945</u>	<u>2,895</u>	<u>2,895</u>

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

	£000
Cost	nil
Aggregate depreciation based on cost	nil
Net book value based on cost	<u>nil</u>

14 Investments

	GROUP	COLLEGE	GROUP	COLLEGE
	2013	2013	2012	2012
	£'000	£'000	£'000	£'000
Investment in subsidiary companies at cost	-	-	-	-

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 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
	2013	2013	2012	2012
	£'000	£'000	£'000	£'000
Amounts Falling Due Within One Year				
Trade debtors	390	385	181	173
Amounts owed by subsidiary undertakings	-	192	-	116
Accrued grant income	74	74	305	305
Amounts owed by the Skills Funding Agency	156	156	317	317
Prepayments and other income accrued	252	242	179	164
Total	872	1,049	982	1,075

Amounts Falling Due Within One Year include the following amounts due from the Skills Funding Agency.

Accrued grant income	156	156	317	317
	156	156	317	317

16 Creditors: Amounts falling due within one year

		GROUP	COLLEGE	GROUP	COLLEGE
		2013	2013	2012	2012
		£'000	£'000	£'000	£'000
Bank loans and overdrafts		767	767	679	679
Obligations under finance leases and hire purchase agreements	18	243	243	262	262
VAT Deferment Schemes		1,166	1,166	1,159	1,159
Payments received on account		1,585	1,585	1,304	1,304
Trade creditors		3,859	3,790	3,467	3,442
Amounts owed to group undertakings:		-	159	-	40
Other taxation and social security		638	580	615	615
Other employment related creditors		526	528	513	513
Provision for clawback of recurrent funding		0	0	777	777
Accruals and Other Creditors		521	521	416	416
Total		9,305	9,339	9,192	9,207

17 Creditors: Amounts falling due after more than one year

		GROUP	COLLEGE	GROUP	COLLEGE
		2013	2013	2012	2012
		£'000	£'000	£'000	£'000
Bank and Other Loans	18	15,448	15,448	16,261	16,261
Obligations under finance leases and hire purchase agreements	18	636	636	709	709
VAT Deferment Schemes		3,643	3,643	4,814	4,814
Total		19,727	19,727	21,784	21,784

18 Analysis of Borrowings and Deferred VAT

Bank Loans , Overdrafts and Other Loans

	GROUP	COLLEGE	GROUP	COLLEGE
	2013	2013	2012	2012
	£'000	£'000	£'000	£'000
Bank loans , overdrafts and other loans are repayable as follows:				
In one year or less	767	767	679	679
Between one and two years	807	807	717	717
Between two and five years	2,631	2,631	2,383	2,383
In five years or more	12,010	12,010	13,161	13,161
Total	16,215	16,215	16,940	16,940

Bank loans include:

A fixed term loan at a fixed rate of 8.02% repayable by quarterly instalments falling due between 1st August 2013 and 29th August 2017 totalling £354,000. This loan is secured on freehold properties on the Sheffield 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 1st August 2013 and 8th February 2020 totalling £720,000. 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 4th December 2024 repayable by quarterly instalments falling due between 1st August 2013 and 4th December 2024 totalling £2,853,000. This loan is secured on the freehold properties on the Hillsborough site.

A fixed term loan at a fixed rate of 6.96% until 1st December 2014 and thereafter at the variable rate calculated at the 3 month Libor rate plus 0.76% repayable by quarterly instalments falling due between 1st August 2013 and 1st December 2024 totalling £2,844,000. 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 1st August 2013 and 24th August 2035 totalling £4,711,000. The loan is secured on the freehold properties on the Sheffield City Site (previously known as the Castle Site).

A fixed term loan at a fixed rate of 6.70% until 24th August 2020 and thereafter at the variable rate calculated at the 3 month LIBOR rate plus 1.36% repayable by monthly instalments falling due between 1st August 2013 and 24th August 2035 totalling £4,733,000. The loan is secured on the freehold properties on the Sheffield City Site (previously known as the Castle Site).

Finance Leases and Hire Purchase Agreements

	GROUP	COLLEGE	GROUP	COLLEGE
	2013	2013	2012	2012
	£'000	£'000	£'000	£'000
The net finance lease obligations to which the college is committed are:				
In the next year	243	243	262	262
In the second to fifth years inclusive	636	636	709	709
After five years	-	-	-	-
Total	879	879	971	971

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

Deferred Taxes

	GROUP	COLLEGE	GROUP	COLLEGE
	2013	2013	2012	2012
	£'000	£'000	£'000	£'000
At 1 August 2012	5,973	5,973	7,128	7,128
Recovered VAT Input Tax from HMRC	-	-	7	7
Repayments of VAT to HMRC as Output Tax	(1,164)	(1,164)	(1,162)	(1,162)
At 31 July 2013	4,809	4,809	5,973	5,973
The deferment of VAT is repayable as follows:-				
In the next year	1,166	1,166	1,159	1,159
In the second to fifth years inclusive	3,643	3,643	4,106	4,106
After five years	-	-	708	708
Total	4,809	4,809	5,973	5,973

In 2007 HM Revenue & 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 £888,000 (2011/12 £1,238,000).

In 2008 HM Revenue and Customs (HMRC) agreed to apply the rules of the Lennartz methodology to the construction costs of the Sheffield City Site (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 £3,921,000 (2011/12 £4,735,000)

19 Provisions for Liabilities and Charges (Group and College)

	Enhanced Pension Provisions	Other Provision	Total
	£000	£000	£000
At 1 August 2012	3,478	930	4,408
Prior year adjustment	-	-	-
Transferred from income and expenditure account			
Staff Costs	9	122	122
Buildings provisions relating to the Loxley site	9	(749)	(749)
Buildings provisions relating to the Norton site	9	749	749
Interest payable on enhanced pension provision	10	-	135
Actuarial (Gain)/Loss	180	-	180
Expenditure in the period	(254)	-	(254)
At 31 July 2013	3,539	1,052	4,591

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 Skills Funding Agency and the Association of Colleges. The charge to income and expense during the year is £135,000 (2011/12 £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 £180,000 is recognised (2011/12 £192,000 loss). Payments of £254,00 (2011/12 £202,000) have been made against the provision and paid into the scheme during the period.

The principal assumptions for the calculations of liabilities are:

	2013	2012
Price Inflation	4.28%	3.89%
Discount Rate	2.50%	2.50%

Other Provisions

Other Provisions include provision of £749,000 for the cost of demolition and or remedial building works for College owned properties and a provision of £303,000 (2011/12 £181,000) for potential legal costs.

20 Deferred Capital Grants (Group and College)

	FE Funding Bodies	Other Grants	Total
	£000	£000	£000
Balance at 1st August 2012			
Land and buildings	48,075	148	48,223
Equipment	1,306	289	1,595
	<u>49,381</u>	<u>437</u>	<u>49,818</u>
Grants received and receivable			
Equipment	-	4	4
	<u>-</u>	<u>4</u>	<u>4</u>
Released to income and expenditure account			
Land and buildings	1,168	4	1,172
Accelerated release of capital grants relating to the property strategy	427	-	427
Equipment	295	60	355
	<u>1,890</u>	<u>64</u>	<u>1,954</u>
Balance at 31st July 2013			
Land and buildings	46,480	144	46,624
Equipment	1,011	233	1,244
Total	<u>47,491</u>	<u>377</u>	<u>47,868</u>

21 Reserves

Revaluation Reserve	GROUP	COLLEGE	GROUP	COLLEGE
	2013	2013	2012	2012
	£'000	£'000	£'000	£'000
At 1 August 2012	6,045	6,045	6,153	6,153
Transfer from revaluation reserve to general reserve in respect of				
Disposals	(1,074)	(1,074)	-	-
Accelerated Depreciation on revalued assets	(690)	(690)	-	-
Depreciation on revalued assets	(108)	(108)	(108)	(108)
Total transfer to general reserves	(1,872)	(1,872)	(108)	(108)
At 31 July 2013	4,173	4,173	6,045	6,045

22 Movement on General Reserves

	GROUP	COLLEGE	GROUP	COLLEGE
	2013	2013	2012	2012
	£'000	£'000	£'000	£'000
Income and expenditure account				
At 1 August 2012	(4,110)	(4,044)	(173)	(173)
Surplus/(Deficit) on continuing operations after depreciation of assets at valuation and tax	1,019	1,074	641	707
Transfer from revaluation reserve	1,872	1,872	108	108
Actuarial gain/(loss) in respect of Enhanced Pensions	(180)	(180)	(192)	(192)
Actuarial gain / (loss) in respect of pension scheme	4,284	4,284	(4,494)	(4,494)
At 31 July 2013	2,885	3,006	(4,110)	(4,044)
Income and expenditure account balance represented by:				
Pension Reserve at July 2012	(19,865)	(19,865)	(14,654)	(14,654)
Charged to Surplus/(Deficit) on continuing operations	(677)	(677)	(717)	(717)
Actuarial gain / (loss) in respect of pension scheme	4,284	4,284	(4,494)	(4,494)
Pension Reserve at July 2013	(16,258)	(16,258)	(19,865)	(19,865)
Income and expenditure account reserve excluding pension reserve	19,143	19,264	15,755	15,821
Income and expenditure account at July 2013	2,885	3,006	(4,110)	(4,044)

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 £3,661,000 (2011/12 £3,705,000).

	GROUP	COLLEGE	GROUP	COLLEGE
	2013	2013	2012	2012
	£'000	£'000	£'000	£'000
Teachers Pension Scheme - contributions paid	1,911	1,911	1,941	1,941
South Yorkshire Pension Authority Scheme				
Contributions paid	1,577	1,577	1,603	1,603
FRS 17 Charge	482	482	161	161
	<u>3,970</u>	<u>3,970</u>	<u>3,705</u>	<u>3,705</u>

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

Not less than every four years the Government Actuary ("GA"), using normal actuarial principles, conducts a formal actuarial review of the TPS. The aim of the review is to specify the level of future contributions.

The contribution rate paid into the TPS is assessed in two parts. First, a standard contribution rate ("SCR") is determined. This is the contribution, expressed as a percentage of the salaries of teachers and lecturers in service or entering service during the period over which the contribution rate applies, which if it were paid over the entire active service of these teachers and lecturers would broadly defray the cost of benefits payable in respect of that service. Secondly, a supplementary contribution is payable if, as a result of the actuarial investigation, it is found that accumulated liabilities of the Account for benefits to past and present teachers, are not fully covered by standard contributions to be paid in future and by the notional fund built up from past contributions. The total contribution rate payable is the sum of the SCR and the supplementary contribution rate.

The last valuation of the TPS related to the period 1 April 2001 - 31 March 2004. The GA's report of October 2006 revealed that the total liabilities of the Scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £166,500 million. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £163,240 million. The assumed real rate of return is 3.5% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 1.5%. The assumed gross rate of return is 6.5%.

As from 1 January 2007, and as part of the cost-sharing agreement between employers' and teachers' representatives, the SCR was assessed at 19.75%, and the supplementary contribution rate was assessed to be 0.75% (to balance assets and liabilities as required by the regulations within 15 years). This resulted in a total contribution rate of 20.5%, which translated into an employee contribution rate of 6.4% and employer contribution rate of 14.1% payable. The cost-sharing agreement also introduced – effective for the first time for the 2008 valuation – a 14% cap on employer contributions payable.

Scheme Changes

From 1 April 2012 to 31 March 2013, the employee contribution rate will range between 6.4% and 8.8%, depending on a member's Full Time Equivalent salary. Further changes to the employee contribution rate will be applied in 2013-14 and 2014-15.

Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. Many of these are being discussed in the context of the design for a reformed TPS, as set out in the Proposed Final Agreement, and scheme valuations are, therefore, currently suspended. The Government, however, has set out a future process for determining the employer contribution rate under the new scheme, and this process will involve a full actuarial valuation.

The Proposed Final Agreement can be found at:

<http://media.education.gov.uk/assets/files/ppt/t/tps%20proposed%20final%20agreement.pdf>

The pension costs paid to TPS in the year amounted to £1,911,000 (2011/12: £1,941,000)

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 2013 was £2,198,000 of which employers' contributions totalled £1,577,000 and employees contributions totalled £621,000. From 1st April 2008 until 31st March 2011 the employer contribution rate was 13.2% plus a lump sum annual payment. From 1st April 2011 until 31st July 2013 the employer contribution rate was increased to 13.4% plus a lump sum annual payment. The lump sum payment from 1st August 2012 until 31st July 2013 was £208,000 (2011/12 £206,000). Future payments will be at the contribution rate of 13.4% 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 upon a full actuarial valuation of the Fund at 31 March 2010 updated to 31 July 2013 by a qualified independent actuary.

The principal actuarial assumptions made in the calculation of scheme liabilities are as follows:

	2013	2012
Inflation CPI	2.40%	2.10%
Rate of increase in salaries	4.15%	3.85%
Rate of increase for pensions	2.40%	2.10%
Discount rate for liabilities	4.50%	4.30%

Commutation of pensions to lump sums

On advice from the actuaries it is assumed that 50% of employees retiring after 6 April 2012 will take advantage of the option to commute part of their future annual pension to a lump sum payment on retirement.

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

	As at 31 July 2013	As at 31 July 2012
Retiring today		
Males	21.8 years	21.8 years
Females	24.7 years	24.6 years
Retiring in 20 years		
Males	23.7 years	23.6 years
Females	26.6 years	26.5 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 1.12%) and the expected rates of return were:

	Long-term rate of return expected at 31 July 2013	Value at 2013 £000	Long-term rate of return expected at 31 July 2012	Value at 2012 £000
Equities	7.0%	37,465	7.0%	34,063
Government Bonds	3.3%	8,503	2.5%	7,587
Other Bonds	4.3%	4,067	3.4%	4,291
Property	5.7%	5,854	6.0%	5,023
Cash	0.5%	1,232	0.5%	1,360
Private Equity	7.0%	4,498		
Total Market Value of assets		<u>61,619</u>		<u>52,324</u>



	Year Ended 2013 £000	Year Ended 2012 £000
College's estimated asset share	61,619	52,324
Present value of Funded Benefit Obligations	(77,416)	(71,720)
Present value of Unfunded Benefit Obligations	(461)	(469)
Present value of scheme liabilities	(77,877)	(72,189)
Surplus/(deficit) in the scheme	<u>(16,258)</u>	<u>(19,865)</u>

	Year Ended 2013 £000	Year Ended 2012 £000
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Analysis of the amount charged to income and expenditure account

Employer Service cost (net of employee contributions)	2,059	1,764
Curtailments	-	72
Total operating charge	<u>2,059</u>	<u>1,836</u>

Analysis of net return on pension scheme

Expected return on pension scheme assets	2,935	2,973
Interest on pension liabilities	(3,130)	(3,457)
Pension finance income / (costs)	<u>(195)</u>	<u>(484)</u>

Amount recognised in the statement of total recognised gains and losses (STRGL)

Actual return less expected return on pension scheme assets	5,642	(1,206)
Experience gains and losses arising on the scheme liabilities	-	-
Actuarial (gain) arising on changes in the inflation rate index	-	-
Change in financial and demographic assumptions underlying the scheme liabilities	(1,358)	(3,288)
Actuarial gain / (loss) recognised in STRGL	<u>4,284</u>	<u>(4,494)</u>

Movement in surplus (deficit) during year

Surplus / (Deficit) in scheme at 1 August	(19,865)	(14,654)
Movement in year:		
Current service charge	(2,059)	(1,764)
Contributions	1,577	1,603
Past service costs	-	-
Curtailments	-	(72)
Net interest / return on assets	(195)	(484)
Actuarial gain or loss	4,284	(4,494)
Surplus / (Deficit) in scheme at 31 July	<u>(16,258)</u>	<u>(19,865)</u>

Asset and Liability Reconciliation

	Year Ended 2013 £000	Year Ended 2013 £000	Year Ended 2012 £000
	Unfunded Benefits	All Benefits	All Benefits
Reconciliation of Liabilities			
Liabilities at start of period	469	72,189	65,088
Service cost	-	2,059	1,764
Interest cost	19	3,130	3,457
Employee contributions	-	621	605
Experience gains and losses on scheme liabilities	-	-	-
Actuarial (gain)/loss	7	1,358	3,288
Actuarial (gain) arising on changes in the inflation rate index	-	-	-
Benefits paid	(34)	(1,480)	(2,085)
Past Service cost	-	-	-
Curtailments and settlements	-	-	72
Liabilities at end of period*	461	77,877	72,189
Reconciliation of Assets			
Assets at start of period	-	52,324	50,434
Expected return on assets	-	2,935	2,973
Actuarial gain/(loss)	-	5,642	(1,206)
Employer contributions	34	1,577	1,603
Employee contributions	-	621	605
Benefits paid	(34)	(1,480)	(2,085)
Assets at end of period	-	61,619	52,324

The estimated value of employer contributions for the year ended 31st July 2014 is £1,521,000

History of experience gains and losses

	Year Ended 2013 £000	Year Ended 2012 £000	Year Ended 2011 £000	Year Ended 2010 £000	Year Ended 2009 £000
Difference between the expected and actual return on assets (£000):	5,642	(1,206)	1,834	3,753	(4,932)
Experience gains and losses on scheme liabilities (£000):	(1,358)	(3,288)	(638)	(3,438)	5,375
Total amount recognised in STRGL (£000)	4,284	(4,494)	1,196	4,366	443

24 Reconciliation of Consolidated Operating Surplus/(Deficit) to Net

Cash Inflow/(Outflow) from Operating Activities

	GROUP 2013 £'000	COLLEGE 2013 £'000	GROUP 2012 £'000	COLLEGE 2012 £'000
Surplus/(Deficit) on continuing operations after depreciation of assets at valuation and tax	1,019	1,074	641	707
Depreciation (note 13)	3,945	3,945	2,895	2,895
Deferred capital grants released to income (note 2)(note 4)	(1,954)	(1,954)	(1,402)	(1,402)
Loss on disposal of tangible fixed assets	36	36	22	22
Profit on disposal of tangible fixed assets	(666)	(666)	-	-
(Increase)/Decrease in stocks	5	5	(4)	(4)
Interest payable (note 10)	1,200	1,200	1,202	1,202
Pension cost less contributions payable (note 23)	497	497	525	525
Decrease/(Increase) in debtors	113	29	(73)	(166)
Increase/(decrease) in creditors	40	59	1,470	1,485
Increase/(decrease) in deferred VAT creditor	(1,164)	(1,164)	(1,155)	(1,155)
Increase/(decrease) in provisions	183	183	(374)	(374)
Interest receivable (note 6)	(35)	(35)	(34)	(34)
Net cash outflow/inflow from operating activities	3,219	3,209	3,713	3,701

25 Analysis of Consolidated Changes in Net Funds

	At 2012 £'000	Cashflows £'000	At 2013 £'000
Cash at bank and in hand	3,366	2,698	6,064
Overdrafts	-	-	-
Debt due within one year	18 (679)	(88)	(767)
Debt due after one year	18 (16,261)	813	(15,448)
Finance Leases	18 (971)	92	(879)
Total	(14,545)	3,515	(11,030)

26 Analysis of Cash Flows for Headings Netted in the Cash Flow Statement

Notes	GROUP 2013 £'000	COLLEGE 2013 £'000	GROUP 2012 £'000	COLLEGE 2012 £'000
Returns on investments and servicing of finance				
Interest received	32	32	34	34
Interest paid	(1,103)	(1,103)	(1,108)	(1,108)
Interest paid on finance leases	(100)	(100)	(86)	(86)
Net cash inflow (outflow) from returns on investments and servicing of finance	(1,171)	(1,171)	(1,160)	(1,160)
Capital expenditure and financial investment				
Payments to acquire tangible fixed assets	(277)	(277)	(657)	(657)
Proceeds of sale of tangible fixed assets	1,740	1,740	-	-
Capital grants received	4	4	283	283
Net cash (outflow) inflow for Capital expenditure and financial investment	1,467	1,467	(374)	(374)
Financing and reserves				
Finance leases entered into in the year	175	175	-	-
Repayments of loans	(725)	(725)	(4,695)	(4,695)
Capital element of finance lease and hire purchase agreement repayments	(267)	(267)	(281)	(281)
Net cash (outflow) inflow from financing	(817)	(817)	(4,976)	(4,976)

27 Post Balance Sheet Events

There is no post balance sheet events to report

28 Capital Commitments

	GROUP 2013 £'000	COLLEGE 2013 £'000	GROUP 2012 £'000	COLLEGE 2012 £'000
Commitments contracted for at 31st July	-	-	-	-
Commitments under finance leases entered into but not yet provided for in the financial statements	-	-	-	-
Authorised but not contracted for at 31st July	-	-	-	-

29 Financial Commitments

At 31st July 2013 the College had no annual commitments under non-cancellable operating leases.

30 Contingent Liabilities

As a result of a ruling by the European Court of Justice (ECJ) in the Preston case relating to indirect sex discrimination, the employer has an obligation to provide pension scheme benefits for part-time employees. There is therefore a potential liability to provide additional benefits for service before the pension scheme rules were changed to allow access for part-time employees.

The extent of the liability will depend on the service completed by those part-time employees who have registered a valid claim for benefits within the necessary timescales. It is not currently known with certainty how many part-time employees have registered and whether any financial impact that may materialise will be significant. Therefore no provision has been made, but the financial statements include this disclosure as a prudent approach to the potential liability.

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The extent of the liability will depend on the service completed by those part-time employees who have registered a valid claim for benefits within the necessary timescales. It is not currently known with certainty how many part-time employees have registered and whether any financial impact that may materialise will be significant. Therefore no provision has been made, but the financial statements include this disclosure as a prudent approach to the potential liability.

Transactions with the LSC and its successor organisations and HEFCE are detailed in notes 2, 14, 15 and 16

31 Related Party Transactions

Due to the nature of the College's operations and the composition of the Corporation membership (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 Corporation may have an interest. All transactions involving organisations in which a member of the Corporation may have an interest are conducted at arms 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 LSC and its successor organisations and HEFCE are detailed in notes 2, 14, 15 and 16.

32 Major Cash Transactions

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.

	GROUP 2013 £'000	COLLEGE 2013 £'000	GROUP 2012 £'000	COLLEGE 2012 £'000
	1,500	1,500	-	-

33 Major Non-Cash Transactions

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

GROUP	COLLEGE	GROUP	COLLEGE
2013	2013	2012	2012
£'000	£'000	£'000	£'000

34 Amounts Disbursed as an Agent

	GROUP	COLLEGE	GROUP	COLLEGE
	2013	2013	2012	2012
	£'000	£'000	£'000	£'000
Learner Support Funding and 16 to 19 Bursary Funding				
Funding body grants - hardship support	634	634	783	783
Funding body grants - childcare	706	706	364	364
Funding body grants - residential bursaries	-	-	-	-
Funding body grants - 16 to 19 Bursary Funding	859	859	541	541
	<u>2,199</u>	<u>2,199</u>	<u>1,688</u>	<u>1,688</u>
Disbursed to students	(1,846)	(1,846)	(1,042)	(1,042)
Administration costs	(92)	(92)	(55)	(55)
	<u>261</u>	<u>261</u>	<u>591</u>	<u>591</u>
Other Learner Support Funds				
HE Grants	15	15	20	20
	<u>15</u>	<u>15</u>	<u>20</u>	<u>20</u>
Disbursed to students	(15)	(15)	(20)	(20)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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 itself.

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 are made by the College on the student's behalf.



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