The Sheffield College

Report of the members of the Corporation and Financial Statements

For the 12 month period from
1 August 2017 to 31 July 2018

CONTENTS

Definition of terms

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

Key Management Personnel, Board of Governors and Professional advisers

Key Management Personnel

Key management personnel are defined as members of the College Executive Leadership Team with significant financial responsibility and were represented by the following in 2017/18:

Angela Foulkes: Chief Executive; Accounting Officer (from 21 May 2018), was also Acting Chief Executive and Accounting Officer (from 14 November 2017 to 20 May 2018) and Principal (from 04 September 2017 to 13 November 2017).

Paul Corcoran: Chief Executive; Accounting Officer (to 14 November 2017)

Kate Platts: Executive Director of Finance & Resources (from 29 August 2017)

Anita Straffon: Deputy Principal Curriculum (06 February – 31 July 2018) and Deputy Chief Executive: Curriculum, Quality and Assessment (from 01 August 2018)

Heather Smith: Principal (to 08 August 2017)

Paul Simpson: Executive Director of Human Resources & Organisational Development (from 21 May 2018)

Darren Tidmarsh: Executive Director of Human Resources & Management Information Systems (to 04 January 2018)

Alison Shillito: Clerk to Governors (throughout the period)

John Gray: Director of Marketing & Strategy (throughout the period)

Andrew Hartley: Commercial Director (throughout the period)

Bella Abrams: Chief Information Officer (throughout the period)

Simon Hannett: Director of Funding and Performance (from 23 April 2018)

Board of Governors

A full list of Governors is given on pages 12 to 15 of these financial statements. Ms A Shillito acted as Clerk to the Corporation throughout the period.

Professional Advisers

Financial statements and reporting auditors:	KPMG LLP, 1 Sovereign Square, Sovereign Street, Leeds, LS1 4DA
Internal auditors:	Grant Thornton UK, LLP, Unit 2, Broadfield Court, Sheffield, S8 0XF (to 31 July 2018). RSM Risk Assurance Services LLP, City Gate East, Tollhouse Hill, Nottingham NG1 5FS (from 01 August 2018)
Bankers:	Barclays Bank Plc, NE & Yorkshire Larger Business Team, PO Box 378, 71 Grey Street, Newcastle Upon Tyne, Tyne & Wear, NE99 1JP
	Allied Irish Bank, Vantage Point, Hardman Street, Spinningfields, Manchester, M3 3PL
Solicitors:	EEF, 59 Clarkehouse Road, Sheffield, S10 2LE
	Wake Smith LLP, 68 Clarkehouse Road, Sheffield, S10 2LJ
	Eversheds Sutherland (International) LLP, Eversheds House, 70 Great Bridgewater Street, Manchester, M1 5ES

STRATEGIC REPORT

REPORT OF THE GOVERNING BODY

OBJECTIVES AND STRATEGY

The members present their annual report, together with the audited financial statements and auditor's report, for The Sheffield College for the year ended 31 July 2018.

Legal status

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

Mission

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

'Transform your life through learning'

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

Implementation of the Strategic plan

The College's strategic plan, which was approved by the Governors in 2016, has been revised and developed during the 2017/18 financial year with a new strategy being approved by Governors in July 2018.

The strategic plan has been informed by the findings of the FE commissioner in November 2017 and the outcome of the 'Requires improvement' Ofsted Inspection in January 2018.

The College's post inspection Improvement Plan identified five new Objectives which were as follows:

- Students First – raising aspirations, expectations and standards through an excellent student experience
- People - To develop a high performing organisational culture which embraces accountability and ownership
- To ensure the College is financially robust and able to invest in enhancing the infrastructure and student resources
- Community - To ensure the offer meets the needs of the local and regional economy
- Quality – to be outstanding in all that we do

The College strategic plan 2018 - 21 has been developed through a series of Student First workshops and engagement activities in 2018. The College's Strategic Ambitions for 2018 - 21 included proposed KPIs for monitoring by the Governing Body with a scorecard which has clear annual targets within it.

The Strategic ambitions are as follows:

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

Resources

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

The College employs 792 people (expressed as full-time equivalents), of whom 318 are teaching staff

The College provides classroom-based learning to over 13,000 learners each year in a wide range of courses from Entry Level to Level 6 across academic, technical and professional subject areas. The College had 5,016 16-18 year old classroom-based students, 5,403 adult classroom-based students, 2,663 apprentices and 323 HE loan funded students coming to the end of their studies in 2017/18.

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

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

The College has a good reputation both locally and nationally. Maintaining a quality brand is essential for the College's success in attracting students and developing and maintaining external relationships. The College has seen good growth in its apprenticeship provision (£3,875,000 funding in 2016/17 increasing to £4,711,000 in 2017/18) since the introduction of the Apprenticeship Levy and has outperformed the national market. This is partly due to the success of the College working as a lead College in the Collab Group of colleges in securing some national apprenticeship contracts with large Levy payers including Kier, Tarmac, and Keepmoat Homes.

Stakeholder engagement

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

- Current, future and past students
- Funding Agencies
- Staff and their trade unions
- Local and national employers
- Employer groups
- Local Authorities
- Pension authorities and providers
- Government departments
- Local Enterprise Partnership
- The local community
- Voluntary organisations
- Other FE institutions
- Professional bodies
- The University of Sheffield and Sheffield Hallam University
- Banks

DEVELOPMENT AND PERFORMANCE

Financial results

The Group generated an operating deficit before other gains and losses in the year of £352,000 (2016/17 - operating deficit of £447,000), with total comprehensive income of £10,799,000 (2016/17 - £8,612,000). There is an actuarial gain of £11,151,000 in respect of Pension Schemes (2016/17 - £6,341,000).

The College has accumulated reserves of £67,336,000 and cash and short-term investment balances of £7,570,000. Of note is that £1,720,000 of this balance related to the Lennartz creditor, which is being held pending resolution with HMRC.

Tangible fixed asset additions during the year amounted to £623,000, which was in respect of equipment.

The College continued to pay down its bank loans during the year, with two Barclays loans being repaid, one at maturity date and one in advance of the maturity date.

The College continues to have significant reliance upon the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2017/18 the FE funding bodies provided 81% of the College's total income.

The Sheffield College Group

The Sheffield College has three wholly owned subsidiary companies:

- Sparks Managed Services Ltd. incorporated in 2011 (registered number 7490897), this company provides cleaning, caretaking and administration services to the College and The Sheffield UTC Academy Trust. In the financial year ending 31 July 2018, this company broke even.

- Sparks Teaching Services Ltd. incorporated in 2012 (registered number 8087248), this company provides temporary teaching and other staff to the College and The Sheffield UTC Academy Trust. In the financial year ending 31 July 2018, this company broke even.

- Sparks Solutions Ltd. incorporated in 2014 (registered number 8857469), this company provides marketing, learner recruitment and business development services to the College. In the financial year ending 31 July 2018, this company broke even.

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

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

Any reference to "College" or "The Sheffield College" excludes all of these entities.

FUTURE PROSPECTS

The College will continue to invest in its estate, accommodation and facilities to support the student experience and staff development. It is planning to make efficiency savings during 2018/19, which will be used to reinvest back into the college, to support its strategic objectives. The College will review its curriculum provision during 2018/19 to ensure it remains attractive to students, employers, and the Sheffield City Region.

The College governors approved a three-year financial plan in July 2018 which sets the objectives to 2021.

Within the 2018/19 financial year, the college has been allocated the following funding from the ESFA: £25,703,000 for 16-19 year old learners; £8,739,000 for adult education provision; and £2,488,000 for apprenticeship delivery. The College is awaiting notification of Non-Levy Apprenticeship funding post March 2019.

Also for 2018/2019 the College has identified a potential Advanced Learning Loans allocation of £1,412,000.

Treasury policies and objectives

The College has treasury management arrangements in place to manage cash flows, banking arrangements and the risks associated with those activities. The College has a separate treasury management policy in place which was updated in October 2018. Short term unsecured borrowing for temporary revenue purposes is authorised by the Accounting Officer. All other borrowing requires the authorisation of the Corporation.

Cash flows and liquidity

The Group realised a net cash inflow on operating activities of £4,350,000 during 2017/18 (compared to a net cash inflow of £2,540,000 in 2016/17). The net increase in the College cash position for the year ending 31 July 2018 was £1,622,000 (the College saw a net cash increase of £3,202,000 for the year ending 31 July 2017). This cash position in part reflects the £1,720,000 of monies held back in respect of the Lennartz scheme.

Reserves policy

The College has no formal Reserves Policy but recognises the importance of reserves in the financial stability of any organisation and ensures that there are adequate reserves to support the College's core activities. The Group reserves include £646,000 held as revaluation reserves. As at the balance sheet date, the Income and Expenditure reserve stands at £66,690,000 (2017: £55,891,000). It is the Corporation's intention to generate annual operating surpluses and associated net positive cash flow in order to fund reinvestment back into the College for the benefit of students, potential students and the local communities that we serve.

Going concern

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

The College currently has £13.5m of loans outstanding with bankers on terms renegotiated in 2015. The terms of the existing agreements are for up to another 17 years. The College has worked closely with Barclays and AIB to ensure that it provides them with assurance in respect of its financial health and its ability to make loan repayments as they fall due. Covenant waivers for the 2017/18 financial year were obtained from both banks. The banks are supportive of the College and have agreed changes to the covenants attached to the loans to reflect the 2018/19 budget and three-year financial plan. The College is forecasting that it will achieve compliance with the new covenants from both banks for the foreseeable future.

After making appropriate enquiries the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. The College has prepared a three-year financial plan up to and including the 2020/21 financial year, which was approved by the Governing Body on 16 July 2018. The College planned to increase income by growing the 16-18 Learner Responsive, HE and Apprenticeship curriculum, with resultant marginal increases in surplus and cash balances. The current position is that whilst 16-18 income is in line with the plan, growth in HE and apprenticeship growth is slower than planned**.** The cost base will be managed to ensure that the College's budget is met and cash flows are sufficient to fund the College's activity. The introduction of more integrated financial statements and a new model to inform forecasting as well as high levels of accountability and ownership by budget holders to manage costs, will ensure that the College remains a going concern. For these reasons, the Corporation continues to adopt the going concern basis in preparing the financial statements.

PRINCIPAL RISK AND UNCERTAINTIES

Risk management

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

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

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

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

Long term solvency and liquidity to support the going concern assumption

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

College quality of provision and student outcomes

As in 2016, an Ofsted inspection in January 2018 judged that College curriculum provision 'requires improvement' for overall effectiveness and is 'Good' for its apprenticeship delivery and provision for high needs learners. The College needs to make rapid progress to improve student outcomes and prevent significant intervention by regulators.

The College has undertaken the following to address the issue:

- Redesign of Senior Leadership Roles was implemented, this has seen the introduction of the following posts; Heads of Academy, Heads of Quality, Teaching, Learning and Assessment (QTLA), Heads of English & Maths, Heads of Student Experience and, where applicable, Heads of Apprenticeships. These roles create focus in each area alongside accountability and provide a sound platform to move our curriculum forward.

- Appointment of a 'Teaching and Learning Innovator' with a remit to redesign and improve the teaching, learning and assessment practices across the College.

The College was also successful in its bid for Strategic College Improvement Funds (SCIF) this enables the College to work with partner organisations to share good practice and develop our Teaching, Learning and Assessment environment alongside the Heads of QTLA and the Teaching and Learning Innovator. Work has already started with partners through the introduction of Licence to Observe training; twenty-two staff have now gained their 'Licence to Observe Badge' meaning they are now fully competent to undertake teaching observations across the College.

The College anticipates its next full Ofsted Inspection at any time from January 2019. Because of the judgments given in the monitoring visit, recognising the rapid speed of work undertaken since our last inspection in January 2018 we firmly believe the College will be self-assessing as 'Good' overall, with Apprenticeships and Provision for High Needs Students continuing to be judged as 'Good'.

KEY PERFORMANCE INDICATORS

Financial health

In 2017/18, The College achieved a rating of 'Good' under the ESFA's Financial Health scoring system, an improvement from the rating of 'Satisfactory' achieved in 2016/17.

From March, the following KPIs were used to measure delivery of the financial objectives:

Financial Objective	Met or not met
To produce a 3-year plan that has an operating surplus (EBITDA) of >8% as a % of income.	Met
Maintain a liquidity forecast over a rolling 12 month period of a minimum £2m	Met
Ensure staffing to income ratio (excl. subcontracting and capital grant releases) for the College of less than 64%	Met
Deliver the budget with agreed surplus	Met

Quality of provision

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

Student achievements

In 2017/18, students at the College had an overall achievement rate for education and training of 77%, compared to a rate of 76% in 2016/17. In 2017/18, the achievement rate for 16-18 students was 71% and for 19+ students was 82%. Apprenticeship achievement rates were 67% with a timeliness rate of 55% (achievement within the expected time-frame). In spite of the above average rates of unemployment in the region, the proportion of College students who progress into education, employment or training after their studies is high.

OTHER INFORMATION

Public benefit

The Sheffield College is an exempt charity under Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 12 to 15.

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

Public benefit statement

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

- Providing further and higher education, vocational training and life-long learning, including providing courses without charge to young people, those who are unemployed and adults taking English and maths courses
- Widening participation and tackling social exclusion via an inclusive admissions policy that actively aims to widen access to post 16 education, student support and a positive engagement policy to retain and re-engage students who might otherwise be excluded from education

- Preparing students for progression into employment and career opportunities, including course structures that provide career routes from entry level to professional qualifications and work experience to prepare students to progress into employment.
- Providing effective student support systems to engage and retain students, particularly those who might otherwise not continue with education and training to achieve their potential
- Developing and fostering links with Local Enterprise Partners, employers, industry and commerce for the benefit of learners and to contribute to the regeneration of the Sheffield city region and the communities we serve, many of which suffer from social and economic deprivation.

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, disability, religion or belief, social class and age. We strive vigorously to remove conditions which place people at a disadvantage and we actively combat bigotry. The College has due regard to its public sector equality duties under the Equality Act 2010. The College's 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/about-us/equality-and-diversity). This includes annual publication of equality information about the College's workforce and students as well as information on progress against the College's equality objectives.

The College is a 'Disability Confident Employer' committed to and recognised for going the extra mile to make sure disabled people get a fair chance. The College considers all applications from disabled people, and guarantees an interview to any disabled applicant who meets the essential criteria for the post. Where an existing employee becomes disabled, we make reasonable adjustments to support that employee, making every effort to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion, which are, as far as possible, identical to those for other employees.

Disability statement

The College seeks to achieve the objectives set down in the Equality Act 2010. 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. The College campuses and facilities were developed with maximising accessibility as a prime consideration. The College subscribes to DisabledGo to provide up to date online information on access to its campuses for visitors, and to provide advice on any accessibility issues arising from changes.

- The College has SEND Co-ordinators at each campus who provide information, advice and arrange support where necessary for students with disabilities. There is a range of specialist equipment which the College makes available for use by students and a variety of assistive technologies are available in College Learning Resource Centres.

- The Admissions Policy for all students is described in the College Student 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 provide support for learning.

- Specialist programmes for High Needs Learners are described in College prospectuses, and achievements and destinations are recorded and published in the standard College format.

- 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.

Trade union facility time

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

Relevant Union Officials:

Numbers of employees who were relevant union officials in the relevant period	FTE employee number
12	11.2

Percentage of working hours spent on facility time:

Percentage of time spent on facility time	Number of employees
0%	780
1-50%	12
51-99%	0
100%	0

Percentage *of pay bill spent on facility time:*

Total cost of facility time	£57,000
Total pay bill	£30,570,000
Percentage of total bill spent on facility time	0.19%

Paid trade union activities:

Time spent on paid trade union activities as a percentage of total paid facility time	0%

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 2017 to 31 July 2018, the College paid 99.2% of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

Events after the reporting period

The College has not identified any significant post balance sheet events.

Disclosure of information to auditors

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

Approved by order of the members of the Corporation on 19 December 2018 and signed on its behalf by:

Seb Schmoller

Seb Schmoller

Chair of the Governing Body

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1st August 2017 to 31st July 2018 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
ii. in full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges ("the Code"); and

The College is committed to exhibiting best practice in all aspects of corporate governance and, in particular, the College has adopted and adheres to the Code of Good Governance (the Code) issued by the Association of Colleges in March 2015, which it formally adopted in March 2015. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In the opinion of the Governors, the College complies with the provisions of the Code that are specified as 'must' and has regard to those provisions that are specified as 'should'.

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

The Corporation

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

Name	Date of appointment	Term of office	Date of resignation / retirement	Status of appointment	Committees served in 17/18	Attendance in 17/18
Gwyn Arnold	01/09/2017	2 years		Current	Governing Body Audit & Risk Assurance Planning & Performance	100% 100% 80%
Kathy Atkin (Staff)	31/3/2010 (Re-elected 31/3/2014 for 2 years until 31/08/2016 and re-elected with effect from 01/09/2016)	4 years + 2 years + 2 years	Retired 31/07/2018	Current	Governing Body Audit & Risk Assurance Search	100% 75% 100%
Jay Bhayani	01/09/2015 (re-appointed with effect from 01/09/2017	2 years + 2 years		Current	Governing Body Planning & Performance	70% 17%

Name	Date of appointment	Term of office	Date of resignation / retirement	Status of appointment	Committees served in 2017/18	Attendance in 2017/18
Ian Brown	15/12/2014 (re-appointed 10/10/2016)	2 years + 6 years	Resigned 04/07/2018	Resigned	Governing Body Audit & Risk Assurance	89% 75%
Richard Calvert	1/08/2018	2 years		Current		
Paul Corcoran (Chief Executive)	22/06/2015	Duration of tenure as Chief Executive	Resigned 14/11/2017	Resigned	Governing Body Finance, Employment & General Purposes Planning & Performance, Search	100% 100% 100% 100%
Ian Falconer	18/01/2018	2 years		Current	Governing Body Audit & Risk Assurance (Chair)	80% 100%
Angela Foulkes Chief Executive and Principal (acting CEO 14/11/2018 – 20/5/2018)	20/11/2017	Duration of tenure as Chief Executive and Principal		Current	Governing Body Finance, Employment & General Purposes Planning & Performance Search	100% 100% 100% 100%
Beri Hare	01/09/2017	2 years		Current	Governing Body Planning & Performance	80% 100%
Kyle Hogan (student)	01/08/2018	1 year	Resigned 12/11/2018	Current		
Stephan Hollingshead	1/08/2018	2 years		Current		
Chris Husbands	18/07/2016	2 years	Retired 31/07/2018	Retired	Governing Body	40%
Jane Jones	01/08/2017	2 years		Current	Governing Body Finance, Employment & General Purposes	50% 50%

Name	**Date of appointment**	**Term of office**	**Date of resignation / retirement**	**Status of appointment**	**Committees served in 2017/18**	**Attendance in 2017/18**
Chris Linacre	25/03/2012 (re-appointed 14/12/2015 to terminate 21/08/2020)	4 years + 4 years		Current	Governing Body Planning & Performance Finance, Employment & General Purposes	80% 67% 60%
Michelle MacDonald (Staff)	01/08/2018	2 years		Current		
Saleem Rashid (Staff)	05/03/2017	Until 31/8/2019		Current	Governing Body Planning & Performance	100% 83%
Seb Schmoller	01/09/2008 (re-appointed with effect from 01/09/2016; re-appointed as Chair 18/01/2018 until 31/07/2020)	8 years + 2 years + 2 years (by exception)		Current Chair of Governing Body	Governing Body Planning & Performance Search Audit and Risk Assurance up to 18/01/2018 Finance, Employment & General Purposes from 18/01/2018	100% 83% 100% 100% 67%
Amy Smith (Student)	01/08/2015 (re-elected for a further year in May 2016 and again in May 2017)	2 years	Retired 31/07/2018	Retired	Governing Body Planning & Performance	80% 50%
Kim Streets	31/10/2013 (re-appointed 01/11/2017)	4 years + 4 years		Current	Governing Body Finance, Employment & General Purposes	60% 40%
John Timms	01/09/2012 (Re-appointed 14/03/2016 until 30/03/2020)	4 years + 4 years		Current	Governing Body Planning & Performance	90% 100%
Gil Vasey	31/08/2014 (re-appointed 14/03/2016 until 31/08/2022)	2 years + 6 years	Resigned 21/05/2018	Resigned	Governing Body Finance, Employment & General Purposes (Chair)	78% 100%

Name	Date of appointment	Term of office	Date of resignation / retirement	Status of appointment	Committees served in 2017/18	Attendance in 2017/18
Anne Wilson	01/09/2015 (re-appointed with effect from 01/09/2017)	2 years + 2 years	Resigned 18/05/2018	Resigned	Governing Body (Vice Chair) Planning & Performance Finance, Employment & General Purposes	71% 80% 100%
Richard Wright	26/09/2011 (re-appointed 31/07/2015)	4 years + 4 years	Resigned 03/01/2018	Resigned	Governing Body (Chair) Finance, Employment & General Purposes Search	100% 67% 100%

The following Members were appointed/resigned during the period 1 August 2017 to 31 July 2018

I. Jane Jones was appointed with effect from 01 August 2017.
II. Gwyn Arnold was appointed with effect from 01 September 2017.
III. Beri Hare was appointed with effect from 01 September 2017.
IV. Paul Corcoran resigned with effect from 14 November 2017.
V. Angela Foulkes was appointed with effect from 14 November 2017 initially ex-officio as acting Chief Executive Officer and from 21 May 2018 as Chief Executive and Principal.
VI. Richard Wright resigned with effect from 03 January 2018
VII. Ian Falconer was appointed with effect from 18 January 2018 (having previously served as a co-opted member of the Audit and Risk Assurance Committee from 01 September 2017 until his appointment as a governor).
VIII. Anne Wilson resigned with effect from 18 May 2018.
IX. Gil Vasey resigned with effect from 21 May 2018.
X. Amy Smith retired as a Student Governor on 31 July 2018 at the end of her term of office.
XI. Chris Husbands retired on 31 July 2018 at the end of his term of office.
XII. Kathryn Atkins retired as a staff governor on 31 July 2018 at the end of her term of office.

The following Members were appointed/resigned during the period following 31 July 2018 up to the date of approval of the annual report and financial statements

XIII. Kyle Hogan was appointed with effect from 01 August 2018 following his election as President of the Sheffield College Students' Union and resigned on 12 November 2018.
XIV. Michelle MacDonald was appointed with effect from 01 August 2018 following her election as (business support) staff governor.
XV. Stephan Hollingshead was appointed with effect from 01 August 2018 for an initial period of two years.
XVI. Richard Calvert was appointed with effect from 01 August 2018 for an initial period of two years.

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

It is the Corporation's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct. The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel related matters such as health and safety and environmental issues. The Corporation meets on a termly basis.

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. In 2017/18, these committees were Finance, Employment and General Purposes, Planning and Performance, Remuneration, Search, and Audit and Risk Assurance. In Spring 2018, the board established a Governance Task and Finish Group to review and make proposals to improve board effectiveness. On the basis of the Group's recommendations, Governing Body revised its committee structure for September 2018 to comprise Audit and Risk Assurance; Finance, Employment and General Purposes; Search, Remuneration and Governance; and Teaching, Learning, Quality and Student Experience, with provision for a Special Committee to be convened if required. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website at **www.sheffcol.ac.uk/about-us/governance**, or from the Clerk to the Corporation at: The Sheffield College, Granville Road, Sheffield, S2 2RL.

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

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

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

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. In 2017/18, the Corporation's Search Committee, comprised Kathryn Atkin, Seb Schmoller, Richard Wright and Paul Corcoran (ex-officio) until 14/11/2017 and Angela Foulkes (ex-officio) from 14/11/2017. From September 2018, governor search responsibilities have been included in the remit of the Search, Remuneration and Governance Committee. The Committee is responsible for the selection and nomination of any new member for the Corporation's consideration other than those elected according to section 2 of the Instrument of Government. The Corporation is responsible for ensuring that appropriate training is provided as required.

In 2017/18, the Corporation advertised for new governors on its website, and commissioned AoC Create Ltd to undertake searches to recruit a governor with specialist knowledge of finance. In line with the College's equality objectives, the recruitment campaign was explicit in welcoming applications from people with Black, Asian and Minority Ethnic heritage to strengthen diversity on the Governing Body.

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

Corporation performance

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

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

In 2017/18, the new Chair introduced a Governor Self-Assessment process and a 360 degree feedback process for evaluating the performance of the Chair. The results of the self-assessment process were considered by Governors at a board effectiveness workshop in September 2018 and the actions recommended at that meeting have been referred to Search, Remuneration and Governance Committee to follow-up.

Annual reports of the main standing committees of the Governing Body: principally the Audit and Risk Assurance Committee annual report, and the annual reports of the Finance, Employment and General Purposes Committee and the Planning and Performance Committee.

A programme of internal audit that includes governance matters, that is summarised in an internal audit report received by the Audit and Risk Assurance Committee. The report indicates that overall Internal Audit was satisfied that the College had taken, or was taking, the actions to address the issues and control weaknesses that were raised in the individual Internal Audit reviews during 2017-18, with the exception of two areas identified as being incomplete during the follow up review, where extensions to the deadlines originally set for completion were explicitly approved by the Audit and Risk Assurance Committee.

On the basis of the processes outlined above and the opinions received from internal and external auditors, the Corporation self-assesses that its own effectiveness for the year ended 31 July 2018 is at least adequate and has been strengthened by the improvement actions that have already been implemented from the work of the Governance Task and Finish Group. This view correlates with that of the Ofsted Monitoring Visit in October 2018 that assessed Governance as making significant progress.

Remuneration Committee

The Corporation did not convene the Remuneration Committee in 2017/18 as by Spring 2018 (the normal review point for senior salaries) most of the Senior Post Holders were newly appointed or the Corporation was in the process of appointing to vacancies. In addition, at a meeting on 30 January 2018, the Executive Leadership Team agreed that senior post holders and other members of the Executive Leadership Team would not consider accepting any cost of living award as the College had more pressing priorities for expenditure and investment. The newly appointed Chair of Governors, who at the time was also the Chair of Remuneration Committee, approved that there was no business for the Remuneration Committee. Details of remuneration for the year ended 31 July 2018 are set out in note 7 to the financial statements.

Audit & Risk Assurance Committee

The Audit & Risk Assurance Committee comprised Ian Falconer (from 18 January 2018), Gwyn Arnold, Kathryn Atkin, Ian Brown, and Seb Schmoller (until 18 January 2018). The Accounting Officer and Chair are excluded from membership. The Committee operates in accordance with written terms of reference approved by the Corporation. Its purpose is to advise the Corporation on the adequacy and effectiveness of the College's system of internal control and its arrangements for risk management, control and governance processes.

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

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

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

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

Finance Employment & General Purposes Committee

In 2017/18, the membership of the Finance, Employment & General Purposes Committee comprised six members including Jane Jones, Chris Linacre, Kim Streets (Vice Chair) Gil Vasey (Chair) (until 21/05/2018), Richard Wright (until 03/1/2018), Paul Corcoran (Chief Executive until 14/11/2017), Seb Schmoller (from 18/01/2018), Angela Foulkes (from 14/11/2018) and Anne Wilson (until 18/05/2018).

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

Planning & Performance Committee

The Planning & Performance Committee comprised nine members, including Gwyn Arnold, Jay Bhayani, Angela Foulkes (from 14/11/2017), Beri Hare, Chris Linacre (Chair), Saleem Rashid, Seb Schmoller, John Timms, Anne Wilson (until 18/05/2018), Amy Smith (Student Governor) and Paul Corcoran (Chief Executive until 14/11/2017).

The Committee operates in accordance with terms of reference approved by the Corporation. Its purpose is to advise the Corporation on the College's education character and its strategic aims and objectives, as well as monitoring quality standards and the College's plans for continuous improvement. The Committee meets once or twice a term. In July 2018, following a review by the Governance Task and Finish Group, Governing Body agreed changes to the name, membership and terms of reference of this committee and from 1 August 2018, it became the Teaching, Learning, Quality and Student Experience Committee.

Search Committee

The Search Committee comprised five members including Kathryn Atkin (Staff Governor), Paul Corcoran (Chief Executive until 14/11/2017), Angela Foulkes (from 14/11/2017), Seb Schmoller, Anne Wilson (until 18/05/2018) and Richard Wright (until 03/01/2018). The Committee operates in accordance with terms of reference approved by the Corporation. Its purpose is to advise the Corporation on the search for and appointment of new governors and it keeps under review vacancies, succession planning, the skills mix and diversity of the Corporation. The Committee meets at least once a year to review the membership with additional meetings to shortlist and interview applicants as required. The Committee aims to attract and recruit outstanding individuals who can meet or exceed the person specification for appointment as a governor. The recruitment strategy has been particularly successful in increasing the representation of women on Governing Body to almost 50% and continuing to increase diversity is an important part of the Search Committee's remit. In July 2018, following a review by the Governance Task and Finish Group, Governing Body agreed changes to subsume search responsibilities into the remit of a standing committee that also has oversight of governance and remuneration matters. From 1 August 2018, the Search, Remuneration and Committee has responsibility for governor search, recruitment, training and development.

Internal Control

Scope of responsibility

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

The Corporation has delegated the day-to-day responsibility to the Chief Executive and Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives whilst safeguarding the public funds and assets for which they are personally responsible, in accordance with the responsibilities assigned to them in the Financial Memorandum between the College and the funding bodies. They are 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 2018 and up to the date of approval of the annual report and financial statements.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2018 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation. In 2017/18, in response to comments by the Audit & Risk Assurance Committee, the Risk Management Policy and the Strategic Risk Register were subject to a review and substantial update. The revised Risk Management Policy was approved by Governing Body at its meeting on 16 July 2018 and governors also reviewed the updated Strategic Risk Register. On a termly basis, the Audit & Risk Assurance Committee reviews the Strategic Risk Register and monitors progress against risk management actions.

The risk and control framework

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

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

The Sheffield College has an internal audit service, which operates in accordance with the requirements of the ESFA's *Post-16 Audit Code of Practice*. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit & Risk Assurance Committee. As a minimum, annually, the Head of Internal Audit (HIA) provides the Governing Body with a report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes. In 2017/18 the College re-tendered its internal and external audit services provision and the Audit & Risk Assurance Committee approved a new provider of internal audit services to commence from 1 August 2018.

Review of effectiveness

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

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

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

The Executive Leadership Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments. The Executive Leadership Team and Audit & Risk Assurance Committee also receive regular reports from internal audit, and other sources of assurance which include recommendations for improvement. The Audit & Risk Assurance Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Executive Leadership Team and the Audit & Risk Assurance Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2018 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2018 by considering documentation from the Executive Leadership Team and internal audit and taking account of events since 31 July 2018.

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

Going Concern

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

The College currently has £13.5m of loans outstanding with bankers on terms renegotiated in 2015. The terms of the existing agreements are for up to another 17 years. The College has worked closely with Barclays and AIB to ensure that it provides them with assurance in respect of its financial health and its ability to make loan repayments as they fall due. Covenant waivers for the 2017/18 financial year were obtained from both banks. The banks are supportive of the College and have agreed changes to the covenants attached to the loans to reflect the 2018/19 budget and three-year financial plan. The College is forecasting that it will achieve compliance with the new covenants from both banks for the foreseeable future.

After making appropriate enquiries the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. The College has prepared a three-year financial plan up to and including the 2020/21 financial year, which was approved by the Governing Body on 16 July 2018. The College planned to increase income by growing the 16-18 Learner Responsive, HE and Apprenticeship curriculum, with resultant marginal increases in surplus and cash balances. The current position is that whilst 16-18 income is in line with the plan, growth in HE and apprenticeship growth is slower than planned. The cost base will be managed to ensure that the College's budget is met and cash flows are sufficient to fund the College's activity. The introduction of more integrated financial statements and a new model to inform forecasting as well as high levels of accountability and ownership by budget holders to manage costs, will ensure that the College remains a going concern. For these reasons, the Corporation continues to adopt the going concern basis in preparing the financial statements.

Approved by order of the members of the Corporation on 19 December 2018 and signed on its behalf by:

Seb Schmoller

Seb Schmoller

Chair of the Governing Body

Angela Foulkes

Angela Foulkes

Accounting Officer

Statement of Regularity, Propriety and Compliance

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

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

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

Seb Schmoller

Seb Schmoller

Chair of the Governing Body

19 December 2018

Angela Foulkes

Angela Foulkes

Accounting Officer

19 December 2018

Statement of Responsibilities of the Members of the Corporation

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

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

In preparing the group and parent College financial statements, the Corporation is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group and parent College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent College or to cease operations or have no realistic alternative but to do so.

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

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

The maintenance and integrity of the College website is the responsibility of the Corporation of the College; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition, they are responsible for ensuring that funds from the ESFA are used only in accordance with the Financial Memorandum with the ESFA and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place to safeguard public and other funds and to ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the College's resources and expenditure, so that the benefits that should be derived from the application of public funds from the ESFA are not put at risk.

Approved by order of the members of the Corporation on 19 December 2018 and signed on its behalf by:

Seb Schmoller

Seb Schmoller

Chair of the Governing Body

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

Opinion

We have audited the financial statements of The Sheffield College ("the College") for the year ended 31 July 2018 which comprise the Consolidated and College Statement of Comprehensive Income and Expenditure, Consolidated and College Statement of Changes in Reserves, Consolidated and College Balance Sheets, Consolidated Statement of Cash Flows and related notes and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the College's affairs as at 31 July 2018, and of the Group's and the College's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended; and

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

Basis for opinion

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

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information

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

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

Matters on which we are required to report by exception

Under the Post-16 Audit Code of Practice 2017 to 2018 (March 2018) issued by the Education and Skills Funding Agency we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Corporation's responsibilities

As explained more fully in their statement set out on page 22, the Corporation is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the group or the parent College or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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

Clare Partridge

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

1 Sovereign Square

Sovereign Street

Leeds

LS1 4DA

20 December 2018

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

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

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

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

Respective responsibilities of The Sheffield College and the reporting accountant

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

Our responsibilities for this engagement are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Post-16 Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the 1 August 2017 to 31 July 2018 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

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

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

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

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

The work undertaken to draw our conclusion included:

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

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

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2017 to 31 July 2018 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Clare Partridge

For and on behalf of KPMG LLP, Reporting Accountant

1 Sovereign Square

Sovereign Street

Leeds

LS1 4DA

20 December 2018

Consolidated and College Statements of Comprehensive Income and Expenditure

	Notes	Year ended 31 July 2018 Group £'000	2018 College £'000	Year ended 31 July 2017 Group £'000	2017 College £'000
INCOME					
Funding body grants	2	38,300	38,300	39,482	39,482
Tuition fees and education contracts	3	7,167	7,167	6,363	6,363
Other grants and contracts	4	349	349	251	251
Other income	5	2,040	1,942	2,255	2,165
Endowment and investment income	6	17	17	3	3
Total income		**47,873**	**47,775**	**48,354**	**48,264**
EXPENDITURE					
Staff costs	7	31,539	31,431	33,047	32,920
Other operating expenses	8	12,240	12,259	11,051	11,099
Depreciation	11	2,771	2,765	2,759	2,751
Interest and other finance costs	10	1,675	1,675	1,974	1,974
Total expenditure		**48,225**	**48,130**	**48,831**	**48,744**
(Deficit)/surplus before other gains and losses		**(352)**	**(355)**	**(477)**	**(480)**
Gain/(Loss) on disposal of assets	11	-	-	2,748	2,748
(Deficit)/surplus before tax		**(352)**	**(355)**	**2,271**	**2,268**
Taxation		-	-	-	-
(Deficit)/surplus for the year		**(352)**	**(355)**	**2,271**	**2,268**
Unrealised surplus on revaluation of assets		-	-	-	-
Actuarial gain in respect of pensions schemes		11,151	11,151	6,341	6,341
Total Comprehensive Income for the year		**10,799**	**10,796**	**8,612**	**8,609**

The accompanying notes form part of the financial statements

Consolidated and College Statement of Changes in Reserves

	Income and Expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Group			
Balance at 1st August 2016	44,659	3,266	47,925
Surplus/(deficit) from the income and expenditure account	2,271	-	2,271
Other comprehensive income	6,341	-	6,341
Transfers between revaluation and income and expenditure reserves	2,620	(2,620)	-
	11,232	(2,620)	8,612
Balance at 31st July 2017	**55,891**	**646**	**56,537**
Surplus/(deficit) from the income and expenditure account	(352)	-	(352)
Other comprehensive income	11,151	-	11,151
Transfers between revaluation and income and expenditure reserves			-
Total comprehensive income for the year	**10,799**	**-**	**10,799**
Balance at 31st July 2018	**66,690**	**646**	**67,336**
College			
Balance at 1st August 2016	44,747	3,266	48,013
Surplus/(deficit) from the income and expenditure account	2,268	-	2,268
Other comprehensive income	6,341	-	6,341
Transfers between revaluation and income and expenditure reserves	2,620	(2,620)	-
	11,229	(2,620)	8,609
Balance at 31st July 2017	**55,976**	**646**	**56,622**
Surplus/(deficit) from the income and expenditure account	(355)	-	(355)
Other comprehensive income	11,151	-	11,151
Transfers between revaluation and income and expenditure reserves			
Total comprehensive income for the year	**10,796**	**-**	**10,796**
Balance at 31st July 2018	**66,772**	**646**	**67,418**

The accompanying notes form part of the financial statements.

Consolidated and College Balance sheets as at 31 July

	Notes	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
Fixed assets					
Tangible fixed assets	11	100,406	100,404	102,554	102,546
		100,406	**100,404**	**102,554**	**102,546**
Current assets					
Stocks		22	22	18	18
Trade and other receivables	13	2,297	2,362	1,620	1,713
Cash and cash equivalents	18	7,570	7,570	5,948	5,948
		9,889	**9,954**	**7,586**	**7,679**
Less: Creditors – amounts falling due within one year	14	(9,677)	(9,658)	(22,260)	(22,260)
Net current assets		**212**	**296**	**(14,674)**	**(14,581)**
Total assets less current liabilities		**100,618**	**100,700**	**87,880**	**87,965**
Less: Creditors – amounts falling due after more than one year	15	(13,965)	(13,965)	(1,968)	(1,968)
Provisions					
Defined benefit obligations	17	(16,050)	(16,050)	(25,660)	(25,660)
Other provisions	17	(3,267)	(3,267)	(3,715)	(3,715)
Total net assets		**67,336**	**67,418**	**56,537**	**56,622**
Restricted reserves		-	-	-	-
Unrestricted reserves					
Income and expenditure account		66,690	66,772	55,891	55,976
Revaluation reserve		646	646	646	646
Total unrestricted reserves		**67,336**	**67,418**	**56,537**	**56,622**
Total reserves		**67,336**	**67,418**	**56,537**	**56,622**

The financial statements on pages 27 to 52 were approved and authorised for issue by the Corporation on 19 December 2018 and were signed on its behalf on that date by:

Seb Schmoller

Seb Schmoller
Chair of Governors
19 December 2018

Angela Foulkes

Angela Foulkes
Accounting Officer
19 December 2018

The accompanying notes form part of the financial statements.

Consolidated Statement of Cash Flows

	Notes	2018 £'000	2017 £'000
Cash inflow from operating activities			
Surplus/(deficit) for the year		(352)	2,271
Adjustment for non cash items			
Depreciation		2,771	2,759
(Increase)/decrease in stocks		(4)	3
(Increase)/decrease in debtors		(672)	(168)
Increase/(decrease) in creditors due within one year		1,303	(1,111)
Increase/(decrease in creditors due after one year		(716)	(1,150)
Increase/(decrease) in provisions		(448)	65
Pensions costs less contributions payable		1,541	1,506
Taxation		-	-
Adjustment for investing or financing activities			
Investment income		(17)	(3)
Interest payable		944	1,116
Taxation paid		-	-
(Gain)/Loss on sale of fixed assets		-	(2,748)
Net cash flow from operating activities		**4,350**	**2,540**
Cash flows from investing activities			
Proceeds from sale of fixed assets		-	5,854
Disposal of non-current asset investments		-	-
Investment income		13	4
Withdrawal of deposits		-	-
New deposits		-	-
Payments made to acquire fixed assets		(637)	(659)
		(624)	5,199
Cash flows from financing activities			
Interest paid		(896)	(1,069)
Interest element of finance lease rental payments		(59)	(60)
New unsecured loans		-	-
Repayments of amounts borrowed		(1,141)	(3,533)
Capital element of finance lease rental payments		(261)	(250)
New finance leases		253	375
		(2,104)	(4,537)
Increase / (decrease) in cash and cash equivalents in the year		**1,622**	**3,202**
Cash and cash equivalents at beginning of the year	18	5,948	2,746
Cash and cash equivalents at end of the year	18	7,570	5,948

The accompanying notes form part of the financial statements.

Notes to the Accounts

1. Statement of accounting policies and estimation techniques

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

Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2015* (the 2015 FE HE SORP), the *College Accounts Direction for 2017 to 2018* and in accordance with Financial Reporting Standard 102 – *"The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland"* (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

Basis of accounting

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

Basis of consolidation

The consolidated financial statements include the College and its subsidiary undertakings, controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra-group sales and profits are eliminated fully on consolidation. The College and the students' union are managed on a unified basis. All financial statements are made up to 31 July 2018. The Sheffield UTC Academy Trust is not consolidated in to the financial statements on the basis that legislation governing the disposal of UTC assets represents a severe long-term restriction on the College's power to control the trust.

Going concern

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

The College currently has £13.5m of loans outstanding with bankers on terms renegotiated in 2015. The terms of the existing agreements are for up to another 17 years. The College has worked closely with Barclays and AIB to ensure that it provides them with assurance in respect of its financial health and its ability to make loan repayments as they fall due. Covenant waivers for the 2017/18 financial year were obtained from both banks. The banks are supportive of the College and have agreed changes to the covenants attached to the loans to reflect the 2018/19 budget and three-year financial plan. The College is forecasting that it will achieve compliance with the new covenants from both banks for the foreseeable future.

After making appropriate enquiries the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. The College has prepared a three-year financial plan up to and including the 2020/21 financial year, which was approved by the Governing Body on 16 July 2018. The College planned to increase income by growing the 16-18 Learner Responsive, HE and Apprenticeship curriculum, with resultant marginal increases in surplus and cash balances. The current position is that whilst 16-18 income is in line with the plan, growth in HE and apprenticeship growth is slower than planned. The cost base will be managed to ensure that the College's budget is met and cash flows are sufficient to fund the College's activity. The introduction of more integrated financial statements and a new model to inform forecasting as well as high levels of accountability and ownership by budget holders to manage costs, will ensure that the College remains a going concern. For these reasons, the Corporation continues to adopt the going concern basis in preparing the financial statements.

Recognition of income

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

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

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

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

All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned on a receivable basis.

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

Accounting for post-employment benefits

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

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

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

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

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

Short term Employment benefits

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

Enhanced Pensions

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

Non-current Assets - Tangible fixed assets

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

Land and buildings

Freehold buildings are depreciated on a straight-line basis over their expected useful economic life to the College of fifty years. This policy applies to all College Freehold buildings.

Freehold land is not depreciated.

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

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings which were revalued in 1998 as deemed cost, but not to adopt a policy of revaluations of these properties in the future.

Assets under construction

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

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets it is charged to the income and expenditure account in the period it is incurred, unless it meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis:

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

Buildings owned by third parties

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

These assets are then depreciated over their expected useful economic life.

Equipment

Equipment costing less than £2,000 per individual item is recognised as expenditure in the period of acquisition. All other equipment is capitalised at cost.

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

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

Borrowing costs

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

Leased assets

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

Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as finance leases, and the assets are treated as if they had been purchased outright.

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

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

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

Investments

Investments in subsidiaries

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

Other investments

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

Inventories

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

Cash and cash equivalents

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

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

Financial liabilities and equity

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

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

Foreign currency translation

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

Taxation

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

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

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

Provisions and contingent liabilities

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

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

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

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

Agency arrangements

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

Judgements in applying accounting policies and key sources of estimation uncertainty

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

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

Other key sources of estimation uncertainty

- *Tangible fixed assets*

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

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 21, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2018. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2 Funding body grants

	Year ended 31 July 2018 Group £'000	2018 College £'000	Year ended 31 July 2017 Group £'000	2017 College £'000
Recurrent grants				
Education and Skills Funding Agency - adult	8,133	8,133	8,386	8,386
Education and Skills Funding Agency – 16 -18	24,549	24,549	26,285	26,285
Education and Skills Funding Agency - apprenticeships	4,711	4,711	3,875	3,875
Higher Education Funding Council/Office for Students	635	635	725	725
Specific Grants				
Access Funds	127	127	83	83
Education and Skills Funding Agency - Free School Meals	145	145	128	128
Total	**38,300**	**38,300**	**39,482**	**39,482**

3 Tuition fees and education contracts

	Year ended 31 July 2018 Group £'000	2018 College £'000	Year ended 31 July 2017 Group £'000	2017 College £'000
Adult education fees	1,062	1,062	1,046	1,046
Apprenticeship fees and contracts	465	465	77	77
Fees for FE loan supported courses	1,294	1,294	1,275	1,275
Fees for HE loan supported courses	2,835	2,835	2,415	2,415
International students' fees	274	274	194	194
Total tuition fees	5,930	5,930	5,007	5,007
Education contracts	1,237	1,237	1,356	1,356
Total	**7,167**	**7,167**	**6,363**	**6,363**

4 Other grants and contracts

	Year ended 31 July 2018 Group £'000	2018 College £'000	Year ended 31 July 2017 Group £'000	2017 College £'000
European Commission	7	7	80	80
Other grants and contracts	342	342	171	171
Total	**349**	**349**	**251**	**251**

5 Other income

	Year ended 31 July 2018 Group £'000	2018 College £'000	Year ended 31 July 2017 Group £'000	2017 College £'000
Catering and residences	676	676	778	778
Other income generating activities	1,364	1,266	1,477	1,387
Total	**2,040**	**1,942**	**2,255**	**2,165**

6 Investment income

	Year ended 31 July		Year ended 31 July	
	2018	2018	2017	2017
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other interest receivable	17	17	3	3
	17	**17**	**3**	**3**
Net return on pension scheme (note 21)	-	-	-	-
Total	**17**	**17**	**3**	**3**

7 Staff costs - Group and College

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

	2018	2017
	No.	No.
Teaching staff	318	313
Non teaching staff	474	515
	792	**828**

Staff costs for the above persons

		2018	2017
		£'000	£'000
Wages and salaries		23,927	25,300
Social security costs		2,116	2,086
Other pension costs		4,527	4,376
Payroll sub total		**30,570**	**31,762**
Contracted out staffing services		536	704
		31,106	**32,466**
Fundamental restructuring costs -	contractual	110	350
	non contractual	323	231
Total Staff costs		**31,539**	**33,047**

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

Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the Executive Team which comprises the Chief Executive, Deputy CEO & Directors. Staff costs include compensation paid to key management personnel for loss of office.

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

	2018 No.	2017 No.
The number of key management personnel including the Accounting Officer was:	11	9

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

	Senior post-holders		Other staff	
	2018	2017	2018	2017
	No.	No.	No.	No.
£10,001 to £20,000	2	1	-	-
£20,001 to £30,000	-	1	-	-
£30,001 to £40,000	2	1	-	-
£40,001 to £50,000	1	-	-	-
£50,001 to £60,000	1	-	-	-
£60,001 to £70,000		1	3	2
£70,001 to £80,000	2	2	-	-
£80,001 to £90,000	1	1	-	-
£90,001 to £100,000	-	1	-	-
£100,001 to £110,000	-	-	-	-
£110,001 to £120,000	1	-	-	-
£120,001 to £130,000	1	-	-	-
£130,001 to £140,000	-	-	-	-
£140,001 to £150,000	-	1	-	-
	11	**9**	**3**	**2**

In the table above for completeness, the information in respect of pay ranges below £60,001 relate to relevant staff that were in post for less than 12 months in the respective years. In addition a new key management post has been created, and some posts have been held by two consecutive postholders, hence the increase in the number of key management personnel reported above. The increase in number of 'Other staff' is due to an existing staff member's pay progressing into the £60,001 to £70,000 band (and therefore appears in this analysis for the first time in 2018), rather than an additional appointment.

The Chief Executive’s annual salary for 2018 was in the pay range £140,001 to £150,000. The member of staff is shown in the table above in the pay range £120,001 to £130,000 for 2018 however, as the person was in that post for less than 12 months in that year.

Key management personnel compensation is made up as follows:

	2018 £’000	2017 £’000
Salaries - gross of salary sacrifice and waived emoluments	681	622
Employers National Insurance	89	72
Benefits in kind	-	-
	770	**694**
Pension contributions	97	79
Total emoluments	**867**	**773**

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

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

	2018 £'000	2017 £'000
Salaries	125	143
Benefits in kind	-	-
	125	**143**
Pension contributions	21	21

Compensation for loss of office paid to former key management personnel

	2018 £'000	2017 £'000
Compensation paid to the former post-holder – non - contractual	45	-
Estimated value of other benefits, including provisions for pension benefits	-	-
	45	**-**

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

8 Other operating expenses

	Year ended 31 July		Year ended 31 July	
	2018 Group £'000	2018 College £'000	2017 Group £'000	2017 College £'000
Teaching costs	4,344	4,374	3,421	3,430
Non teaching costs	4,623	4,609	4,585	4,590
Premises costs	3,273	3,276	3,045	3,079
Total	**12,240**	**12,259**	**11,051**	**11,099**

Other operating expenses include:	2018 £'000	2017 £'000
Auditors' remuneration:		
Financial statements audit*	33	33
Internal audit**	44	53
Other services provided by the financial statements auditors***	16	10
Other services provided by the internal auditors	-	34
Hire of assets under operating leases	127	149

*includes £28,000 in respect of the College (2016/17 £28,000)
**includes £44,000 in respect of the College (2016/17 £53,000)
*** includes £7,000 in respect of the College (2016/17 £1,000)

9 Interest payable - Group and College

	2018 £'000	2017 £'000
On bank loans, overdrafts and other loans:	885	1,056
	885	1,056
On finance leases	59	60
Interest on enhanced pensions provisions	78	82
Net interest on defined pension liability (note 21)	653	776
Total	**1,675**	**1,974**

10 Taxation - Group only

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

11 Tangible fixed assets (Group)

	Land and buildings Freehold £'000	Equipment £'000	Total £'000
Cost or valuation			
At 1 August 2017	118,807	9,778	128,585
Additions	-	623	623
Disposals	-	-	-
At 31 July 2018	**118,807**	**10,401**	**129,208**
Depreciation			
At 1 August 2017	18,285	7,746	26,031
Charge for the year	2,210	561	2,771
Elimination in respect of disposals			-
At 31 July 2018	**20,495**	**8,307**	**28,802**
Net book value at 31 July 2018	**98,312**	**2,094**	**100,406**
Net book value at 31 July 2017	100,522	2,032	102,554

11 Tangible fixed assets (College only)

	Land and buildings Freehold	Equipment	Total
	£'000	**£'000**	**£'000**
Cost or valuation			
At 1 August 2017	118,807	9,740	128,547
Additions	-	623	623
Disposals	-	-	-
At 31 July 2018	**118,807**	**10,363**	**129,170**
Depreciation			
At 1 August 2017	18,285	7,716	26,001
Charge for the year	2,210	555	2,765
Elimination in respect of disposals	-	-	-
At 31 July 2018	**20,495**	**8,271**	**28,766**
Net book value at 31 July 2018	**98,312**	**2,092**	**100,404**
Net book value at 31 July 2017	100,522	2,024	102,546

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

The net book value of equipment includes an amount of £543,000 (2016/17 – £488,000) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £196,000 (2016/17 – £178,000).

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

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

12 Non current Investments

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

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

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

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

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

The College 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.

13 Trade and other receivables

	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
Amounts falling due within one year:				
Trade receivables	1,145	1,124	386	383
Amounts owed by group undertakings	-	86	-	96
Accrued Grant income	27	27	115	115
Prepayments and accrued income	236	236	275	275
Amounts owed by the ESFA	889	889	844	844
Total	**2,297**	**2,362**	**1,620**	**1,713**

14 Creditors: amounts falling due within one year

	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
Bank loans and overdrafts	831	831	14,686	14,686
Obligations under finance leases	289	289	295	295
VAT deferment schemes	2,436	2,436	1,720	1,720
Trade payables	2,843	2,816	2,074	2,064
Amounts owed to group undertakings	-	12	-	6
Other taxation and social security	578	574	574	586
Other employment related creditors	690	690	679	671
Accruals and deferred income	1,506	1,506	1,220	1,220
Deferred income - government revenue grants	429	429	645	645
Amounts owed to the ESFA	75	75	367	367
Total	**9,677**	**9,658**	**22,260**	**22,260**

In 2017 the entire value of the Group and College's bank loans was classified as an amount falling due within one year. The loans were technically repayable on demand at 31 July 2017 as the College had set a budget for the 2017/18 financial year which forecasted a breach of the banking covenants in place at that time. This situation has not recurred due to covenant renegotiation, and therefore the bank loans are presented for 2018 in line with their maturity profiles.

15 Creditors: amounts falling due after one year

	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
Bank loans	12,714	12,714	-	-
Obligations under finance leases	492	492	493	493
VAT deferment schemes	759	759	1,475	1,475
Total	**13,965**	**13,965**	**1,968**	**1,968**

16 Maturity of debt

(a) Bank loans and overdrafts

	Group 2018 £'000	Group 2017 £'000
In one year or less	831	14,686
Between one and two years	846	-
Between two and five years	2,912	-
In five years or more	8,956	-
Total	**13,545**	**14,686**

A variable rate loan calculated at the 3 month LIBOR rate plus 2.5% repayable by quarterly instalments falling due until 4th December 2021 totalling £1,889,000. This loan is secured on the freehold properties on the Hillsborough Campus.

A variable rate loan calculated at the 3 month LIBOR rate plus 2.5% repayable by quarterly instalments falling due until 1st December 2021 totalling £2,010,000. This loan is secured on the freehold properties on the Hillsborough Campus.

A fixed term loan at a fixed rate of 8.05% repayable by monthly instalments falling due until 24th August 2035 totalling £4,090,000. The loan is secured on the freehold properties on the City, Olive Grove and Peaks Campuses.

A fixed term loan at a fixed rate of 8.19% until 24th August 2020 and thereafter at the variable rate calculated at the 3 month LIBOR rate plus 2.85% repayable by monthly instalments falling due between until 24th August 2035 totalling £4,156,000. The loan is secured on the freehold properties on the City, Olive Grove and Peaks Campuses.

A fixed term loan at a variable rate calculated at the 3 month LIBOR rate plus 2.5% and repayable by quarterly instalments falling due until 24th July 2022 totalling £1,400,000.

In 2017 the entire value of the Group and College's bank loans was classified as an amount falling due within one year. The loans were technically repayable on demand at 31 July 2017 as the College had set a budget for the 2017/18 financial year which forecasted a breach of the banking covenants in place at that time. This situation has not recurred due to covenant renegotiation, and therefore the bank loans are presented for 2018 in line with their maturity profiles.

(b) Finance leases

	Group 2018 £'000	**Group 2017 £'000**
In one year or less	289	295
Between two and five years	492	493
In five years or more	-	-
Total	**781**	**788**

17 Provisions

	Group and College			
	Defined benefit Obligations £'000	**Restructuring £'000**	**Enhanced pensions £'000**	**Total £'000**
At 1 August 2017	25,660	300	3,415	29,375
Expenditure in the period	(2,129)	(300)	-	(2,429)
Transferred from income and expenditure account	(7,481)	-	(148)	(7,629)
At 31 July 2018	**16,050**	**-**	**3,267**	**19,317**

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

The restructuring provision related to the costs arising from the decision to move the College to a flatter management structure and streamline Business Support services. This restructure programme was announced in June 2017, and redundancy notices were served in July 2017. Costs were incurred during the first term of 2017/18.

The Enhanced pensions provision relates to the College liability to the Teachers' Pension Scheme to fund the estimated future costs of enhanced pensions granted to employees retiring early under the terms of the College's restructuring programmes. This provision has been calculated in accordance with guidance issued by the Education

& Skills Funding Agency and the Association of Colleges. The charge to income and expense during the year is £78,000 (2016/17 £82,000). The actuarial gain or loss is recognised in the statement of total recognised gains and losses, during the current period a gain of £5,000 is recognised (2016/17 £2,000 gain). Payments of £221,000 (2016/17 £239,000) have been made against the provision and paid into the scheme during the period.

	2018	2017
Price inflation	2.30%	2.30%
Discount rate	1.30%	1.30%

18 Cash and cash equivalents

	At 1 August 2017	Cash flows	Other changes	At 31 July 2018
	£'000	£'000	£'000	£'000
Cash and cash equivalents	5,948	1,622	-	7,570
Total	**5,948**	**1,622**	**-**	**7,570**

19 Capital commitments

	Group and College	
	2018	2017
	£'000	£'000
Commitments contracted for at 31 July	**-**	**14**

20 Lease Obligations

At 31 July 2018 the College had no annual commitments in relation to non-cancellable operating leases.

21 Defined benefit obligations

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

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2012 and of the LGPS 31 March 2016.

Total pension cost for the year	**2018**	**2017**
	£'000	**£'000**
Teachers Pension Scheme: contributions paid	1,514	1,598
Local Government Pension Scheme:		
Contributions paid	2,129	2,079
FRS 102 (28) charge	883	728
Charge to the Statement of Comprehensive Income	**3,012**	**2,807**
Enhanced pension charge to Statement of Comprehensive Income	78	82
Total Pension Cost for Year	**4,604**	**4,487**

Contributions amounting to £132,000 (2017: £129,000) were payable to the TPS, and £126,000 (2017: £117,000) to the LGPS - these amounts are included within creditors.

Teachers' Pension Scheme

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

The Teachers' Pension Budgeting and Valuation Account

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

Valuation of the Teachers' Pension Scheme

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

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

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

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website.
The pension costs paid to TPS in the year amounted to £1,514,000 (2017: £1,598,000)

FRS 102 (28)
Under the definitions set out in FRS 102 (28.11), the TPS is a multi-employer pension scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme.

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

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by the South Yorkshire Pensions Authority. The total contribution made for the year ended 31 July 2018 was £2.62m, of which employer's contributions totalled £2.03m and employees' contributions totalled £588,000. The agreed contribution rates for future years are 15.9% for the College as the employer, and range from 5.5% to 12.5% for employees depending on salary.

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

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2018 by a qualified independent actuary

	At 31 July 2018	**At 31 July 2017**
Rate of increase in salaries	3.45%	3.45%
Future pensions increases	2.30%	2.20%
Discount rate for scheme liabilities	2.90%	2.50%
Inflation assumption (CPI)	2.20%	2.20%
Commutation of pensions to lump sums	50%	50%

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

	At 31 July 2018	**At 31 July 2017**
	years	**years**
Retiring today		
Males	23.00	22.90
Females	25.80	25.70
Retiring in 20 years		
Males	25.20	25.10
Females	28.10	28.00

Sensitivity analysis	**At 31 July 2018**	**At 31 July 2017**
	£'000	**£'000**
Discount rate +0.1%	14,073	23,622
Mortality assumption – 1 year increase	18,227	27,903
CPI rate +0.1%	18,063	27,734

	Fair Value at 31 July 2018	Fair Value at 31 July 2017
	£'000	**£'000**
Equities	51,236	54,780
Government bonds	13,772	12,434
Bonds	7,030	6,127
Property	9,342	8,199
Cash/liquidity	4,430	1,802
Other	10,497	6,758
Total market value of assets	**96,307**	**90,100**
Actual return on plan assets	**6,581**	**10,399**

	2018	2017
	£'000	**£'000**
Fair value of plan assets	96,307	90,100
Present value of plan liabilities	(111,914)	(115,281)
Present value of unfunded liabilities	(443)	(479)
Net pensions (liability)/asset (Note 19)	**(16,050)**	**(25,660)**

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

	2018	2017
	£'000	**£'000**
Amounts included in staff costs		
Current service cost	3,012	2,807
Total	**3,012**	**2,807**
Amounts included in interest and other finance costs		
Net interest cost	616	738
Administration expenses	37	38
	653	**776**

Amounts recognised in Other Comprehensive Income

Return on pension plan assets	4,335	6,708
Experience losses arising on defined benefit obligations	-	3,056
Changes in assumptions underlying the present value of plan liabilities	6,811	(3,426)
Amount recognised in Other Comprehensive Income	**11,146**	**6,338**

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

	2018 £'000	2017 £'000
Surplus/(deficit) in scheme at 1 August	(25,660)	(30,494)
Movement in year:		
Current service cost	(3,012)	(2,807)
Employer contributions	2,129	2,079
Net interest on the defined (liability)/asset	(616)	(738)
Administration expenses	(37)	(38)
Actuarial gain or loss	11,146	6,338
Net defined benefit (liability)/asset at 31 July	**(16,050)**	**(25,660)**

Asset and Liability Reconciliation

	2018 £'000	2017 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	115,760	111,931
Current Service cost	3,012	2,807
Interest cost	2,864	2,773
Contributions by Scheme participants	592	614
Experience (gains) and losses on defined benefit obligations	-	(3,056)
Changes in financial assumptions	(6,811)	3,426
Estimated benefits paid	(3,060)	(2,735)
Defined benefit obligations at end of period	**112,357**	**115,760**

Reconciliation of Assets

	2018	2017
Fair value of plan assets at start of period	90,100	81,437
Interest on plan assets	2,248	2,035
Return on plan assets	4,335	6,708
Administration expenses	(37)	(38)
Employer contributions	2,129	2,079
Contributions by Scheme participants	592	614
Estimated benefits paid	(3,060)	(2,735)
Fair value of plan assets at end of period	**96,307**	**90,100**

22 Related party transactions

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

The total expenses paid to or on behalf of the Governors during the year was £536; 4 governors (2017: £25; 1 governor). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and conferences in their official capacity. No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year, in relation to their role as Governor (2017: None).

Sheffield Hallam University - a Higher Education institution in which Prof Husbands (Governor) is the Vice Chancellor.

Sales transactions in the year amounted to £175,000 (2017 – £127,000), relating to the provision of teaching & training services. The outstanding balance at the year end was £nil (2017 – £nil)

Purchase transactions in the year amounted to £267,000 (2017 - £237,000), relating to academic validation fees. The outstanding balance at the year end was £nil (2017 - £nil).

The Sheffield UTC Academy Trust - an academy school trust in which the College and Ms Foulkes (Chief Executive) are members, and Ms Foulkes (Chief Executive), Ms Platts (Executive Team member) and Mr Wright (Former Chair of Governors) are or have been Directors.

Sales transactions in the year amounted to £147,000 (2017 – £133,000), relating to the provision of Financial, Human Resources & Premises services. The outstanding balance at the year end was £6,000 (2017 – £9,000)

NOCN - a qualification awarding body in which Ms Jones (Governor) was during the period but is no longer Group Deputy Managing Director and Director of Business Development, and Mr Schmoller (Chair of Governors) is a trustee.
Purchase transactions in the year amounted to £21,000 (2017 - £30,000), relating to exam fees. The outstanding balance at the year end was £700 (2017 - £200).

Sheffield Chamber of Commerce – a professional membership organisation in which Mr Wright, (Former Chair of Governors) is the Director of Policy and Representation.

Sales transactions in the year amounted to £230 (2017 - £nil), relating to the provision of catering services. The outstanding balance at the year end was £nil (2017 - £nil).

Purchase transactions in the year amounted to £17,300 (2017 - £15,500), relating to membership fees, sponsorship and catering. The outstanding balance at the year end was £nil (2017 - £100).

Sheffield Futures - a careers advice charity in which the College is a member, and Ms Foulkes (Chief Executive) and Mr Corcoran (Former Chief Executive) are or have been Directors.

Sales transactions in the year amounted to £1,300 (2017 – £1,300), relating to the provision of catering services. The outstanding balance at the year end was £nil (2017 – £nil)

Purchase transactions in the year amounted to £23,000 (2017 – £nil), relating to the provision of guidance services. The outstanding balance at the year end was £nil (2017 – £nil)

Wosskow Brown – a legal firm in which Mr Brown, (Governor) is a Managing Partner.
Purchase transactions in the year amounted to £nil (2017 - £300), relating to legal fees. The outstanding balance at the year end was £nil (2017 - £nil). The College also paid Apprenticeship Employer Incentive payments of £500 during the year (2017 - £nil).

23 Amounts disbursed as agent

	2018 £'000	2017 £'000
Learner support funds		
Funding body grants – hardship support and childcare	584	603
Funding body grants – Advanced Learner Loan Bursaries	302	302
Funding body grants – residential bursaries	-	-
Funding body grants – 16 to 19 Bursary Funding	1,090	939
	1,976	**1,844**
Disbursed to students	(1,835)	(1,601)
Administration costs	(87)	(99)
Balance unspent as at 31 July, included in creditors	**54**	**144**

Funding body grants are available solely for students. In the majority of instances, the College only acts as a paying agent. In these circumstances, the grants and related disbursements are therefore excluded from the Statement of Comprehensive Income.