

**The Sheffield College**

**Report of the members of the Corporation and Financial Statements**

**For the 12 month period from  
1 August 2019 to 31 July 2020**

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### Definition of terms

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

## Key Management Personnel, Board of Governors and Professional advisers

### Key Management Personnel

Key management personnel are defined as members of the College Executive Leadership Team with significant financial responsibility and were represented by the following in 2019/20:

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

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

Anita Traffon: Deputy Chief Executive & Deputy Principal (throughout the period)

Paul Simpson: Executive Director - People (throughout the period)

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

Andrew Hartley: Executive Director - Commercial & Operations (throughout the period)

Simon Hannett: Director of Funding and Performance (to 31 May 2020)

Mark Pearson: Executive Director - Strategy & Systems Improvement (from 02 September 2019)

### Board of Governors

A full list of Governors is given on pages 16 to 18 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 St Peters Square, Manchester, M2 3AE

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

Bankers: Barclays Bank Plc, NE & Yorkshire Larger Business Team, PO Box 378, 71 Grey Street, Newcastle Upon Tyne, Tyne & Wear, NE99 1JP  
Allied Irish Bank, Vantage Point, Hardman Street, Spinningfields, Manchester, M3 3PL

Solicitors: BRM Law Limited trading as BRM Solicitors, Gray Court, 99 Saltergate, Chesterfield, S40 1LD

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

Ledbrook & Hardwick Employment Law and HR Services Limited, 6 Lordship Lane, Wistow, North Yorkshire, YO8 3XE

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

## STRATEGIC REPORT

### REPORT OF THE GOVERNING BODY

#### OBJECTIVES AND STRATEGY

The members present their annual report, together with the audited financial statements and auditor's report, for The Sheffield College for the year ended 31 July 2020.

#### 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 was approved by the Governors in July 2018.

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

The Strategic ambitions are as follows:

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

The College recognises the economic uncertainty that has resulted from COVID-19 and is considering this impact upon its ability to deliver its strategic objectives. The impact has already resulted in delaying the planned growth in Apprenticeships by one year. The College Governors and Executive will continue to monitor and respond to the risks of operating during COVID-19 on an ongoing basis. The College has robust business continuity plans, risk management and financial management processes and so is well placed to respond to future uncertainty in a timely manner. During 2019/20 the College was closed to the majority of staff from March due to COVID-19. The College successfully introduced working remotely both for teaching and learning and for undertaking administrative processes. These changes were planned and introduced in a measured way to ensure staff and students were supported and kept informed. In June 2020, The College reopened a limited number of campuses to enable students to complete their studies in accordance with awarding organisations requirements.

The College is in the process of preparing its strategic plan 2021-25 which will build upon the existing plans. The Executive Leadership Team are preparing the strategy in consultation with Governors and the Senior Leadership Team, for presentation to Governors in 2021.

## Resources

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

The College employs 960 people (headcount), of whom 394 are teaching staff.

The College provides classroom-based and blended learning to over 11,472 learners each year in a wide range of courses from Entry Level to Level 6, across academic, technical and professional subject-areas. The College had 4,719 16-18 year old classroom-based students, 4,297 adult classroom-based students, 2,742 apprentices and 416 HE loan-funded students coming to the end of their studies in 2019/20.

The College has £39,762,000 (2019: £52,771,000) of net assets including £46,559,000 pension liability (2019: £31,335,000) and long-term debt of £10,907,000 (2019: £11,869,000).

The College has the tangible resources of its campuses 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. During the year, teaching staff have been recognised by external organisations including through the awarding of a Fellowship to a Learning and Development Coach from the Education and Training Foundation (ETF) in partnership with the Royal Commission for the Exhibition of 1851, and receipt of a Certificate of Excellence in the Digital Innovator of the Year the Pearson National Teaching Awards 2020 by the College's Teaching and Learning Innovator.

The College has seen good growth in its apprenticeship provision (£6,299,000 income in 2018/19 increasing to £7,373,000 in 2019/20) since the introduction of the Apprenticeship Levy and has outperformed the national market. This is partly due to the success of the College working as a lead college in the Collab Group of colleges in servicing some national apprenticeship contracts with large Levy payers including Kier, and Tarmac.

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

## 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 continues to work closely with those key stakeholders who contribute to its long-term financial success including the Education and Skills Funding Agency, the Office for Students, the Department of Education, the Sheffield City Region, its banks and pension authorities.

The College engages with stakeholders through meetings, forums, collaborative initiatives, and digital and social media. Stakeholders include:

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

- Banks – Barclays and AIB
- The University of Sheffield and Sheffield Hallam University
- Local and national employers such as Sheffield Teaching Hospitals, Liberty Speciality Steel, Sheffield Forgemasters
- Local schools and the Sheffield UTC Academy Trust
- Employer groups
- Voluntary organisations
- Professional bodies
- Other FE institutions
- Staff and their trade unions. The trade unions that The Sheffield College staff are members of are the University and College Union, the National Education Union and Unison
- Current, future and past students
- The local community.

### **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 16 to 19.

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

### **Public benefit statement**

In delivering its mission, The Sheffield College provides the following identifiable public benefits through the advancement of education to 14,214 students, including 294 with high needs.

- Providing further and higher education, vocational training and life-long learning, including providing courses without charge to young people, those who are unemployed and adults taking English and maths courses
- Widening participation and tackling social exclusion via an inclusive admissions policy that actively aims to widen access to post 16 education, student support and a positive engagement policy to retain and re-engage students who might otherwise be excluded from education
- The college adjusts its courses to meet the needs of local employers and provides training to 2,742 apprentices.
- Preparing students for progression into employment and career opportunities, including course structures that provide career routes from entry level to professional qualifications and work experience to prepare students to progress into employment.
- Providing effective student support systems to engage and retain students, particularly those who might otherwise not continue with education and training to achieve their potential
- Developing and fostering links with Local Enterprise Partners, employers, industry and commerce for the benefit of learners and to contribute to the regeneration of the Sheffield city region and the communities we serve, many of which suffer from social and economic deprivation.
- To counter the impact of the Covid-19 pandemic on year 11 students, in summer 2019, the College provided additional online transition learning materials to local secondary schools specifically aimed at promoting successful transition of year 11 students to college learning.

## **DEVELOPMENT AND PERFORMANCE**

### **Financial results**

The Group generated an operating surplus before other gains and losses in the year of £15,000 (2018/19 - operating deficit of £1,368,000) with a total comprehensive loss of £12,945,000 (2018/19 - £14,646,000 total comprehensive loss).

The increase in performance from the prior year was due to higher income, which outweighed the income lost due to COVID-19 pandemic closure; against this, operating expenditure increased slightly, with costs associated with the higher income being mostly offset by savings from college campus closures. The higher income arose primarily from an increase in the rate of funding for ESFA funded 16-24 year olds and greater apprenticeship activity. The higher income was used to increase teaching staff resource and IT and equipment investment to improve the quality of teaching and learning.

There is an actuarial loss of £13,000,000 in respect of Pension Schemes (2018/19 - £13,298,000 loss).

At 31 July 2020 the group held net current assets of £3,255,000 and net assets of £39,745,000, which includes a defined benefit pension liability of £46,559,000.

The closure of the College campuses, due to COVID-19 and limited reopening in the Summer Term for students to sit examinations and end point assessments have had an impact on the College's financial performance. The impact was estimated as follows. Income reduced by £1,000,000 due to college premises closure and was offset by reduced pay and non-pay costs of £1,500,000. There were reductions in income from apprenticeships £100,000 (due to delays in achievement and fewer new starts), catering £300,000, nursery £100,000, advanced learner loans £100,000, and full cost and co-funded courses £200,000. Savings resulted from reduced curriculum delivery costs including sub-contracting, a delay to planned department restructures and associated costs, reductions and deferrals of exam sittings and associated costs, reduced catering costs as a result of restaurant facilities being closed, and lower premises costs such as utilities and printing.

### **Cash flow and liquidity**

The Group realised a net cash inflow on operating activities of £3,602,000 during 2019/20 (compared to a net cash inflow of £4,455,000 in 2018/19). The net decrease in the College cash position for the year ending 31 July 2020 was £1,676,000 (the College saw a net cash increase of £2,255,000 for the year ending 31 July 2019). This cash position in part reflects output VAT payments deferred from previous years under the Lennartz scheme. The end date of all Lennartz schemes have now been reached and all assessed VAT paid.

The Colleges Debt service covenant was met during the year.

The College has received support as a result of the impact of COVID-19 upon its operations. The College received £124,000 of support from the Government's Job Retention Scheme, which it used to retain some staff in canteen and nursery. The Job Retention Scheme was used for staff whose salaries would normally have been met by commercial income that was curtailed by premises closures and might otherwise have been at risk of redundancy.

The College has benefited from the ESFA decision to fund Adult Education Budget where providers delivered in excess of 80% of their allocation. The College received £69,000 funding for school meals and IT equipment funding which it paid direct to, or used to supply equipment to, eligible students.

### **Developments**

Tangible fixed asset additions during the year amounted to £3,086,000 which was in respect of equipment and building works. The additions figure includes £996,000 relating to a Digital Engineering Skills project which is being 80% funded by the Local Education Partnership ('LEP'), and is described in greater detail in the Future Prospects section below.

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

## **Reserves**

The Group has unrestricted reserves of £39,745,000 and cash and short-term investment balances of £8,149,000. Of note is that £483,000 of this balance related to the Lennartz creditor, which is being held pending resolution with HMRC. The group wishes to continue to accumulate reserves and cash balances in order to create a contingency fund to meet future capital requirements. There may be a requirement to use a small amount of reserves to meet the Colleges costs specifically in relation of additional of COVID-19 costs.

## **Sources of income**

The College continues to have significant reliance upon the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2019/20 the ESFA provided 83% of the College's total income.

The College continues to recruit students to a wide range of courses and levels despite COVID-19. Whilst the pandemic is affecting the ability for employers to continue to support Apprentices, the College is working with Government to access funding to ensure that the Apprentices complete their studies. The College is also actively working with Government and Local Authorities to identify opportunities to increase the scale of adult skills provision to support people affected by the economic downturn to retrain and upskill.

## **Group companies**

The Sheffield College has three wholly owned subsidiary companies:

- Sparks Managed Services Ltd. incorporated in 2011 (registered number 7490897), this company provides staff for nurse, cleaning, catering, and facilities, services to the College and The Sheffield UTC Academy Trust. In the financial year ending 31 July 2020, 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. In the financial year ending 31 July 2020, this company broke even.
- Sparks Solutions Ltd. incorporated in 2014 (registered number 8857469), this company provides marketing, and business development services to the College. In the financial year ending 31 July 2020, 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, and one in Derby. The Derby UTC joined the Multi-Academy Trust during 2019/20. These specialise in engineering and advanced manufacturing and creative and digital industries at the Sheffield City site, sport, health and computing at the Sheffield Olympic Legacy Park site and health, science and engineering & manufacturing at the Derby Pride Park site. The College has the roles of member and sponsor within the trust, as well as a provider of business support services; The UTC Sheffield Academy Trust is not consolidated within these financial statements as described in Note 1 to the Financial Statements.

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



## **FUTURE PROSPECTS**

### **Future developments**

The College will continue to invest in its estate, accommodation and facilities to support the student experience and staff development and has identified projects to the value of £2,400,000 to be invested in 2020/21.

The First phase of the £3,713,000 Sheffield City Region Local Growth Funding project to support the College's Digital Engineering Skills Development Network is complete. Phase 2 will be complete by September 2021. The College is working with two employer partners to establish a Digital Engineering skills network in the City to increase the technical training offer at levels 3 and 4 in the Engineering and Digital Technology sectors to ensure that there is a skilled workforce to fill the increasing number of high value jobs in the region.

During 2020/21, the College will further develop existing curriculum strategies and prepare new ones in new areas of the curriculum to ensure it remains attractive and of value to students, employers, and the Sheffield City Region.

The College will use its £2,005,000 Further Education Capital Allowances (FECA) Grant awarded during 2020/21 to ensure that the College estate remains in good repair, fit for purpose, and attractive to students.

The College is assessing the impact of COVID-19 upon its teaching delivery methods to identify opportunities to improve teaching and learning and increase the effectiveness and efficiency of support processes and practices. The increase in on-line and blended learning have increased the demand for mobile technology from staff and students which has resulted in reprioritisation of IT programmes planned for 2020/21 and has bought forward elements of the Colleges Digital Strategy. The impact of COVID-19 upon the College's commercial income stream including International students, catering and nurse provision is being assessed. Additional cleaning costs have been absorbed within existing budgets.

### **Financial plan**

The College governors approved a three-year financial plan in July 2020 which sets corporate objectives to 2022. The financial plan to 2021/22 was to grow income modestly, with improved 16-18 retention and HE funding as well as growth in apprenticeship income from retention and the change to Apprenticeship standards.

The cost base would be managed to ensure that the College's budget was met and cash flows sufficient to fund the College's activity.

Within the 2020/21 financial year, the College has been allocated the following funding from the ESFA: £28,806,000 for 16-19 year old learners. This amount includes the Employer support fund and the Small Group Tuition Fund which it will use to support eligible students.

The College will receive £9,460,000 for adult education provision and £2,156,000 for Non Levy apprenticeship delivery from April 2020 to March 2021. The College is awaiting notification of Non-Levy Apprenticeship funding post March 2021.

Also for 2020/2021 the College has identified a potential Advanced Learning Loans allocation of £1,815,000.

### **Treasury policies and objectives**

The College has a Treasury Management Policy in place to manage cash flows, banking arrangements and the risks associated with those activities. Short term unsecured borrowing for temporary revenue purposes is authorised by the Accounting Officer. All other borrowing requires the authorisation of the Corporation.

The College has no plans to increase borrowings and will continue to make its banking loan repayments in accordance with the plan.

## **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 £39,099,000 (2019: £52,044,000). 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.

## **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 Leadership 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.

Throughout 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.

In response to the COVID-19 pandemic, the Corporation agreed additional governance arrangements including a separate COVID-19 risk register and a governor task group to maintain oversight of the College's handling of the risks and planning for limited and full premises re-opening. The College's response to the pandemic has been managed by the Executive Leadership Team COVID-19 Response Team, which manages a number of staff task and finish groups and reports regularly to the governor task group. The risk register and associated policies have been monitored and updated as necessary since lockdown in March 2020.

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

### **Long term solvency and liquidity to support the going concern assumption**

The College's year-end financial position has met its debt service cover and operational gearing covenants. The three-year financial plan reflects a modest growth agenda, with improved 16-18 retention and HE funding as well as growth in apprenticeship income from retention and the change to Apprenticeship standards. The cost base will be managed to ensure that the College's budget is met and cash flows are sufficient to fund the College's activity. The introduction of more detailed financial reporting within the College, and the 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. The impact of COVID-19 upon the College's activities is being monitored and the College does not believe that this will impact on being a going concern.

## **College quality of provision and student outcomes**

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

- The implementation of challenging and aspirational targets derived from previous performance and comparable provider averages covering a comprehensive range of quality indicators;
- Implementation of an improved meeting structure to improve communications, report on performance, identify emerging issues promptly and to drive targeted improvement activity;
- Development of improved real-time data reporting capabilities to ensure that all faculties had access to clear, consistent and accurate data;
- Significant investment in dedicated time off timetable for curriculum teams to participate in targeted Continuous Professional Development supported by the Learning & Development Coach within each faculty.

These actions were acknowledged by Ofsted who reported that performance management arrangements had been tightened to increase the pace of improvements to the quality of education. Throughout 2019/2020 the College continued to drive improvement through the actions set out above and through a range of additional strategies to increase the pace of improvement including:

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

The actions taken in 2019/2020 further improved the student outcomes as a result the Overall Achievement rates improved by 6 percentage points (pp) including a 5pp pass rate improvement for 16-18 year olds and a 6pp pass rate for 19+ students.

## **Minimum standards for Apprenticeship outcomes**

As a result of deterioration in the outcomes for Apprentices across College faculties, the College failed to meet minimum standards for Apprenticeship outcomes in 2018/19. The Executive Leadership Team submitted a business case to the ESFA that detailed the improvements to the Apprenticeship provision since August 2018 as a means of demonstrating that the issues that were experienced were due to legacy behaviours from 2016 to December 2018. The ESFA have formally confirmed to the College that it is required to produce an improvement plan and progress against the plan will be monitored through 2020/21 at regular meetings with the ESFA. There are no restrictions on the ability of the College to continue to enrol new apprenticeships starts.

## **KEY PERFORMANCE INDICATORS (KPIs)**

### **Financial health**

In 2019/20, The College achieved a rating of 'Outstanding' under the ESFA's financial health assessment, compared with the rating of 'Good' achieved in 2018/19.

During 2019/20, the following KPIs were used to measure delivery of the financial objectives:

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

### **Quality of provision**

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

### **Student achievements**

In 2019/20, students at the College had an overall achievement rate for education and training of 83%, compared to a rate of 80% in 2018/19. In 2019/20, the achievement rate for 16-18 students was 80% and for 19+ students was 86%. Apprenticeship achievement rates were 58% with a timeliness rate of 41% (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.

### **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 2019 to 31 July 2020, the College paid 96.8% of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

## **EQUALITY & DIVERSITY**

### **Equality**

The Sheffield College is committed to providing a learning and employment environment that is free from discrimination, bullying, harassment or victimisation, where all members of our community are treated with respect and dignity. To this end, we have been working with the National Centre for Diversity for over a year, achieving Investors in Diversity in June 2020. The National Centre for Diversity have been supporting us to improve our practice. We are creating a culture of diversity, and providing a positive working and learning environment, where all members are valued for their contribution and individuality, with a positive approach to behaviour, engagement, anti-bullying and harassment. We have committed to continue working with the National Centre for Diversity in 2020-2021 towards Leaders in Diversity status. We publish an annual EDI Report on our website.

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

recruitment, retention, achievement and progression including destinations external to the College are narrowed and eradicated.

The College has an Equality Scheme written in line with the requirements of the Equality Act 2010. The Sheffield College will work with the remit of the Act and fulfil its duties. The College's commitments are published on our website within our Equality & Diversity Annual Report. This includes the annual publication in December of progress towards the College's Equality Objectives including the previous academic year's student outcomes (specifically identifying any equality gaps), and information about the College's student and staff communities.

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

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

### **Disability statement**

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

- As part of its accommodation strategy the College updated its access audit. The College campuses and facilities were developed with maximising accessibility as a prime consideration. The College subscribes to AccessAble to provide up to date online information on access to its campuses for visitors, and to provide advice on any accessibility issues arising from changes. The organisation visited the College in December 2019 to update its information about the College campuses.
- The College has SEND Co-ordinators at each campus who provide information, advice and arrange support where necessary for students with disabilities. There is a range of specialist equipment which the College makes available for use by students and a variety of assistive technologies are available in College Learning Resource Centres.
- The Student Charter outlines our commitment to all students, including those with disabilities.
- The Admissions Policy is updated annually to ensure admission processes are fair and inclusive. Appeals against a decision not to offer a place are dealt with under the Complaints Policy.
- The College has made a significant investment in the appointment of specialist lecturers to support students with learning difficulties and/or disabilities. There are a number of learner support assistants who provide support for learning.
- Specialist programmes for High Needs Learners are described in College prospectuses, and achievements and destinations are recorded and published in the standard College format.
- Health, wellbeing and welfare services are described in the College Student Handbook, which is issued to students together with the Complaints and Disciplinary Procedure leaflets at induction.

### Trade union facility time

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

#### Relevant Union Officials:

Numbers of employees who were relevant union officials in the relevant period	FTE employee number
10	8.8

#### Percentage of working hours spent on facility time:

Percentage of time spent on facility time	Number of employees
0%	950
1-50%	10
51-99%	0
100%	0

#### Percentage of pay bill spent on facility time:

Total cost of facility time	£21,000
Total pay bill	£28,654,000
Percentage of total bill spent on facility time	0.07%

#### Paid trade union activities:

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

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

The College currently has £11.9m of loans outstanding with bankers on terms renegotiated in 2015. The terms of the existing agreements are for up to another 15 years. The College has worked closely with Barclays and AIB to ensure that it provides them with assurance in respect of its financial health and its ability to make loan repayments as they fall due. The banks are supportive of the College. The College is forecasting that it will achieve compliance with the new covenants from both banks for the foreseeable future.

After making appropriate enquiries the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. The College has prepared a three-year financial plan up to and including the 2021/22 financial year, which was approved by the Governing Body on 8 July 2020. The College is in the process of preparing its strategic plan 2021-2025 which will build upon the existing plans. The Executive Leadership Team are preparing the strategy in consultation with its Senior Leadership Team which it will present to Governors in 2021.



The College plans to increase income by growing the 16-18 Learner Responsive, HE and Apprenticeship curriculum, with resultant marginal increases in surplus and cash balances. The College believes that there are opportunities which flow from Devolution and is working with the Sheffield City Region to identify the areas where the College can deliver teaching and learning to support economic growth. The current position is that whilst 16-18 income is in line with the plan, growth in HE is slower than planned. The cost base will be managed to ensure that the College's budget is met and cash flows are sufficient to fund the College's activity. The introduction of more integrated financial statements and a new model to inform forecasting as well as high levels of accountability and ownership by budget holders to manage costs, will ensure that the College remains a going concern. For these reasons, the Corporation continues to adopt the going concern basis in preparing the financial statements.

The College recognises the economic uncertainty that has resulted from COVID-19 and is considering this impact upon its ability to deliver its strategic objectives. The impact has already resulted in delaying the planned growth in Apprenticeships by one year. The College Governors and Executive will continue to monitor and respond to the risks of operating during COVID-19 on an ongoing basis. The College has robust business continuity plans, risk management and financial management processes and so is well placed to respond to future uncertainty in a timely manner. The College has adapted to working remotely for both delivery of teaching and learning and undertaking administrative processes and does not believe that COVID-19 will have an impact on the College remaining a going concern.

#### **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 9 December 2020 and signed on its behalf by:**

Seb  
Schmoller



Digitally signed by Seb  
Schmoller  
Date: 2020.12.09  
16:30:11 Z

**Seb Schmoller**

*Chair of the Governing Body*

## Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2019 to 31 July 2020 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

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

The College is committed to demonstrating best practice in all aspects of corporate governance and, in particular, the College has adopted and adheres to the Code of Good Governance (the Code) issued by the Association of Colleges, 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. As a registered provider of higher education, the College has ensured that its governance arrangements comply with additional conditions of registration with the Office for Students, including its arrangements for remunerating senior staff.

For 2019/20, the Governing Body has assured itself of the effectiveness of corporate governance by conducting an annual self-assessment of the effectiveness of its corporate governance; commissioning an independent periodic review of board effectiveness. In the opinion of the Governors, the College complies with the provisions of the Code

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 19/20	Attendance in 19/20
Gwyn Arnold	01/09/2017 (initial term extended until 31/07/2021)	4 years		Current	Governing Body Finance, Employment and General Purposes Search, Remuneration and Governance (Chair) Teaching, Learning, Quality and Student Experience	100% 100% 100% 80%
Stephen Betts	Appointed with effect from 01/01/2019	2 years		Current	Governing Body Teaching, Learning, Quality and Student Experience	33% 20%



Peter Brooks	23/01/2019	2 years		Current	Governing Body Finance, Employment and General Purposes Teaching, Learning, Quality and Student Experience	100% 80% 80%
Richard Calvert	1/08/2018 (initial term extended to 31/07/2022)	4 years		Current	Governing Body Audit and Risk Assurance Committee	100% 75%
Ian Falconer	18/01/2018 (first term extended to 31/07/2022)	4 years		Current	Governing Body Audit & Risk Assurance (Chair) Search, Remuneration and Governance	67% 100% 100%
Megan Farmer (student)	01/08/2019	1 year	31/07/2020	Retired	Governing Body Teaching, Learning, Quality and Student Experience Committee	33% 20%
Angela Foulkes Chief Executive and Principal	20/11/2017	Duration of tenure as Chief Executive and Principal		Current	Governing Body Finance, Employment and General Purposes Search, Remuneration and Governance Teaching, Learning, Quality and Student Experience	100% 100% 100% 100%
Kathryn Fulton (student)	12/8/2020	1 year		Current		
Beri Hare	01/09/2017 (first term extended until 31/07/2021)	4 years		Current	Governing Body Teaching, Learning, Quality and Student Experience (Chair) Finance, Employment and General Purposes Search, Remuneration and Governance	100% 80% 100% 100%
Shelley Hemsley	01/01/2019	2 years		Current	Governing Body Audit & Risk Assurance	33% 50%
Stephan Hollingshead	1/08/2018	4 years		Current	Governing Body Finance, Employment and General Purposes	67% 80%

	(first term extended to 31/07/2022)				Search, Remuneration and Governance Committee	67%
Chris Linacre	25/03/2012 (re-appointed 14/12/2015 to terminate 31/07/2020)	4 years + 4 years	31/07/2020	Retired	Governing Body Audit and Risk Assurance Search, Remuneration and Governance (Chair)	67% 75% 100%
Michelle MacDonald (Staff)	01/08/2018	2 years	31/10/2020	Retired	Governing Body Audit and Risk Assurance Search, Remuneration and Governance	83% 75% 100%
Sol Miah	1/08/2020	2 years				
John Mothersole	5/02/2020	2.5 years to 31/7/23			Governing Body Audit and Risk Assurance Committee	67% 100%
Saleem Rashid (Staff)	05/03/2017 (extended up to 31/10/2020 and re-elected 1/11/2020-31/7/2022)	2 years + 1 year + 2 years until 31/7/2022		Current	Governing Body Teaching, Learning, Quality and Student Experience Finance, Employment and General Purposes	83% 80% 40%
Seb Schmoller	01/09/2008 (re-appointed with effect from 01/09/2016; re-appointed as Chair 18/01/2018 until 31/07/2020 extended to 31/03/2021)	8 years + 2 years + 2 years + 8 months (by exception)		Current Chair of Governing Body	Governing Body Finance, Employment and General Purposes Search, Remuneration and Governance Teaching, Learning, Quality and Student Experience	100% 100% 67% 100%
Kim Streets	31/10/2013 (re-appointed 01/11/2017)	4 years + 3 years	31/7/2020	Retired	Governing Body	67%
John Timms	01/09/2012 (Re-appointed 14/03/2016 and term exceptionally extended to 31/7/2021)	4 years + 4 years + 1 year		Current	Governing Body Audit and Risk Assurance Teaching, Learning, Quality and Student Experience	83% 25% 100%

Rhiannan Webber (student)	01/08/2019	1 year	15/05/2020	Resigned	Governing Body	100%
					Search, Remuneration and Governance	100%

**The following Members were appointed/resigned during the period 1 August 2019 to 31 July 2020**

- I. John Mothersole was appointed on 5/2/2020 for an initial period of two years
- II. Rhiannon Webber was elected as President of the Sheffield College Students' Union and as a student governor with effect from 01/08/2019 and resigned on 15/05/2020.
- III. Megan Farmer was appointed as a student governor on 01/08/2019 and retired on 31/07/2020 at the end of her term of office.
- IV. Chris Linacre retired on 31/07/2020 following eight years' (two full terms) of service to the Governing Body
- V. Kim Streets retired on 31/07/2020 following seven years' of service to the Governing Body.
- VI. John Timms was re-appointed for a further year from 01/08/2020 to 31/07/2021 exceptionally to provide continuity and support as Vice Chair during the election and induction of a new Chair of the Governing Body

**The following Members were appointed/re-appointed/resigned during the period following 31 July 2020 up to the date of approval of the annual report and financial statements**

- I. Sol Miah was appointed as a College governor with effect from 01/08/2020 for an initial two year term following selection via the Search, Remuneration and Governance Committee.
- II. Richard Calvert was re-appointed for a further two years from 01/08/2020 to 31/07/2022, which would be one full term of four years.
- III. Ian Falconer was re-appointed for a further two years from 01/08/2020 to 31/07/2022, which would be one full term of four years.
- IV. Stephan Hollingshead was re-appointed for a further two years from 01/08/2020 to 31/07/2022, which would be one full term of four years.
- V. Kathryn Fulton was appointed with effect from 12/08/2020 following her election as President of the Sheffield College Students' Union and as a student governor for one year to 31/7/2020.
- VI. Enya Ritchie was appointed as a student governor from 23/11/2020 to 31/7/2021.

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

**The Governance Framework**

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, as a minimum, 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 2019/20, these committees were Audit and Risk Assurance; Finance, Employment and General Purposes; Search, Remuneration and Governance; and Teaching, Learning, Quality and Student Experience, with provision for a Special Committee to be convened if required. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website at <https://www.sheffcol.ac.uk/governing-body-public-documents>, 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 or by emailing the Clerk during premises closure.

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 at induction and 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 2019/20, the search function was undertaken by the Search, Remuneration and Governance Committee, comprising Gwyn Arnold (Chair, Chris Linacre (vice chair), Ian Falconer, Angela Foulkes (ex-officio); Beri Hare; Michelle MacDonald, Seb Schmoller; Stephan Hollingshead; Michelle MacDonald and Rhiannon Webber (until 15/5/2020). 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 2019/20, the Corporation advertised for and appointed a Chair Designate. The Corporation also ran a public call for expression of interest for new governors with specialist knowledge of further education and skills sector leadership or professional qualifications in estates management, Human Resources or law. In line with the College's equality objectives, the recruitment campaign was explicit in strongly welcoming applications from younger people and people with Black, Asian and Minority Ethnic heritage to strengthen diversity on the Governing Body.

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

### **Corporation performance**

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

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

- A periodic external assessment of board effectiveness, which was conducted by Stone King LLP in summer/autumn 2020.
- Governor Self-Assessment process and a 360 degree feedback process for evaluating the performance of the Chair.
- Annual reports of the four standing committees of the Governing Body including the Audit and Risk Assurance Committee annual report.
- A programme of internal audit that includes governance matters, that is summarised in an internal audit report received by the Audit and Risk Assurance Committee. The report gives the opinion that overall; the College had demonstrated good progress in implementing agreed management action.

On the basis of the processes outlined above and the opinions received from internal audit service and external auditor, the Corporation self-assesses that governance arrangements for the year ended 31 July 2020 were broadly effective. The Governing Body will maintain the challenge that it brings to the senior team with the intention that this will have a positive impact on the College's overall effectiveness.

### **Remuneration Committee**

The Corporation adopted the AoC's Senior Staff Remuneration Code at its meeting on 27 March 2019. Throughout the year ending 31 July 2020, the six independent members of the College's Search, Remuneration and Governance Committee (SRG, see below for membership) performed the functions of a remuneration committee on behalf of the Governing Body including keeping under review the performance development framework as it applies to Senior Post Holders (Go Further Review or GFR), which includes agreeing objectives for the Chief Executive and Principal and other Senior Post Holders. The SRG advises the Governing Body on a framework for the remuneration for Senior Post Holders in line with the principles in the AoC Senior Staff Remuneration Code, and determining, on behalf of the Governing Body and within the approved framework, the remuneration and benefits of the Chief Executive and Principal and other key management personnel. The independent members of SRG met on 13 November 2019 to review performance and agree remuneration for 2019/20. The Corporation operates a senior staff pay policy based on agreed pay points within a range set for each post. The scales are benchmarked against similar roles in the AoC annual survey of senior staff pay. The College does not operate a bonus scheme for senior staff.

Details of remuneration for the years ended 31 July 2019 & 2020 are set out in note 7 to the financial statements.

### **Audit and Risk Assurance Committee**

The Audit and Risk Assurance Committee comprised Ian Falconer (Chair), Richard Calvert, Shelley Hemsley, Michelle MacDonald and John Timms. The Accounting Officer and Chair are excluded from membership. The Committee operates in accordance with written terms of reference approved by the Corporation, as advised by the ESFA Audit Code of Practice. Its purpose is to advise the Corporation on the adequacy and effectiveness of the College's system of internal control and its arrangements for risk management, control and governance processes.

The Audit and Risk Assurance Committee meets on a termly basis and provides a forum for reporting by the College's internal audit service 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 documents and 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 and Risk Assurance Committee.

Management is responsible for implementing agreed recommendations and internal audit undertake annual follow up reviews to ensure the College has acted on the recommendations.

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

### **Finance Employment and General Purposes Committee**

In 2019/20, the membership of the Finance, Employment and General Purposes Committee comprised seven members including Stephan Hollingshead (Chair), Gwyn Arnold, Peter Brooks, Angela Foulkes, Beri Hare, Saleem Rashid and Seb Schmoller.

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

### **Teaching, Learning, Quality and Student Experience Committee**

The Teaching, Learning, Quality and Student Experience Committee comprised nine members, Beri Hare (Chair), Gwyn Arnold, Stephen Betts, Peter Brooks, Megan Farmer (student governor), Angela Foulkes, Saleem Rashid (staff governor), Seb Schmoller and John Timms.

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

### **Search, Remuneration and Governance Committee**

The Search, Remuneration and Governance Committee comprised seven members Gwyn Arnold (Chair), Chris Linacre (vice chair), Ian Falconer, Angela Foulkes, Beri Hare, Stephan Hollingshead, Michelle MacDonald, Seb Schmoller, Rhiannon Webber and John Mothersole (from 5/2/2020). The Committee operates in accordance with terms of reference approved by the Corporation. Its search functions are to advise the Corporation on the search for and appointment of new governors and it keeps under review vacancies, succession planning, the skills mix and diversity of the Corporation, governor training and development. The Committee meets at least once a term with additional meetings to shortlist and interview candidates, as required. The Committee aims to attract and recruit outstanding individuals who can meet or exceed the person specification for appointment as a governor. In addition to its Search and Remuneration responsibilities, the Committee is also responsible for monitoring and advising the Corporation on the effectiveness of governance and its compliance with relevant governance codes; ensuring that the annual self-assessment and review processes operate and submitting an annual report to the Corporation and the Audit and Risk Assurance Committee on the effectiveness of governance.

### **Internal Control**

#### *Scope of responsibility*

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

The Corporation has delegated the day-to-day responsibility to the Chief Executive and Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives whilst safeguarding public funds and assets for which she is personally responsible, in accordance with the responsibilities assigned to her in the Financial Memorandum



between the College and the funding bodies. The Accounting Officer is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

#### *The purpose of the system of internal control*

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in The Sheffield College for the year ended 31 July 2020 and up to the date of approval of the annual report and financial statements. The system of internal control, particularly the controls in the Financial Regulations, also aims to ensure that that Corporation expends public money in a proper manner and achieves value for money.

#### *Capacity to handle risk*

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial, policy 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 2020 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation. The Risk Management Policy was most recently reviewed and approved by the Audit and Risk Assurance Committee at its meeting on 21 October 2020 and will be reviewed by the Governing Body at its meeting on 8 December 2020. Governors also reviewed the Strategic Risk Assurance Map (an extract of the key risks from the updated Strategic Risk Register). On a termly basis, the Audit and Risk Assurance Committee reviews the Strategic Risk Register and monitors progress against risk management actions

#### *The risk and control framework*

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

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

#### *The role of internal audit service and external auditors in improving internal controls*

The Sheffield College has an internal audit service, which operates in accordance with the requirements of the ESFA's Post-16 Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit and Risk Assurance Committee. As a minimum, annually, the Head of Internal Audit (HIA) provides the Governing Body with a report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes. As well as an assurance opinion, each internal audit review includes low/medium/high recommendations for management action to improve internal controls. The Audit and Risk Assurance Committee receives these reports and the management responses agreeing what action will be taken to address the recommendations. The Committee monitors progress on the extent to which the

College has completed the improvements to address deficiencies and receives an annual follow-up audit report on the implementation of improvements.

The College has appointed different providers for its internal audit service and as external auditor, in line with its Instrument and Articles of Government and the Audit Code of Practice. The independent external auditor plays a role in assisting the College to improve its internal control environment. Audit standards require external auditors to perform detailed risk assessment procedures and specific work on the College's system of internal control and risk assessment processes for the risks in the external audit plan. Where the external auditor finds deficiencies in the internal controls, they report these to the Audit and Risk Assurance Committee. As for internal audit, College managers agree appropriate action to correct the deficiency or improve compliance with controls and these are also reported to the Audit and Risk Assurance Committee, which monitors the progress the College is making to implement the improvements. At the next external audit, external auditors check and report on the effective implementation of the previous year's recommendations.

#### *Risks faced by the corporation*

As detailed above in the Strategy Report pp 10-12, the College's principle strategic risks are: maintaining solvency; improving the quality of provision and student outcomes; and the addressing the breach of minimum standards for apprenticeships. In 2019/20 and ongoing the College has also identified, assessed and managed the operational risks of the COVID-19 pandemic from February to July 2020 and ongoing. The Corporation has a formal Risk Management Policy that is reviewed regularly by senior management and covers the whole risk management framework. All risks with high assurance ratings are presented at each meeting of the Audit and Risk Assurance Committee (quarterly) and the Governing Body reviews and reapproves the Risk Management Policy annually and receives an update from the Audit and Risk Assurance Committee at each meeting. Each Governing Body committee has particular risks for which it is responsible. Finance, Employment and General Purposes Committee monitors and seeks assurance on solvency and liquidity; Teaching, Learning, Quality and Student Experience Committee monitors progress on the quality of the College's provision and that it is remedying the breach of minimum standards of Apprenticeships. Committees report to the Governing Body giving assurance on these and other matters at each meeting.

In response to risk of pandemic crystallising, the Governing Body approved the College's approach, guiding principles and governance structure for managing the risks of operating during COVID-19. To ensure the Corporation could respond to a dynamic situation, at its meeting on 13 May 2020, the Governing Body appointed a governor task group to have oversight of completion of the actions in the operational risk register for COVID-19 and approving re-opening plans on behalf of the Governing Body. During March to July 2019, the Governing Body and its committees continued to meet via videoconference, fulfil their remit and monitor action on the key risks. The College COVID-19 Executive Response Group continues to meet weekly and reports to the governor task group on how the College is managing COVID-19 risks as the local situation changes. The internal audit of risk management at the College resulted in a reasonable assurance opinion with one medium and eight low priority actions to enhance the College's risk management.

#### *Control weaknesses identified*

The College retains an internal audit service to audit its systems of internal control. The 2019/20 internal audit plan was developed with clear links to the College's strategic risk profile and included seven controls based reviews. All the reports resulted in partial, reasonable or substantial assurance. The College senior managers agreed all the recommendations made by Internal Audit Service to improve controls and the follow-up audit confirmed that in all but two cases, the actions had been completed within the deadline. The two recommendations not implemented had been rescheduled due to premises closure. The Audit and Risk Assurance Committee also receives annual assurance reports from college managers on the implementation of control policies for fraud, whistleblowing and data protection

#### *Responsibilities under funding agreements*

The Corporation keeps under review compliance with ESFA and other devolved authority grant funding agreements and contracts, particularly ensuring that funding is used for the purposes given or generated. Finance, Employment and General Purposes (FEGP) Committee reviews the operation of the Financial Regulations, which ensure that the College's recognition and use of all funding is regular and proper. FEGP



Committee also receives reports and advises the Corporation on specific conditions of grants such as the impact of COVID-19 on the LEP Digital Engineering Skills Development Network grant in 2020. Teaching, Learning, Quality and Student Experience monitors compliance with quality standards. In 2019/20 the Committee has continued to pay close attention to conditions such as English and maths, raising the standards of A Levels and supporting the action the College is taking to address the 2018/19 notice of breach in minimum standards of apprenticeship provision.

The Corporation ensures that the College makes key returns to the ESFA accurately and on time, including sign-off of the Integrated Finance Model for Colleges (IFMC) in February and July 2020. The three year programme of internal audit tests includes a risk based approach to testing compliance with funding agreements. In 2019/20 included a review of compliance with apprentice funding rules that resulted in recommendations to enhance practices and an assurance review of the College's HESES return which resulted in an opinion of substantial assurance.

*Statement from the audit committee*

The internal audit service completed the internal audit plan that the Audit and Risk Assurance Committee had approved for 2019/20 and an additional review of examinations. The Audit and Risk Assurance Committee has advised the Governing Body that based on all of its work during the year, as summarised in the ARAC Annual Report, the Committee is of the opinion that the College's risk management and control processes for the effective and efficient use of resources (including its arrangements for the management and quality assurance of data) remained adequate and effective during 2019/20.

The specific areas of work undertaken by the audit committee in 2019/20 and up to the date of the approval of the financial statements are:

Meetings	Key Business
18 September 2019	<ul style="list-style-type: none"> <li>• Strategic Risk Register: ARAC received positive assurance that the College is effectively implementing its risk management framework</li> <li>• Progress on Internal Audit and External Audit Recommendations: ARAC received positive assurance on improvements to internal controls at this and each of its termly meetings.</li> <li>• Internal Audit Review reports: Follow-up Audit: ARAC received positive assurance to inform its annual report at this and each of its termly meetings.</li> <li>• Instance of fraud committed against the College 2018/19: ARAC, and external auditors received the report and members assured by the post incident review and measures taken to strengthen controls.</li> <li>• Subcontracting Controls Report 2018/19: ARAC received the report and plan to enhance improvement actions identified</li> <li>• Teachers' Pension Scheme Certification 2018/19: ARAC received the positive assurance provided by the report.</li> <li>• Anti-Bribery Policy and Gifts/goods received by College staff and governors: ARAC recommended approval to the GB of the new policy and received the positive assurance provided by the report on the effective implementation of the anti-corruption policies.</li> <li>• Data Protection Officer's Annual Report 2018/19: ARAC received the positive assurance on the effective implementation of the College's data protection policies.</li> <li>• Anti-Fraud Policy: ARAC recommended approval to the GB of the new policy and requested an update on implementation of training</li> <li>• Treasury Management Policy: ARAC received assurance on the development of a new policy for stewardship of surpluses;</li> <li>• Modern Slavery and Human Trafficking Statement 2018/19: ARAC recommended approval to the GB of the annual policy statement.</li> </ul>
27 November 2019	<ul style="list-style-type: none"> <li>• External Auditor Report – audit highlights, memorandum and management letter: ARAC received assurance and confirmed management action in response to the</li> </ul>

joint meeting with FEGP	<p>improvement recommendations Assurance from the Governing Body committees on management of risks within their remit 2018/19: ARAC received assurance from the GB committees that they had effectively managed the risks within their remit.</p> <ul style="list-style-type: none"> <li>• Internal Audit Annual Report 2018/19: ARAC received positive assurance on completion and findings of the IA Plan for 2018/19.</li> <li>• Internal Audit Review reports: Online Provision; ARAC received reasonable assurance on an additional review for 2018/19</li> <li>• Internal Audit Review reports: Health and Safety: ARAC received partial assurance and approved enhancement action in response to six recommendations.</li> <li>• College’s Control Policies: ARAC received assurance on the College’s policies to ensure compliance with laws and regulations.</li> </ul>
12 February 2020	<ul style="list-style-type: none"> <li>• Internal Audit Review reports: Higher Education Framework – HESES Return: ARAC received substantial assurance on the controls in place to ensure the accuracy of returns with no improvement recommendations.</li> <li>• Apprenticeship Funding Compliance review: ARAC received an advisory review and approved enhancement action in response to two recommendations.</li> <li>• Internal Assurance Map 2019-20: ARAC received the mapping of board assurances against its key risks to inform further planning.</li> <li>• Anti-Fraud Policy update: ARAC received assurance on implementation of the new policy to safeguard the College’s assets.</li> </ul>
10 June 2020	<ul style="list-style-type: none"> <li>• Internal Audit Plan and Internal Audit Fees for 2020-21: ARAC approved the outline plan and the fees in line with the contract.</li> <li>• Internal Audit Review report: English and maths: ARAC received an advisory review and agreed enhancement action in response to three recommendations.</li> <li>• Internal Audit Review report: IT systems integration: ARAC received partial assurance and approved enhancement action in response to five recommendations, including one high priority recommendation.</li> <li>• Internal Audit Review report: Key financial controls – income: ARAC received reasonable assurance and agreed enhancement action in response to four recommendations.</li> <li>• Internal Audit Review report: Human Resources – recruitment: ARAC received reasonable assurance and agreed enhancement action in response to five recommendations.</li> <li>• Internal Audit Review report: Control of Assets (IT): ARAC received substantial assurance with no improvement recommendations.</li> <li>• ARAC agreed that it did not need to commission further assurance for 2019/20.</li> </ul>
21 October 2020	<ul style="list-style-type: none"> <li>• Internal Audit Report: Risk Management: ARAC received reasonable assurance and agreed enhancement action in response to nine recommendations</li> <li>• Internal Audit Report: Examinations review: ARAC received reasonable assurance and agreed enhancement action in response to five recommendations.</li> <li>• Internal Audit Report: Follow-up Audit: ARAC received an opinion of “good progress” and agreed enhancement action in response to five recommendations.</li> <li>• Annual Report of the Internal Audit Service 2019/20: ARAC received assurance that for the 12 months ended 31 July 2020, the College has an adequate and effective framework for risk management, governance and internal control. However the internal audit work identified further enhancements to ensure the framework remains adequate and effective</li> <li>• Other External Assurance: ESF Audit activities 2018/19 and 2019/20</li> <li>• Draft ESFA Regularity Questionnaire 2019-20: ARAC received the draft response and recommended approval to the GB.</li> <li>• Draft Audit and Risk Assurance Committee Annual Report 2019-20: ARAC agreed the opinions subject to receipt of the report on the Financial Statements’ audit.</li> </ul>

### Review of effectiveness

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

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

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

The Executive Leadership Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments. The Executive Leadership Team and Audit and Risk Assurance Committee also receive regular reports from the internal audit service, and other sources of assurance which include recommendations for improvement. The Audit and Risk Assurance Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Executive Leadership Team and the Audit and Risk Assurance Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2020 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2020 by considering documentation from the Executive Leadership Team and internal audit service and taking account of events since 31 July 2020.

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

**Approved by order of the members of the Corporation on 09 December 2020 and signed on its behalf by:**

Seb  
Schmoller

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Schmoller  
Date: 2020.12.09  
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**Seb Schmoller**

*Chair of the Governing Body*

**Angela Foulkes**

*Accounting Officer*

## Statement of Regularity, Propriety and Compliance

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

We confirm on behalf of the corporation that after due enquiry, and to the best of our knowledge, we are able to identify any material irregular or improper use of funds by the corporation, or material non-compliance with the terms and conditions of funding, under the corporation's grant funding agreements and contracts with the ESFA, or any other public funder.

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

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Date: 2020.12.09  
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**Seb Schmoller**

*Chair of the Governing Body  
09 December 2020*

**Angela Foulkes**

*Accounting Officer  
09 December 2020*

## Statement of Responsibilities of the Members of the Corporation

The members of the Corporation are required to present audited financial statements for each financial year. Within the terms and conditions of the College's Grant Funding Agreements and contracts with the ESFA, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the *2019 Statement of Recommended Practice – Accounting for Further and Higher Education* and with the *College Accounts Direction 2019 to 2020* issued by the ESFA, and which give a true and fair view of the state of affairs of the group and the parent College and the result for that year.

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 adequate accounting records which disclose with reasonable accuracy, at any time, the financial position of the parent College, and which enable it to ensure that the financial statements are prepared in accordance with the relevant legislation of incorporation and other relevant accounting standards. It is responsible for 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, and for taking steps that are reasonably open to it in order to safeguard the assets of the group 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 Grant Funding Agreements and contracts with the ESFA and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the group and parent 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 9 December and signed on its behalf by:

**Seb  
Schmoller**  Digitally signed by Seb  
Schmoller  
Date: 2020.12.09  
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**Seb Schmoller**

*Chair of the Governing Body*

## **INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF THE SHEFFIELD COLLEGE**

### **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

#### **Opinion**

We have audited the financial statements of the Sheffield College ("the College") for the year ended 31 July 2020 which comprise the Consolidated and College Statement of Comprehensive Income and Expenditure, Consolidated and College Statement of Changes in Reserves, Consolidated and College Balance Sheets, Consolidated Statement of Cash Flows and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the College's affairs as at 31 July 2020, 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;
- 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 2019 Statement of Recommended Practice – Accounting for Further and Higher Education.; and
- meet the requirements of the Accounts Direction dated 25 October 2019 issued by the Office for Students ('the OfS Accounts Direction').

#### **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**

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

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

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

#### **Other information**

The Corporation is responsible for the other information, which comprises the Members' 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 2019 to 2020 (July 2020) 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 29, 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](http://www.frc.org.uk/auditorsresponsibilities).

## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

We are required to report on the following matters by the OfS Accounts Direction. In our opinion, in all material respects:

- funds from whatever source administered by the Group or the College for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- income has been applied in accordance with the articles of government and



- funds provided by the Office for Students, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and the Department for Education have been applied in accordance with the relevant terms and conditions.

### **Matters on which we are required to report by exception**

We are required by the OfS Accounts Direction to report to you where the College has an access and participation plan that has been approved by the Office for Students' director of fair access and participation and the results of our audit work indicate that the Group's and the College's expenditure on access and participation activities for the financial year disclosed in Note 24 has been materially misstated.

We are also required by the OfS Accounts Direction to report to you where the results of our audit work indicate that the Group's and the College's grant and fee income, as disclosed in Note 2a to the financial statements has been materially misstated.

We have nothing to report in these respects.

### **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.



Debra Chamberlain

**For and on behalf of KPMG LLP, Reporting Accountant Manchester, M2 3AE**

16 December 2020



## **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 (ESFA)**

In accordance with the terms of our engagement letter dated 14 October 2019 and further to the requirements and conditions of funding in ESFA grant funding agreements and contracts, or those of any other public funder, 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 2019 to 31 July 2020 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 ESFA. 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 ESFA or devolved authority has other assurance arrangements in place.

This report is made solely to the corporation of the Sheffield College and the ESFA 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 the ESFA 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 ESFA 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 established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Post-16 Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2019 to 31 July 2020 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 ESFA. 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 2019 to 31 July 2020 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



Debra Chamberlain

**For and on behalf of KPMG LLP, Reporting Accountant Manchester, M2 3AE**

16 December 2020

## Consolidated and College Statements of Comprehensive Income and Expenditure

	Notes	Year ended 31 July		Year ended 31 July	
		2020	2020	2019	2019
		Group	College	Group	College
		£'000	£'000	£'000	£'000
<b>INCOME</b>					
Funding body grants	2	41,850	41,850	39,993	39,993
Tuition fees and education contracts	3	5,692	5,692	6,041	6,041
Other grants and contracts	4	987	987	342	342
Other income	5	1,621	1,443	2,157	2,028
Endowment and investment income	6	60	60	61	61
<b>Total income</b>		<b>50,210</b>	<b>50,032</b>	<b>48,594</b>	<b>48,465</b>
<b>EXPENDITURE</b>					
Staff costs	7	34,086	33,983	32,958	32,865
Other operating expenses	8	11,258	11,247	12,285	12,250
Depreciation	11	3,226	3,226	3,156	3,156
Interest and other finance costs	9	1,625	1,625	1,563	1,563
<b>Total expenditure</b>		<b>50,195</b>	<b>50,081</b>	<b>49,962</b>	<b>49,834</b>
<b>(Deficit)/surplus before other gains and losses</b>		<b>15</b>	<b>(49)</b>	<b>(1,368)</b>	<b>(1,369)</b>
Gain on disposal of assets		40	40	20	20
<b>(Deficit)/surplus before tax</b>		<b>55</b>	<b>(9)</b>	<b>(1,348)</b>	<b>(1,349)</b>
Taxation		-	-	-	-
<b>(Deficit)/surplus for the year</b>		<b>55</b>	<b>(9)</b>	<b>(1,348)</b>	<b>(1,349)</b>
Unrealised surplus on revaluation of assets		-	-	-	-
Actuarial gain/(loss) in respect of pensions schemes		(13,000)	(13,000)	(13,298)	(13,298)
<b>Total Comprehensive Income for the year</b>		<b>(12,945)</b>	<b>(13,009)</b>	<b>(14,646)</b>	<b>(14,647)</b>

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
<b>Group</b>			
<b>Balance at 1st August 2018</b>	66,690	646	67,336
Surplus/(deficit) from the income and expenditure account	(1,348)	-	(1,238)
Other comprehensive income	(13,298)	-	(13,298)
Transfers between revaluation and income and expenditure reserves	-	-	-
<b>Total comprehensive income for the year</b>	<u>(14,646)</u>	<u>-</u>	<u>(14,646)</u>
<b>Balance at 31st July 2019</b>	<u><b>52,044</b></u>	<u><b>646</b></u>	<u><b>52,690</b></u>
Surplus/(deficit) from the income and expenditure account	55	-	55
Other comprehensive income	(13,000)	-	(13,000)
Transfers between revaluation and income and expenditure reserves	-	-	-
<b>Total comprehensive income for the year</b>	<u>(12,945)</u>	<u>-</u>	<u>(12,945)</u>
<b>Balance at 31st July 2020</b>	<u><b>39,099</b></u>	<u><b>646</b></u>	<u><b>39,745</b></u>
<b>College</b>			
<b>Balance at 1st August 2018</b>	66,772	646	67,418
Surplus/(deficit) from the income and expenditure account	(1,349)	-	(1,349)
Other comprehensive income	(13,298)	-	(13,298)
Transfers between revaluation and income and expenditure reserves	-	-	-
<b>Total comprehensive income for the year</b>	<u>(14,647)</u>	<u>-</u>	<u>(14,647)</u>
<b>Balance at 31st July 2019</b>	<u><b>52,125</b></u>	<u><b>646</b></u>	<u><b>52,771</b></u>
Surplus/(deficit) from the income and expenditure account	(9)	-	(9)
Other comprehensive income	(13,000)	-	(13,000)
Transfers between revaluation and income and expenditure reserves	-	-	-
<b>Total comprehensive income for the year</b>	<u>(13,009)</u>	<u>-</u>	<u>(13,009)</u>
<b>Balance at 31st July 2020</b>	<u><b>39,116</b></u>	<u><b>646</b></u>	<u><b>39,762</b></u>

The accompanying notes form part of the financial statements.

## Consolidated and College Balance sheets as at 31 July 2020

	Notes	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
<b>Fixed assets</b>					
Tangible fixed assets	11	98,316	98,314	98,456	98,454
		<b>98,316</b>	<b>98,314</b>	<b>98,456</b>	<b>98,454</b>
<b>Current assets</b>					
Stocks		80	80	24	24
Trade and other receivables	13	2,573	2,659	2,454	2,509
Cash and cash equivalents	18	8,149	8,149	9,825	9,825
		<b>10,802</b>	<b>10,888</b>	<b>12,303</b>	<b>12,358</b>
<b>Less: Creditors – amounts falling due within one year</b>	14	(7,547)	(7,614)	(10,437)	(10,409)
<b>Net current assets</b>		<b>3,255</b>	<b>3,274</b>	<b>1,866</b>	<b>1,949</b>
<b>Total assets less current liabilities</b>		<b>101,571</b>	<b>101,588</b>	<b>100,322</b>	<b>100,403</b>
Less: Creditors – amounts falling due after more than one year	15	(11,657)	(11,657)	(12,867)	(12,867)
<b>Provisions</b>					
Defined benefit obligations	17	(46,559)	(46,559)	(31,335)	(31,335)
Other provisions	17	(3,610)	(3,610)	(3,430)	(3,430)
<b>Total net assets</b>		<b>39,745</b>	<b>39,762</b>	<b>52,690</b>	<b>52,771</b>
<b>Restricted reserves</b>		-	-	-	-
<b>Unrestricted reserves</b>					
Income and expenditure account		39,099	39,116	52,044	52,125
Revaluation reserve		646	646	646	646
<b>Total unrestricted reserves</b>		<b>39,745</b>	<b>39,762</b>	<b>52,690</b>	<b>52,771</b>
<b>Total reserves</b>		<b>39,745</b>	<b>39,762</b>	<b>52,690</b>	<b>52,771</b>

The financial statements on pages 35 to 65 were approved and authorised for issue by the Corporation on 09 December 2020 and were signed on its behalf on that date by:

Seb  
Schmoller

Digitally signed by Seb  
Schmoller  
Date: 2020.12.09  
16:32:09 Z

**Seb Schmoller**  
Chair of Governors  
09 December 2020

*Angela Foulkes*

**Angela Foulkes**  
Accounting Officer  
09 December 2020

The accompanying notes form part of the financial statements.

**Consolidated Statement of Cash Flows**

	Notes	2020	2019
		£'000	£'000
<b>Cash inflow from operating activities</b>			
Surplus/(deficit) for the year		55	(1,348)
<b>Adjustment for non cash items</b>			
Depreciation		3,226	3,156
(Increase)/decrease in stocks		(56)	(2)
(Increase)/decrease in debtors		(124)	(153)
Increase/(decrease) in creditors due within one year		(2,664)	470
Increase/(decrease) in creditors due after one year		(7)	(752)
Increase/(decrease) in provisions		(176)	(190)
Pensions costs less contributions payable		2,578	2,340
Taxation		-	-
<b>Adjustment for investing or financing activities</b>			
Investment income		(60)	(61)
Interest payable		870	1,015
Taxation paid		-	-
Gain on sale of fixed assets		(40)	(20)
<b>Net cash flow from operating activities</b>		<b>3,602</b>	<b>4,455</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of fixed assets		40	20
Disposal of non-current asset investments		-	-
Investment income		65	58
Withdrawal of deposits		-	-
New deposits		-	-
Payments made to acquire fixed assets		(3,434)	(858)
		<b>(3,329)</b>	<b>(780)</b>
<b>Cash flows from financing activities</b>			
Interest paid		(792)	(966)
Interest element of finance lease rental payments		(73)	(58)
New unsecured loans		-	-

Repayments of amounts borrowed		(846)	(831)
Capital element of finance lease rental payments		(238)	(250)
New finance leases		-	685
		<u>(1,949)</u>	<u>(1,420)</u>
<b>Increase / (decrease) in cash and cash equivalents in the year</b>		<b><u>(1,676)</u></b>	<b><u>2,255</u></b>
Cash and cash equivalents at beginning of the year	18	9,825	7,570
Cash and cash equivalents at end of the year	18	8,149	9,825

## 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 2019* (the 2019 FE HE SORP), the *College Accounts Direction for 2019 to 2020* and in accordance with Financial Reporting Standard 102 – “*The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland*” (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

#### Basis of accounting

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

#### Basis of consolidation

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

#### Going concern

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

The financial statements have been prepared on a going concern basis which the Corporation considers to be appropriate for the following reasons.

The Corporation has prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements. After reviewing these forecasts, the Corporation is of the opinion that, taking account of severe but plausible downsides, including the anticipated impact of COVID-19, the College will have sufficient funds to meet its liabilities as they fall due over the period of 12 months from the date of approval of the financial statements (the going concern assessment period).

The College has considered a going concern scenario where the reductions in income or increases in costs in part due to the economic downturn as a result of COVID-19 lead to a breach of AIB and Barclays bank loan covenants. The College has c£1m headroom on the bank loan covenants in 2020/21. Consideration has been given to loss of income streams including Apprenticeships, HE and commercial income. Reductions in



individual income streams would not result in a going concern issue, only if there were combined losses would there be an issue. The College is proactively working with employers and students to recruit new and retain existing Apprentices including accessing Government funding to support Apprentices to complete their studies. The College is successfully delivering blended on-line learning which is enabling students to continue their studies. The College has accessed the Job Retention Scheme to offset loss of commercial income. Pay and non-pay savings and delays to investment plans will, where possible, be made to ensure that the bank loan covenants are not breached.

The College has been successful in securing additional which was not budgeted for including: 14-19 funding for small group tuition, and employer support; and adult funding for sector based work academies and high value courses for 18 and 19 year olds.

In the event that bank loan covenants were likely to be breached, the College would engage early with the lending banks to renegotiate the covenants. Ongoing discussions with the lending banks indicate that they are supportive of the College and understanding of the temporary negative impact of COVID-19. The banks have amended the covenants previously where there is a robust operational plan.

The College currently has £11.9m of loans outstanding with bankers on terms renegotiated in 2015, with amendments to the terms in October 2018. The terms of the existing agreements are for up to another 15 years. There are two AIB bank loans (total £4.866m) that are repayable in December 2021, it is anticipated that they will be rolled over. The College has worked closely with Barclays and AIB to ensure that it provides them with assurance in respect of its financial health and its ability to make loan repayments as they fall due. The banks are supportive of the College and have agreed changes to the covenants attached to the loans to reflect the 2019/20 budget and three-year financial plan. The College is forecasting that it will achieve compliance with its covenants from both banks for the foreseeable future.

There are no post balance sheet events that would impact on liquidity.

Consequently, the Corporation is confident that the College will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

## **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 OfS 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 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 1<sup>st</sup> 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 1<sup>st</sup> August 2014.

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

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

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

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

## **Investments**

### **Investments in subsidiaries**

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

### **Other investments**

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

## **Inventories**

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

## **Cash and cash equivalents**

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

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

## **Financial liabilities and equity**

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

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

### **Foreign currency translation**

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

### **Taxation**

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

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

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

### **Provisions and contingent liabilities**

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

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

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

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

### **Agency arrangements**

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

## Judgements in applying accounting policies and key sources of estimation uncertainty

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

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the group's tangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit. The College does not anticipate that COVID-19 will impact on this judgement because whilst remote working may continue to some staff, the College anticipates increased demand of the College estate to meet future demand for teaching and learning.

### *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 2019 has been used by the actuary in valuing the pensions liability at 31 July 2020. 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.

The volatility in investment markets resulting from the Covid-19 pandemic has been reflected in the FRS102 calculations used in valuing the liability at 31 July 2020. This includes falls in equity markets, as well as lower yields on corporate bonds. The latter is used as a discount factor, with reductions increasing the pension liability.

## 2 Funding body grants

	Year ended 31 July		Year ended 31 July	
	2020	2020	2019	2019
	Group	College	Group	College
	£'000	£'000	£'000	£'000
<b>Recurrent grants</b>				
Education and Skills Funding Agency - adult	8,308	8,308	8,182	8,182
Education and Skills Funding Agency – 16 -18	24,928	24,928	24,860	24,860
Education and Skills Funding Agency - apprenticeships	7,373	7,373	6,299	6,299
Higher Education Funding Council/Office for Students	421	421	549	549
<b>Specific Grants</b>				
Access Funds	82	82	83	83
Teacher Pension Scheme Contribution Grant	719	719	-	-
Education and Skills Funding Agency - Free School Meals	19	19	20	20
<b>Total</b>	<b>41,850</b>	<b>41,850</b>	<b>39,993</b>	<b>39,993</b>

## 2a Funding body grants

	Year ended 31 July		Year ended 31 July	
	2020	2020	2019	2019
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Grant income from the OfS	421	421	549	549
Grant income from other bodies	43,788	43,788	40,986	40,986
Fee income from taught awards (exclusive of VAT)	2,375	2,375	2,605	2,605
Fee income from non-qualifying courses (exclusive of VAT)	1,945	1,945	2,236	2,236
<b>Total</b>	<b>48,529</b>	<b>48,529</b>	<b>46,376</b>	<b>46,376</b>



### 3 Tuition fees and education contracts

	Year ended 31 July		Year ended 31 July	
	2020	2020	2019	2019
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Adult education fees	546	546	696	696
Apprenticeship fees and contracts	59	59	101	101
Fees for FE loan supported courses	1,070	1,070	1,150	1,150
Fees for HE loan supported courses	2,375	2,375	2,605	2,605
International students' fees	270	270	289	289
Total tuition fees	4,320	4,320	4,841	4,841
Education contracts	1,372	1,372	1,200	1,200
<b>Total</b>	<b>5,692</b>	<b>5,692</b>	<b>6,041</b>	<b>6,041</b>

### 4 Other grants and contracts

	Year ended 31 July		Year ended 31 July	
	2020	2020	2019	2019
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Coronavirus Job Retention Scheme grant	124	124	-	-
Other grants and contracts	863	863	342	342
<b>Total</b>	<b>987</b>	<b>987</b>	<b>342</b>	<b>342</b>

The corporation furloughed some of its catering and nursery staff under the government's Coronavirus Job Retention Scheme. The funding received in respect of 40 staff of £124,000 relates to staff costs which are included within the staff costs note below as appropriate.

### 5 Other income

	Year ended 31 July		Year ended 31 July	
	2020	2020	2019	2019
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Catering and residences	592	592	714	714
Other income generating activities	1,029	851	1,443	1,314
<b>Total</b>	<b>1,621</b>	<b>1,443</b>	<b>2,157</b>	<b>2,028</b>

## 6 Investment income

	Year ended 31 July		Year ended 31 July	
	2020	2020	2019	2019
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other interest receivable	60	60	61	61
	<b>60</b>	<b>60</b>	<b>61</b>	<b>61</b>
Net return on pension scheme (note 21)	-	-	-	-
<b>Total</b>	<b>60</b>	<b>60</b>	<b>61</b>	<b>61</b>

## 7 Staff costs - Group and College

The average number of persons (including key management personnel) employed by the College during the year, described as a headcount, was:

	2020	2019
	No.	No.
Teaching staff	394	391
Non-teaching staff	566	602
	<b>960</b>	<b>993</b>

### Staff costs for the above persons

	2020	2019
	£'000	£'000
Wages and salaries	24,492	24,385
Social security costs	2,256	2,174
Other pension costs	6,244	5,632
<b>Payroll sub total</b>	<b>32,992</b>	<b>32,191</b>
Contracted out staffing services	1,050	448
	<b>34,042</b>	<b>32,639</b>
Fundamental restructuring costs - contractual	34	253
non contractual	10	66
<b>Total Staff costs</b>	<b>34,086</b>	<b>32,958</b>

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

## Key Management Personnel

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

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

	2020 No.	2019 No.
The number of key management personnel including the Accounting Officer was:	8	7

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

	Key management personnel		Other staff	
	2020 No.	2019 No.	2020 No.	2019 No.
£50,001 to £55,000	-	1	-	-
£55,001 to £60,000	2	-	-	-
£60,001 to £65,000	-	-	2	-
£65,001 to £70,000	-	1	1	2
£75,001 to £80,000	1	-	-	-
£80,001 to £85,000	-	2	-	-
£85,001 to £90,000	2	1	-	-
£90,001 to £95,000	1	-	-	-
£110,001 to £115,000	-	1	-	-
£115,001 to £120,000	1	-	-	-
£145,001 to £150,000	-	1	-	-
£150,001 to £155,000	1	-	-	-
	8	7	3	2

Key management personnel compensation is made up as follows:

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Basic salary	732	666
Pension contributions	130	108
<b>Total key management personnel compensation</b>	<b>862</b>	<b>774</b>

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

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Basic salary	150	145
Performance related pay and bonus	-	-
Benefits in kind	-	-
Pension contributions	35	24

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

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

The Chief Executive & Principal reports to the Chair of Governors, who undertakes an annual review of her performance against the college's overall objectives using both qualitative and quantitative measures of performance. The College publishes the policy for appraising and remunerating senior post holders approved by the Governing Body and, in line with the AoC Code, publishes an annual report on the process. Under the policy, the Corporation has adopted an agreed pay band for each senior post holder role including the Chief Executive and Principal. The Governing Body has delegated authority to the Search, Remuneration and Governance Committee, meeting confidentially without staff and student members, to apply the policy and determine remuneration for each senior post holder. Annually, using a balanced scorecard approach, the line manager for each senior post holder (the Chair of Governors for the Chief Executive and Principal and Clerk; and the Chief Executive and Principal for other senior post holders) reports to the Search, Governance and Remuneration Committee on the role holder's progress against the agreed balanced scorecard and the outcomes of the annual Go Further Review process, which is the College's performance development and review framework. The Committee considers the appraisal information, the salary range for the role and the AoC Senior Pay Survey data for similar roles in the sector. The Committee also considers if the role holder has undertaken any remunerated external work and the justification for retaining any part of this. Based on this information, the Committee determines whether the role holder will remain on the current pay point within the salary band or be moved to a higher pay point to reflect their development in the role and ongoing contribution to the College. Any changes to the pay points are implemented from the following February. The College does not operate a bonus scheme for senior post holders but does include them in the annual pay award made to all staff.

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

	<b>2020</b>	<b>2019</b>
Chief Executive & Principal's basic salary as a multiple of the median of all staff	605%	602%
Chief Executive & Principal's total remuneration as a multiple of the median of all staff	638%	617%

**Compensation for loss of office paid to former key management personnel**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Compensation paid to the former post-holder - contractual	-	-
Estimated value of other benefits, including provisions for pension benefits	-	-
	<u>-</u>	<u>-</u>

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

**8 Other operating expenses**

	<b>Year ended 31 July</b>		<b>Year ended 31 July</b>	
	<b>2020</b>	<b>2020</b>	<b>2019</b>	<b>2019</b>
	<b>Group</b>	<b>College</b>	<b>Group</b>	<b>College</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Teaching costs	4,689	4,676	4,537	4,551
Non-teaching costs	3,863	3,884	4,978	4,952
Premises costs	2,706	2,687	2,770	2,747
<b>Total</b>	<u><b>11,258</b></u>	<u><b>11,247</b></u>	<u><b>12,285</b></u>	<u><b>12,250</b></u>

<b>Other operating expenses include:</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Auditors' remuneration:		
Financial statements audit*	52	48
Internal audit**	38	33
Other services provided by the financial statements auditors – Corporation Tax Filing***	18	16
Other services provided by the internal auditors	-	-
Hire of assets under operating leases	<u>149</u>	<u>129</u>

\*includes £39,000 in respect of the College (2018/19 £36,000)

\*\*includes £38,000 in respect of the College (2018/19 £33,000)

\*\*\* includes £9,000 in respect of the College (2018/19 £7,000)

## 9 Interest payable - Group and College

	2020 £'000	2019 £'000
On bank loans, overdrafts and other loans:	788	957
	<u>788</u>	<u>957</u>
On finance leases	73	58
Interest on enhanced pensions provisions	69	75
On VAT deferment schemes	9	-
Net interest on defined pension liability (note 21)	686	473
<b>Total</b>	<b><u>1,625</u></b>	<b><u>1,563</u></b>

## 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	Equipment	Assets in the Course of Construction	Total
	Freehold £'000	£'000	£'000	£'000
<b>Cost or valuation</b>				
At 1 August 2019	118,351	11,107	483	129,941
Additions	363	1,534	1,189	3,086
Disposals	(507)	(112)	-	(619)
	<u>118,207</u>	<u>12,529</u>	<u>1,672</u>	<u>132,408</u>
<b>At 31 July 2020</b>	<b>118,207</b>	<b>12,529</b>	<b>1,672</b>	<b>132,408</b>
<b>Depreciation</b>				
At 1 August 2019	22,602	8,883	-	31,485
Charge for the year	2,555	671	-	3,226
Elimination in respect of disposals	(507)	(112)	-	(619)
	<u>24,650</u>	<u>9,442</u>	<u>34,092</u>	<u>34,092</u>
<b>At 31 July 2020</b>	<b>24,650</b>	<b>9,442</b>	<b>34,092</b>	<b>34,092</b>
<b>Net book value at 31 July 2020</b>	<b><u>93,557</u></b>	<b><u>3,087</u></b>	<b><u>1,672</u></b>	<b><u>98,316</u></b>
Net book value at 31 July 2019	95,749	2,224	483	98,456

**11. Tangible fixed assets (College only)**

	Land and buildings	Equipment	Assets in the Course of Construction	Total
	Freehold			
	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>				
At 1 August 2019	118,351	11,069	483	129,903
Additions	363	1,534	1,189	3,086
Disposals	(507)	(112)	-	(619)
<b>At 31 July 2020</b>	<b>118,207</b>	<b>12,491</b>	<b>1,672</b>	<b>132,370</b>
<b>Depreciation</b>				
At 1 August 2019	22,602	8,847	-	31,449
Charge for the year	2,555	671	-	3,226
Elimination in respect of disposals	(507)	(112)	-	(619)
<b>At 31 July 2020</b>	<b>24,650</b>	<b>9,406</b>		<b>34,056</b>
<b>Net book value at 31 July 2020</b>	<b>93,557</b>	<b>3,085</b>	<b>1,672</b>	<b>98,314</b>
Net book value at 31 July 2019	95,749	2,222	483	98,454

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 £447,000 (2018/19 – £749,000) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £301,000 (2018/19 – £226,000).

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

	<b>£'000</b>
Cost	Nil
Aggregate depreciation based on cost	Nil
<b>Net book value based on cost</b>	<b>Nil</b>

**12 Noncurrent 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 supported the registration of The Sheffield College Students Trust, a charity registered in England, number 1146396. The Corporation has the right to nominate trustees and the object of the Trust is to advance education and relieve financial hardship amongst students, potential students and former student of the Sheffield College. The College has no financial liability for the operation of the Trust.

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

### 13 Trade and other receivables

	<b>Group 2020</b>	<b>College 2020</b>	<b>Group 2019</b>	<b>College 2019</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Amounts falling due within one year:				
Trade receivables	582	573	1,074	1,042
Amounts owed by group undertakings	-	95	-	87
Accrued Grant income	476	476	61	61
Prepayments and accrued income	898	898	322	322
Amounts owed by the ESFA	617	617	997	997
<b>Total</b>	<b>2,573</b>	<b>2,659</b>	<b>2,454</b>	<b>2,509</b>

**14 Creditors: amounts falling due within one year**

	<b>Group</b>	<b>College</b>	<b>Group</b>	<b>College</b>
	<b>2020</b>	<b>2020</b>	<b>2019</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Bank loans and overdrafts	960	960	846	846
Obligations under finance leases	228	228	225	225
VAT deferment schemes	487	487	3,188	3,188
Trade payables	3,050	3,091	3,218	3,178
Amounts owed to group undertakings	14	45	17	29
Other taxation and social security	554	549	524	524
Other employment related creditors	756	756	672	672
Accruals and deferred income	1,241	1,241	1,490	1,490
Deferred income - government revenue grants	182	182	182	182
Amounts owed to the ESFA	75	75	75	75
<b>Total</b>	<b>7,547</b>	<b>7,614</b>	<b>10,437</b>	<b>10,409</b>

**15 Creditors: amounts falling due after one year**

	<b>Group</b>	<b>College</b>	<b>Group</b>	<b>College</b>
	<b>2020</b>	<b>2020</b>	<b>2019</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Bank loans	10,907	10,907	11,869	11,869
Obligations under finance leases	750	750	991	991
VAT deferment schemes	-	-	7	7
<b>Total</b>	<b>11,657</b>	<b>11,657</b>	<b>12,867</b>	<b>12,867</b>

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

Bank loans and overdrafts are repayable as follows:

	<b>Group</b>	<b>College</b>	<b>Group</b>	<b>College</b>
	<b>2020</b>	<b>2020</b>	<b>2019</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
In one year or less	960	960	846	846
Between one and two years	971	971	959	959
Between two and five years	2,963	2,963	2,943	2,943
In five years or more	6,973	6,973	7,967	7,967
<b>Total</b>	<b>11,867</b>	<b>11,867</b>	<b>12,715</b>	<b>12,715</b>

A variable rate loan calculated at the 3 month LIBOR rate plus 2.5% repayable by quarterly instalments falling due until 31st December 2021 totalling £1,544,000. This loan is secured on the freehold properties on the Hillsborough Campus. An agreement will have to be reached with the bank during the 12 months prior to the 2021 repayment date over the £1.2m which will be outstanding (repayment or a new termination date agreed).

A variable rate loan calculated at the 3 month LIBOR rate plus 2.5% repayable by quarterly instalments falling due until 1st December 2021 totalling £1,661,000. This loan is secured on the freehold properties on the Hillsborough Campus. An agreement will have to be reached with the bank during the 12 months prior to the 2021 repayment date over the £1.3m which will be outstanding (repayment or a new termination date agreed).

A fixed term loan at a fixed rate of 8.05% repayable by monthly instalments falling due until 24th August 2035 totalling £3,790,000. The loan is secured on the freehold properties on the City, Olive Grove and Peaks Campuses.

A fixed term loan at a fixed rate of 8.19% until 24th August 2020 and thereafter at the variable rate calculated at the 3 month LIBOR rate plus 2.85% repayable by monthly instalments until 24th August 2023 totalling £3,874,000. The loan is secured on the freehold properties on the City, Olive Grove and Peaks Campuses. An agreement will have to be reached with the bank during the 12 months prior to the 2023 repayment date over the £3.1m which will be outstanding (repayment or a new termination date agreed).

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 £1,000,000.

## (b) Finance leases

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

	<b>Group 2020 £'000</b>	<b>College 2020 £'000</b>	<b>Group 2019 £'000</b>	<b>College 2019 £'000</b>
In one year or less	228	228	225	225
Between two and five years	750	750	991	991
<b>Total</b>	<b>978</b>	<b>978</b>	<b>1,216</b>	<b>1,216</b>

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

## 17 Provisions

	<b>Group and College</b>		
	<b>Defined benefit Obligations £'000</b>	<b>Enhanced pensions £'000</b>	<b>Total £'000</b>
At 1 August 2019	31,335	3,430	34,765
Expenditure in the period	2,578	(176)	2,402
Transferred from income and expenditure account	12,646	356	13,002
<b>At 31 July 2020</b>	<b>46,559</b>	<b>3,610</b>	<b>50,169</b>

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

The Enhanced pension provision relates to the College liability to the Teachers' Pension Scheme to fund the estimated future costs of enhanced pensions granted to employees retiring early under the terms of the College's restructuring programmes. This provision has been calculated in accordance with guidance issued by the Education & Skills Funding Agency and the Association of Colleges. The charge to income and expense during the year is £69,000 (2018/19 £75,000). The actuarial gain or loss is recognised in the statement of total recognised gains and losses, during the current period a loss of £354,000 is recognised (2018/19 £353,000 loss). Payments of £245,000 (2018/19 £265,000) have been made against the provision and paid into the scheme during the period.

	<b>2020</b>	<b>2019</b>
Price inflation	2.20%	2.00%
Discount rate	1.30%	2.20%

## 18 Cash and cash equivalents

	<b>At 1 August 2019</b>	<b>Cash flows</b>	<b>Other changes</b>	<b>At 31 July 2020</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cash and cash equivalents	9,825	(1,676)	-	8,149
<b>Total</b>	<b>9,825</b>	<b>(1,676)</b>	<b>-</b>	<b>8,149</b>

## 19 Capital commitments

	<b>Group and College</b>	
	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Commitments contracted for at 31 July	<u>1,682</u>	<u>348</u>

## 20 Lease Obligations

At 31 July 2020 the College had no annual commitments in relation to non-cancellable operating leases.

## 21 Defined benefit obligations

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

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2016 and of the LGPS 31 March 2019.

<b>Total pension cost for the year</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Teachers' Pension Scheme: contributions paid	2,230	1,558
Local Government Pension Scheme:		

Contributions paid	2,040	2,150
FRS 102 (28) charge	1,892	1,867
Charge to the Statement of Comprehensive Income	<u>3,932</u>	<u>4,017</u>
Enhanced pension charge to Statement of Comprehensive Income	69	75
<b>Total Pension Cost for Year</b>	<u><u>6,231</u></u>	<u><u>5,650</u></u>

Contributions amounting to £267,000 (2019: £127,000) were payable to the TPS, and £166,000 (2019: £120,000) to the LGPS - these amounts are included within creditors.

### Teachers' Pension Scheme

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

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

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

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

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

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

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/9). DfE agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2019-20 & 2020-21 academic years.

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 £2,230,000 (2019: £1,558,000).

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

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

### Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by the South Yorkshire Pensions Authority. The total contribution made for the year ended 31 July 2020 was £2.56m, of which employer's contributions totalled £1.93m and employees' contributions totalled £625,000. The agreed contribution rates for future years are 17.7% for the College as the employer, and range from 5.5% to 12.5% for employees depending on salary.

### Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2019 updated to 31 July 2020 by a qualified independent actuary

	At 31 July 2020	At 31 July 2019
Rate of increase in salaries	3.55%	3.45%
Future pensions increases	2.40%	2.30%
Discount rate for scheme liabilities	1.50%	2.10%
Inflation assumption (CPI)	2.30%	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 2020 years	At 31 July 2019 years
<i>Retiring today</i>		
Males	22.40	23.10
Females	25.20	25.90
<i>Retiring in 20 years</i>		
Males	23.90	25.30
Females	27.10	28.30

### Sensitivity analysis

	At 31 July 2020 £'000	At 31 July 2019 £'000
Discount rate +0.1%	44,065	28,696
Mortality assumption – 1 year increase	51,229	33,675
CPI rate +0.1%	49,094	33,478

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

	<b>Fair Value at 31 July 2020 £'000</b>	<b>Fair Value at 31 July 2019 £'000</b>
Equities	47,875	54,165
Government bonds	16,166	14,810
Other bonds	9,223	7,560
Property	8,705	9,010
Cash/liquidity	4,249	3,314
Other	17,409	14,706
<b>Total market value of assets</b>	<b>103,627</b>	<b>103,565</b>
<b>Actual return on plan assets</b>	<b>(1,165)</b>	<b>7,546</b>

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

	<b>2020 £'000</b>	<b>2018 £'000</b>
Fair value of plan assets	103,627	103,565
Present value of plan liabilities	(149,767)	(134,437)
Present value of unfunded liabilities	(419)	(463)
<b>Net pensions (liability)/asset (Note 17)</b>	<b>(46,559)</b>	<b>(31,335)</b>

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

	<b>2020 £'000</b>	<b>2019 £'000</b>
<b>Amounts included in staff costs</b>		
Current service cost	3,630	2,799
<b>Past service cost</b>	<b>282</b>	<b>1,191</b>
<b>Total</b>	<b>3,912</b>	<b>3,990</b>
<b>Amounts included in interest and other finance costs</b>		
Net interest cost	637	435
Administration expenses	49	38
	<b>686</b>	<b>473</b>

Amounts recognised in Other Comprehensive Income



Return on pension plan assets	(2,935)	4,759
Experience losses arising on defined benefit obligations	216	-
Changes in assumptions underlying the present value of plan liabilities	(9,927)	(17,704)
Amount recognised in Other Comprehensive Income	<b>(12,646)</b>	<b>(12,945)</b>

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

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Surplus/(deficit) in scheme at 1 August	(31,335)	(16,050)
Movement in year:		
Current service cost	(3,630)	(2,799)
Employer contributions	2,040	2,150
Past service cost	(282)	(1,191)
Curtailments	(20)	(27)
Net interest on the defined (liability)/asset	(637)	(435)
Administration expenses	(49)	(38)
Actuarial gain or loss	(12,646)	(12,945)
<b>Net defined benefit (liability)/asset at 31 July</b>	<b><u>(46,559)</u></b>	<b><u>(31,335)</u></b>

#### Asset and Liability Reconciliation

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Changes in the present value of defined benefit obligations</b>		
<b>Defined benefit obligations at start of period</b>	134,900	112,357
Current Service cost	3,630	2,799
Interest cost	2,821	3,224
Contributions by Scheme participants	620	597
Experience gains and losses on defined benefit obligations	(216)	-
Changes in financial assumptions	9,927	17,704
Estimated benefits paid	(1,798)	(2,999)
Past Service cost	282	1,191
Curtailments and settlements	20	27
<b>Defined benefit obligations at end of period</b>	<b><u>150,186</u></b>	<b><u>134,900</u></b>

## Reconciliation of Assets

<b>Fair value of plan assets at start of period</b>	103,565	96,307
Interest on plan assets	2,184	2,789
Return on plan assets	(2,935)	4,759
Administration expenses	(49)	(38)
Employer contributions	2,040	2,150
Contributions by Scheme participants	620	597
Estimated benefits paid	(1,798)	(2,999)
<b>Fair value of plan assets at end of period</b>	<b>103,627</b>	<b>103,565</b>

These accounts include a past service cost of £282,000 in respect of the McCloud / Sergeant judgement which ruled that the transitional protection for some members of public service schemes implemented when they were reformed constituted age discrimination. This provision is under 1% of the total scheme liability as at 31 March 2020. The calculation of adjustment to past service costs, £7 billion, arising from the outcome of the Court of Appeal judgment is based on a number of key assumptions including:

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

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

**The Group has updated its approach to setting RPI and CPI inflation in light of the RPI reform proposals published on the 4th September 2019 by the UK Chancellor and UK Statistics Authority. The Group continued to set RPI inflation in line with the market break-even expectations with no adjustment for an inflation risk premium, consistent with the prior year. For CPI, the Group has proposed a long term gap between RPI and CPI of 90 basis points, compared to 120 basis points at the prior year end. The estimated impact of the change in the methodology is approximately a £8.4m increase in the defined benefit obligation in respect of the LGPS scheme.**

## 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 £596; two governors (2019: £385; four governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and conferences in their official capacity. No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year, in relation to their role as Governor (2019: nil).

*Sheffield Hallam University* - a Higher Education institution in which Mr Calvert (Governor) is the Chief Operating Officer. Angela Foulkes (CEO and Governor of The Sheffield College) is a member of the Sheffield Hallam University Governing Body.

Sales transactions in the year amounted to £185,000 (2019 – £211,000), relating to the provision of teaching & training services. The outstanding balance at the year-end was £nil (2019 – £nil)

Purchase transactions in the year amounted to £234,000 (2019 - £279,000), relating to academic validation fees. The outstanding balance at the year-end was £11,000 (2019 - £11,000).

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

Sales transactions in the year amounted to £86,000 (2019 – £159,000), relating to the provision of Financial, Human Resources & Premises services. The outstanding balance at the year-end was £nil (2019 – £500)

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

Purchase transactions in the year amounted to £64,000 (2019 - £39,000), relating to exam fees. The outstanding balance at the year-end was £7,000 (2019 - £nil).

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

Purchase transactions in the year amounted to £8,000 (2019 - £800), relating to training courses & membership fees. The outstanding balance at the year-end was £1,000 (2019 - £nil).

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

Sales transactions in the year amounted to £nil (2019 – £300), relating to the provision of award sponsorship and catering services. The outstanding balance at the year-end was £nil (2019 – £nil)

## 23 Amounts disbursed as agent

	2020 £'000	2019 £'000
<b>Learner support funds</b>		
Funding body grants – hardship support and childcare	800	820
Funding body grants – Advanced Learner Loan Bursaries	182	253
Funding body grants – residential bursaries	-	-
Funding body grants – 16 to 19 Bursary Funding	1,081	1,345
	<b>2,063</b>	<b>2,418</b>
Disbursed to students	(1,963)	(2,321)
Administration costs	(100)	(97)
Balance unspent as at 31 July, included in creditors	-	-

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.

## 24 Access & Participation Expenditure

	2020 Group	2020 College
	£'000	£'000
Access investment (i)	15	15
Financial support to students	14	14
Research and evaluation (relating to access and participation)	1	1
<b>Total</b>	<b>30</b>	<b>30</b>

(i) £15,000 of these costs are already included in the overall staff costs figures included in the financial statements, see note 7

The approved Access and Participation Plan for 2019-2020 is available here:

<https://www.sheffcol.ac.uk/media/editor/Public%20Documents/Access%20%26%20Participation%20Plan%202018-19.pdf>