The Sheffield College

Report of the members of the Corporation and Financial Statements

For the 12 month period from
1 August 2021 to 31 July 2022

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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 2021/22:

Angela Foulkes: Chief Executive & Principal; Accounting Officer

Anita Straffon: Deputy Chief Executive & Deputy Principal

Paul Simpson: Executive Director - People

Alison Shillito: Governance Advisor & Clerk to the Governing Body

Andrew Hartley: Executive Director - Commercial & Operations

Mark Pearson: Executive Director - Strategy & Systems Improvement

Martin Harrison: Executive Director – Finance

Board of Governors

A full list of Governors is given on pages 19 to 21 of these financial statements. Ms A. Shillito acted as Clerk to the Corporation throughout the period.

Professional Advisers

Financial statements and reporting auditors:	MHA MacIntyre Hudson, 2 London Wall Place, London, EC2Y 5AU
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
	Allica Bank Limited, Eldon House, 2-3 Eldon Street, City of London, London, EC2M 7LS
Solicitors:	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 2022.

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 reaffirmed by its Governors in July 2021, are:

'Transforming lives through learning'.

'By 2025 we will be leaders in technical and academic education, creating exceptional opportunities for the communities that we serve to realise their aspirations'.

Implementation of the Strategic Plan 2021-25

Academic year 2021-22 was the first year of the college's strategic plan 2021-25, approved by the Governing Body in March 2021. The financial targets and KPI included in this report relate to the 2021-25 Strategy and the performance scorecard monitored by governors.

During the period, following consultation with staff, students and external stakeholders, the Governing Body agreed a new college strategic plan for 2021-25 with the following strategic ambitions as follows:

- **Learning**: To be recognised as a provider of high quality education and training by our communities and partners.
- **People:** To be a place where people want to work, recognised for our inclusive and aspirational ethos.
- **Partnerships:** To play a leading role locally, regionally and nationally, with a reputation as a strong and reliable partner.
- **Sustainability**: To be a financially and environmentally sustainable organisation.

The college recognises the economic uncertainty that has resulted from COVID-19 and its impact on the college's ability to achieve its strategic objectives. The impact has continued to result in delays in the planned growth in Apprenticeships. The college governors and executives monitored and responded to the risks of operating following the Covid-19 pandemic and 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 2021/22, for the first half of the academic year the college continued to keep in place mitigations to reduce the risk of transmission of COVID-19 and did experience some disruption to its operations due to staff sickness at various points. The college successfully maintained remote learning and working for continuity of the student experience and for professional services functions. Remote working was managed in a measured way to ensure staff and students were supported and kept informed and to optimise the number of students and apprentices who could attend on-campus learning while maintaining social distancing.

OBJECTIVES AND STRATEGY - Implementation of the Strategic Plan 2021-25 (cont.)

The Executive Covid-19 Response Group and College Operations Group managed the continued operation of the college under the oversight of the Governor Covid-19 Group from the start of the financial year through to March 2022, when the situation had changed to no longer require this additional oversight. The Governing Body formally closed the group at its meeting on 30 March 2022.

In September 2021, the college fully opened its campuses to all students to ensure they have the best learning experience after a period of prolonged disruption. The college phased the return of business support staff to campus and has retained remote and flexible working where this remained appropriate to the function and released space for student learning.

Resources

The college has various resources that it can deploy in pursuit of its strategic objectives.
The college employs 987 people (headcount), of whom 427 are teaching staff.

The college provides classroom-based and blended learning to over 14,800 learners each year in a wide range of courses from Entry Level to Level 6, across academic, technical and professional subject areas.

In 2021-22 it had:

- 5,174 16-18 years old classroom-based students;
- 5,199 adult classroom-based students;
- 2,075 apprentices; and
- 485 HE loan-funded students.

The college has £91,015,000 (2021: £52,781,000) of net assets including pension liabilities of £nil (2021: £37,553,000) and long-term debt of £9,033,000 (2021: £6,827,000).

The college has the tangible resources of its campuses at four 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

Success during 2021-22

- National Centre for Diversity FREDIE Awards - Chief Executive's Special Award
- National Centre for Diversity Top 100 Most Inclusive Workplaces 2022 (sixth)
- AoC Beacon Awards runner-up in The National Centre for Diversity Award for Inclusive Learning Leadership category
- AoC Beacon Awards runner-up in The RCU Award for Support for Students category
- AoC Beacon finalists - National Centre for Diversity Award for Inclusive Learning Leadership and the RCU Award for Support for Students categories
- Educate North Awards - winner of the Employer Engagement FE/HE sector award
- Educate North Awards - commended in the innovation and social mobility categories

OBJECTIVES AND STRATEGY - Success During 2021-22 (cont.)

- Craft Guilds of Chefs Awards - Chef Lecturer Award finalist
- Alliance for Bakery Students and Trainees competitions
- Nestlé Toque d'Or Grand Final shortlisting
- Zest Quest Asia 2022 winners
- Zest Quest Asia - winner
- Zest Quest Asia Tilda Challenge 2022 - winner
- Awarded Google Reference College

16-18 provision has increased from the previous year with a continued focus on vocational provision and a strong focus on the Sixth Form Centre provision for A Level students.

For the Adult Education Budget, 2021-22 was the first year of a devolved allocation to the South Yorkshire Mayoral Combined Authority. The grant element has been delivered at an increased level to prior years which were impacted heavily by the COVID 19 pandemic restrictions.

The college's apprenticeship provision grew significantly from 2018-19 (£6,299,000) to 2019-20 (£7,373,000) after the introduction of the Apprenticeship Levy. However, for 2020-21 the impact of Covid-19 has resulted in a reduction of income to £5,982,000 due to the March and November 2020 lockdowns and continued disruption resulting in employers delaying recruiting apprentices and further decreases in 2021-22 to £5,612,000. For 2020-21 the published achievement rate of 63% compares favourably with the sector average of 58%. The college continues to work as a lead college in the Collab Group of colleges servicing some national apprenticeship contracts with large apprenticeship levy payers including Kier and Tarmac.

Stakeholder engagement

The Sheffield College is very conscious of the importance of working with key stakeholders for the benefit of its students and the wider community. The college 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 for Education, the South Yorkshire Mayoral Combined Authority, its banks (Barclays Bank and AIB) and pension authorities (Teachers' Pension Scheme, South Yorkshire Pension Authority and NEST).

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

- Local Enterprise Partnership
- Local Authorities - Sheffield, Rotherham, Barnsley, Doncaster and the South Yorkshire Mayoral Combined Authority
- The University of Sheffield and Sheffield Hallam University
- Local and national employers such as Sheffield Teaching Hospitals NHS Foundation Trust, Sheffield Children's Hospital, Kier Group, Sheffield Forgemasters
- Local schools and the Sheffield UTC Academy Trust
- Employer groups
- Voluntary organisations
- Professional bodies
- Other FE institutions

OBJECTIVES AND STRATEGY – Stakeholder engagement (cont.)

- Staff and their trade unions. The recognised 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 19 to 21.

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 over 14,000 students, including 334 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
- Adjusting its courses to meet the needs of local employers and providing training to 2,075 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. The latest survey of our students showed that 94% of the college's young FE students and 89% of adult FE students, who completed their course in 2020-21, progressed positively to employment, further or higher study, or an apprenticeship in 2021-22.
- 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.

DEVELOPMENT AND PERFORMANCE

Financial results

The Group generated an operating deficit before other gains and losses in the year of £3,744,000 (2020/21 - operating surplus of £224,000) with a total comprehensive gain of £38,166,000 (2020/21 - £13,020,000 total comprehensive gain).

Performance was significantly impacted by the COVID-19 pandemic resulting in fewer adult students engaging in learning and fewer apprentices which has impacted on income received. Compared to the previous year there have also been significantly lower levels of capital grant income received in the year. More time on campus has meant that costs of delivery have increased from the previous year due to higher energy costs. This is an area of concern for the Group as a whole as price increases for energy are prevalent with the college expecting some increases from April 2023 once the current contractual arrangement expires. Investment has also continued in staff with a pay award offer in 2021/22 provided, despite the challenges of the financial position. Investment in teaching staff resource and IT and equipment investment to improve the quality of teaching and learning has continued.

There is an actuarial gain of £41,910,000 in respect of Pension Schemes (2020/21 - £12,794,000 gain). This is due to the discount rate applied to the LGPS and the initial FRS102 actuarial report from Hymans Robertson LLP showing that at 31 July 2022 the group held net current assets of £6,161,000 and net assets of £90,554,000.

In addition to the annual valuation there is also a 'triennial valuation' of the scheme that is being undertaken in 2022, although the valuation date is the 31 March, and this valuation will decide the future rates at which the college will pay primary and secondary contributions. As noted above the annual valuation shows that the college was in a 'net asset' position as at 31 July 2022 of £6,120,000. When this occurs we are required to assess the basis for including an asset on the balance sheet against the FRS102 criteria, this being "An entity shall recognise the plan surplus as a defined benefit plan asset only to the extent that it is able to recover the surplus either through reduced contributions in the future of refunds from the plan." In using the word "shall" the emphasis is placed upon the college to consider the value of such an asset rather than whether an asset should be recognised in the first instance. Accordingly, the college must now consider the value at which they can benefit from either (1) reduced contributions or (2) refunds from the plan.

In recent years, the college has been receiving refunds in respect of Secondary contributions. However, the college has been informed that these refunds will cease in March 2023 and as such will be likely to start making contributions to the scheme once more. Secondly, in order to identify the possible value of a refund from the scheme the college has received this position based upon a 'Gifts Cessation Basis' and has concluded that no refund would be due. Accordingly, the college has made an impairment charge on the asset reducing the net position at the year ended 31 July 2022 to £nil. Therefore, no defined benefit pension liability is included.

The prior-year closure of the college campuses, due to Covid-19 and limited reopening in the summer term for student face to face delivery, examinations and end point assessments have had an impact on the college's financial performance. Income reduced by £1,316,000 and was offset by a reduction in non-pay costs compared to budget. There were reductions in income from apprenticeships of £465,000 (due to delays in achievement and fewer new starts), and under delivery in relation to nursery £143,000, advanced learner loans £157,000, and full cost and co-funded courses £262,000. Savings resulted from reduced curriculum delivery costs including sub-contracting, reductions, refunds and deferrals of exam sittings and associated costs, reduced catering costs, and lower printing costs.

Delays in the approval of subcontracted provision by the South Yorkshire Mayoral Combined Authority resulted in the under achievement of the Devolved Adult Education Budget of £650,000.

DEVELOPMENT AND PERFORMANCE (cont.)

Cash flow and liquidity

The Group realised a net cash inflow on operating activities of £10,244,000 during 2021-22 (compared to a net cash inflow of £8,647,000 in 2020/21). The net increase in the college's cash position for the year ending 31 July 2022 was £5,155,000 (compared to a net cash increase of £1,451,000 for the year ending 31 July 2021).

The college's Debt service covenant was met during the year.

Developments

Tangible fixed asset additions during the year amounted to £3,545,000 which was in respect of equipment and building works. The additional figure includes £615,000 relating to a Digital Engineering Skills project which is being 80% funded by the Local Education Partnership ('LEP').

The college continued to reduce its bank loans through agreed repayments during the year by £855,000 (£958,000 2020/2021). Three loans with the Allied Irish Bank (AIB) were refinanced in December 2021 into a consolidated single loan which was subsequently transferred to Allica Bank by AIB.

Reserves

The Group has unrestricted reserves of £90,931,000 comprising income and expenditure reserves of £90,285,000 (2021: £52,119,000) and revaluation reserves of £646,000. It has cash and short-term investment balances of £14,755,000, some £2,885,000 of which related to the Lennartz creditor, which is being held pending resolution with HMRC.

Reserves policy

The College has adopted a formal Reserves Policy which considers the ability to remain a going concern in the eventuality that significant events occur. These are assessed on a risk basis relating to the College risk register and assurance map. This considers the current working capital requirements for the College to continue operating alongside future capital investment and the ability to meet future liabilities occurring. High and low likelihoods of events occurring are given consideration. The levels of reserve required are a range of £4,665,000 to £14,659,000. It is the Corporation's intention to generate annual operating surpluses and associated net positive cash flow to fund reinvestment back into the college for the benefit of students, potential students and the local communities that it serves.

Sources of income

The college continues to be reliant upon the education sector's funding bodies for its principal sources of funding, largely from recurrent grants. In 2021-22 the ESFA provided 65% of the college's total income. With the inclusion of the funds for the Adult Education Budget from the South Yorkshire Mayoral Combined Authority this value is 82% which compares to a value of 82% in 2020/21.

The college continues to recruit students to a wide range of courses and levels despite Covid-19. Whilst the pandemic has affected the ability for employers to continue to support apprentices, the college is working with Government to access funding to ensure that apprentices complete their studies. The college is also actively working with local authorities including the South Yorkshire Mayoral Combined Authority to identify opportunities to increase the scale of adult skills provision to support people affected by the economic downturn to retrain and upskill.

DEVELOPMENT AND PERFORMANCE (cont.)

Group companies

The Sheffield College has three wholly owned subsidiary companies:

- Sparks Managed Services Ltd incorporated in 2011 (registered number 07490897), this company provides staff for nursery, cleaning, catering, and facilities, services to the college and Sheffield UTC Academy Trust. In the financial year ending 31 July 2022, this company broke even.
- Sparks Teaching Services Ltd incorporated in 2012 (registered number 08087248), this company provides temporary teaching and other staff to the college. In the financial year ending 31 July 2022, this company broke even.
- Sparks Solutions Ltd incorporated in 2014 (registered number 08857469), this company provides marketing, and business development services to the college. In the financial year ending 31 July 2022, this company broke even.

The college sponsors UTC Sheffield Academy Trust, a multi-academy trust operating three university technical colleges, two located in Sheffield and one in Derby. These specialise in engineering and advanced manufacturing and creative and digital industries at its Sheffield City site, sport, health and computing at the Sheffield Olympic Legacy Park site and health, science and engineering & manufacturing at its 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.

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 £2,450,000 to be invested in 2022-23.

The College is being supported with a bid from the DfE for T-Level delivery in Health and Social Care as well as locally through the Strategic Development Fund.

During 2021-22, the college continued to 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 South Yorkshire Mayoral Combined Authority.

Financial Plan 2021-24

The college governors approved a three-year Financial Plan in July 2022 which sets corporate objectives to 2023-24. The Financial Plan to 2023-24 is 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. There is a reduction in the amount of Adult Education Budget due to the devolved funding being rebased back to 2018-19 levels which is a net reduction in excess of £1.5m for the college. The outcome of a bid for the extra funds is awaited. The cost base will be managed to ensure that the college's budget is met and that cash flows are sufficient to fund the planned activity.

The ESFA has allocated £33,054,000 to the college for 16-19 year old learners in 2022-23. This amount includes the 16-19 Tuition Fund which the college will use to support eligible students.

FUTURE PROSPECTS (cont.)

The college will also receive £8,757,000 for adult education provision in 2022-23 and £486,000 for Non-Levy apprenticeship delivery.

The college has also identified a potential Advanced Learning Loans allocation of £1,299,000 for 2022-23 which can be claimed on delivery of the associated programmes to students.

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 during the life of the current Financial Plan for 2021-2024 and will continue to make its banking loan repayments accordingly. A loan with Barclays Bank plc which expires during 2023-24 is in the process of being renewed.

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, based upon assurances from the Audit and Risk Assurance Committee, which is the designated risk committee that monitors the college's response to significant risk. The college's Internal Audit Service (which independently monitors and reviews the risk management system) and the Executive Leadership Team (which has overall responsibility for the management, administration and implementation of the 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 the Internal Audit Service 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 several 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. The task group and Executive Leadership Team arrangements formally were stood down in March 2022.

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.

PRINCIPAL RISK AND UNCERTAINTIES (cont.)

Risk to 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 2021-24 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 that cash flows are sufficient to fund the college's planned activity. The introduction of more detailed financial reporting, 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 rising costs (with specific reference to energy costs and the cost of living crisis) alongside economic uncertainty upon the college's activities is being monitored and the Corporation does not believe that this will impact on being a going concern.

Risk to college quality of provision and student outcomes

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

In October 2020, Ofsted conducted an Interim Visit where qualitative feedback provided acknowledgement of the positive steps that the college had taken to ensure that students were able to continue to engage with their learning during the pandemic. A subsequent Progress Monitoring Visit in February 2021 also confirmed that the college was making progress whilst observing the positive actions that had been taken to ensure that students were appropriately supported and equipped to continue to participate in learning and assessment activities noting the following:

- Leaders have continued to prioritise aligning their provision with the needs of employers across the Sheffield City Region. Employer-led skills academies across several of the curriculum areas in the college help learners to gain an improved understanding of the skills and knowledge that they will need in their chosen careers
- Staff provide effective careers information, advice and guidance which enables learners to make informed choices about their future careers
- Leaders continue to focus closely on improving the quality of education. Leaders and managers use the college's quality assurance processes effectively to evaluate teachers' performance and improve their skills
- Learners find their learning enjoyable and suitably challenging
- Development actions taken in 2020/2021 further improved the student outcomes, as a result the Overall Achievement rates improved by 2 percentage points (pp) including a 2pp pass rate improvement for 16-18 years old and a 3pp pass rate for 19+ students

Risk to minimum standards for Apprenticeship outcomes

As a result of deterioration in the outcomes for Apprentices across its faculties, the college failed to meet minimum standards for Apprenticeship outcomes in 2018/19. The Executive Leadership Team devised an improvement plan to address the decline in apprentice retention and achievement. The Governing Body and the ESFA have monitored the implementation of the plan and the college's progress throughout 2020-21 at regular meetings. As a result, apprentice retention and achievement have improved and in August 2021, the ESFA confirmed that the college had been released from the additional monitoring conditions attached to the breach.

KEY PERFORMANCE INDICATORS (KPIs)

Financial health

In 2021-22, the college achieved a rating of 'Outstanding' under the ESFA's financial health assessment.

During 2021-22, the following KPIs were used to measure delivery of the financial objectives:

Financial Objective	Met or not met	Measure
To produce a 3-year plan that has an operating surplus (EBITDA education specific) of >7% as a % of income.	Met	10.2% forecast for 2023/24
Maintain a liquidity forecast over a rolling 12-month period of a minimum £2m	Met	Minimum headroom vs month end cash balance covenant >£10m in the period to July 2024
Ensure staffing to income ratio (excl. subcontracting income) for the college of less than 65%	Not met	67% for 21/22
Performance against covenants	Met	Headroom of £2.9m against Debt Service and £0.9m against Operational Gearing covenants for 21/22
Deliver the budget with agreed surplus	Met	Operating Deficit (£3.7m) vs Budgeted deficit of (£3.7m)

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 2021-22, students at the college had an overall achievement rate for education and training of 84% (88% in 2020-21). The achievement rate for 16-18 students was 75% and for 19+ students was 91%. The apprenticeship achievement rate was 64%. Despite the above average rates of unemployment in the region, the proportion of the college's young students who progress into education, employment or training after their studies is high at 94%.

KEY PERFORMANCE INDICATORS (KPIs) (cont.)

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 60 days is 95%. During the accounting period 1 August 2021 to 31 July 2022, the college paid 95.1% of its invoices within 60 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 its community are treated with fairness and respect. To this end, the College has been working with the National Centre for Diversity for over three years, achieving Investors in Diversity in June 2020 and Leaders in Diversity in July 2021. Building on these achievements, the college continues to further develop its EDI culture driven by the FREDIE values of Fairness, Respect, Equality, Diversity, Inclusion and Engagement. 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. In 2021-2022, the college became a College of Sanctuary, remained a Leader in Diversity and was ranked 6th in the National Centre for Diversity's Most Inclusive Workplace Index 2021-22. The college publishes its annual EDI Report on its website at https://www.sheffcol.ac.uk/equality-diversity-and-inclusion.

The college works in an inclusive way with its local communities and one of its 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. Working with employers in the city to develop their skills and supporting local charities. The college works to identify underperformance by individuals and groups and to remove barriers. It seeks to ensure that all students reach their potential, and that equality gaps in recruitment, retention, achievement, and progression, including to external destinations to the college, are narrowed and eradicated.

The college's Equality Scheme is aligned to the Equality Act 2010. The college's commitment to work within the remit of the Act and to fulfil its duties is published on its website within an Equality & Diversity Annual Report. Every December, the college publishes its progress towards the college's Equality Objectives including the previous academic year's student outcomes (specifically identifying any equality gaps), and information about its student and staff communities.

The college is a 'Disability Confident Leader', recognised for promoting a disability confident culture in the workplace and 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 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, the college makes reasonable adjustments to support them, to ensure that any barriers have been removed and that they 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.

EQUALITY & DIVERSITY (cont.)

The college has re-pledged to the TUC's Dying to Work Charter which sets out an agreed way in which all employees should be 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. Its 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
- The college has SEND Support Managers at each campus who provide information, advice and arrange support where necessary for students with disabilities. The college makes a range of specialist equipment available to students and a variety of assistive technologies are available in its Learning Resource Centres
- The Student Charter outlines the college's commitments for all students, including to those with disabilities. For example, it outlines the commitment to provide relevant, accessible and supportive opportunities for all
- 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 several 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's 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:

Number of employees who were relevant union officials in the 2021-22	FTE employee number
12	10.9

Percentage of working hours spent on facility time:

Percentage of time spent on facility time	Number of employees
0%	975
1-50%	12
51-99%	0
100%	0

Percentage of pay bill spent on facility time:

Total cost of facility time	£25,257
Total pay bill	£29,517,345
Percentage of total bill spent on facility time	0.09%

Paid trade union activities:

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

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 £10.1m of loans outstanding with bankers on terms renegotiated in 2015 and 2021. The terms of the existing agreements are for up to another 13 years. The college has worked closely with Barclays, AIB and Allica Bank 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 next 12 months to December 2023.

After making appropriate enquiries the Corporation considers that the college has adequate resources to continue in operational existence for the next 12 months to December 2023. The college has prepared a Financial Plan up to and including the 2023-24 financial year, which was approved by the Governing Body on 13 July 2022. During the year the college has worked towards achieving its Strategic Plan 2021-2025 which was formally approved by the Governing Body on the 7 July 2021.

GOING CONCERN (cont.)

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. It believes that there are opportunities which flow from Devolution and is working with the South Yorkshire Mayoral Combined Authority to identify the areas where it can deliver teaching and learning to support economic growth. The current position is that whilst 16-18 income is in line with the Strategic 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 refining 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. 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 the cost of living crisis and slow economic growth 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. The college governors and executive will continue to monitor and respond to the risks of operating during this challenging period 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. Further work is ongoing to reduce exposure to rising costs and make improvements as it moves forward on a more sustainable basis. The college has adapted to working remotely for both delivery of teaching and learning and undertaking administrative processes alongside working on site. Being able to deal with some of the immediate issues means that the college does not believe that there will be an impact on it remaining a going concern.

EVENTS AFTER THE REPORTING PERIOD

Following a review by the Office for National Statistics, it has been formally announced on 29 November 2022 that FE Colleges and their subsidiaries will be reclassified as forming part of the central government sector. This reclassification will change the framework in which the college operates. Having reviewed initial guidance from the Department of Education and the Association of Colleges the Governors do not believe this reclassification has an impact on the financial results prepared within these financial statements as conditions arose after the end of the reporting period. The college will continue to be funded and operate in the manner described within the members report and as such no adjustments have been made in regard to this event and any potential impacts will be recognised in future accounting periods.

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 14 December 2022 and signed on its behalf by:

John Mothersole
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 2021 to 31 July 2022 and up to the date of approval of the annual report and financial statements.

Whilst not having adopted the UK Corporate Governance Code 2016 the college has due regard to its principles and guidance.

The Governance Framework

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"), conforming to those provisions which are qualified by the term 'must' and having regard for the remainder of the provisions.

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 for English Colleges (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 also ensured that its governance arrangements comply with additional conditions of registration with the Office for Students, including its arrangements for remunerating senior staff.

The college is an exempt charity within the meaning of Part 3 of the Charities Act 2011. College 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.

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.

Governors can take independent professional advice in furtherance of their duties at the college's expense and have access to the Governance Advisor and Clerk to the Corporation (the Clerk), 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. The Clerk reports to the Chair of the Corporation for all governance matters to help assure the Clerk's independence.

The Clerk 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.

Formal agenda, 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.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONT.)

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 2021-22	Attendance for 2021-22
Matthew Ainsworth	9/12/2021	To 31/7/2023		Current	Governing Body Audit and Risk Assurance	100% 100%
Holly Anderson	01/11/2020 Re-elected for a further term	2 years + 2 years		Current	Governing Body Finance, Employment and General Purposes	80% 60%
Gwyn Arnold	01/09/2017 second term approved until 31/07/2023	4 years + 2 years		Current	Governing Body Audit and Risk Assurance Search, Remuneration and Governance (Chair for remuneration business) Teaching, Learning, Quality and Student Experience	100% 100% 100% 75%
Novaya Bedward-Makanjuola (Student)	01/08/2021	1 year	31/07/2022	Retired	Governing Body Finance, Employment and General Purposes Teaching, Learning, Quality and Student Experience	40% 40% 75%
Stephen Betts	01/01/2019	4 years	23/5/2022	Resigned	Governing Body Teaching, Learning, Quality and Student Experience	25% 0%
Peter Brooks	23/01/2019 (initial term extended to 31/7/23)	4 years		Current	Governing Body Finance, Employment and General Purposes Teaching, Learning, Quality and Student Experience	80% 80% 75%
Richard Calvert	1/08/2018	4 years	31/3/2022	Resigned	Governing Body Finance, Employment and General Purposes	50% 0%

Ian Falconer	18/01/2018 reappointed for a second term to 31/07/2026	4 years + 4 years		Current	Governing Body Audit & Risk Assurance (Chair) Search, Remuneration and Governance	100% 100% 100%
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%
Dr Sam Giove	01/04/2022	To 31/07/2024		Current	Governing Body	100%
Dr Beri Hare	01/09/2017	4 years + 4 years		Current	Governing Body Teaching, Learning, Quality and Student Experience (Chair) Finance, Employment and General Purposes Search, Remuneration and Governance	100% 100% 80% 100%
Stephan Hollingshead	1/08/2018 reappointed for second term to 31/07/2026	4 years + 4 years		Current	Governing Body Finance, Employment and General Purposes Search, Remuneration and Governance Committee	80% 80% 100%
David MacDougall	01/01/2022	To 31/07/2023		Current	Governing Body Audit & Risk Assurance	100% 0%
Sol Miah	1/08/2020 first term extended to 31/07/2024	2 years + 2 years		Current	Governing Body Audit and Risk Assurance Teaching, Learning, Quality and Student Experience	100% 100% 75%
Dick Moore	01/04/2021	2 years	19/09/2021	Resigned	Governing Body	n/a
John Mothersole	5/02/2020	To 31/07/23		Chair of Governing Body	Governing Body Finance, Employment and General Purposes	100% 80%

					Search, Remuneration and Governance Committee Teaching, Learning, Quality and Student Experience	100% 100%
Saleem Rashid (Staff)	05/03/2017 re-elected to 31/7/2024	2 years + 1 year + 2 years + 2 years		Current	Governing Body Audit and Risk Assurance Search, Remuneration and Governance	80% 25% 100%
Paul Senior	01/01/2022	To 31/7/2023		Current	Governing Body Finance, Employment and General Purposes	100% 100%
Steven Spence (Staff)	01/11/2020	2 years	31/07/2022	Retired	Governing Body Teaching, Learning, Quality and Student Experience	80% 100%
John Timms	01/09/2012 (Re-appointed 14/03/2016 and term exceptionally extended to 31/7/2022)	4 years + 4 years + 2 years	31/07/2022	Retired	Governing Body Teaching, Learning, Quality and Student Experience	100% 75%

The following Members were appointed/reappointed/resigned during the period 1 August 2021 to 31 July 2022

i. Novaya Bedward-Makanjuola was elected as a student governor with effect from 01/08/2021 following her election to serve for one year as President of the Sheffield College Students' Union and retired on 31/7/2022
ii. Richard Moore resigned with effect from 19/09/2021
iii. Mat Ainsworth was appointed as a college governor with effect from 09/12/2021 to 31/07/2023 following selection via the Search, Remuneration and Governance Committee and prior service as a co-opted member of the Audit and Risk Assurance Committee from 01/08/2020
iv. David MacDougall was appointed as a college governor with effect from 01/01/2022 to 31/07/2023 following selection via the Search, Remuneration and Governance Committee
v. Paul Senior was appointed as a college governor with effect from 01/01/2022 to 31/07/2023 following selection via the Search, Remuneration and Governance Committee
vi. Richard Calvert resigned with effect from 31/03/2022
vii. Dr Samantha Giove was appointed as a college governor with effect from 01/04/2022 for a two year period following selection via the Search, Remuneration and Governance Committee
viii. Ian Falconer was reappointed as a college governor for a second term of four years with effect from 01/08/2022 to 31/07/2026
ix. Stephan Hollingshead was reappointed as a college governor for a second term of four years with effect from 01/08/2022 to 31/07/2026
x. Sol Miah's initial term of appointment was extended to 31/07/2024
xi. John Timms completed his extended period of office and retired on 31/07/2022

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONT.)

xii. Steven Spence retired as a staff governor on 31/7/2022.

The following Members were appointed/re-appointed/resigned during the period following 31 July 2022 up to the date of approval of the annual report and financial statements

i. Phil Wymer was elected as a staff governor and appointed with effect from 01/08/2022 until 31/07/2024

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

Appointments to the Corporation

The new staff governor election process, including online elections run independently by Engage-UK, resulted in the re-appointment of two staff governors and the appointment of one new staff governor from 1 August 2022 to 31 July 2024.

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. Search, Remuneration and Governance Committee (SRG) is responsible for the selection and nomination of any new appointment 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.

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. In 2021-22, the Corporation had one governor, John Timms, Vice Chair of Governing Body, who had served longer than eight years. The Corporation approved an extension of appointment exceptionally as being in the best interests of the college to provide continuity during the election and induction of a new Chair of Governing Body and to mitigate the impact of the pandemic on governor recruitment.

Following the advice of an External Board Review in 2020, the Corporation adopted a new Governor Appointment and Reappointment Policy in March 2021 to ensure that the board maintained an appropriate balance of skills and experience, for orderly succession and to promote college values of diversity and inclusion by the board. To achieve this, the policy includes the following provisions:

- A new person specification with appropriate personal attributes and values to ensure that the role is attractive and accessible to diverse candidates
- a wider list of contacts and advertising locations to promote vacancies, including via social media
- anonymised shortlisting
- a revised governor expenses policy, which includes carer costs incurred in order to fulfil governor duties.

Governance structure

The Corporation conducts its business through four standing committees. Each committee has terms of reference, which have been approved by the Corporation. In 2021-22, these committees were Audit and Risk Assurance; Finance, Employment and General Purposes; Teaching, Learning, Quality and Student Experience; and Search, Remuneration and Governance. There is also 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 Governance Advisor and Clerk to the Governing Body at The Sheffield College, Granville Road, Sheffield, S2 2RL.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONT.)

Audit and Risk Assurance Committee

The Audit and Risk Assurance Committee comprised Ian Falconer (Chair), Matthew Ainsworth (initially co-opted to the committee and as a governor member from 9 December 2021), Gwyn Arnold, Sol Miah and Saleem Rashid. The Accounting Officer and Chair are excluded from membership. The committee continues to include a staff governor member as the committee finds the insight of an active staff governor member valuable and manages the potential conflict of interest through existing processes.

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. It summarises its work in an Annual Report to the Corporation.

The 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. Four meetings took place in 2021-22 and attendance can be found in the table above. The committee also receives and considers documents and reports from the main FE funding bodies, as they affect the college's business.

In September 2021, all members of Audit and Risk Assurance Committee and the Clerk attended an online training workshop, provided for Yorkshire region members of AoC in association with RSM LLP and Stone King LLP. The workshop covered the role of the audit committee, changes to the Audit Code of Practice and benchmarking with other colleges on key sector risks.

Finance Employment and General Purposes Committee

The Finance, Employment and General Purposes Committee comprised Stephan Hollingshead (Chair), Peter Brooks (Vice Chair), Holly Anderson, Novaya Bedward-Makanjuola, Richard Calvert (until 31/3/2022), Angela Foulkes, Beri Hare, John Mothersole and Paul Senior (from 1 January 2022).

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 at least termly.

Teaching, Learning, Quality and Student Experience Committee

The Teaching, Learning, Quality and Student Experience Committee comprised the following members, Beri Hare (Chair), Stephen Betts (Vice Chair), Gwyn Arnold, Novaya Bedward-Makanjuola, Peter Brooks, Angela Foulkes, Sol Miah, John Mothersole, Paul Senior (from 1 January 2022) and Steven Spence.

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 for education and training, as well as monitoring quality standards and the college's plans for continuous improvement. The committee meets four times per year.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONT.)

Search, Remuneration and Governance Committee

The Search, Remuneration and Governance Committee comprised the following members John Mothersole (Chair), Gwyn Arnold (Vice Chair and chair of remuneration business), Ian Falconer, Angela Foulkes, Beri Hare, Stephan Hollingshead, and Saleem Rashid.

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 twice a year with additional meetings to shortlist and interview candidates, as required. The committee aims to attract and recruit outstanding individuals who 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 the Corporation's 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.

Search

In Autumn 2021, the committee made a public call for expressions of interest to fill vacancies arising mid-year. Through succession planning, the committee identified the specialisms that the Board should prioritise in recruiting new governors that complemented the existing skills mix of the Board and brought knowledge of how the college is meeting local employment needs in at least one of its priority sectors. In line with the college's equality objectives, the recruitment campaign was explicit in strongly welcoming applications from people with Black, Asian and Minority Ethnic heritage to strengthen board diversity. The Board appointed an existing co-opted member to one vacancy and is continuing to search for an outstanding individual to bring additional senior expertise in FE and skills sector leadership.

Remuneration

The Corporation adopted the AoC Senior Staff Remuneration Code in March 2019 and incorporated the requirements into the college's Appraisal and Remuneration-setting process for Senior Post Holders. Throughout the year ending 31 July 2022, the five independent members of the Search, Remuneration and Governance Committee performed the functions of a remuneration committee on behalf of the Corporation, 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 committee advises the Corporation on a framework for the remuneration for Senior Post Holders in line with the principles in the AoC Senior Staff Remuneration Code, and determines, on behalf of the Corporation and within the approved framework, the remuneration and benefits of the Chief Executive and Principal and other key management personnel.

The independent members of the committee met on 3 November 2021 to review performance and agree remuneration for 2021-22. 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 2021 and 31 July 2022 are set out in note 7 to the financial statements and the college publishes an annual report on senior staff remuneration on its website.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONT.)

Corporation performance

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

- A corporate annual self-assessment of regularity and 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 adequate and effective
- An annual self-assessment by the Corporation of compliance with the Code of Good Governance for English Colleges, 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 autumn 2020 judged that the college's governance is effective and having a positive impact on the college improving its education provision. Some aspects of its practice were judged as highly effective. The main recommendations of the external review to increase the impact and effectiveness of college governance were to have shorter more focused reporting, review the size of the Corporation and the balance between committee and board meetings and the ambitions and expectations of the board including the use of stretch targets to encourage higher college performance. The Corporation agreed a governance development plan of actions generated from the report and self-assessment. The External Board Review and a summary of the action taken in response to the review are published on the college governance website.
- Governor Self-Assessment process and normally an annual review of the Chair's performance. In Spring 2022, the Board completed the first 360-degree feedback process for evaluating the performance of the Chair. The feedback endorsed that the transition from the previous chair to the current chair had gone smoothly and governors have high regard for the new chair. For some aspects of the role, members said they were not confident that they could comment on the work of the chair outside meetings and to address this the Chair agreed to provide a termly update to members, inviting more regular feedback.
- 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, determined on a risk basis with reports considered by the Audit and Risk Assurance Committee.

Based on the processes outlined above, the Corporation self-assesses that governance arrangements for the year ended 31 July 2022 were broadly effective. The Corporation will maintain the challenge that it brings to the senior team to improve effectiveness and continue to be highly ambitious for the college's students and apprentices. Members are committed to ensuring that the college provides a high-quality education that enables students and apprentices to achieve their full potential and continues to make a significant contribution to meeting local skills needs.

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.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONT.)

The Corporation has delegated the day-to-day responsibility to the Chief Executive and Principal, 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 they are personally responsible as the Accounting Officer, in accordance with the responsibilities assigned in the financial agreements between the college and 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 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 2022 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. It 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.

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 2022 and up to the date of approval of the annual report and accounts.

The Risk Management Policy is reviewed and updated biennially by the Audit and Risk Assurance Committee (most recently on 12 October 2022) for re-approval by the Governing Body at its meeting on 8 December 2022. The committee also keeps under review the Strategic Risk Assurance Summary (an extract of the key risks from the updated Strategic Risk Register and the assurance received that enables members to assess the effectiveness of risk controls). The Audit and Risk Assurance Committee reviews changes to the Strategic Risk Register on a termly basis, considering the full Register at least annually and monitoring progress against risk management actions.

Each Governing Body committee has specific risks for which it is responsible. Finance, Employment and General Purposes Committee monitors and seeks assurance on solvency and liquidity and Health and Safety; Teaching, Learning, Quality and Student Experience Committee monitors progress on the quality of the college's provision, the effectiveness of safeguarding and meeting the Corporation's duty to ensure the college is contributing to meeting local skills needs. All committees report to the Corporation giving assurance on these and other matters at each meeting.

In 2021-22, an internal audit review of the college's risk management controls assessed the college as having an effective risk management framework in place and that the board could take substantial assurance that the controls to manage risk were consistently applied and effective. There was one medium priority management action to ensure that risk actions were consistently updated once completed or new actions added. This action was completed and the process for regular updating reiterated to risk owners.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONT.)

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 and monitoring 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 Audit and Risk Assurance Committee recommends the analysis of risks to the Corporation for endorsement and approves internal audit plans on behalf of the Corporation. 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 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 also plays a role in assisting the college to continue to improve and enhance its internal control environment. Auditing 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.

The committee monitors progress on the extent to which the college has completed the improvements to address deficiencies identified by both auditors and receives an annual follow-up audit report on the implementation of improvements.

Risks faced by the corporation

As detailed above in the Strategy Report pp 4-13, the college's principle strategic risks are:

- maintaining the college's solvency and financial position by controlling costs;
- maintaining access to sufficient longer term credit to fund the college's strategic ambitions, particularly for investment in teaching and learning facilities;
- apprenticeship recruitment does not follow the planned profile with continued employer uncertainty;
- increased pension costs adversely affecting the viability and solvency of the college; and,

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONT.)

- continuing to improve the quality of provision and outcomes for students and apprentices.

In 2021/22 and ongoing, the college continued to assess and manage the operational risks of the COVID-19 pandemic and incorporated these into the mainstream management of risk, health and safety and business continuity.

Control weaknesses identified

The 2021/22 Internal Audit Plan was developed with clear links to the college's strategic risk profile and included six controls based reviews. All the reports resulted in reasonable or substantial assurance except for one (for which all the high level recommendations have been implemented in year), which means no significant control weaknesses were identified. The Audit and Risk Assurance Committee also receives annual reports from college managers on the implementation of control policies for fraud and corruption, whistleblowing and data protection. Each provided positive assurance that no significant weaknesses had been identified. The committee also received the first self-assessment report it commissioned in its aim to encourage the college to develop an outstanding control environment. This is a theme that the committee is continuing to pursue in 2022-23 to foster higher performance by college financial and business support units.

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 Committee reviews the operation of the Financial Regulations, which ensure that the college's recognition and use of all funding is regular and proper. The committee also receives reports and advises the Corporation on specific conditions of grants such as the use of additional grant funding for capital works, Adult Education Budget and specific grants such as Local Enterprise Partnership grant for digital engineering.

Teaching, Learning, Quality and Student Experience Committee monitors compliance with quality standards. In 2021/22 the committee has continued to pay close attention to conditions such as English and maths, the impact of how the college is using small group tuition funding and also the college's policy on disbursing learner support funds to maximise its positive impact on students in most need of support.

The Corporation ensures that the college makes key returns to the ESFA accurately and on time, including sign-off of the College Financial Forecasting Return (CFFR) in July 2022. The three year programme of internal audit tests includes a risk based approach to testing compliance with funding agreements. The Internal Audit Plan for 2021/22 included an advisory review of compliance with ESFA funding rules.

Statement from the Audit and Risk Assurance Committee

Based on its work during the year as summarised in the table below, the Audit and Risk Assurance Committee is of the opinion that

- it has operated effectively during the period and discharged all the responsibilities set out in its terms of reference;
- the college's assurance arrangements remained adequate and effective during 2021-2022;
- the college's governance framework remained adequate and effective, and in some respects was judged to be highly effective, during 2021-2022;
- 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 2021-2022;
- the college remains solvent for the period and arrangements to safeguard the assets of the college are effective.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONT.)

The specific areas of work undertaken by the audit committee in 2021-2022 and up to the date of the approval of the financial statements are:

Meetings	Key Business
26 May 2021	Business included Internal Audit Plan and Internal Audit Fees for 2021-2022.
20 October 2021	• Risk Management Strategy 2021-2022 and Strategic Risk Register • Internal Audit Review report: Business Continuity: ARAC received reasonable assurance and agreed enhancement action in response to one low priority and four medium priority recommendations • Internal Audit Review report: Payroll Controls: ARAC received substantial assurance with no management actions recommended • Internal Audit Report: Follow-up Audit: ARAC received an opinion of good progress in implementing the agreed management actions from 2020-21 • Annual Report of the Internal Audit Service 2020-21: ARAC received assurance on completion of the Internal Audit plan and based on that work, an opinion that the college had an adequate and effective framework for risk management, governance, internal control and economy, efficiency and effectiveness, subject to continuing to implement agreed enhancements to ensure it remained adequate and effective. • Progress update on the Financial Statements' audit 2020-2021 • Subcontract Controls Report 2020-2021: ARAC received the report and certificate of compliance with the funding rules and agreed enhancement action in response to one low priority and two medium priority recommendations • Teachers' Pension Scheme Certification 2020-2021: ARAC received the positive assurance provided by the report that the college complied with scheme rules • ESFA Regularity Questionnaire 2020-2021: ARAC approved the completed questionnaire that self-assessed the college as complying with the Audit Code of Practice and key elements of the funding agreements. • Draft Audit and Risk Assurance Committee Annual Report 2020-2021 including the committee self-assessment reports from other Board committees. ARAC agreed the opinions and assurances requested by auditors and ESFA.
24 November 2021	• Draft External Auditor Report 2020-2021 - audit highlights, memorandum, and management letter: ARAC received assurance and confirmed management action in response to the improvement recommendations • ESFA Regularity Questionnaire 2020-2021: ARAC approved the final response and commended the self-assessment to the GB for adoption and sign-off. • Final Audit and Risk Assurance Committee Annual Report 2020-2021 including the self-assessment against the AoC Code, and compliance with laws and regulations. ARAC approved the report including the opinion that ARAC had effectively discharged its remit and based on its work, assured Governing Body that the Statement of Corporate Governance and Internal Control and Statement of Regularity, Propriety and Compliance were accurate.
23 March 2022	• Anti-Fraud Policy and Anti-Bribery Policy: ARAC received periodic reviews of the policies and approved updates • Internal Audit Review report on Cyber Security: ARAC received an opinion of reasonable assurance and agreed enhancement action in relation to five low priority and one medium priority actions

	• Internal Audit Review report on Risk Management: ARAC received an opinion of substantial assurance and agreed enhancement action in relation to one medium priority recommendation. • Appointment of External Auditors: ARAC received an update on the retendering for new external auditors and approved arrangements for the firm selected to be recommended to the Governing Body for appointment.
6 July 2022	• Control environment for an outstanding college - corporate purchase cards: ARAC received a self-assessment report reviewing and enhancing the controls for corporate cards. • Internal Audit Plan for 2022-2023 which ARAC approved • External Audit Strategy for year ending 31 July 2022, which ARAC approved • Internal Audit Review report: Business Planning: ARAC received an opinion of substantial assurance and agreed enhancement actions in relation to four low priority recommendations • Subcontracting controls assurance final report 2021-2022: ARAC received the report and assurance of compliance with the funding rules and agreed enhancement action in response to one low priority recommendation • Internal reports: Data Protection Officer's Annual Report 2021-2022, Fraud and Corruption Incident Log 2021-2022; Whistleblowing Policy and Annual Report 2021-22, Gifts and Hospitality Log 2021-2022 • ARAC Committee Self-assessment for 2021-2022: ARAC agreed the summary of its activities and its self-assessment of the committee's performance of its remit. • ARAC agreed that it did not need to commission any further assurance for 2021-2022.
12 October 2022	• Strategic Risk Register update, including Risk Assurance Summary 2022-23 • Internal Audit Review report on Key Financial Controls (Accounts Receivable) • Internal Audit Review report on ESFA Mock Audit Funding • Internal Audit Review report on Additional Learner Support • Internal Audit Review report on Business Continuity Planning • Internal Audit Review report on Follow-up Audit • Annual Report of the Internal Audit Service 2021-2022 (positive opinion) • Progress update on the Financial Statements' audit 2021-2022 • Teachers' Pension Scheme Certification 2021-2022 • Draft ESFA Regularity Questionnaire 2021-2022 for approval and to commend to the Governing Body for adoption and sign-off • Draft Audit and Risk Assurance Committee Annual Report 2021-2022 including committee self-assessments, self-assessment against the AoC Governance Code and compliance with laws and regulations.
23 November 2022	• Draft External Auditor Report 2021-2022 - audit highlights, memorandum, and management letter: ARAC received assurance and confirmed management action in response to the improvement recommendations • Members Report and Financial Statements for year ended 31 July 2022 (including Subsidiaries) • Final ESFA Regularity Self-assessment Questionnaire for sign-off • Final Audit and Risk Assurance Committee Annual Report 2021-2022 ARAC to consider the report including the opinion that ARAC had effectively discharged its remit and based on its work, assured Governing Body that the Statement of Corporate Governance and Internal Control and Statement of Regularity, Propriety and Compliance were accurate.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONT.)

Governance Review

The Corporation has conducted an annual self-assessment of governance and an external governance review was undertaken in autumn 2020 by Stone King which was concluded in the same period. A summary of the review findings and associated action plan are included in the statement of corporate governance and internal control /college website.

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 are responsible for developing and maintaining 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 2022 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2022 by considering documentation from the Executive Leadership Team, the highlights report of the financial statements' auditor and internal audit service and taking account of events since 31 July 2022.

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 14 December 2022 and signed on its behalf by:

John Mothersole	**Angela Foulkes**
Chair of the Governing Body	*Accounting Officer*

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONT.)

Statement of Regularity, Propriety and Compliance

As accounting officer, I confirm that the corporation has had due regard to the requirements of grant funding agreements and contracts with the Education and Skills Funding Agency (ESFA) and has considered its responsibility to notify the ESFA of material irregularity, impropriety and non-compliance with terms and conditions of funding.

I confirm on behalf of the corporation that after due enquiry, and to the best of my knowledge, I am 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 public funder.

I 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.

Angela Foulkes

Accounting Officer

14 December 2022

Statement of the chair of governors

On behalf of the corporation, I confirm that the accounting officer has discussed their statement of regularity, propriety and compliance with the board and that I am content that it is materially accurate.

John Mothersole

Chair of the Governing Body

14 December 2022

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONT.)

Statement of Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the college's grant funding agreements and contracts with the ESFA, the OfS and other relevant funding bodies, the corporation is required to prepare financial statements for each financial year which give a true and fair view of the financial performance and position of the group and the parent college for the relevant period.

Corporations must also prepare a strategic report which includes an operating and financial review for the year. The bases of the preparation of the financial statements and strategic report are the Statement of Recommended Practice - Accounting for Further and Higher Education, ESFA's College Accounts Direction and the UK's Generally Accepted Accounting Practice.

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 UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- assess whether the group and parent college's is a going concern, noting the key supporting assumptions, qualifications or mitigating actions, as appropriate (which must be consistent with other disclosures in the accounts and auditor's report); and
- Prepare financial statements on 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 strategic report, in accordance with paragraphs 3.23 to 3.27 of the FE and HE SORP, that describes what it is trying to do and how it is going about it, including information about the legal and administrative status of the corporation.

The corporation is responsible for keeping adequate accounting records which disclose with reasonable accuracy, at any time, the financial position of the corporation and which enable it to ensure that the financial statements are prepared in accordance with relevant legislation including the Further and Higher Education Act 1992 and Charities Act 2011, and relevant accounting standards. It is responsible for taking steps that are reasonably open to it to safeguard assets and to prevent and detect fraud and other irregularities.

The corporation is responsible for the maintenance and integrity of its websites; the work carried out by 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, and any other public funds, are used only in accordance with the ESFA's grant funding agreements and contracts and any other conditions that may be prescribed from time to time by the ESFA, or any other public funder. Members of the corporation must ensure that there are appropriate financial and management controls in place to safeguard public and other funds and to ensure they are used properly. In addition, members of the corporation are responsible for securing economic, efficient and effective management of the corporation's resources and expenditure, so that the benefits that should be derived from the application of public funds from the ESFA and other public bodies are not put at risk.

Approved by order of the members of the corporation on 14 December and signed on its behalf by:

John Mothersole

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 Corporation of The Sheffield College (the 'College') and its subsidiaries (the 'Group') for the year ended 31 July 2022 which comprise the Consolidated and College statements of comprehensive income and expenditure, the Consolidated and College statements of changes in reserves, the Consolidated and College balance sheets, the Consolidated statement of cash flows, the principal accounting policies, and the notes to the financial statements. The financial reporting framework that has been applied in their preparation is United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice). In our opinion, the financial statements:

- Give a true and fair view of the state of the Group's and of the College's affairs as at 31 July 2022 the Group's and College's deficit of income over expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice: Accounting for Further and Higher Education.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and College in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the governor's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the governors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The governors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Post 16 Audit Code of Practice issued by the Education and Skills Funding Agency requires us to report to you if, in our opinion:

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

Opinions on other matters prescribed in the Office for Students' Accounts Direction (OfS 2019.41)

In our opinion, in all material respects

- funds from whatever source administered by the College for specific purposes have been properly applied to those purposes and, if relevant, managed in accordance with relevant legislation;
- funds provided by the Office for Students and the Education and Skills Funding Agency have been applied in accordance with the relevant terms and conditions;
- The requirements of the Office for Students' accounts direction for the relevant year's financial statements have been met.

Under the Office for Students' Accounts Direction, we are required to report to you, if we have anything to report in respect of the following matters:

- The College's grant and fee income, as disclosed in note number 2 to the financial statements, has been materially misstated; or
- The College's expenditure on access and participation activities for the financial year, as disclosed in note number 24 to the financial statements, has been materially misstated

We have no matters to report arising from this responsibility.

Responsibilities of the Governing Body of The Sheffield College

As explained more fully in the Statement of Corporation Responsibilities on page 33, the Members of the Corporation are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Governing Body determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Governing Body is responsible for assessing the Group's and the 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 the Governing Body either intends to liquidate the Group or the College or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- Obtained an understanding of the nature of the sector, including the legal and regulatory frameworks that the Group operates in and how the Group is complying with the legal and regulatory frameworks;

- Enquiry of management and those charged with governance around actual and potential litigation and claims;
- Enquiry of College staff in tax and compliance functions to identify any instances of non-compliance with laws and regulations;
- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness;
- Evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for bias;
- Reviewing minutes of meetings of those charged with governance;
- Reviewing internal audit reports;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Governing Body, as a body, in accordance with the Funding Agreement published by the Education and Skills Funding Agency and our engagement letter. Our audit work has been undertaken so that we might state to the Governing Body those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Governing Body as a body, for our audit work, for this report, or for the opinions we have formed.

MHA Macintyre Hudson

MHA MacIntyre Hudson
Chartered Accountants and Registered Auditor
2 London Wall Place
London,
EC2Y 5AU
United Kingdom

Date 21/12/2022

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 02 December 2022 and further to the requirements and conditions of funding in ESFA's 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, in all material respects, the expenditure disbursed and income received by The Sheffield College during the period 1 August 2021 to 31 July 2022 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 (the Code) issued by ESFA and in any relevant conditions of funding concerning adult education notified by a relevant funder.

This report is made solely to the corporation of The Sheffield College and 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 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 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, are applied for the purposes intended by Parliament, and the financial transactions conform to the authorities that 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 Code. 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 2021 to 31 July 2022 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 Code issued by 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 and propriety.

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 and propriety of the corporation's income and expenditure.

The work undertaken to draw to our conclusion includes:

- An assessment of the risk of material irregularity and impropriety across all of the College's activities;
- Further testing and review of self-assessment questionnaire including enquiry, identification of control processes and examination of supporting evidence across all areas identified as well as additional verification work where considered necessary; and
- Consideration of evidence obtained through the work detailed above and the work completed as part of our financial statements audit in order to support the regularity conclusion.

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 2021 to 31 July 2022 has not been applied to purposes intended by Parliament, that the financial transactions do not conform to the authorities that govern them nor have been improper.

MHA MACINTYRE HUDSON

MHA MacIntyre Hudson
London, United Kingdom
Date: 21/12/2022

Consolidated and College Statements of Comprehensive Income and Expenditure

	Notes	Year ended 31 July 2022 Group £'000	Year ended 31 July 2022 College £'000	Year ended 31 July 2021 Group £'000	Year ended 31 July 2021 College £'000
INCOME					
Funding body grants	2	45,553	45,553	46,062	46,062
Tuition fees and education contracts	3	5,327	5,327	5,574	5,574
Other grants and contracts	4	1,294	1,294	2,306	2,306
Other income	5	1,705	1,705	1,062	897
Endowment and investment income	6	37	37	15	15
Total income		**53,916**	**53,916**	**55,019**	**54,854**
EXPENDITURE					
Staff costs	7	37,819	37,819	36,879	36,697
Other operating expenses	8	14,381	14,313	12,539	12,557
Depreciation	11	4,189	4,189	3,985	3,985
Interest and other finance costs	9	1,274	1,274	1,392	1,392
Total expenditure		**57,663**	**57,595**	**54,795**	**54,631**
(Deficit)/surplus before other gains and losses		**(3,747)**	**(3,679)**	**224**	**223**
Gain on disposal of assets		3	3	2	2
(Deficit)/surplus before tax		**(3,744)**	**(3,676)**	**226**	**225**
Taxation		-	-	-	-
(Deficit)/surplus for the year		**(3,744)**	**(3,676)**	**226**	**225**
Unrealised surplus on revaluation of assets		-	-	-	-
Actuarial gain/(loss) in respect of pensions schemes		41,910	41,910	12,794	12,794
Total Comprehensive Income for the year		38,166	38,234	13,020	13,019

The accompanying notes form part of the financial statements

Consolidated and College Statement of Changes in Reserves

	Income and Expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Group			
Balance at 1st August 2020	39,099	646	39,745
Surplus/(deficit) from the income and expenditure account	226	-	226
Other comprehensive income	12,794	-	12,794
Total comprehensive income for the year	13,020	-	13,020
Balance at 31st July 2021	**52,119**	**646**	**52,765**
Surplus/(deficit) from the income and expenditure account	(3,744)	-	(3,744)
Other comprehensive income	41,910	-	41,910
Total comprehensive income for the year	**38,166**	**-**	**38,166**
Balance at 31st July 2022	**90,285**	**646**	**90,931**
College			
Balance at 1st August 2020	39,116	646	39,762
Surplus/(deficit) from the income and expenditure account	225	-	225
Other comprehensive income	12,794	-	12,794
Total comprehensive income for the year	13,019	-	13,019
Balance at 31st July 2021	**52,135**	**646**	**52,781**
Surplus/(deficit) from the income and expenditure account	(3,676)	-	(3,676)
Other comprehensive income	41,910	-	41,910
Total comprehensive income for the year	**38,234**	**-**	**38,234**
Balance at 31st July 2022	**90,369**	**646**	**91,015**

The accompanying notes form part of the financial statements.

Consolidated and College Balance sheets as at 31 July 2022

	Notes	Group 2022 £'000	College 2022 £'000	Group Restated 2021 £'000	College Restated 2021 £'000
Fixed assets					
Tangible fixed assets	11	99,650	99,650	100,294	100,292
		99,650	**99,650**	**100,294**	**100,292**
Current assets					
Stocks		18	18	15	15
Trade and other receivables	13	3,172	3,278	3,760	3,864
Cash and cash equivalents	18	14,755	14,755	9,600	9,600
		17,945	**18,051**	**13,375**	**13,479**
Less: Creditors - amounts falling due within one year	14	(11,784)	(11,806)	(12,182)	(12,268)
Net current assets		**6,161**	**6,245**	**706**	**724**
Total assets less current liabilities		**105,811**	**105,895**	**101,487**	**101,503**
Less: Creditors - amounts falling due after more than one year	15	(9,244)	(9,244)	(7,322)	(7,322)
Provisions					
Defined benefit obligations	17	-	-	(37,553)	(37,553)
Other provisions	17	(5,636)	(5,636)	(3,847)	(3,847)
Total net assets		**90,931**	**91,015**	**52,765**	**52,781**
Unrestricted reserves					
Income and expenditure account		90,285	90,369	52,119	52,135
Revaluation reserve		646	646	646	646
Total unrestricted reserves		**90,931**	**91,015**	**52,765**	**52,781**
Total reserves		**90,931**	**91,015**	**52,765**	**52,781**

The financial statements on pages 31 to 56 were approved and authorised for issue by the Corporation on 14 December 2022 and were signed on its behalf on that date by:

John Mothersole
Chair of Governors
14 December 2022

Angela Foulkes
Accounting Officer
14 December 2022

The accompanying notes form part of the financial statements.

Consolidated Statement of Cash Flows

	Notes	2022	2021
		£'000	£'000
Cash inflow from operating activities			
Surplus/(deficit) for the year		(3,744)	226
Adjustment for non-cash items			
Depreciation		4,189	3,985
(Increase)/decrease in stocks		(3)	65
(Increase)/decrease in debtors		588	(1,182)
Increase/(decrease) in creditors due within one year		2,514	1,426
Increase/(decrease) in provisions		2,219	(194)
Pensions costs less contributions payable		3,927	3,732
Adjustment for investing or financing activities			
Investment income		(37)	(15)
Interest payable		594	606
Gain on sale of fixed assets		(3)	(2)
Net cash flow from operating activities		**10,244**	**8,647**
Cash flows from investing activities			
Proceeds from sale of fixed assets		3	2
Investment income		37	17
Payments made to acquire fixed assets		(3,414)	(5,419)
		(3,374)	(5,400)

Cash flows from financing activities

Interest paid		(550)	(549)
Interest element of finance lease rental payments		(43)	(59)
Repayments of amounts borrowed		(855)	(960)
Capital element of finance lease rental payments		(267)	(228)
		(1,715)	(1,796)
Increase / (decrease) in cash and cash equivalents in the year		**5,155**	**1,451**
Cash and cash equivalents at beginning of the year	18	9,600	8,149
Cash and cash equivalents at end of the year	18	14,755	9,600

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 2020 to 2021* 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 2022. The Sheffield UTC Academy Trust is not consolidated into 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 Corporation do not believe that there are any material uncertainties over its ability to continue as a 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 impact of rising costs and economic uncertainty, the Group and college will have sufficient funds to meet their liabilities as they fall due over the period of 12 months from the date of approval of the financial statements (the going concern period).

Notes to the Accounts (cont.)

The college has been successful in securing additional funding 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. The college is also 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 could also take mitigating actions to reduce pay and non-pay expenditure and delay capital investment plans should this be necessary. These actions are not incorporated into current forecasts.

The college currently has £10.1m 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. The college has worked closely with Barclays and Allica Bank 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 college is forecasting that it will achieve compliance with its covenants from both banks over the going concern period.

Consequently, the Corporation is confident that the Group and the college will have sufficient funds to continue to meet their 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).

Catering income is recognised as it arises as a transaction within the period it relates to as payments are made directly for these purchases.

Notes to the Accounts (cont.)

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. Pension Assets are only recognised when there is an expected refund due from the scheme or an expected reduction in contribution rates going forward. In 2022 there is no such expectation and as a result a break even position has been recognised.

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. The College also operates salary sacrifice schemes in relation to cycle to work, childcare vouchers and car leasing. These are accounted for as they arise as the liability for the benefits remains with the employee rather than the employer.

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.

Notes to the Accounts (cont.)

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

Notes to the Accounts (cont.)

Borrowing costs

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

Leased assets

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

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

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

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

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

Investments

Investments in subsidiaries

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

Other investments

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

Inventories

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

Cash and cash equivalents

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

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

Notes to the Accounts (cont.)

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.

Notes to the Accounts (cont.)

Agency arrangements

The college acts as an agent in the collection and payment of free college meals 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 economic 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 2022. 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 FRS102 calculations used in valuing the pension liability as at 31 July 2022 reflect a recovery in asset values in the 24 months since equity market lows in July 2020, together with ongoing low yields on corporate bonds. The latter is used as a discount factor, with reductions increasing the pension liability.

Prior year restatements

During the year the Directors reassessed the classification of the creditor balance which is being held for a potential repayment to HMRC for Lennartz VAT assessments which may be received, and amended the classification from Creditors falling due within one year to Provisions. The comparative value as at 31 July 2021 has been restated in Notes 14 and 17. This restatement has not had any impact on the net result for the year ended 31 July 2021.

2 Funding body grants

	Year ended 31 July		Year ended 31 July	
	2022	2022	2021	2021
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Recurrent grants				
Education and Skills Funding Agency - adult	9,051	9,051	8,822	8,822
Education and Skills Funding Agency - 16 -18	28,794	28,794	27,286	27,286
Education and Skills Funding Agency - apprenticeships	5,517	5,517	5,982	5,982
Office for Students	316	316	425	425
Specific Grants				
Education and Skills Funding Agency - Further Education Capital Allocation	0	0	2,005	2,005
Education and Skills Funding Agency - COVID Testing	11	11	37	37
Access Funds	1,091	1,091	675	675
Teacher Pension Scheme Contribution Grant	756	756	816	816
Education and Skills Funding Agency - Free School Meals	17	17	14	14
Total	**45,553**	**45,553**	**46,062**	**46,062**

2a Funding body grants

	Year ended 31 July		Year ended 31 July	
	2022	2022	2021	2021
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Grant income from the OfS	316	316	425	425
Grant income from other bodies	48,015	48,015	49,308	49,308
Fee income from taught awards (exclusive of VAT)	2,321	2,321	2,237	2,237
Fee income from non-qualifying courses (exclusive of VAT)	1,522	1,522	1,972	1,972
Total	**52,174**	**52,174**	**53,942**	**53,942**

3 Tuition fees and education contracts

	Year ended 31 July		Year ended 31 July	
	2022	2022	2021	2021
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Adult education fees	258	258	688	688
Apprenticeship fees and contracts	96	96	61	61
Fees for FE loan supported courses	904	904	1,154	1,154
Fees for HE loan supported courses	2,321	2,321	2,237	2,237
International students' fees	264	264	69	69
Total tuition fees	**3,843**	**3,843**	**4,209**	**4,209**
Education contracts	1,484	1,484	1,365	1,365
Total	**5,327**	**5,327**	**5,574**	**5,574**

4 Other grants and contracts

	Year ended 31 July		Year ended 31 July	
	2022	2022	2021	2021
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Coronavirus Job Retention Scheme grant	0	0	100	100
Other grants and contracts	1,294	1,294	2,206	2,206
Total	**1,294**	**1,294**	**2,306**	**2,306**

During 2020/21, the corporation furloughed some of its catering and nursery staff under the government's Coronavirus Job Retention Scheme. The funding received in respect of 51 staff of £100,000 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	
	2022	2022	2021	2021
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Catering and residences	567	567	137	137
Other income generating activities	1,138	1,138	925	760
Total	**1,705**	**1,705**	**1,062**	**897**

6 Investment income

	Year ended 31 July		Year ended 31 July	
	2022	2022	2021	2021
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other interest receivable	37	37	15	15
Total	**37**	**37**	**15**	**15**

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:

	2022	2021
	No.	No.
Teaching staff	427	423
Non-teaching staff	560	572
	987	**995**

Staff costs for the above persons

	2022	2021
	£'000	£'000
Wages and salaries	26,468	26,064
Social security costs	2,519	2,412
Other pension costs	7,476	7,046
Payroll sub total	**36,463**	**35,522**
Contracted out staffing services	1,149	1,086
	37,612	**36,608**
Fundamental restructuring costs - contractual	139	261
non contractual	68	10
Total Staff costs	**37,819**	**36,879**

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

	2022 No.	2021 No.
The number of key management personnel including the Accounting Officer was:	7	8

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	
	2022	2021	2022	2021
	No.	No.	No.	No.
£0, to £35,000	-		-	-
£35,001 to £40,000	-	1	-	
£50,001 to £55,000	-	1		
£55,001 to £60,000	-	1	-	-
£60,001 to £65,000	1	-	2	2
£65,001 to £70,000	-	-	1	1
£75,001 to £80,000	-	-	-	-
£80,001 to £85,000	-	-	-	-
£85,001 to £90,000	2	1	-	-
£90,001 to £95,000	2	2	-	-
£95,001 to £100,000	-	-		
£110,001 to £115,000	-	-	-	-
£115,001 to £120,000	1	1	-	-
£145,001 to £150,000	-	-	-	-
£150,001 to £155,000	-	-	-	-
£155,001 to £160,000	-	1		
£160,001 to £165,000	1	-	-	-
	7	8	3	3

Key management personnel compensation is made up as follows:

	2022 £'000	2021 £'000
Basic salary	711	690
Pension contributions	136	131
Total key management personnel compensation	**847**	**821**

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:

	2022 £'000	2021 £'000
Basic salary	164	157
Pension contributions	39	37

A pay award of 0% was awarded to the Chief Executive and Principal, and to all members of the College Executive management team for 2021/22. This decision was taken to be able to increase the pay offer given to all other College members of staff. The difference in pay between years is due to incremental progression through pay bands.
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 corporation and, in line with the AoC Code and 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 corporation 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

	2022	2021
Chief Executive & Principal's basic salary as a multiple of the median of all staff	653%	670%
Chief Executive & Principal's total remuneration as a multiple of the median of all staff	698%	731%

Compensation for loss of office paid to former key management personnel

There was no compensation for loss of office payments to former key management personnel in the year or the previous year.

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

8 Other operating expenses

	Year ended 31 July		Year ended 31 July	
	2022	2022	2021	2021
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Teaching costs	5,605	5,614	5,323	5,323
Non-teaching costs	4,894	4,886	4,367	4,391
Premises costs	3,882	3,813	2,849	2,843
Total	**14,381**	**14,313**	**12,539**	**12,557**

Other operating expenses include:	2022	2021
	£'000	£'000
Auditors' remuneration:		
Financial statements audit*	73	71
Internal audit**	37	33
Other services provided by the financial statements auditors - Corporation Tax Filing***	15	16
Hire of assets under operating leases	462	158

*includes £59,000 in respect of the college (2020/21 £59,000)
**includes £37,000 in respect of the college (2020/21 £33,000)
***includes £8,000 in respect of the college (2020/21 £9,000)

9 Interest payable - Group and College

	2022	2021
	£'000	£'000
On bank loans, overdrafts and other loans:	551	529
	551	529
On finance leases	43	59
Interest on enhanced pensions provisions	54	47
On VAT deferment schemes	0	18
Net interest on defined pension liability (note 21)	626	739
Total	**1,274**	**1,392**

10. Taxation Group only

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

11. Tangible fixed assets (Group)

	Land and buildings Freehold	Short leasehold	Equipment	Assets in the Course of Construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2021	121,188	-	14,977	2,192	138,357
Reclassification as at 1 August 2021	506	-	-	-	506
Additions	1,419	575	2,610	(1,059)	3,545
Disposals	-	-	(5,974)	(348)	(6,322)
At 31 July 2022	**123,113**	**575**	**11,613**	**785**	**136,086**
Depreciation					
At 1 August 2021	27,771	-	10,292	-	38,063
Reclassification as at 1 August 2021	506	-	-	-	506
Charge for the year	2,806	74	1,309	-	4,189
Elimination in respect of disposals	(334)	-	(5,988)	-	(6,322)
At 31 July 2022	**30,749**	**74**	**5,613**	**-**	**36,436**
Net book value at 31 July 2022	**92,364**	**501**	**6,000**	**785**	**99,650**
Net book value at 31 July 2021	93,417	0	4,685	2,192	100,294

11. Tangible fixed assets (College only)

	Land and buildings Freehold	Short leasehold	Equipment	Assets in the Course of Construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2021	121,188	-	14,939	2,192	138,319
Reclassification as at 1 August 2021	506	-	-	-	506
Additions	1,419	575	2,610	(1,059)	3,545
Disposals	-	-	(5,936)	(348)	(6,284)
At 31 July 2022	**123,113**	**575**	**11,613**	**785**	**136,086**
Depreciation					
At 1 August 2021	27,771	-	10,256	-	38,027
Reclassification as at 1 August 2021	506	-	-	-	506
Charge for the year	2,806	74	1,309	-	4,189
Elimination in respect of disposals	(334)	-	(5,952)	-	(6,286)
At 31 July 2022	**30,749**	**74**	**5,613**	**-**	**36,436**
Net book value at 31 July 2022	**92,364**	**501**	**6,000**	**785**	**99,650**
Net book value at 31 July 2021	93,417	0	4,683	2,192	100,292

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 £Nil (2020/21 - £169,000) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £169,000 (2020/21 - £278,000).

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

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

12 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 Ltd, a company incorporated in England and Wales. The principal business activity of Sparks Managed Services Ltd is the provision of cleaning, caretaking and administration services.

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

The college owns 100% of the issued ordinary £1 shares of Sparks Solutions Ltd, a company incorporated in England and Wales. The principal business activity of Sparks Solutions Ltd 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 students 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

	Group 2022	College 2022	Group 2021	College 2021
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade receivables	1,830	1,830	1,893	1,883
Amounts owed by group undertakings	0	106	0	114
Accrued Grant income	128	128	698	698
Prepayments and accrued income	597	597	519	519
Amounts owed by the ESFA	617	617	650	650
Total	**3,172**	**3,278**	**3,760**	**3,864**

14 Creditors: amounts falling due within one year

	Group	College	Group	College
			As re-stated	As re-stated
	2022	2022	2021	2021
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	1,021	1,021	4,082	4,082
Obligations under finance leases	261	261	244	244
VAT deferment schemes	-	-	-	-
Trade payables	1,681	1,681	462	462
Amounts owed to group undertakings	0	22	30	91
Other taxation and social security	616	616	606	604
Other employment related creditors	1,044	1,044	837	837
Accruals and deferred income	5,295	5,295	4,489	4,516
Deferred income - government revenue grants	1,576	1,576	836	836
Amounts owed to the ESFA	290	290	596	596
Total	**11,784**	**11,806**	**12,182**	**12,268**

The difference in years related to bank loans and overdrafts falling due within 1 year included bank loans payable to Allied Irish Bank which matured in December 2021 and July 2022 and were consolidated into a single arrangement in December 2021 once they were renegotiated which moved most of the value back into longer terms creditors.

15 Creditors: amounts falling due after one year

	Group	College	Group	College
	2022	2022	2021	2021
	£'000	£'000	£'000	£'000
Bank loans	9,033	9,033	6,827	6,827
Obligations under finance leases	211	211	495	495
Total	**9,244**	**9,244**	**7,322**	**7,322**

16 Maturity of debt

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	Group	College	Group	College
	2022	2022	2021	2021
	£'000	£'000	£'000	£'000
In one year or less	1,021	1,021	4,082	4,082
Between one and two years	3,905	3,905	434	434
Between two and five years	2,706	2,706	1,846	1,846
In five years or more	2,422	2,422	4,547	4,547
Total	**10,054**	**10,054**	**10,909**	**10,909**

A variable rate loan calculated at the Bank of England Base rate plus 3.25% repayable by quarterly instalments falling due until 1st December 2024 totalling £3,228,000. This loan is secured on the freehold properties on the Hillsborough Campus. This loan was re-negotiated with Allied Irish Bank following expiry of the previous facility in December 2021, and the previous three loans combined into a single loan. The loan has subsequently been transferred to Allica Bank Limited with effect from 20th April 2022.

A fixed term loan at a fixed rate of 8.05% repayable by monthly instalments falling due until 24th August 2035 totalling £3,453,000. The loan is secured on the freehold properties on the City, Olive Grove and Peaks Campuses.

A variable rate loan calculated at the Bank of England Base rate plus 2.85% repayable by monthly instalments until 24th August 2023 totalling £3,374,000. The loan is secured on the freehold properties on the City, Olive Grove and Peaks Campuses. The College has begun negotiations with the bank to refinance the loan but due to the reclassification of the FE Sector by the ONS on the 29 November 2022 it is likely that the financing of this could be from a different source to meet new regulations placed upon the College.

(b) Finance leases

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

	Group 2022 £'000	College 2022 £'000	Group 2021 £'000	College 2021 £'000
In one year or less	261	261	244	244
Between two and five years	211	211	495	495
Total	472	472	739	739

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

17 Provisions

	Group and College			
	Defined benefit Obligations £'000	Enhanced pensions £'000	Lennartz VAT £'000	Total £'000
Re-stated as at 1 August 2021	37,553	3,360	487	41,400
Expenditure in the period	3,927	(179)	2,398	6,146
Transferred from income and expenditure account	(41,480)	(430)	-	(41,910)
At 31 July 2022	**0**	**2,751**	**2,885**	**5,636**

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 £54,000 (2020/21 £47,000). The actuarial gain or loss is recognised in the statement of total recognised gains and losses, during the current period a gain of £430,000 is recognised (2020/21 £56,000 gain). Payments of £233,000 (2020/21 £240,000) have been made against the provision and paid into the scheme during the period.

	2022	2021
Price inflation	2.90%	2.60%
Discount rate	3.30%	1.60%

18 Analysis of Net Debt

	At 1 August 2021 £'000	Cash flows £'000	Other changes £'000	At 31 July 2022 £'000
Cash and cash equivalents	9,600	5,155	-	14,755
Debt due within one year	(4,326)	1,122	1,922	(1,282)
Debt due after one year	(7,322)	-	(1,922)	(9,244)
Total (Debt)/ Net Cash	**(2,048)**	**6,277**	**-**	**4,229**

19 Capital commitments

	Group 2022 £'000	College 2021 £'000
Commitments contracted for at 31 July	**288**	**1,236**

20 Lease Obligations

At 31 July 2022 the College had the following annual commitments in relation to non-cancellable operating leases:

	Group 2022 £'000	College 2021 £'000
Future minimum lease payments due on Land and Buildings :		
Lease expiring within 1 year	-	-
Lease expiring within 2 to 5 years	351	-
Lease expiring after 5 years	-	-
Total operating lease obligations at 31 July	351	-

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.

Total pension cost for the year	2022 £'000	2021 £'000
Teachers' Pension Scheme: contributions paid	2,449	2,209
Local Government Pension Scheme:		
Contributions paid	1,585	1,502
FRS 102 (28) charge	3,301	2,993
Charge to the Statement of Comprehensive Income	4,886	4,495
Enhanced pension charge to Statement of Comprehensive Income	54	47
Total Pension Cost for Year	7,389	6,751

Contributions amounting to £278,000 (2021: £295,000) were payable to the TPS, and £228,000 (2021: £424,000) 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 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, 2021-22 and 2022-23 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 £2,461,000 (2021: £2,209,000).
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 2022 was £2.70m, of which employer's contributions totalled £1.99m and employees' contributions totalled £714,000. 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 2022 by a qualified independent actuary:

	At 31 July 2022	At 31 July 2021
Rate of increase in salaries	3.75%	3.85%
Future pensions increases	2.75%	2.70%
Discount rate for scheme liabilities	3.50%	1.60%
Inflation assumption (CPI)	2.75%	2.60%
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 2022	At 31 July 2021
	years	Years
Retiring today		
Males	22.60	22.50
Females	25.40	25.30
Retiring in 20 years		
Males	24.10	24.00
Females	27.30	27.20

Sensitivity analysis	**At 31 July 2022**	**At 31 July 2021**
	£'000	**£'000**
Discount rate +0.1%	1,992	34,946
Mortality assumption - 1 year increase	4,702	42,667
CPI rate +0.1%	1,740	40,204

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

	Fair Value at 31 July 2022	**Fair Value at 31 July 2021**
	£'000	**£'000**
Equities	84,094	57,352
Government bonds	-	16,728
Other/unspecified bonds	27,206	9,081
Property	11,130	10,515
Cash/liquidity	1,237	2,151
Other	-	23,658
Total market value of assets	**123,667**	**119,485**
Actual return on plan assets	**5,194**	**16,722**

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

	2022 £'000	2021 £'000
Fair value of plan assets	123,667	119,485
Present value of plan liabilities	(123,319)	(156,644)
Present value of unfunded liabilities	(348)	(394)
Net pensions (liability)/asset (Note 17)	**0**	**(37,553)**

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

	2022 £'000	2021 £'000
Amounts included in staff costs		
Current service cost	4,864	4,426
Total	**4,864**	**4,426**
Amounts included in interest and other finance costs		
Net interest cost	626	686
Administration expenses	56	53
	682	**739**
Amounts recognised in Other Comprehensive Income		
Return on pension plan assets	3,149	15,174
Experience losses arising on defined benefit obligations	(488)	2,698
Changes in assumptions underlying the present value of plan liabilities	38,819	(5,134)
Amount recognised in Other Comprehensive Income	**41,480**	**12,738**

Movement in net defined benefit (liability) during the year

	2022 £'000	2021 £'000
Surplus/(deficit) in scheme at 1 August	(37,553)	(46,559)
Movement in year:		
Current service cost	(4,864)	(4,426)
Employer contributions	1,619	1,624
Curtailments	0	(191)
Net interest on the defined (liability)/asset	(626)	(686)
Administration expenses	(56)	(53)
Actuarial gain or loss	41,480	12,738
Net defined benefit (liability)/asset at 31 July	**0**	**(37,553)**

Asset and Liability Reconciliation

	2021 £'000	2021 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	157,038	150,186
Current Service cost	4,864	4,426
Interest cost	2,530	2,234
Contributions by Scheme participants	778	673
Experience gains and losses on defined benefit obligations	488	(2,698)
Changes in financial assumptions	(38,819)	5,134
Estimated benefits paid	(3,212)	(3,108)
Curtailments and settlements	0	191
Defined benefit obligations at end of period	**123,667**	**157,038**

Reconciliation of Assets

Fair value of plan assets at start of period	119,485	103,627
Interest on plan assets	1,904	1,548
Return on plan assets	3,149	15,174
Administration expenses	(56)	(53)
Employer contributions	1,619	1,624
Contributions by Scheme participants	778	673
Estimated benefits paid	(3,212)	(3,108)
Fair value of plan assets at end of period	**123,667**	**119,485**

The college has agreed with the South Yorkshire Pensions Authority to increase the employer contributions which have been paid since 1st April 2020, to include an allowance for the McCloud judgement regarding age discrimination rectification for unfunded public sector schemes. The contribution rates are considered adequate in light of guidance received from the scheme actuary during the year.

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% p.a. 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 college has continued to follow guidance from the RPI reform proposals published on 4 September 2019 by the UK Chancellor and UK Statistics Authority. The future RPI assumption has been derived from the yields available on gilts and index-linked gilts, with CPI being 0.7%-0.9% lower.

The mortality rate is based on publicly available mortality tables for the UK. COVID-19 has caused a short-term increase in deaths in the UK but the excess deaths to date have not generally had a material impact on UK pension scheme liabilities. The future impact of COVID-19 on long term mortality improvements is currently uncertain with potential adverse implications of delayed medical interventions and "long COVID" along with potential positive implications if the surviving population is less "frail" or the pandemic causes improved healthcare initiatives and lifestyle changes. Overall, the College believes there is insufficient evidence to require an explicit adjustment to the mortality assumption for COVID-19 at this time.

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 £2,166 relating to four governors; (2021: £980; six 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 (2021: 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 £159,000 (2021 - £181,000), relating to the provision of teaching & training services. The outstanding balance at the year-end was £20,000 (2021 - £nil).

Purchase transactions in the year amounted to £281,000 (2021 - £316,000), relating to academic validation fees. The outstanding balance at the year-end was £nil (2021 - £nil).

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

Sales transactions in the year amounted to £228,000 (2021 - £58,000), relating to the provision of Financial, Human Resources & Premises services. The outstanding balance at the year-end was £91,000 (2021 - £158,000). £170,000 of activity relates to the SMS subsidiary company and £90,000 of outstanding balance relates to SMS.

Learn Sheffield - an education improvement body in which the college is a member, and Mr Betts (Governor) is CEO and Mr Hartley (TSC Executive Team member) is a director.
Purchase transactions in the year amounted to £1,100 (2021 - £1,800), relating to training courses & membership fees. The outstanding balance at the year-end was £nil (2021 - £1,000).

Collab Group - a further education college membership group in which Ms Foulkes (Chief Executive) is a Director.
Purchase transactions in the year amounted to £24,000 (2021 - £37,000), relating to membership fees & sub-contracted teaching provision commission. The outstanding balance at the year-end was £nil (2021 - £1,900).

Sheffield Theatres - a trust of which Stephen Betts (Governor) is a trustee and Surriya Falconer (related to Ian Falconer) was Vice Chair and trustee until 26 November 2021. Purchases of £900 were made in year with no balances outstanding at the end of the year.

Sheffield Wednesday Football Club Community Programme - a football club charitable arm of which Paul Senior (Governor) is a trustee.
Purchase of £474,000 were made in year (£466,000 in 2020/21) which relates to a sub-contracting arrangement for the delivery of education and training which has been in place prior to Mr Senior joining the College Governors.

Skills and Education Group - an awarding body for qualifications in which Ms Foulkes (Chief Executive) was a Director until 11/10/22.
Purchase transactions in the year amounted to £7,000 (2021 - £60,000), relating to membership fees and qualification registration and examination fees. The outstanding balance at the year-end was £nil (2021 - £nil).

The Group has three wholly owned subsidiary companies trading with the college. Trading results for these companies are summarised below:

	2022 £'000	2021 £'000
Purchases from Sparks Managed Services Ltd	1,132	1,232
Outstanding balance due to Sparks Managed Services Ltd at 31 July	7	56
Sales to Sparks Managed Services Ltd	1,132	1,232
Outstanding balance due from Sparks Managed Services Ltd at 31 July	7	56
Purchases from Sparks Solutions Ltd	912	810
Outstanding balance due to Sparks Solutions Ltd at 31 July	7	
Sales to Sparks Solutions Ltd	912	810
Outstanding balance due from Sparks Solutions Ltd at 31 July	92	85
Purchases from Sparks Teaching Services Ltd	1,777	1,775
Outstanding balance due to Sparks Teaching Services Ltd at 31 July	7	22
Sales to Sparks Teaching Services Ltd	1,777	1,775
Outstanding balance due from Sparks Teaching Services Ltd at 31 July	7	25

23 Amounts disbursed as agent

	2022 £'000	2021 £'000
Learner support funds		
Funding body grants - Advanced Learner Loan Bursaries	117	113
Funding body grants - 16 to 19 Bursary Funding	1,702	1,155
	1,819	**1,268**
Disbursed to students	(1,212)	(789)
Administration costs	(64)	(41)
Balance unspent as at 31 July, included in creditors	**543**	**438**

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

	2022 Group	2021 Group
	£'000	£'000
Access investment (i)	58	14
Financial support to students	20	14
Total	78	28

Figures for the college are identical to those for the Group in both years.