



## **YEAR END ACCOUNTS**

### **SHIPLEY COLLEGE**

**Report and Financial Statements**

**Year ended 31 July 2015**

## CONTENTS

1.	Operating and Financial Review	Page 3-10
2.	Professional Advisors	Page 11
3.	Statement of Corporate Governance and Internal Control	Page 12-18
4.	Governing Body's statement on the College's regularity, propriety and compliance with funding body terms and conditions of funding	Page 19
5.	Statement of the Responsibilities of the Members of the Corporation for the Financial Statements	Page 20-21
6.	Independent Auditor's Report to the Corporation of Shipley College	Page 22
7.	Independent Reporting Accountant's Assurance Report on Regularity to the Corporation of Shipley College ('The Corporation') and the Secretary of State for Business, Innovation and Skills acting through Skills Funding Agency.	Page 23-24
8.	Income and Expenditure Account	Page 25
9.	Statement of Historical Cost Surpluses and Deficits	Page 26
10.	Statement of Total Recognised Gains and Losses	Page 26
11.	Balance Sheet	Page 27
12.	Cash Flow Statement	Page 28
13.	Notes to the Accounts	Page 29-48

## **OPERATING AND FINANCIAL REVIEW**

### **NATURE, OBJECTIVES AND STRATEGIES**

The members present their report and the audited financial statements for the year ended 31 July 2015.

### **LEGAL STATUS**

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

### **MISSION**

"To provide high quality, inspirational education and training that meets the ambitions of individuals, businesses and communities."

### **PUBLIC BENEFIT**

Shipley College is an exempt charity under the Part 3 of the Charities Act 2011 and from 1st September 2013, is regulated by the Secretary of State for Business, Innovation and Skills as Principal Regulator for all FE Corporations in England. The members of the Corporation, who are trustees of the charity, are disclosed on page 12. 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. In delivering its mission, the College provides the following identifiable public benefits through the advancement of education:

- High-quality teaching
- Widening participation and tackling social exclusion
- Excellent employment record for students
- Strong student support systems
- Links with employers, industry and commerce.

### **IMPLEMENTATION OF THE STRATEGIC PLAN**

The College is working under a Strategic Plan for the period to 2016. The main Strategic Drivers are:

1. Build strong relationships with employers
2. Maximise student achievement and progression
3. Save or earn £0.75 million a year within 3 years.

Progress on the Strategic Drivers is reviewed annually with operational plans prepared for each academic year concerning new developments, quality improvement, finance, human resources and employer responsiveness.

The Corporation monitors the performance of the College against these plans which are reviewed and updated each year. The College recognises it operates in a very competitive and challenging environment and will maintain a vigorous response to these challenges. It recognises the national priority placed on collaborative activity with other agencies, community groups and employers to support national priorities. The College will continue to take a leading role in 14-19 developments in the district and proactively engage with employers to ensure responsiveness to business needs. The College will also continue to work with others to widen participation, increase achievement and contribute to Airedale regeneration and district – wide initiatives.

## FINANCIAL OBJECTIVES

The Finance Plan supports the Corporation's three year strategic plan. The fulfilment of this strategy and plan is monitored systematically by the Corporation, as is the risk assessment which is also a part of the Corporation's strategic plan.

In addition to supporting the strategic plan of the College the Corporation has 5 financial objectives:-

- To maintain good financial management and reporting which records the achievement of the agreed quantitative performance indicators
- To maintain good financial management systems
- To maintain the confidence of funding bodies, suppliers and professional advisers
- To maintain awareness of financial issues and the financial environment
- To maintain a high standard of the stock of College accommodation and equipment

The College's financial strategy includes a series of performance indicators which have been agreed to monitor the successful implementation of the policies.

## PERFORMANCE INDICATORS

The College's Strategic Drivers are underpinned by the following Key Performance Indicators:

- Retention and achievement
- Progress against income targets
- Major Programme Attendance
- Quality of Teaching, Learning and Assessment
- Sector Contributions
- Performance against contract values for 16-18, 19+ and Employer Responsive provision.

The Principal reports to the Corporation on progress in relation to these indicators. Retention and achievement performance is reported at every Corporation meeting. Other indicators are presented as appropriate.

The College is committed to observing the importance of sector measures and indicators and use the FE Choices website which looks at measures such as success rates. The College is required to complete the annual Finance Record for the Skills Funding Agency. The Finance Record produces a financial health grading. The current rating of Good is considered an acceptable outcome.

## FINANCIAL POSITION

### Financial Results

The College has accumulated general reserves excluding FRS17, of £1,616k (2013/14 £1,467k) and cash balances of £832k (2013/14 £1,510k).

The main sources of income upon which the College depends, in addition to the funds provided by the funding bodies which represents 87% of income, are Education Contracts, Other grant funded schemes and Fee income. These additional sources represent 13% (2013/14 12%) of total operating income. The College is looking to increase additional non funding body income in future years with new provision in HE, 24+ Loans and full cost work.

## SHIPLEY COLLEGE

The College and its subsidiary generated an operating surplus of £168k, before the cost of redundancy, FRS17 and enhanced pension adjustments. The effect of these adjustments is detailed below:-

	£'000	£'000
Operating surplus		168
Redundancy payments	(60)	
Decrease in enhanced pension provision	38	(22)
Operating surplus before FRS17 adjustments		146
FRS17 adjustments:-		
Current service cost – note 8	(110)	
Pension Finance income – note 7	78	(32)
Surplus on continuing operations as stated in the Income and Expenditure account		114

The College has two subsidiary companies Shipley College Developments Limited and Shipley College Services Limited. The principal activity of Shipley College Developments Limited is acting as a Design and Build agent handling the building of the College's new Jonathan Silver Building. Shipley College Services Limited is a dormant company with no trading since incorporation. In the current year the surplus generated in Shipley College Developments Limited was £1k.

Consolidated accounts have been prepared for the year to 31 July 2015 incorporating the results of Shipley College Developments Limited.

During the year the College has utilised Capital funding grants and College funds to build the Jonathan Silver Building to provide specialist facilities for high needs students and meet the growing demand for these facilities in the Bradford District.

### **Treasury policies and objectives**

Treasury management is the management of the College's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

The College has a treasury management policy in place as part of the annexes to the Financial Regulations. This is reviewed by the Finance and General Purposes committee on behalf of the Corporation.

Short term borrowing for temporary revenue purposes is authorised by the Accounting Officer. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum.

# SHIPLEY COLLEGE

## **Cash flows and liquidity**

The College had cash reserves at the year end of £832k (2013/14 £1,510k). There was an operating cash out flow during the year due to the spend on the new Jonathan Silver building including grant funds which had been held by the College but not spent at 31 July 2014. All grant funding in respect of the building have been utilised during the year. The College has no loans at the current time or in the previous year.

## **CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE**

### **Student Numbers**

All learner responsive targets were met in 14/15. There was a substantial shortfall in 16-18 numbers given new rules precluding short courses for 16-18 year olds though a significant increase in the number of full time 16-18 year olds led to over-achievement of the contract value.

Early indications for 2015/16 suggest:-

- 16-18 numbers similar to 2014/15;
- increase in the number of apprentices;
- a reduction in the number of 19+ classroom learning in line with the cut in funding in this area.

### **Student Success**

There have been steady improvements in student success rates for Learner Responsive and apprenticeship provision to above national average.

### **Curriculum Developments**

The College plans to:-

- provide a good, balanced range of choices in the context of the district's 14-19 Strategy;
- make an active contribution to local regeneration through community based provision and support for local companies;
- play an active role in the Bradford District's Partnerships and its delivery of the district's contribution to the national, regional and district targets to raise standards and to increase the participation of adults and young people in education and training;
- through effective partnership work with Job Centre Plus, provide effective provision for the unemployed.
- ensure the effectiveness of the College's contribution to the funding agencies and District targets in line with the national, regional and district priorities.

### **Payment Performance**

The Corporation does not differentiate between suppliers in its payment policy, and endeavours to make payments to all creditors within thirty days of the end of the month in which it receives invoices.

### **Post balance sheet events**

There have been no post balance sheet events requiring disclosure.

### **Future developments**

The College is under Plan Led Funding and hence income for 2015/16 has been confirmed at £3,008k from the Education Funding Agency and £1,425k from the Skills Funding Agency for the Adult Skills Budget.

## RESOURCES

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

Tangible resources include the freehold of the Mill Building and Leasehold improvements on the Salt and Exhibition Buildings within the Saltaire campus. The operating leases of the Salt and Exhibition Buildings were extended for 105 years during the year further securing these resources for the College. Building work has now been completed for a new building on the Exhibition Gardens. Matched funding has been secured for refurbishment of the College's Salt Building which means that the College's estate is now secure for the foreseeable future.

### ***Financial***

The College has £19k of net current liabilities.

### ***People***

As at 31 July 2015 the College employed 171 people (expressed as full time equivalents), of whom 115 have a direct teaching role. This represents 293 staff.

### ***Reputation***

The College has a good reputation locally. Maintaining a quality brand is essential for the College's success at attracting students and for promoting external relationships.

## PRINCIPAL RISKS AND UNCERTAINTIES:

The College has maintained its Risk Management arrangements throughout the year. The College has continued to develop and embed systems of internal control, including financial, operational and risk management, which are designed to protect the College's assets and reputation.

As set out in the College's Risk Management arrangements, the Risk Management Group regularly reviews the risks to which the College is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the College. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions. In addition to the annual review, the Principal and the Risk Management Group also consider any risks which may arise as a result of a new area of work being undertaken by the College.

The risk register is maintained at College level and is reviewed annually by the full Corporation and more frequently by Audit committee. 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 Risk Register incorporates the Risk Management Plan which supports the principal risk factors. Other key items of College documentation, such as the Sector/Service Development plans, embed awareness of risk into College processes.

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

### **1. Government funding**

The College has considerable reliance on continued government funding through the further education sector funding bodies. In 2014/15, 87% of the College's revenue was ultimately public funded and this level of requirement is expected to continue. There can be no

## SHIPLEY COLLEGE

assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

The College is aware of several issues which may impact on future funding:

- There is considerable competition for full time student numbers in the local area with every secondary school operating a sixth form. Bradford demographics show a key issue will be severe shortage of spaces in the longer term. If the College can maintain/improve recruitment in the medium term, enrolments and therefore income, should be healthy into the next decade. In collaboration with the council the College is leading the 'Centre of Excellence for Business' in the city, the first partnership of its type in the Bradford Metropolitan area.
- Changes to qualifications. Government have revealed a review of qualifications with a view to reducing the numbers funded by as much as 90%. Of those that remain, there will be an expectation that External Assessment is increased.
- Number of apprenticeship places. The College is keen to expand apprenticeships and achieved a 25% increase in new starts in 14/15

Overall reductions in adult learner responsive funding have and continue to have serious repercussions for the College. This risk has been mitigated in a number of ways:

- A comprehensive review of staffing led to a £260k reduction in the planned salary budget for 14/15 and a further £190k for 15/16.
- Seeking to increase the number of traineeships and apprenticeships
- Diversifying income sources with courses attracting 24+ loans and European funding.
- By ensuring the College is rigorous in improving the quality of education and training
- Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding.

### **2. Tuition fee policy**

Ministers have confirmed that the fee assumption remains at 50%. In line with the majority of other colleges, Shipley College will seek to increase tuition fees in accordance with the fee assumptions. The price elasticity of adult learning for the College is not yet fully understood. The risk for the College is that demand falls off as fees increase. This will impact on the growth strategy of the College.

This risk is mitigated in a number of ways:

- By ensuring the College is rigorous in delivering high quality education and training, thus ensuring value for money for students
- Close monitoring of the demand for courses as prices change

### **3. Maintain adequate funding of pension liabilities**

The financial statements report the share of the Local Government Pension Scheme deficit on the College's balance sheet in line with the requirements of FRS 17.



## STAKEHOLDER RELATIONSHIPS

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

- Students;
- Staff;
- the Skills Funding Agency;
- the Local Authority;
- the Education Funding Agency;
- FE Commissioner;
- local employers (with specific links);
- the local community;
- other Further Education institutions;
- Trade unions;
- Government Offices/ Regional Development Agency; and
- Professional bodies.

The College recognises the importance of these relationships and engages in regular communication with them through a variety of means.

## EQUAL OPPORTUNITIES AND EMPLOYMENT OF DISABLED PERSONS

The College respects and values the social and cultural diversity of its learners and employees by seeking to ensure that all have the opportunity to participate fully and achieve their potential irrespective of any of the following Equality Act 2010 'protected characteristics':

Age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion and belief, sex, and sexual orientation.

In achieving this objective, Shipley College is committed to promoting the Public Sector Duty and has in the performance of its corporate responsibilities due regard to the need to;

- Eliminate unlawful discrimination, harassment and victimisation and any other conduct prohibited by the Equality Act 2010
- Advance Equality of Opportunity and foster good relations between people who share a protected characteristic and people who do not share it.

The College achieves the aims of the Public Sector Duty by:

- Providing a learning and work environment which is inclusive
- Ensuring all policies, procedures and the design and delivery of the College services are free from discrimination and are appropriately monitored to respond to the diverse needs of all learners, employees and the wider community.

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

## Disability Statement

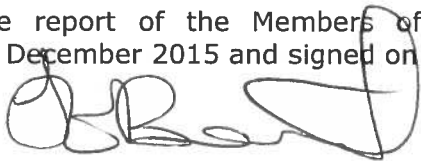
The College seeks to achieve the objectives set down in the Equality Act 2010:

- a) All College adaptations and building works are undertaken in accordance with Part M (Access to and Use of Buildings) of the Building Regulations. The College's new building (the Jonathan Silver Building) which was opened in September 2015, is designed to meet the needs of high needs learners and contains specialist areas and equipment.
- b) The College has appointed a Head of Additional Learning Support, who provides information, advice and arranges support where necessary for students with disabilities
- c) There is a list of specialist equipment, such as a DeafCall system and portable induction loops, which the College can make available for use by students and a range of assistive technology is available in the Learning Resource Centre.
- d) The Admissions Policy for all students is described in the College Prospectus. Appeals against a decision not to offer a place are dealt with under the Compliments and Complaints Policy.
- e) The College has made a significant investment in the appointment of specialist lecturers to support students with learning difficulties and/or disabilities. There are a number of Learning Support Assistants who can provide a variety of support for learning. There is an ongoing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.
- f) Specialist programmes are described in College prospectuses, and achievements and destinations are recorded and published.
- g) Pastoral support and welfare services are described in the 'Student guide', which is issued to students at induction with instructions on how to access support.

## DISCLOSURE OF INFORMATION TO AUDITORS

The members who held office at the date of the 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 the relevant audit information and to establish that the College's auditors are aware of that information.

The report of the Members of the Corporation was approved by the members on 15 December 2015 and signed on its behalf by:-



**Mrs J Beaumont**  
**Chair of the Corporation**  
**15 December 2015**

# SHIPLEY COLLEGE

## PROFESSIONAL ADVISORS

### **BANKERS:-**

Lloyds TSB PLC  
67 Park Row  
Leeds  
LS1 1NX

### **SOLICITORS:-**

Eversheds  
Cloth Hall  
Infirmary Street  
Leeds  
LS1 2JB

### **INTERNAL AUDITORS :-**

TIAA  
Business Support Centre  
54-56 Gosport Business Centre  
Aerodrome Road  
Gosport  
Hampshire  
PO13 0FQ

### **FINANCIAL STATEMENTS & REGULARITY AUDITORS:-**

Mazars LLP  
Park View House  
58 The Ropewalk  
Nottingham  
NG1 5DW

**STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL**

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

The College endeavours to conduct its business:

- i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- ii. in full accordance with the guidance to colleges from the Association of Colleges in The English Colleges' Foundation Code of Governance ("the Foundation Code"); and
- iii. having due regard to the UK Corporate Governance Code ("the Code") insofar as it is applicable to the further education sector.

The College is committed to exhibiting best practice in all aspects of corporate governance and in particular the College has adopted and complied with the Foundation Code. We have not adopted and therefore do not apply the UK Corporate Governance Code. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the further education sector and best practice.

In the opinion of the Governors, the College complies with all the provisions of the Foundation Code, and it has complied throughout the year ended 31 July 2015. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The English Colleges' Foundation Code of Governance issued by the Association of Colleges in December 2011, which it formally adopted in March 2012 and the Audit and Accountability Annex to the Foundation Code that was issued in March 2013 and adopted by the College in July 2013.

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

**Governors serving on the College Board during 2014/2015**

Name	Date of appointment	Term of office	Date of resignation	Status of appointment	Attendance at Full Corporation	Committees served
Mr N S Chohan	July 2009	N/a		Principal (Accounting Officer)	3/3	F & GP; Search; Curriculum & Quality
Dr R Dugdale	January 2004 Reappointed August 2013	3 years	Dec 2014	Member		
Mr P Brown	January 2005 Reappointed June 2014	3 years		Member	2/3	Chair of F&GP; Search, Remuneration
Mr N Hainsworth	July 2007 Reappointed July 2014	3 years		Member	0/3	Chair: Audit
Dr R L'Amie	November 2003 Reappointed Nov 2013	3 years		Member	1/3	F&GP

# SHIPLEY COLLEGE

Name	Date of appointment	Term of office	Date of resignation	Status of appointment	Attendance at Full Corporation	Committees served
Mr J Egan	November 2009 Reappointed Nov 2013	3 years		Member	1/3	Audit, Remuneration C&Q
Mr J Briggs	May 2010 Reappointed April 2015	3 years		Member	2/3	Curriculum & Quality,
Mr S Desai	Dec 2010 Reappointed Dec 2011	3 years		Staff Member	3/3	Audit, C&Q
Mr J Sunter	July 2011 Reappointed Jul 2012	3 years	July 2015	Staff Member	2/3	
Mr A Podesta	Dec 2011 Reappointed Oct 2012	3 years		Member	3/3	F & GP,
Mrs J Beaumont	Oct 2012 Reappointed Oct 2013	3 years		Member	2/3	Chair: Corporation Chair C&Q Remuneration, Search
Mr P Webley	Oct 2012 Reappointed Oct 2013	3 years		Member	3/3	Audit, C&Q Vice Chair Corporation
Mrs S Goodison	Dec 2012 Reappointed Dec 2013	3 years		Member	3/3	C&Q Remuneration
Ms S L Miles	Jul 2014	1 year	-	Member	2/3	C&Q
Ms T Spencer	Jul 2014	1 year	-	Member	1/3	F&GP
Mr K Robson	Dec 2013	1 year	July 2015		0/3	
Mr D Butcher	Apr 2015	1 year		Member	2/2	F&GP
Ms S Khan	Apr 2015	1 year		Member	2/2	C&Q
Mr J Parker	Apr 2015	1 year		Member	2/2	Audit
Ms L Ware	Apr 2015	1 year		Member	2/2	C&Q
Miss R Stephen	Apr 2015	1 year		Student	2/2	
Vacancies – 1						
Mr J Stott: Clerk to the Corporation and College Administrator						

## Non Corporation Members co-opted to serve on College committees during 2014/2015

Name	Date of appointment	Term of office	Date of resignation	Committees served
Mr M Brannan	March 2008 Reappointed Mar 2014	3 yrs		Audit
	Oct 2014	3 yrs		Search

## SHIPLEY COLLEGE

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, equality and diversity and environmental issues.

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the full Corporation. These committees are:-

- Finance and General Purposes;
- Search
- Remuneration
- Curriculum and Quality; and
- Audit.

The Corporation, Finance and General Purposes, and Curriculum & Quality committees convene termly. The Audit Committee meets twice and the Search and Remuneration committees are convened at least once a year.

Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website at [www.shingley.ac.uk](http://www.shingley.ac.uk) or from the Clerk to the Corporation at:-

Shingley College  
Victoria Road  
Shingley  
BD18 3LQ

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

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

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

The Corporation has a strong and independent non-executive element and no individual or group dominates its decision making process. The Corporation considers that each of its non-executive members is independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

There is a clear division of responsibility in that the roles of the Chair of the Corporation and Principal are separate.

### **Appointments to the Corporation**

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a search committee consisting of three members of the Corporation plus an independent external co-opted member, which is responsible for the selection and nomination of any new member for the Corporation's

## SHIPLEY COLLEGE

consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

Members of the Corporation are appointed for a term of office not exceeding 4 years.

### **Remuneration Committee**

Throughout the year ended 31 July 2015, the College's remuneration committee comprised of four members of the Corporation. The committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Principal and other senior postholders.

Details of remuneration for the year ended 31 July 2015 are set out in notes 8 and 9 to the financial statements.

### **Audit Committee**

The Audit Committee is comprised of five members of the Corporation (excluding the Principal and Chair of the Corporation) plus one co-opted non-member of the Corporation; this latter member provides independence and experience to the committee. The committee operates in accordance with written terms of reference approved by the Corporation. Its purpose is to advise the Corporation on the adequacy and effectiveness of the College's system of internal control and its arrangements for risk management, control and governance processes.

The Audit Committee meets twice a year and provides a forum for reporting by the College's internal and external auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the main FE funding bodies as they affect the College's business.

The College's internal auditors review the systems of internal control; risk management controls and governance process in accordance with an agreed plan of input and report their findings to management and the Audit Committee. Management are responsible for the implementation of agreed audit recommendations and internal audit undertake periodic follow up reviews to ensure such recommendations have been implemented.

The Audit Committee also advises the Corporation on the appointment of Internal, Regularity and Financial statement auditors and their remuneration for both audit and non-audit work as well as reporting annually to the Corporation.

### **Internal Control**

#### **Scope of responsibility**

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

The Corporation has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with the responsibilities assigned to him in the Financial Memorandum between the College and the funding bodies. He is also responsible for reporting to the Corporation any material weaknesses or break-downs in internal control.

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

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the College for the year ended 31 July 2015 and up to the date of approval of the annual report and financial statements.

### **Capacity to handle risk**

The Corporation has reviewed the key risks to which the College is exposed, together with the operating, financial and compliance controls that have been implemented to mitigate those risks. Having placed significant priority on risk management developments since year ended 31 July 2002, 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 year ended 31 July 2015 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Corporation. In undertaking its annual review of the process in July 2015, the Corporation was able to confirm its view that:-

- the Corporation acknowledges responsibility for the College's system of internal control.
- there is an ongoing process in place for identifying, evaluating and managing significant risk.
- there is an annual process in place for reviewing the effectiveness of the system of internal control.
- there is a process in place to deal with the internal control aspects of any significant problems which need to be disclosed in the annual report and financial statements under the terms of the Combined Code.
- the College's Risk Management Arrangements are able to ensure that the system of internal control :-
  - is embedded in the operation of the College and forms part of its culture
  - is capable of responding quickly to evolving risk
  - includes procedures for reporting any significant control failings promptly to appropriate levels of management

### **The risk and control framework**

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

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

The College has an internal audit service, which operates in accordance with the requirements of the EFA and SFA's Joint Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and



annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee. As a minimum, the Head of Internal Audit (HIA) annually provides the Corporation 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.

The College has not appointed a full internal audit service for the year ended 31 July 2015. The College Management and Governors assessed the internal controls and are developing a Board Assurance Framework for implementation in 2015/16, clearly showing the mapping of assurance sources against the risks identified.

The College analysed the risks to which it was exposed and a programme of assurance was agreed with the Audit Committee. The Committee was provided with regular reports on this assurance activity in the College which included a mock ILR audit review by ICCA.

### **Review of effectiveness**

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

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

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

The Accounting Officer and Senior Management Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments. The Principal and Senior Management Team and Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Accounting Officer and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its July 2015 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2015.

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

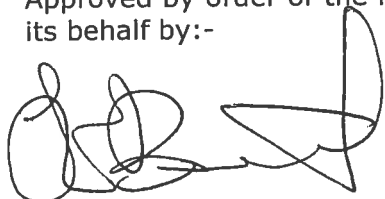
## SHIPLEY COLLEGE

### Going Concern

At 31 July 2015 the Group had net current liabilities of £17k and net assets of £1,926k including a net pension liability of £3,173k. Of the net pension liability, only the agreed schedule of pension contributions are due for payment within twelve months from the date of signing the financial statements.

The College has prepared 3 year financial forecasts and cashflow statements which incorporate some significant cuts in funding from the funding bodies. Changes have been made in staffing to address this and work has been undertaken to generate new income sources in 15/16. Based on this, the Corporation are confident that the College will generate sufficient cash flows to meet its obligations as they fall due for payment.

Approved by order of the members of the Corporation on 15 December 2015 and signed on its behalf by:-



**Joanne Beaumont**  
**Chair of the Corporation**  
**15 December 2015**



**Mr N Chohan**  
**Principal & Accounting Officer**

**GOVERNING BODY'S STATEMENT ON THE COLLEGE'S REGULARITY, PROPRIETY AND COMPLIANCE WITH FUNDING BODY TERMS AND CONDITIONS OF FUNDING**

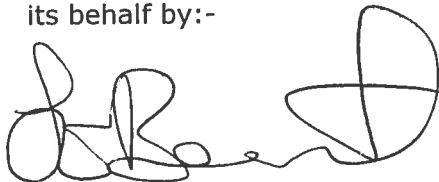
The Corporation has considered its responsibility to notify the Skills Funding Agency of material irregularity, impropriety and non-compliance with Skills Funding Agency terms and conditions of funding, under the financial memorandum in place between the College and the Skills Funding Agency. As part of our consideration we have had due regard to the requirements of the financial memorandum.

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

We confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date.

If instances as identified after the date of this statement, these will be notified to the Skills Funding Agency.

Approved by order of the members of the Corporation on 15 December 2015 and signed on its behalf by:-



**Joanne Beaumont**  
**Chair of the Corporation**  
**15 December 2015**



**Mr N Chohan**  
**Principal & Accounting Officer**

## **STATEMENT OF THE RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION FOR THE FINANCIAL STATEMENTS**

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

Within the terms and conditions of the Financial Memorandum between the Skills Funding Agency and the Corporation of the College, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education and with the Accounts Direction for 2014/15 financial statements issued jointly by the Skills Funding Agency and the EFA, and which give a true and fair view of the state of affairs of the College and the result for that year.

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

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

The Corporation is also required to prepare an Operating and Financial Review, which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College.

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

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

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

## SHIPLEY COLLEGE

### **Auditors**

The auditors, Mazars LLP, are willing to continue in office and confirmation of this will be made by the Corporation under the terms of the agreement between Mazars LLP and the Corporation.

Approved by order of the Members of the Corporation on 15 December 2015 and signed on its behalf by:-

A handwritten signature in black ink, appearing to read 'Joanne Beaumont', with a stylized, flowing script.

**Joanne Beaumont**  
**Chair of the Corporation**  
**15 December 2015**

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

We have audited the financial statements of Shipley College for the year ended 31 July 2015 which comprise the Consolidated Income and Expenditure Account, the Consolidated Statement of Historical Cost Surpluses and Deficits, the Consolidated Statement of Total Recognised Gains and Losses, the Company and Consolidated Balance Sheets, the Company and Consolidated Cash Flow Statements and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

### **Respective responsibilities of the Corporation and auditors**

As explained more fully in the Statement of Responsibilities of the Member of the Corporation set out on page 20, the Corporation are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2015 and of the College's surplus of income over expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;

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

We have nothing to report in respect of the following matters where the Joint Audit Code of Practice issued jointly by the Skills Funding Agency and the Education 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.

*Mazars LLP*

Mazars LLP

Chartered Accountants and Statutory Auditor

Park View House

58 The Ropewalk

Nottingham

NG1 5DW

Date: 17 December 2015

## **INDEPENDENT REPORTING ACCOUNTANTS REPORT ON REGULARITY TO THE CORPORATION OF SHIPLEY COLLEGE AND SECRETARY OF STATE FOR BUSINESS, INNOVATION AND SKILLS ACTING THROUGH SKILLS FUNDING AGENCY**

In accordance with the terms of our engagement letter dated 30 September 2015 and further to the requirements of the financial memorandum with Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Shipley College during the period 1 August 2014 to 31 July 2015 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 Joint Audit Code of Practice issued jointly by Skills Funding Agency and Education Funding Agency. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record (ILR) returns, for which Skills Funding Agency has other assurance arrangements in place.

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

### **Respective responsibilities of Shipley College and the reporting accountant**

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Joint Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2014 to 31 July 2015 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 Joint Audit Code of Practice issued jointly by Skills Funding Agency and Education Funding Agency. We performed a limited assurance engagement as defined in that framework.

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

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

## SHIPLEY COLLEGE

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

The work undertaken to draw to our conclusion includes:

- Reviewed the statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding.
- Reviewed the College's completed self-assessment questionnaire on regularity.
- Read the financial memorandum with the SFA/ funding agreement with the EFA.
- Tested a sample of expenditure disbursed and income received to consider whether they have been applied to purposes intended by Parliament and in accordance with funding agreements where relevant.
- Reviewed all payments to senior post holders on termination of employment or in respect of claims made in the year.
- Reviewed approved policies and procedures operating during the year for each funding stream that has specific terms attached.
- Obtained the policy for personal gifts and/or hospitality.
- Obtained the register of personal interests.
- Obtained the financial regulations/financial procedures.
- Obtained the College's whistleblowing policy.

### 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 2014 to 31 July 2015 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

*Mazars LLP*

Mazars LLP  
Chartered Accountants and Statutory Auditor  
Park View House  
58 The Ropewalk  
Nottingham  
NG1 5DW

Date: *17 December 2015*



**CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT  
YEAR ENDED 31 JULY 2015**

<b>INCOME</b>	<b>Note</b>	<b>2015 £'000</b>	<b>2014 £'000</b>
Funding body grants	2	7,032	7,271
Education contracts	3	16	55
Tuition fees and charges	4	451	447
Other grant income	5	477	418
Other income	6	73	89
Investment income	7	82	12
<b>Total income</b>		<b>8,131</b>	<b>8,292</b>
<b>Expenditure</b>			
Staff costs	8 & 9	5,624	5,904
Other operating expenses	11	2,124	2,178
Depreciation	14	269	299
<b>Total expenditure</b>		<b>8,017</b>	<b>8,381</b>
<b>Surplus/(deficit)on continuing operations after depreciation of tangible assets at valuation but before tax</b>		<b>114</b>	<b>(89)</b>
Taxation	13	-	-
<b>Surplus/(deficit)on continuing operations after depreciation of assets at valuation and tax, retained within general reserves</b>		<b>114</b>	<b>(89)</b>

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

The notes on pages 29 to 48 form part of these financial statements.

**CONSOLIDATED STATEMENT OF HISTORICAL COST SURPLUSES AND DEFICITS YEAR ENDED 31 JULY 2015**

	<b>Note</b>	<b>2015 £'000</b>	<b>2014 £'000</b>
Surplus/(deficit) on continuing operations before tax		114	(89)
Difference between historical cost depreciation and the actual charge for the period calculated on the revalued amount	20	4	4
<b>Historical cost surplus/(deficit) for the year before and after taxation</b>		<u>118</u>	<u>(85)</u>

**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES YEAR ENDED 31 JULY 2015**

	<b>Note</b>	<b>2015 £'000</b>	<b>As restated *</b> <b>2014 £'000</b>
Surplus/(deficit) on continuing operations after depreciation of assets at valuation, disposal of assets and tax		114	(89)
Actuarial (loss)/gain in respect of pension scheme	22	(670)	862
<b>Total recognised (losses)/gains relating to this year</b>		<u>(556)</u>	<u>773</u>
Prior year adjustment	14	(700)	-
<b>Total recognised losses since last report</b>		<u>(1,256)</u>	<u>773</u>
<b>Reconciliation</b>			
Opening reserves (as restated)		(872)	(1,645)
Total recognised (loss)/profit relating to this year		(556)	773
<b>Closing reserves (as restated)</b>		<u>(1,428)</u>	<u>(872)</u>

The notes on pages 29 to 48 form part of these financial statements.

\* Please see note 14 regarding the restatement of the accounts

**BALANCE SHEETS 31 JULY 2015**

		<b>Group</b>	<b>College</b>	<b>*As restated College</b>
	<b>Note</b>	<b>2015</b>	<b>2015</b>	<b>2014</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>FIXED ASSETS</b>				
Tangible assets	14	5,393	5,393	3,730
Investments	15	-	1	-
		5,393	5,394	3,730
<b>CURRENT ASSETS</b>				
Debtors	16	822	500	494
Cash at bank and in hand		832	832	1,510
<b>Total current assets</b>		1,654	1,332	2,004
<b>Creditors: amounts falling due within one year</b>	17	(1,671)	(1,351)	(1,979)
<b>Net current (liabilities)/assets</b>		(17)	(19)	25
<b>Total assets less current liabilities</b>		5,376	5,375	3,755
Provisions for liabilities	18	(277)	(277)	(315)
<b>Net assets excluding pension liability</b>		5,099	5,098	3,440
Net pension liability	22	(3,173)	(3,173)	(2,471)
<b>NET ASSETS INCLUDING PENSION LIABILITY</b>		1,926	1,925	969
<b>Deferred capital grants</b>				
	19	3,354	3,354	1,841
Income and expenditure account excluding pension reserve	20	1,617	1,616	1,467
Pension reserve	22	(3,173)	(3,173)	(2,471)
Income and expenditure account including pension reserve		(1,556)	(1,557)	(1,004)
Revaluation reserve	21	128	128	132
<b>Total Reserves</b>		(1,428)	(1,429)	(872)
<b>TOTAL FUNDS</b>		1,926	1,925	969

\* Please see note 14 regarding the restatement of the accounts

These financial statements on pages 25 – 48 were approved by the Corporation on 15 December 2015 and were signed on its behalf by:

  
**Joanne Beaumont**  
**Chair of the Corporation**  
**15 December 2015**

  
**Mr N Chohan**  
**Principal & Accounting Officer**

**CONSOLIDATED CASH FLOW STATEMENT  
YEAR ENDED 31 JULY 2015**

	<b>Note</b>	<b>Group 2015 £'000</b>	<b>College 2015 £'000</b>	<b>College 2014 £'000</b>
Cash (outflow)/inflow from operating activities	23	(389)	(389)	1,078
Returns on investments and servicing of finance	25	4	4	4
Capital expenditure	25	(293)	(293)	(688)
Cash inflow before financing		(678)	(678)	394
Financing		-	-	-
(Decrease)/Increase in cash in the year		(678)	(678)	394
<b>Reconciliation of net cash flow to movement in net funds</b>				
(Decrease)/Increase in cash in the year	24	(678)	(678)	394
Net funds at 1 August	24	1,510	1,510	1,116
Net funds at 31 July	24	832	832	1,510

The notes on pages 29 to 48 form part of these financial statements.

## **1. ACCOUNTING POLICIES**

### **Statement of accounting policies**

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

#### **Basis of preparation**

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2007 (the SORP), the Accounts Direction for 2014-15 financial statements and in accordance with applicable Accounting Standards.

#### **Basis of accounting**

The financial statements are prepared in accordance with the historical cost convention modified with respect to the valuation of buildings and in accordance with applicable United Kingdom Accounting Standards.

#### **Basis of consolidation**

The financial statements consolidate the results of Shipley College Developments Limited from the period of incorporation, 18 July 2014, to 31 July 2015. Transactions occurring pre 1 August 2014 were not considered material to the financial statements in the period to 31 July 2014, therefore consolidated financial statements were not prepared in the prior year.

The College's consolidated financial statements do not consolidate the results of Shipley College Services Limited on the grounds that the subsidiary undertaking is dormant and not considered material to the financial statements.

#### **Going Concern**

At 31 July 2015 the Group had net current liabilities of £17k and net assets of £1,926k including a net pension liability of £3,173k. Of the net pension liability, only the agreed schedule of pension contributions are due for payment within twelve months from the date of signing the financial statements.

The College has prepared 3 year financial forecasts and cashflow statements which incorporate some significant cuts in funding from the funding bodies. Changes have been made in staffing to address this and work has been undertaken to generate new income sources in 15/16. Based on this, the Corporation are confident that the College will generate sufficient cash flows to meet its obligations as they fall due for payment.

#### **Recognition of income**

Funding body recurrent grants are recognised in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the Adult Skills 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 at the end of November following the year end, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to a reconciliation and is therefore not subject to contract adjustments.

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

## **1. ACCOUNTING POLICIES (CONTINUED)**

Income from tuition fees is recognised in the period for which it is receivable and includes all fees payable by students or their sponsors, for example the National Health Service.

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

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

### **Post retirement benefits**

Retirement benefits for employees of the College are provided by the Teacher's Pension Scheme (TPS) and the West Yorkshire Pension Fund (WYPF). These are defined benefit schemes which are externally funded and contracted out of the State Earnings Related Pension Scheme (SERPS) and the assets are held separately from those of the Group.

The TPS is an unfunded scheme and contributions 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 the Government Actuary on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 22, the TPS is a multi employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

The WYPF is a funded scheme and the assets are held separately from those of the Group in separate trustee administered funds. Pension scheme assets are measured at fair values and liabilities are measured on an actuarial basis using the projected unit method and discounted at rate equivalent to 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 gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the income and expenditure account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The expected return on assets and the interest cost are shown as a net finance amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

### **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 group's income and expenditure account in the year that the member of staff retires. In subsequent years a charge is made to provisions in the balance sheet using the enhanced pension spreadsheet provided by the funding bodies.

## **1. ACCOUNTING POLICIES (CONTINUED)**

### **Tangible fixed assets**

#### **Freehold Land and buildings**

Land and Buildings inherited from the Local Education Authority are stated in the balance sheet at valuation, the associated credit is included in the revaluation reserve. The difference between depreciation charged on the historic cost of the assets and the actual charge for the year calculated on the revalued amount is released to the income and expenditure account on an annual basis.

Building improvements made since the valuation are included in the balance sheet at cost. Freehold land is not depreciated. Freehold buildings are depreciated over the expected useful economic life to the College of 50 years.

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

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable.

The value of freeholds of land and buildings inherited from the local authority were prepared by Chestertons, the international property consultants, in accordance with The Royal Institution of Chartered Surveyors Appraisal and Valuation Manual. The valuations were undertaken in April 1996. The College has adopted the transitional provisions of FRS 15 and has determined not to subsequently revalue its fixed assets from the amounts currently included within the financial statements.

On adoption of FRS 15, the College followed the transitional provisions to retain the book value of land and buildings, which were revalued in 1996, but not to adopt a policy of revaluations of these properties in the future. These values are retained subject to the requirement to test assets for impairment in accordance with FRS 11.

#### **Leasehold property Improvements**

Building improvements made to existing buildings held under operating leases are included in the balance sheet at cost and depreciated over the expected useful economic life to the College of 50 years.

#### *Assets under construction*

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

#### *Subsequent expenditure on existing fixed assets*

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

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

## **1. ACCOUNTING POLICIES (CONTINUED)**

### *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 Group has rights or access to ongoing future economic benefit.

### **Equipment**

Equipment is defined as any item (including furniture and sets of inter-dependent items) purchased or hired by the College which has an expected useful lifespan of at least one year and probably more than five years. Equipment costing more than £500 and all computer workstations are capitalised at cost in the period of acquisition and depreciated over 5 years on a straight line basis.

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

### **Leased assets**

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

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

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

### **Maintenance of Premises**

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

### **Taxation**

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore 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 the categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

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

The College's subsidiary company is subject to Corporation Tax and VAT in the same way as a commercial organisation.



## 1. ACCOUNTING POLICIES (CONTINUED)

### Provisions

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

### Cash

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

### Agency arrangements

The College acts as an agent in the collection and payment of discretionary support funds. Related payments received from the funding bodies and the subsequent disbursements to students are excluded from the Income and Expenditure account and are shown separately in note 26, except for 5% of the grant which is available to the College to cover administration costs relating to the grant.

## 2. FUNDING BODY GRANTS

	<b>2015 £'000</b>	<b>2014 £'000</b>
Funding body recurrent grant	6,158	6,181
Release of deferred capital grants (note 19)	116	142
16-18 apprentice grant	274	241
Funding body non recurrent grant	484	707
	<u>7,032</u>	<u>7,271</u>

## 3. EDUCATION CONTRACTS

	<b>2015 £'000</b>	<b>2014 £'000</b>
Contracts with Schools	16	55

## 4. TUITION FEES AND CHARGES

	<b>2015 £'000</b>	<b>2014 £'000</b>
UK Further Education Students	260	321
24+ Advanced Learning loans	191	126
	<u>451</u>	<u>447</u>

## 5. OTHER GRANT INCOME

	<b>2015 £'000</b>	<b>2014 £'000</b>
Other Grants	<u>477</u>	<u>418</u>

# SHIPLEY COLLEGE

## Notes to the Accounts for the Year Ended 31 July 2015

### 6. OTHER OPERATING INCOME

	2015 £'000	2014 £'000
Release of deferred capital grants (non-funding bodies) (note 19)	12	9
Other income	61	80
	<u>73</u>	<u>89</u>

### 7. INVESTMENT INCOME

	2015 £'000	2014 £'000
Interest receivable	4	4
Pension finance income	78	8
	<u>82</u>	<u>12</u>

### 8. STAFF COSTS

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

	2015 No.	2014 No.
Teaching departments – teaching staff	69	71
Teaching departments – other staff	17	15
Teaching support services	35	34
Other support services	8	9
Administration and central services	34	36
Premises	12	13
Other income generating activities	5	4
	<u>180</u>	<u>182</u>

### Staff costs for the above persons

	2015 £'000	2014 £'000
Teaching departments – teaching staff	2,572	2,741
Teaching departments – other staff	398	359
Teaching support services	740	751
Other support services	243	247
Administration and central services	1,171	1,211
Premises	276	276
Recharge of staff costs to fixed assets	(38)	-
Other income-generating activities	130	95
Redundancy payment	60	54
(Decrease)/increase in enhanced pension provision (Note 18)	(38)	15
FRS17 Retirement benefit charge (Note 22)	110	155
	<u>5,624</u>	<u>5,904</u>
Wages and salaries	4,687	4,802
Social security costs	256	281
Other pension costs (including FRS17 adjustments of £110k, 2014 £155k)	681	821
<b>TOTAL STAFF COSTS</b>	<u>5,624</u>	<u>5,904</u>

# SHIPLEY COLLEGE

Notes to the Accounts for the Year Ended 31 July 2015

## 8. STAFF COSTS (CONTINUED)

No member of the Corporation received any payment from the College for expenses incurred in the course of their duties.

The number of senior post-holders and other staff, including the Principal who received annual emoluments excluding pension contributions but including benefits in kind in the following ranges was:

	Senior Post Holders		Other Staff	
	2015	2014	2015	2014
	No.	No.	No.	No.
£60,001 - £ 70,000	1	1	-	-
£70,001 - £ 80,000	-	-	-	-
£80,001 - £ 90,000	1	1	-	-
£90,001 - £100,000				
	<u>2</u>	<u>2</u>	<u>-</u>	<u>-</u>

## 9. SENIOR POST-HOLDERS' EMOLUMENTS

Senior post-holders are defined as the Principal and holders of the other senior posts whom the Corporation have selected for the purposes of the articles of government of the College relating to the appointment and promotion of staff who are appointed by the Corporation.

	2015	2014
	No.	No.
<b>The number of senior post-holders including the Principal was:</b>	<u>2</u>	<u>2</u>
<b>Senior post-holders emoluments are made up as follows:</b>	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Salary	145	145
Pension contributions	20	20
	<u>165</u>	<u>165</u>

The above emoluments include amounts paid to the Principal (who is also the highest paid senior post-holder) of:

	2015	2014
	£'000	£'000
Salary	<u>84</u>	<u>84</u>
Pension contributions	<u>12</u>	<u>12</u>

The Pension contributions in respect of the Principal and senior post-holders are in respect of the employer's contributions to the Teachers Pension Scheme and West Yorkshire Pension Fund and are paid at the same rate as for other employees.

SHIPLEY COLLEGE  
Notes to the Accounts for the Year Ended 31 July 2015

**10. OVERSEAS ACTIVITIES**

There were no costs incurred during 2014-15 in respect of overseas activities.

**11. OTHER OPERATING EXPENSES**

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Teaching departments	62	44
Teaching support services	85	77
Other support services	71	100
Administration and central services	283	364
General education	362	410
Premises costs:		
Running costs	260	269
Maintenance	19	13
Rents and leases	125	142
Planned maintenance	270	417
Catering	18	15
Partnership payments	331	152
Other expenses	238	175
	<b><u>2,124</u></b>	<b><u>2,178</u></b>

Other operating expenses include:

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
<b>Operating lease rentals</b>		
Land and Buildings	105	105
Plant and Machinery	19	25
<b>Auditor's remuneration</b>		
Financial statements audit *	11	8
Regularity audit	2	2
Internal audit	-	8
Loss on disposal	8	14

\*Includes £9k in respect of the College (2013/14 £8k)

**12. INTEREST AND OTHER FINANCE COSTS**

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Pension finance costs (note 22)	<u>-</u>	<u>-</u>

**13. TAXATION**

The College is not liable for any corporation tax arising out of its activities during the year.

# SHIPLEY COLLEGE

Notes to the Accounts for the Year Ended 31 July 2015

## 14. TANGIBLE FIXED ASSETS

	College and Group				
	Freehold land and buildings	Long leasehold improvements	Assets under construction	Equipment	Total
	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>					
At 1 August 2014 (as previously stated)	1,033	4,418	175	3,361	8,987
Prior Year adjustment		(700)			(700)
At 1 August 2014 (as restated)	1,033	3,718	175	3,361	8,287
Additions	10		1,808	122	1,940
Disposals	-	-		(73)	(73)
At 31 July 2015	1,043	3,718	1,983	3,410	10,154
<b>Depreciation</b>					
At 1 August 2014	262	1,488	-	2,807	4,557
Charge for Year	21	57	-	191	269
Eliminated on disposal	-	-	-	(65)	(65)
At 31 July 2015	283	1,545	-	2,933	4,761
<b>Net book value at 31 Jul 2015</b>	760	2,173	1,983	477	5,393
Net book value at 1 Aug 2014	771	2,230	175	554	3,730

Freehold Property relates to the Mill Building and College allotments. The value of the freeholds land and buildings inherited from the local authority were prepared by Chestertons, the international property consultants, in accordance with The Royal Institution of Chartered Surveyors Appraisal and Valuation Manual. The valuations were undertaken in April 1996.

Leasehold property improvements relate to expenditure on land and buildings held under operating leases as follows:

- Exhibition Building – Leasehold until 2119 (option to exist after 2030).
- Jonathan Silver Building – Leasehold until 2119 (option to exist after 2030).
- Salt Building – Leasehold until 2119 (option to exist after 2030).
- Victoria Hall Basement - Leasehold until 2018.

The Jonathan Silver Building is an asset held under construction at the year end with a value of £1,983k at the year end (2013/14 £175k).

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

Freehold Land and buildings and Leasehold property improvements with a net book value of £3,130k (2014: £1,537k) have been financed from exchequer funds through, for example, the receipt of capital grants. Should these assets be sold, the College may be liable, under the terms of the financial memorandum with the funding bodies, to surrender the proceeds.

**14. TANGIBLE FIXED ASSETS (CONTINUED)****Prior year restatement**

The fixed asset note has been restated to reverse the upward revaluation of £700k on long leasehold improvements reflected in the 31 July 2014 financial statement. The revaluation had been prepared on a freehold basis at an open market value on land and buildings held under operating leases. In recognising the full valuation, the College has capitalised land and building held under operating lease. It is not possible to separate the valuation of the original land and building held under operating lease and the valuation of the buildings and building improvement costs borne by the College. Accordingly, the £700k upward revaluation has been reversed and the prior year financial statement restated.

**15. INVESTMENTS**

	<b>College 2015 £'000</b>	<b>College 2014 £'000</b>
Investment in subsidiary companies	1	-
	<u>1</u>	<u>-</u>

The College owns 100 per cent of the issued ordinary £1 shares of Shipley College Developments Limited, a company incorporated in England and Wales and 51 per cent of the issued ordinary £1 shares of Shipley College Services Limited, a company incorporated in England and Wales. The principal activity of Shipley College Developments Limited is to design and build the Jonathan Silver Building for the College. Shipley College Services Limited has been dormant since incorporation.

**16. DEBTORS**

	<b>Group 2015 £'000</b>	<b>College 2015 £'000</b>	<b>College 2014 £'000</b>
Trade debtors	33	33	35
Other debtors	673	351	328
Prepayments and accrued income	116	116	131
	<u>822</u>	<u>500</u>	<u>494</u>

**17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>Group 2015 £'000</b>	<b>College 2015 £'000</b>	<b>College 2014 £'000</b>
Trade creditors	452	432	482
Taxation and social security	113	113	192
Other creditors	94	94	10
Amount owed to Subsidiary undertakings	-	13	-
Accruals and deferred income	1,012	699	1,295
	<u>1,671</u>	<u>1,351</u>	<u>1,979</u>

SHIPLEY COLLEGE  
Notes to the Accounts for the Year Ended 31 July 2015

**18. PROVISIONS FOR LIABILITIES**

	<b>Group and College Enhanced pensions £,000</b>
At 1 August 2014	315
Decrease in provision	(38)
<b>At 31 July 2015</b>	<b>277</b>

The enhanced pension provision relates to the cost of staff who have already left the College's employ. This provision has been recalculated in accordance with guidance issued by the funding bodies.

The principal assumptions for this calculation are:	<b>2015 £'000</b>	<b>2014 £'000</b>
Price inflation	3.46%	4.06%
Discount Price	1.75%	2.25%

**19. DEFERRED CAPITAL GRANTS**

	<b>Group and College</b>		
	<b>Funding Bodies</b>	<b>Other Grants</b>	<b>Total</b>
	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>
<b>At 1 August 2014</b>	1,741	100	1,841
Cash received	1,647	-	1,647
Disposals	(6)		(6)
Release to I&E Account	(116)	(12)	(128)
<b>TOTAL At 31 July 2015</b>	<b>3,266</b>	<b>88</b>	<b>3,354</b>

# SHIPLEY COLLEGE

Notes to the Accounts for the Year Ended 31 July 2015

## 20. MOVEMENT ON GENERAL RESERVES

	<b>Group 2015</b>	<b>College 2015</b>	<b>College 2014</b>
	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>
<b>At 1 August</b>	(1,004)	(1,004)	(1781)
Surplus/(Deficit) for the year	114	113	(89)
Actuarial (loss)/gain in respect of pension scheme	(670)	(670)	862
Transfers – depreciation on revalued assets	4	4	4
<b>At 31 July</b>	<b>(1,556)</b>	<b>(1,557)</b>	<b>(1004)</b>
<b>Balance represented by:</b>	<b>Group 2015</b>	<b>College 2015</b>	<b>College 2014</b>
	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>
Income and Expenditure account reserves	1,617	1,616	1,467
Pension Reserve	(3,173)	(3,173)	(2,471)
<b>TOTAL</b>	<b>(1,556)</b>	<b>(1,557)</b>	<b>(1,004)</b>

## 21. REVALUATION RESERVES

	<b>Group 2015</b>	<b>College 2015</b>	<b>As Restated College 2014</b>
	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>
At 1 August (as previously stated)	832	832	136
Prior year adjustment	(700)	(700)	-
At 1 August (as previously stated)	132	132	136
Transfers – depreciation on revalued assets	(4)	(4)	(4)
At 31 July	128	128	132



**22. PENSION AND SIMILAR OBLIGATIONS**

The College's employees belong to two principal pension schemes, the Teachers' Pensions Scheme (TPS) for academic and related staff; and the West Yorkshire Pension Fund for non-teaching staff. Both are defined-benefit schemes.

<b>The total pension cost for the period:</b>	<b>2015 £'000</b>	<b>2014 £'000</b>
Teachers' Pension Scheme: contributions paid	319	321
West Yorkshire Pension Fund –contributions paid	290	330
FRS17 Charge	110	155
Enhanced pension charge to income and expenditure account (staff costs)	(38)	15
<b>Total pension cost for the year</b>	<b>681</b>	<b>821</b>

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS was 31 March 2012 and of the LGPS 31 March 2013.

Contributions amounting to £50k (2014 £56k) were payable to the schemes at 31<sup>st</sup> July and are included within creditors.

**Teachers' Pension Scheme**

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

**The Teachers' Pension Budgeting and Valuation Account**

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act 1972 and are paid by public funds provided by Parliament. 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. The Teachers' Pensions Regulations 2010 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension increases). From 1 April 2001, the Account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

## **22. PENSION AND SIMILAR OBLIGATIONS (CONTINUED)**

### **Valuation of the Teachers' Pension Scheme**

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

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

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

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location:

<https://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx>

### **Scheme Changes**

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

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

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

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

The pension contribution paid to the TPS for the year ended 31 July 2015 was £319k (2014 £321k).

### **FRS 17**

Under the definitions set out in Financial Reporting Standard 17 (Retirement Benefits), the TPS is a multi-employer pension scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme.

Accordingly, the College has taken advantage of the exemption in FRS 17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. The College has set out above the information available on the scheme and the implications for the College in terms of the anticipated contribution rates.

**22. PENSION AND SIMILAR OBLIGATIONS (CONTINUED)****Local Government Pension Scheme (LGPS)**

The LGPS is a funded defined benefit scheme, with the assets held in separate funds administered by the West Yorkshire Pension Fund (WYPF). The total contribution made for the year ended 31 July 2015 was £442k of which employers' contributions totalled £290k and employee's contributions totalled £152k. In addition, the College has entered into an agreement with the LGPS to make additional contributions for 3 years to March 2014 of £73,179 payable over the 3 years in addition to normal funding levels, and a further £58,800 payable over the 3 years to March 2017. The payment included in the accounts for 2014/15 was £22k. The contribution rates for 1 August 2014 to 31 July 2015 were 13.3% for employers, 5.5% -9.9% for employees based on salary levels

**FRS17 - Principle Actuarial Assumptions**

The following information is based upon a full actuarial valuation of the fund at 31 March 2013 updated to 31 July 2015 by a qualified independent actuary.

	<b>At 31 July 15</b>	<b>At 31 July 14</b>
Rate of increase in salaries	3.6%	3.7%
Rate of increase for pensions in payment/inflation	2.1%	2.2%
Discount rate for scheme liabilities	3.6%	4.1%
Commutation of pensions to lump sums – maximum cash v 3/80 <sup>th</sup> cash	50%	50%

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

	<b>At 31 July 2015</b>	<b>At 31 July 2014</b>
<b>Retiring today</b>		
Males	22.6	22.5
Females	25.5	25.4
<b>Retiring in 20 years</b>		
Males	24.8	24.7
Females	27.8	27.7

**22. PENSION AND SIMILAR OBLIGATIONS (CONTINUED)**

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

	<b>2015</b>	<b>Value at</b>	<b>2014</b>	<b>Value at 31</b>
	<b>Long term rate of return expected at 31 July 2015</b>	<b>31 July 2015</b>	<b>Long term rate of return expected at 31 July 2014</b>	<b>July 2014</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Equities	7.0%	6,368	7.5%	5,551
Government Bonds	2.5%	872	3.2%	762
Other Bonds	3.1%	386	3.7%	384
Property	6.2%	377	6.8%	244
Cash/liquidity	1.1%	126	1.1%	288
Other	7.0%	260	7.5%	163
<b>College share of total market value of assets</b>		<b>8,389</b>		<b>7,392</b>
Present value of scheme liabilities				
Funded		(11,528)		(9,829)
Unfunded		(34)		(34)
<b>Deficit in the scheme</b>		<b>(3,173)</b>		<b>(2,471)</b>

**Analysis of the amount charged to the income and expenditure account**

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Employer service costs (net of employee contributions)	425	462
Past service costs	7	-
<b>Total operating charge</b>	<b>432</b>	<b>462</b>

**Analysis of pension finance costs**

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Expected return on pension scheme assets	490	466
Interest on pension scheme liabilities	(412)	(458)
<b>Pension finance income</b>	<b>78</b>	<b>8</b>

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

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Actuarial gains/(loss) on pension scheme assets	206	(139)
Actuarial (loss)/gains on scheme liabilities	(876)	1,001
<b>Actuarial (loss)/gain recognised in STRGL</b>	<b>(670)</b>	<b>862</b>

The estimated value of employer contributions for the year ended 31 July 2016 is £319,000.

**22. PENSION AND SIMILAR OBLIGATIONS (CONTINUED)**

<b>Movement in deficit during year</b>	<b>2015 £'000</b>	<b>2014 £'000</b>
Deficit in scheme at 1 August	(2,471)	(3,186)
Movement in year		
Employer's service costs (net of employee contributions)	(432)	(462)
Employer's contributions	322	307
Net interest	78	8
Actuarial (loss)/gain	(670)	862
<b>Deficit in scheme at 31 July</b>	<b><u>(3,173)</u></b>	<b><u>(2,471)</u></b>

<b>Asset and Liability Reconciliation Reconciliation of Liabilities</b>	<b>2015 £'000</b>	<b>2014 £'000</b>
<b>Liabilities at start of period</b>	9,863	10,035
Service costs	425	462
Interest costs	412	458
Employee contributions	152	145
Actuarial loss/(gain)	876	(1,001)
Benefits paid	(173)	(236)
Past service costs	7	
<b>Liabilities at end of period</b>	<b><u>11,562</u></b>	<b><u>9,863</u></b>
<b>Assets at the start of period</b>	7,392	6,849
Expected return on assets	490	466
Actuarial gain/(loss)	206	(139)
Employer contributions	320	307
Employee contributions	152	145
Benefits paid	(171)	(236)
<b>Assets at the end of the period</b>	<b><u>8,389</u></b>	<b><u>7,392</u></b>

**History of experience gains or losses**

	<b>2015 £'000</b>	<b>2014 £'000</b>	<b>2013 £'000</b>	<b>2012 £'000</b>	<b>2011 £'000</b>
Difference between the expected and actual return on assets:					
Amount	206	(139)	654	(288)	155
% of scheme assets	2.5%	(1.9%)	9.5%	(5.2%)	3%
Experience gains and losses on scheme liabilities:					
Amount	(876)	1,001	7	(945)	551
% of scheme liabilities	7.6%	10.2%	0.7%	10.3%	7.5%
Total amounts recognised in statement of total recognised gains and losses:					
Amount	(670)	862	661	1,234	773
% of scheme liabilities	5.6%	8.8%	6.6%	13.4%	10.3%

**23. RECONCILIATION OF CONSOLIDATED OPERATING SURPLUS/(DEFICIT) TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES**

	<b>Group</b>	<b>College</b>	<b>College</b>
	<b>2015</b>	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Surplus/(Deficit) on continuing operations after depreciation of assets at valuation and tax</b>	114	113	(89)
Depreciation (note 14)	269	269	291
Loss on disposals (note 14)	8	8	14
Deferred capital grants released to income (note 19)	(134)	(134)	(151)
Interest receivable (note 7)	(4)	(4)	(4)
Pension finance income (note 7)	(78)	(78)	(8)
Pension cost less contributions payable (note 22)	110	110	155
Decrease/(Increase) in trade debtors	2	2	(28)
Decrease in prepayments and accrued income	15	15	6
Increase in other debtors	(345)	(23)	(160)
Decrease in trade creditors	(30)	(50)	(5)
Increase in taxation and social security	2	2	1
Increase/(Decrease) in other creditors	3	16	(2)
(Decrease)/Increase in accruals and deferred income	(283)	(597)	1,043
(Decrease)/Increase in provisions	(38)	(38)	15
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(389)</b>	<b>(389)</b>	<b>1,078</b>

**24. ANALYSIS OF CHANGES IN NET FUNDS**

	<b>At 31 July</b>	<b>Cash</b>	<b>At 31 July</b>
	<b>2014</b>	<b>flows</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cash in hand and at bank	1,510	(678)	832
<b>TOTAL</b>	<b>1,510</b>	<b>(678)</b>	<b>832</b>

**25. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT**

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
<b>Returns on investments and servicing of finance</b>		
Interest received	4	4
<b>Net cash inflow from returns on investments and servicing of finance</b>	<u>4</u>	<u>4</u>
<b>Capital expenditure</b>		
Purchase of tangible fixed assets	(1,940)	(1,045)
Deferred grants received	1,647	357
<b>Net cash outflow from capital expenditure</b>	<u>(293)</u>	<u>(688)</u>

**26. FINANCIAL COMMITMENTS**

At 31 July 2015, the College had annual commitments under non-cancellable operating leases as follows:

	<b>2015</b>		<b>2014</b>	
	<b>Land and</b>	<b>Other</b>	<b>Land and</b>	<b>Other</b>
	<b>buildings</b>		<b>buildings</b>	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Leases expiring:</b>				
Two to five years	-	4	-	4
Beyond five years	105	14	105	-
<b>TOTAL</b>	<u>105</u>	<u>18</u>	<u>105</u>	<u>4</u>

As at 31 July 2015 the College had equipment orders committed of £36k (2014 £17k) and building works of £201k (2014 £1,826k) committed.

**25. RELATED PARTY TRANSACTIONS**

As a result of the nature of the College's operations and the composition of the Corporation, being drawn from local public and private sector organisations it is possible that transactions will take place in which a member of the Corporation may have an interest. All transactions are, however, conducted at arm's length, and in accordance with the College's financial regulations and normal procurement procedures, and no transactions have been identified which require disclosure under FRS 8, Related Party Disclosures.

No member of the Corporation has received any remuneration or waived payments from the College or its subsidiaries during the year (2014 – none).

Transactions with funding bodies are detailed in notes 2 and 19.

**27. AMOUNTS DISBURSED AS AGENT**

<b>Learner Support Funds</b>	<b>Year ended 31 July 2015</b>	<b>Year ended 31 July 2014</b>
	<b>£'000</b>	<b>£'000</b>
Funding body grants – hardship funds	476	428
Funding body grants – childcare	57	90
<b>TOTAL</b>	<b>533</b>	<b>518</b>
Disbursed to students	(413)	(457)
Staffing	(22)	(26)
<b>Balance unspent at 31 July, included in creditors</b>	<b>98</b>	<b>35</b>

The funding body grants are available solely for the benefit of students; In the majority of instances, the College acts only as paying agent. In these circumstances, the grants and related disbursements are therefore excluded from the income and expenditure account.