YEAR END ACCOUNTS

SHIPLEY COLLEGE

Report and Financial Statements

Year ended 31 July 2017

Key Management Personnel, The Corporation and Professional advisers

Key management personnel

Key management personnel are defined as members of the College Leadership Team and were represented by the following in 2016/2017:

Nav Chohan	Principal and CEO; Accounting officer
Julie Kitchenman	Vice Principal Curriculum
Lorraine Swift	Vice Principal Finance and Planning

The Corporation

A full list of Governors making up the Corporation body is given on page 13 and 14 of these financial statements.

Mr Jeremy Stott acted as Clerk to the Corporation throughout the period.

The Principal and Clerk to the Corporation are designated as Senior Post holders.

Professional advisers

BANKERS:-
Lloyds PLC
67 Park Row
Leeds
LS1 1NX

SOLICITORS:-
Rolitts
Citadel House,
58 High Street
Hull
HU1 1QE

FINANCIAL STATEMENTS & REGULARITY AUDITORS:-
Mazars LLP
Park View House
58 The Ropewalk
Nottingham
NG1 5DW

CONTENTS

STRATEGIC REPORT

NATURE, OBJECTIVES AND STRATEGIES

The members present their report and the audited financial statements for the year ended 31 July 2017.

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 following the Machinery of Government changes in July 2016, is regulated by the Secretary of State for Education as Principal Regulator for all FE Corporations in England. The members of the Corporation, who are trustees of the charity, are disclosed on page 13 and 14.

In setting and reviewing the College's strategic objectives, the Corporation 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
- Links with Local Enterprise Partnerships (LEPs)

IMPLEMENTATION OF THE STRATEGIC PLAN

The College is working under a Strategic Plan for the period to 2017. 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 3 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 which maintains the confidence of funding bodies, suppliers and professional advisers
- To reduce non pay expenditure but 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.

Key performance Indicator	**Measure/Target**	**Actual for 2016/17**
Financial Health Score	Good	**Achieved**
Operating surplus before pension reserve adjustments as a percentage of income excluding release of deferred capital Grants	Above 2% of income	**Achieved** 3% surplus
Pay increase is actioned	1% increase	**Achieved** 1% implemented – with minimum increase of £250 per Full Time Equivalent
Cash flow	Bank Balance supports Capital requirements and year end balance increases.	**Achieved** Cash increased by £336k after capital spend of £158k

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 uses the FE Choices website which looks at measures such as achievement rates.

The College is required to complete the annual Finance Record for the Education and Skills Funding Agency. The Finance Record produces a financial health grading. The current rating of Good meets the College's target to return to this rating following the planned deficit in 2015/16.

In November 2016 the College received a Short Inspection from Ofsted and continues to be judged as 'Good'.

FINANCIAL POSITION

Financial Results for the Year

The College generated an operating surplus of £253k, before the cost of the Defined Benefit Scheme adjustments. The effect of these adjustments are detailed below:-

	2016/17		2015/16	
	£'000	£'000	£'000	£'000
Operating surplus/deficit before pension reserve adjustments		253		(75)
Pension reserve adjustments:-				
Pension cost – note 7	349		184	
Pension Finance cost – note 10	124	(473)	109	(293)
Deficit for the year – Page 28		(220)		(368)

The College generated a deficit before other gains and losses in the year of £220k (2015/16 £371k), with a total comprehensive surplus of £2,081k (2015/16 deficit of £2,225k).

The main sources of income upon which the College depends, in addition to the funds provided by the funding bodies which represents 85% of income, are Other grant funded schemes and Fee income and Advanced Learner loans. These additional sources represent 15% (2015/16 15%) of total operating income. The College is looking to increase additional non funding body income in future years with new provision in HE, Advanced Learning Loans and full cost work as well as maximising opportunities arising from the new Apprenticeship Levy.

The College has two subsidiary companies Shipley College Developments Limited and Shipley College Services Limited. The principal activity of Shipley College Developments Limited was acting as a Design and Build agent which handled 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 not been prepared for the year to 31 July 2017 as the results of Shipley College Developments Limited are not considered to be material.

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.

Cash flows and liquidity

The College had cash reserves at the year end of £471k (2015/16 £135k). There was an operating cash in flow during the year. The College has no loans at the current time or in the previous year.

Reserves Policy

The College currently has no formal Reserves Policy, but recognises the importance of reserves in the financial stability of an organisation, whilst ensuring that adequate resources are provided for the College's core business. The College currently holds no restricted reserves. The College has accumulated general reserves excluding the Pension defict/liabilty, of £1,629k (2015/16 £1,372k) and cash balances of £471k (2015/16 £135k). The College wishes to continue to accumulate reserves and cash in order to create a contingency fund.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student Numbers

Adult learner responsive targets were met in 16/17. Though 16-18 numbers were 3% down on contract, the number of full time students rose slightly.
Early indications for 2017/18 suggest:-

- 16-18 numbers will increase by at least 6%;
- apprenticeship enrolments are likely to increase over the year; and
- adult enrolments will comfortably meet contract targets;

Student Acheivement

Student achievement rates for Learner Responsive and apprenticeship provision are above national averages and have been stable over the last 3 years in accordance with the changing curriculum balance.

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 a range of Leeds City Region Partnerships;
- through effective coordination 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 Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During the accounting period 1 August 2016 to 31 July 2017, the College paid 83 per cent of its invoices within 30 days. A further 10% were paid within 30 days of resolution of a query or payment of an invoice received significantly after the invoice date. The College incurred no interest charges in respect of late payment for this period.

Events after the end of the reporting period

There have been no post balance sheet events requiring disclosure.

Future developments

The College is under Plan Led Funding and hence income for 2017/18 has been confirmed by the Education and Skills Funding Agency at £3,986k for 16-19 allocation and £1,935k for Adult Education and non levy funded apprentices.

Going Concern

Excluding the pension liability the College has net assets of £1,749k. There is a pension liability of £3,492k, of which only the agreed schedule of pension contributions is due for payment within twelve months from the date of signing the financial statements.

The funding for 16/17 did return to previous levels and the College has generated an operating surplus of £253k, before the cost of the Defined Benefit Scheme adjustments, thus improving the net assets and most importantly the cash reserves.

As at 31 July 2017 the College had net current liabilities of £339k. This includes £202k holiday pay accrual and £130k deferred income from Government capital grants in line with the new requirements of FRS102. The holiday pay accrual will be released as part of the normal salary payment in August and the capital grant release to income over the next twelve months so these do not affect the cashflows of the College. The College has in place an overdraft facility of £100k which was not utilised at year end but can be utilised to fund short term cash requirements.

The College has prepared 4 year financial forecasts and 2 year cashflow statements and work has been undertaken to generate new income sources in this period. Based on this, the Corporation is confident that the College will generate sufficient cash flows to meet its obligations as they fall due for payment with minimal use of the overdraft facility. Though some Further Education income streams are currently in flux, the College, even with prudent assumptions, expects to increase its cash over the forecasted period.

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 and Jonathan Silver Buildings within the Saltaire campus. The operating leases of the Salt and Exhibition Buildings and gardens (where the Jonathan Silver Building is now situated) were extended for 105 years in 2014 to assist in securing resources for the College. The Jonathan Silver Building was completed on the Exhibition Gardens in 2015 and opened in September 2015. Matched funding has been secured for refurbishment of the Colleges Salt Building which means that the College's estate is now secure for the foreseeable future.

Financial
The College has £339k of net current liabilities, this includes £202k holiday pay accrual and £130k deferred income from Government capital grants in line with the new requirements of FRS102. The holiday pay accrual will be released as part of the normal salary payment in August and the capital grant released to income over the next twelve months so these do not affect the cashflows of the College.

People
As at 31 July 2017 the College employed 162 people (expressed as full time equivalents), of whom 108 have a direct teaching role. This represents 255 staff, of which 193 have a direct teaching role.

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 and The Finance and General Purposes 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 2016/17, 85% of the College's revenue was ultimately public funded and this level of requirement is expected to continue. There can be no 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:

- The College, in conjunction with its key stakeholders, is developing a strategy for growth in response to the devolution agenda and to the apprenticeships reform.

- It is recognised that the introduction of the apprenticeship levy will significantly affect that marketplace though the full implications are not yet known as government policy continues to develop.

- There is considerable competition for full time student numbers in the local area with the majority of secondary schools 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.

- Number of apprenticeship places. The College is keen to expand apprenticeships and achieved a 5% increase in new starts in 16/17.

The College has entered into a 'Delivery Agreement' with the Local Entrerpise Partnership of the Leeds City Region to ensure that local agency support will be forthcoming if skills budgets are devolved from the Education and Skills Funding Agency.

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 102. This risk is mitigated by the payment additional of contributions as advised by the pension actuaries. The current agreement is for £45,300 payable over the 3 years to March 2020.

4. Failure to maintain the financial viability of the College

The College's current financial health grade is classified as "Good" as described above. The continuing challenge to the College's financial position remains the constraint on further education funding arising from the ongoing cuts in public sector spending whilst maintaining the student experience. This risk is mitigated in a number of ways:
- By rigorous budget setting procedures and sensitivity analysis
- Regular in year budget monitoring
- Robust financial controls
- Exploring ongoing procurement efficiencies

STAKEHOLDER RELATIONSHIPS

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

- Students;
- Staff;
- the Education Skills Funding Agency;
- the Local Authority;
- FE Commissioner;
- local employers (with specific links);
- the local community;
- other Further Education institutions;
- Trade unions;
- Local Enterprise Partnerships (LEPs); 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

Equal Opportunities
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 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 Handbook', 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 auditor is 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 auditor is aware of that information.

The report of the Members of the Corporation was approved by the members on 12 December 2017 and signed on its behalf by:-

Mrs J Beaumont, Chair of the Corporation
12 December 2017

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

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

This statement covers the period from 1 August 2016 to 31 July 2017 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
ii. in full accordance with the guidance to colleges from the Association of Colleges in the Code of Good Governance for English Colleges ("the Code"); and
iii. having due regard to the UK Corporate Governance Code 2014 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 Code, and it has complied throughout the year ended 31 July 2017. 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 Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted on 14 July 2015.

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 2016/2017

Name	Date of appoint-ment	Term of office	Date of resign-ation	Status of appoint-ment	Attendance at Full Corporation	Committees served and attendance
Mr N S Chohan	July 2009	N/a		Principal (Accounting Officer)	3/3	F & GP (3/3); Search (3/3); Curriculum & Quality (3/3)
Mr P Brown	January 2005 Reappointed June 2017	3 years		Member	3/3	Chair of F&GP (2/3); Remuneration (3/3)
Mr J Egan	November 2009 Reappointed Nov 2016	3 years		Member	3/3	Audit (1/2), Remuneration (3/3) Chair C&Q (3/3)
Mr N Hainsworth	July 2007 Reappointed July 2017	3 years		Member	2/3	Chair: Audit (2/2)

SHIPLEY COLLEGE

Name	Date of appoint-ment	Term of office	Date of resign-ation	Status of appoint-ment	Attendance at Full Corporation	Committees served
Mr J Briggs	May 2010 Reappointed April 2015	3 years	October 2017	Member	2/3	Curriculum & Quality (2/3),
Mr S Desai	Dec 2010 Reappointed Dec 2014	3 years	November 2017	Staff Member	3/3	Audit (2/2), C&Q (3/3)
Ms W Rowan	Dec 2015 Reappointed Dec 2016	3 Years		Staff Member	2/3	
Mr A Podesta	Dec 2011 Reappointed Oct 2015	3 years		Member	2/3	F & GP (3/3),
Mrs J Beaumont	Oct 2012 Reappointed Oct 2016	3 years		Member	3/3	Chair: Corporation C&Q (3/3), F&GP (2/2), Remuneration (3/3), Search (2/3)
Mr P Webley	Oct 2012 Reappointed Oct 2016	3 years		Member	3/3	Audit (2/2), C&Q (2/3), Search (2/3) Vice Chair Corporation
Ms T Spencer	Jul 2014 Reappointed July 2015	3 years	May 2017	Member	2/2	F&GP (2/2)
Mr D Butcher	Apr 2015 Reappointed April 2016	3 years		Member	3/3	F&GP (2/3)
Ms S Khan	Apr 2015 Reappointed April 2016	3 years		Member	3/3	C&Q (3/3)
Mr J Parker	Apr 2015 Reappointed April 2016	3 years		Member	3/3	Audit (2/2) C&Q (3/3)
Ms L Ware	Apr 2015 Reappointed April 2016	3 years		Member	3/3	C&Q (3/3)
Mr L Eloi	Dec 2015 Reappointed Dec 2016	1 Year	July 2017	Student	1/3	
Miss Z Shah	Dec 2016	1 Year		Student	3/3	
Mr C Forrest	Dec 2016	1 Year		Member	2/3	C&Q 2/2 Audit 1/1
Mrs R Howarth	Dec 2016	1 Year		Member	3/3	C&Q 2/2
Mr P Hunter	Dec 2016	1 Year		Member	3/3	C&Q 2/2
Vacancies: 2 plus 2 appointments to be made at the December 17 Corporation meeting						
Clerk to the Corporation: Mr J Stott						

Non Corporation Members co-opted to serve on College committees during 2016/2017

Name	Date of appointment	Term of office	Date of resignation	Committees served
Mr M Brannan	March 2008 Reappointed Mar 2017 Oct 2014	3 yrs 4 yrs		Audit (2/2) Search (3/3)

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 meets each term.

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 approved minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website at www.shipley.ac.uk or from the Clerk to the Corporation at:-

Shipley College
Victoria Road
Shipley
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 the corporation 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 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.

Corporation performance

Self Assessed Key Strengths and Areas for Improvement for the Corporation (2015/16) as identified in the whole College SAR were Considered by the Corporation on 4 April 2017 as:

Strengths:

➢ **College SAR**:

- Governors are determined that learners have the highest quality experience.
- Much training has taken place with governors to develop knowledge of teaching, learning and assessment.
- New governors have been appointed with a curriculum background and 5 governors were also involved in observation 'learning walks' and other curricular activities.
- A series of training activities for all governors related to teaching & learning has resulted in a notable improvement and increased confidence to challenge senior leaders and managers in relation to curriculum and achievement.
- Governors of the College are ambitious and work continually to consistently improve outcomes for all learners. They have high expectations of staff and learners and lead by example to create a culture of tolerance and respect and one which enables all parties to continually strive for excellence. Governors do not tolerate prejudiced behaviour.
- Governors have a very good range of skills and are enthusiastic and committed in their support of the College. Their oversight of finance, estates, audit and IT is outstanding and they contribute fully to the strategy for the future direction of the College's curriculum.
- Governors hold senior leaders to account in regular meetings for all aspects of the College's performance across all groups of learners to ensure none is disadvantaged or underachieve.
- Governors have a very good understanding of the quality of education at the College.
- There are 2 Liaison Equality & Diversity governors and 2 Liaison Safeguarding governors .
- Regular training and updates for staff and Corporation members takes place including training to keep all informed about the new Government duties placed on colleges for safeguarding; including Prevent and promoting of British Values, SEND and health and safety.

➢ **Ofsted Inspection**:

- Governors have worked successfully to develop a culture of high aspirations within the college.
- The role of governors in effectively challenging senior leaders about learners' outcomes and teaching and learning.
- Governors have ensured that safeguarding arrangements are fit for purpose and that action is taken to safeguard learners.

- Governors show a secure understanding of safeguarding and the central importance it has within the college.
- Governors now have a comprehensive knowledge of the college and a greater involvement in college life, particularly with teaching, learning and assessment. They have improved their knowledge base by upskilling existing governors and appointing new governors who have an education background. They carry out learning walks with senior managers and are linked with Heads of Sector.
- Governors use the knowledge and skills gained from their training and increased involvement to ask highly pertinent questions at their meetings, providing more effective challenge for senior managers on these aspects of provision.

Areas for Improvement:

Monitor the progress of Senior Leaders in achieving the areas for improvement identified in the whole College SAR and the Ofsted Inspection, namely:

➢ **College SAR**:

- Maths and English outcomes for 19+ learners
- Functional Skills Level 2, maths Level 1 and High grade GCSEs achievement for study programme learners
- Achievement rates for the few underperforming vocational courses
- Achievement of Short courses for mandated 19+provision
- Timely completion of Apprenticeships & Advanced Apprenticeship achievement
- High grades (value added) for 16-18 learners in Sport & Creative Media and for those on Subsidiary Diplomas

➢ **Ofsted Inspection - Leaders and those responsible for governance should ensure that:**

- Improvement strategies successfully address the very small number of courses where learners' achievement and progress are not yet at the same high level as the rest of the provision.
- The college-wide focus on English and mathematics is fully implemented in all areas so that learners attend well and achieve their qualifications in these subjects, particularly grades A* to C in GCSE and level 2 functional skills in mathematics.
- Teachers provide more opportunities in vocational lessons for learners to develop their mathematical skills.

Remuneration Committee

Throughout the year ended 31 July 2017, 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 2017 are set out in note 7 to the financial statements.

Audit Committee

The Audit Committee is comprised of six members of the Corporation (excluding the Principal, Chair of the Corporation and Members of the F&GP Committee) 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 Funding Body as they affect the College's business.

The College's appoints specialist services to auditors review the systems of internal control; risk management controls and governance process in accordance with an agreed plan of assurance and report their findings to management and the Audit Committee. Management are responsible for the implementation of agreed recommendations and Audit committee 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.

Finance & General Purposes Committee

The F&GP Committee comprises 6 members of the Corporation (excluding members of the Audit Committee). The committee operates in accordance with written terms of reference approved by the Corporation. Its main responsibilities are:

- To monitor the implementation of the College's Financial Strategy
- To recommend annual estimates of income and expenditure for approval by the Corporation
- To regularly monitor:
    - the 3 year financial forecasts of the College
    - the annual budget updates
    - the cashflow forecasts
    - the management accounts and end of year accounts
    - a range of budget ratios
- To evaluate and advise the Corporation on major financial proposals and major capital projects.

Curriculum and Quality Committee

The C&Q Committee comprises 12 members of the Corporation. The committee operates in accordance with written terms of reference approved by the Corporation. Its main responsibilities are:

- To consider and recommend to the Corporation the College's Annual Self-Assessment Report and advise the Corporation on the College's arrangements for monitoring the College Quality Improvement plan (QIP) arising from the report.
- To consider and recommend to the Corporation the College's Development Plan and advise the Corporation on the College's arrangements for monitoring the plan.
- To consider the Quality Policy and annual Quality Cycle including supporting data sources for the College and make recommendations to the Corporation on assessing quality and ensuring continuous improvement.
- To undertake an annual review of the educational character of the College and maintain an overview of the College's curriculum and programme developments, making recommendations to the Corporation, as appropriate.
- To monitor and review for presentation to the Corporation:
    - Student end of year achievement rates compared to relevant national averages.

    - Student achievement of aspirational target grades.
- To receive an annual report and recommend to the Corporation the College performance management, training and development process for observation of teaching, learning and assessment (OTLA).

Search Committee

The Corporation has a Search Committee consisting of three members of the Corporation plus an independent external co-opted member. The committee operates in accordance with written terms of reference approved by the Corporation. Its main responsibilities are:

- Advising on the appointment of Members (other than as a Staff or Student Member) of the Corporation and such other matters relating to membership and appointments as the Corporation may remit to the Committee.
- Gathering, screening and shortlisting nominations in respect of vacancies on the Corporation.
- Considering and making recommendations to the Corporation on the composition and balance of the Corporation and its Committees.
- For advising the Corporation on the reappointment of members on the expiry of their term of office.

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 2017 and up to the date of approval of the annual report and financial statements.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed, together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the year ended 31 July 2017 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Corporation.

The risk and control framework

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

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

The College has not appointed an internal audit service for the year ended 31st July 2017. For that year, the College management and Governors have assessed the internal controls and developed a Board Assurance Framework, 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 with work appointed to specialist auditors where further assurance was identified as being required. The Committee was provided with regular reports on this assurance activity in the College which included a follow up on the previous recommendations.

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 specialist auditors appointed for specific assurance
- 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 internal audit assurance providers, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Accounting Officer and Senior Management Team receive 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 internal audit assurance providers, 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 2017 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2017.

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".

Going Concern

Excluding the pension liability the College has net assets of £1,749k. There is a pension liability of £3,492k, of which only the agreed schedule of pension contributions is due for payment within twelve months from the date of signing the financial statements.

The funding for 16/17 did return to previous levels and the College has generated an operating surplus of £253k, before the cost of the Defined Benefit Scheme adjustments, thus improving the net assets and most importantly the cash reserves.

As at 31 July 2017 the College had net current liabilities of £339k. This includes £202k holiday pay accrual and £130k deferred income from Government capital grants in line with the new requirements of FRS102. The holiday pay accrual will be released as part of the normal salary payment in August and the capital grant release to income over the next twelve months so these do not affect the cashflows of the College. The College has in place an overdraft facility of £100k which was not utilised at year end but can be utilised to fund short term cash requirements.

The College has prepared 4 year financial forecasts and 2 year cashflow statements and work has been undertaken to generate new income sources in this period. Based on this, the Corporation is confident that the College will generate sufficient cash flows to meet its obligations as they fall due for payment with minimal use of the overdraft facility. Though some Further Education income streams are currently in flux, the College, even with prudent assumptions, expects to increase its cash over the forecasted period.

Approved by order of the members of the Corporation on 12 December 2017 and signed on its behalf by:-

Joanne Beaumont
Chair of the Corporation
12 December 2017

Mr N Chohan
Principal & Accounting Officer

STATEMENT OF REGULARITY, PROPRIETY AND COMPLIANCE

The Corporation has considered its responsibility to notify the Education and Skills Funding Agency of material irregularity, impropriety and non-compliance with terms and conditions of funding, under the financial memorandum. 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 Education and 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 Education and Skills Funding Agency.

Approved by order of the members of the Corporation on 12 December 2017 and signed on its behalf by:-

Joanne Beaumont
Chair of the Corporation
12 December 2017

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 College's Financial Memorandum with the Education and Skills Funding Agency, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education and with the College Accounts Direction for 2016 to 2017 issued by the Education and Skills Funding Agency, 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 a Strategic Report, 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 Eduaction and Skills Funding Agency are used only in accordance with the Financial Memorandum 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 Education and Skills Funding Agency are not put at risk.

Approved by order of the Members of the Corporation on 12 December 2017 and signed on its behalf by:-

Joanne Beaumont
Chair of the Corporation
12 December 2017

MAZARS

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

Opinion

We have audited the financial statements of Shipley College (the 'College') for the year ended 31 July 2017 which comprise the Statement of Comprehensive Income, the Statement of Changes in Reserves, the Balance Sheet, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 'the Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 July 2017 and of the College's surplus of income over expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 'the Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Corporation's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Corporation have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Corporation is responsible for the other information. The other information comprises the information included in the Strategic Report, Statement of Corporate Governance and Internal Control and the Governing Body's statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- the information given in the Strategic Report, including the operating and financial review and Statement of Corporate Governance and Internal Control, is inconsistent with the financial statements; and
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Corporation
As explained more fully in the Statement of the Responsibilities of the Members of the Corporation set out on page 23, the Corporation is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and for such internal control as the Corporation determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporation is responsible for assessing the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Corporation intends to cease operations, or have no realistic alternative but to do so.

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

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK). Those standards require us to comply with the Financial Reporting Council's Ethical Standard. 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.

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

Signed: Mazars LLP   Date: 14/12/17

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

MAZARS

TO: THE CORPORATION OF SHIPLEY COLLEGE AND SECRETARY OF STATE FOR EDUCATION ACTING THROUGH THE DEPARTMENT FOR EDUCATION ("THE DEPARTMENT")

In accordance with the terms of our engagement letter dated 21 June 2017 and further to the requirements of the financial memorandum with the Education and Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Shipley College during the period 1 August 2016 to 31 July 2017 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

This report is made solely to the corporation of Shipley College and the Department 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 the Department 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 College and the Department 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 Code. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2016 to 31 July 2017 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Code issued by the Department. We performed a limited assurance engagement as defined in that framework.

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

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

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

The work undertaken to draw 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 2016 to 31 July 2017 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Signed: Mazars LLP

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

Date: 14/12/17

STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
INCOME			
Funding body grants	2	7,008	6,462
Tuition Fees and Education contracts	3	474	531
Other grants and contracts	4	500	426
Other income	5	248	207
Investment income	6	-	1
Total income		8,230	7,627
Expenditure			
Staff costs	7	5,863	5,704
Other operating expenses	9	2,167	1,879
Depreciation	12	296	306
Interest and Other Finance Costs	10	124	109
Total expenditure		8,450	7,998
Deficit before tax		(220)	(371)
Taxation	11	-	-
Deficit for the year		(220)	(371)
Actuarial gain/(loss) in respect of pension schemes	21	2,301	(1,854)
Total Comprehensive surplus/(deficit) for the year		2,081	(2,225)

The notes on pages 32 to 50 form part of these financial statements

STATEMENT OF CHANGES IN RESERVES

	Income and expenditure account £'000	Revaluation reserve £'000	Total £'000
Balance at 31st July 2015	(1,727)	128	(1,599)
Deficit for the year	(371)	-	(371)
Other comprehensive expenditure	(1,854)	-	(1,854)
Total comprehensive deficit for the year	(2,225)	-	(2,225)
Transfers between revaluation and income and expenditure reserves	4	(4)	-
Balance at 31st July 2016	(3,948)	124	(3,824)
Deficit for the year	(220)	-	(220)
Other comprehensive income	2,301	-	2,301
Total comprehensive surplus for the year	2,081	-	2,081
Transfers between revaluation and income and expenditure reserves	4	(4)	-
Balance at 31 July 2017	(1,863)	120	(1,743)

The notes on pages 32 to 50 form part of these financial statements.

BALANCE SHEET 31 JULY 2017

	Note	2017 £'000	2016 £'000
NON CURRENT ASSETS			
Tangible Fixed Assets	12	5,377	5,517
Investments	13	1	1
		5,378	5,518
CURRENT ASSETS			
Trade and other receivables	14	331	448
Cash and cash equivalents	15	471	135
Total current assets		802	583
Creditors: amounts falling due within one year	16	(1,141)	(1,187)
Net current liabilities		(339)	(604)
Total assets less current liabilities		5,039	4,914
Creditors: amounts falling due after more than one year	17	(3,030)	(3,141)
Provisions			
Defined benefit obligations	21	(3,492)	(5,320)
Other Provisions	18	(260)	(277)
TOTAL NET LIABILITIES		(1,743)	(3,824)
UNRESTRICTED RESERVES			
Income and expenditure account	21	(1,863)	(3,948)
Revaluation reserve		120	124
TOTAL UNRESTRICTED RESERVES		(1,743)	(3,824)

These financial statements on pages 28-50 were approved and authorised for issue by the Corporation on 12 December 2017 and were signed on its behalf by:

Joanne Beaumont
Chair of the Corporation
12 December 2017

Mr N Chohan
Principal & Accounting Officer

STATEMENT OF CASH FLOWS
YEAR ENDED 31 JULY 2017

	Notes	2017	2016
		£'000	£'000
Cash flow from operating activities			
Deficit for the year		(220)	(371)
Adjustment for non cash items			
Depreciation		296	306
Loss on disposals of fixed assets		2	2
Deferred capital grants released to income		(130)	(147)
Defined benefit pension scheme cost less contributions payable		349	184
Decrease/(Increase) in trade debtors		21	(28)
Increase in prepayments and accrued income		(74)	(12)
Decrease in other debtors		176	92
(Increase)/Decrease in amounts due from/to subsidiary		(40)	21
Increase/(Decrease) in trade creditors		7	(139)
Decrease in taxation and social security		(3)	(5)
Increase/(Decrease) in other creditors		9	(1)
Decrease in accruals and deferred income		(33)	(364)
Decrease in provisions		(17)	-
Increase in holiday pay accrual		27	5
Adjustment for investing and financing activities			
Interest receivable		-	(1)
Pension finance cost		124	109
Net cash inflow/(outflow) from operating activities		494	(349)
Cash flow from investing activities			
Investment income		-	1
Payments made to acquire fixed assets		(158)	(432)
Less deferred capital grant receipts		-	83
Net cash outflow from investing activities		(158)	(348)
Increase/(decrease) in cash and cash equivalents in the year		336	(697)
Cash and cash equivalents at beginning of the year	15	135	832
Cash and cash equivalents at end of the year	15	471	135

The notes on pages 32 to 50 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 2015* (the 2015 FE HE SORP), the *College Accounts Direction for 2016 to 2017* and in accordance with Financial Reporting Standard 102 – *"The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland"* (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

Basis of accounting

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

Basis of consolidation

The College's financial statements do not consolidate the results of Shipley College Services Limited or Shipley College Developments Limited on the grounds that the subsidiaries undertakings are dormant or not considered material to the financial statements.

Going Concern

Excluding the pension liability the College has net assets of £1,749k. There is a pension liability of £3,492k, of which only the agreed schedule of pension contributions is due for payment within twelve months from the date of signing the financial statements.

The funding for 16/17 did return to previous levels and the College has generated an operating surplus of £253k, before the cost of the Defined Benefit Scheme adjustments, thus improving the net assets and most importantly the cash reserves.

As at 31 July 2017 the College had net current liabilities of £339k. This includes £202k holiday pay accrual and £130k deferred income from Government capital grants in line with the new requirements of FRS102. The holiday pay accrual will be released as part of the normal salary payment in August and the capital grant release to income over the next twelve months so these do not affect the cashflows of the College. The College has in place an overdraft facility of £100k which was not utilised at year end but can be utilised to fund short term cash requirements.

The College has prepared 4 year financial forecasts and 2 year cashflow statements and work has been undertaken to generate new income sources in this period. Based on this, the Corporation is confident that the College will generate sufficient cash flows to meet its obligations as they fall due for payment with minimal use of the overdraft facility. Though some Further Education income streams are currently in flux, the College, even with prudent assumptions, expects to increase its cash over the forecasted period.

1. ACCOUNTING POLICIES (CONTINUED)

The College has prepared 4 year financial forecasts and 2 year cashflow statements and work has been undertaken to generate new income sources in this period. Based on this, the Corporation is confident that the College will generate sufficient cash flows to meet its obligations as they fall due for payment with minimal use of the overdraft facility. Though some Further Education income streams are currently in flux, the College, even with prudent assumptions, expects to increase its cash over the forecasted period.

Recognition of income

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

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

Capital Grant funding
Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual model as permitted by FRS102. Other, non governmental, capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the Balance Sheet and released to income as conditions are met.

Fee Income
Income from tuition fees is stated gross of any expenditure which is not a discount and is recognised in the period for which it is received.

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

Agency arrangements

The College acts as an agent in the collection and payment of certain discretionary support funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure of the College where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.These transactions are shown separately in note 23, except for 5% of the grant which is available to the College to cover administration costs relating to the grant.

1. ACCOUNTING POLICIES (CONTINUED)

Accounting for Post retirement benefits

Retirement benefits for employees of the College are provided by the Teachers' 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 Second Pension.

Teachers' Pension Scheme (TPS)

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method.

As stated in Note 21, 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 an expense in the income statement in the periods during which services are rendered by employees.

West Yorkshire Pension Scheme (WYPF)

The WYPF is a funded scheme and the assets are held separately from those of the College in separate trustee administered funds. The WYPF liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to the operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred.

Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other comprehensive income.

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

Short term Employment benefits

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

Enhanced pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by the College annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to the College's income 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)

Non Current Assets - Tangible fixed assets

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

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 as it is considered to have an infinite useful life. 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. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the Statement of Comprehensive Income and Expenditure.

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1996, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

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 or period of the lease if shorter than 50 years.

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; or
- Substantial improvement in the quality of output or reduction in operating costs; or
- Significant extension of the assets life beyond that conferred by repairs and maintenance.

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

1. ACCOUNTING POLICIES (CONTINUED)

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. 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 to the Statement of Comprehensive Income and Expenditure. Any lease premiums or incentives relating to leases signed after 1st August 2014 are spread over the minimum lease term.

Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as finance leases.

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

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

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 purposed. 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, in 16/17 this was 8.5%. 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.

Provisions and contingent liabilities

Provisions are recognised when the College:

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

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

1. ACCOUNTING POLICIES (CONTINUED)

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

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

Financial liabilities

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

All Financial liabilities held by the College are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however the College has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instruments are stated on the balance sheet at historical cost.

Cash and cash equivalents

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

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

Judgements in applying accounting policies and key sources of estimation uncertainty

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

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

Other key sources of estimation uncertainty

- Tangible fixed assets

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

1. ACCOUNTING POLICIES (CONTINUED)

- West Yorkshire Pension Scheme

The present value of the West Yorkshire Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 21, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2017. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2. FUNDING BODY GRANTS

	2017 £'000	2016 £'000
Funding body recurrent grant :-		
Education and Skills Funding Agency 16-18	4,234	3,878
Education and Skills Funding Agency Adults	1,986	1,751
Release of government capital grants	118	135
16-18 apprentice grant	378	371
Funding body non recurrent grants	292	327
	7,008	6,462

3. TUITION FEES AND EDUCATION CONTRACTS

	2017 £'000	2016 £'000
UK Further Education Students	268	329
Advanced Learning loans	206	199
	474	528
Education contracts	-	3
	474	531

4. OTHER GRANTS AND CONTRACTS

	2017 £'000	2016 £'000
Other Grants and contracts	500	426

5. OTHER INCOME

	2017 £'000	2016 £'000
Government Capital Grants release – non funding bodies	12	12
Other income	236	195
	248	207

6. INVESTMENT INCOME

	2017 £'000	2016 £'000
Interest receivable	-	1
	-	1

7. STAFF COSTS

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

	2017 No.	2016 No.
Teaching staff	108	105
Non – teaching staff	54	53
	162	158

Staff costs for the above persons	2017 £'000	2016 £'000
Wages and salaries	4,480	4,538
Social security costs	340	269
Other pension costs (including defined benefit pension adjustments of £349k, 2016 £184k)	1,017	824
	5,837	5,631
Contracted out staffing services	26	73
TOTAL STAFF COSTS	5,863	5,704

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the Senior Management team which comprises the Principal, the two Vice Principals and the College Administrator for the period to 18 January 2016.

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

	2017 No.	2016 No.
The number of Key management personnel including the Accounting Officer was:	3	4

7. STAFF COSTS (CONTINUED)

The number of key management personnel who received annual emoluments, excluding pension contributions and employer's National Insurance but including benefits in kind, in the following ranges was :-

Key management personnel	2017 No.	2016 No.
£20,001 - £ 30,000	-	1
£30,001 - £ 40,000	-	-
£40,001 - £ 50,000	-	-
£50,001 - £ 60,000	-	2
£60,001 - £ 70,000	2	-
£70,001 - £ 80,000	-	-
£80,001 - £ 90,000	1	1
	3	4

No other staff received annual emoluments, excluding pension contributions but including benefits in kind in excess of £60,000.

Key management personnel compensation is made up as follows	2017 £'000	2016 £'000
Salary	211	230
Pension contributions	33	35
Employer's national insurance contributions	26	25
Total emoluments	270	290

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

No compensation was paid to key management personnel for loss of office.

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

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

	2017 £'000	2016 £'000
Salary	85	84
Pension contributions	14	14

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.

8. OVERSEAS ACTIVITIES

There were no costs incurred during 2016-17 in respect of overseas activities.

9. OTHER OPERATING EXPENSES

	2017 £'000	2016 £'000
Teaching costs	303	131
Non Teaching costs	1,117	1,040
Premises costs	747	708
	2,167	**1,879**

Other operating expenses include:	2017 £'000	2016 £'000
Operating lease rentals		
Land and Buildings	110	113
Plant and Machinery	18	19
Auditor's remuneration		
Financial statements audit	9	10
Regularity audit	2	2
Teachers Pension audit	1	1
Internal audit assurance	5	6
Loss on disposal of fixed assets	2	2

10. INTEREST AND OTHER FINANCE COSTS

	2017 £'000	2016 £'000
Net interest on defined pension liability (note 21)	124	109

11. TAXATION

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

12. TANGIBLE FIXED ASSETS

	Freehold land and buildings	Long leasehold improvements	Equipment	Total
	£'000	£'000	£'000	£'000
Cost or Valuation				
At 1 August 2016	1,154	5,970	3,444	10,568
Additions	-	29	129	158
Disposals	-	-	(91)	(91)
At 31 July 2017	1,154	5,999	3,482	10,635
Depreciation				
At 1 August 2016	309	1,643	3,099	5,051
Charge for Year	26	102	168	296
Eliminated on disposal	-	-	(89)	(89)
At 31 July 2017	335	1,745	3,178	5,258
Net book value at 31 Jul 2017	819	4,254	304	5,377
Net book value at 1 Aug 2016	845	4,327	345	5,517

13. NON CURRENT INVESTMENTS

	2017 £'000	2016 £'000
Investment in subsidiary companies	1	1
	1	1

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 was to design and build the Jonathan Silver Building for the College. Shipley College Services Limited has been dormant since incorporation.

14. TRADE AND OTHER RECEIVABLES

	2017 £'000	2016 £'000
Amounts falling due within one year:		
Trade receivables	40	61
Other receivables	47	223
Amount owed from Subsidiary undertakings	6	-
Amounts owed by the funding body (ESFA)	74	45
Prepayments and accrued income	164	119
	331	448

15. CASH AND OTHER CASH EQUIVALENTS

	At 31 July 2016 £'000	Cash flows £'000	At 31 July 2017 £'000
College Cash in hand and at bank	135	336	471
TOTAL	135	336	471

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £'000	2016 £'000
Trade creditors	300	293
Taxation and social security	105	108
Other creditors	102	93
Amount owed to Subsidiary undertakings	-	34
Amounts owed to the funding body (ESFA)	28	19
Deferred income – government capital grants	130	149
Deferred income – government revenue grants	36	27
Holiday pay accrual	202	175
Accruals and deferred income	238	289
	1,141	1,187

17. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	2017 £'000	2016 £'000
Deferred income – government capital grants	3,030	3,141
	3,030	3,141

18. PROVISIONS

	Defined benefit obligations £,000	Enhanced pensions £,000	Total £,000
At 1 August 2016	5,320	277	5,597
Decrease in provision	(1,828)	(17)	(1,845)
At 31 July 2017	3,492	260	3,752

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

The enhanced pension provision relates to the cost of staff who have already left the College's employ and commitments for reorganisation costs from which the College cannot reasonably withdraw at the balance sheet date. This provision has been recalculated in accordance with guidance issued by the funding bodies.

The principal assumptions for this calculation are:	2017 £'000	2016 £'000
Interest Rate	2.3%	2.3%
Inflation Rate	1.3%	1.3%

19. OPERATING LEASES

At 31 July 2017, the College had outstanding commitments for future minimum lease payments under non-cancellable operating leases as follows:

Land and buildings

	2017 £'000	2016 £'000
Due within one year	110	110
Later than one year and not later than five years	440	440
Later than five years	1,033	1,142
	1,583	1,692

A total of £110k was recognised as an operating lease expense in the year (2016 £113k)

Equipment

	2017 £'000	2016 £'000
Due within one year	16	19
Later than one year and not later than five years	24	32
Later than five years	1	-
Total Future minimum lease payments due	41	51

A total of £18k was recognised as an operating lease expense in the year (2016 £19k)

20. FINANCIAL COMMITMENTS

As at 31 July 2017 the College had no commitments for equipment orders (2016 nil) and £102k for building works (2016 nil).

21. DEFINED BENEFIT OBLIGATIONS

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

The total pension cost for the period:	**2017 £'000**	**2016 £'000**
Teachers' Pension Scheme: contributions paid	347	334
West Yorkshire Pension Fund –contributions paid	338	306
FRS17 Charge	349	184
Enhanced pension charge to Statement of Comprehensive income	(17)	-
Total pension cost for the year within staff costs	1,017	824

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 2016.

Contributions amounting to £59k (2016 £51k) were payable to the schemes at 31st 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. Retirement and other pension benefits are paid by public funds provided by Parliament.

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.

21. DEFINED BENEFIT 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; and
- the assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

The new employer contribution rate for the TPS was implemented in September 2015. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

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 2017 was £347k (2016 £334k).

21. DEFINED BENEFIT OBLIGATIONS (CONTINUED)

FRS 102(28)

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

Accordingly, the College has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined contribution 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.

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 2017 was £500k of which employers' contributions totalled £338k and employee's contributions totalled £162k. In addition, the College has entered into an agreement with the LGPS to make additional contributions for 3 years to March 2017 of £58,800 payable over the 3 years in addition to normal funding levels, and a further £45,300 payable over the 3 years to March 2020. The payment included in the accounts for 2016/17 was £16k. The contribution rates for 1 August 2016 to 31 March 2017 was 13.3% for employers, 5.5% -9.9% for employees based on salary levels. Employer contributions increased in April 2017 to 16.1% with no change to employee contributions.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2017 by a qualified independent actuary.

	At 31 July 2017	**At 31 July 2016**
Rate of increase in salaries	3.25%	3.3%
Rate of increase for pensions in payment/inflation	2.0%	1.8%
Discount rate for scheme liabilities	2.6%	2.4%
Inflation assumption (CPI)	2.0%	1.8%
Commutation of pensions to lump sums – maximum cash v 3/80th cash	75%	75%

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

	At 31 July 2017	**At 31 July 2016**
Retiring today		
Males	22.1	22.7
Females	25.2	25.6
Retiring in 20 years		
Males	23	24.9
Females	27	28.0

21. DEFINED BENEFIT OBLIGATIONS (CONTINUED)

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

	Value at 31 July 2017 £'000	Value at 31 July 2016 £'000
Equities	8,371	7,200
Government Bonds	1,056	1,073
Other Bonds	424	402
Property	479	460
Cash/liquidity	185	134
Other	370	316
College share of total market value of assets	10,885	9,585
Present value of scheme liabilities		
Funded	(14,356)	(14,870)
Unfunded	(21)	(35)
Deficit in the scheme	(3,492)	(5,320)

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

	2017 £'000	2016 £'000
Amounts included in staff costs		
Current service costs	687	489
Past service costs	-	11
Total	687	500
Amounts included in financing costs		
Net finance cost	124	109
	124	109

Amounts recognised in Other Comprehensive Income		
Return on pension plan assets excluding amounts included in net interest	798	660
Actuarial gain/(losses) on liabilities	1,503	(2,514)
Amounts recognised in Other Comprehensive Income	2,301	(1,854)

Movement in net defined liability during year	2017 £'000	2016 £'000
Deficit in scheme at 1 August	(5,320)	(3,173)
Movement in year:		
Employer's service costs (net of employee contributions)	(687)	(500)
Employer's contributions	338	316
Net interest	(124)	(109)
Actuarial loss	2,301	(1,854)
	(3,492)	(5,320)
Net defined liabibility at 31 July		

21. DEFINED BENEFIT OBLIGATIONS (CONTINUED)

Asset and Liability Reconciliation	**2017 £'000**	**2016 £'000**
Changes in the present value of the defined benefit obligations		
Defined benefit obligations at start of period	14,905	11,562
Current service cost	687	489
Interest cost	357	415
Contributions by scheme participants	162	145
Changes in financial assumptions	(1,503)	2,514
Estimated benefits paid	(231)	(231)
Past service cost	-	11
Defined benefit obligations at end of period	14,377	14,905
Changes in the fair value of the plan assets		
Fair value of plan assets at the start of period	9,585	8,389
Interest on plan assets	233	306
Return on plan assets less interest on plan assets	798	660
Employer contributions	338	316
Contributions by scheme participants	162	145
Estimated benefits paid	(231)	(231)
Fair value of plan assets at the end of the period	10,885	9,585

The impact of the pension liability on the College's reserves is

	2017 £'000	**2016 £'000**
Income and Expenditure before pension liability	1,749	1,496
Pension liabilty	(3,492)	(5,320)
Income and expenditure account	(1,743)	(3,824)

22. RELATED PARTY TRANSACTIONS

Due to 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 Section 33, Related Party Disclosures.

No expenses have paid to or on behalf of the Corporation during the year for travel and subsistence expenses and other out of pocket expenses incurred in attending Corporation meetings and charity events in their official capacity.

No member of the Corporation has received any remuneration or waived payments from the College or its subsidiaries during the year (2016 – none).

Transactions with funding bodies are detailed in note 2.

During the year Shipley College Developments Limited a wholly owned subsidiary of the College made sales to the College of £4k (2016 £273k) and gifted £2,465 (2016 nil).

During the year Shipley College made no sales to Shipley College Developments Limited (2016 £20k).

At 31 July 2017 Shipley College Developments Limited owed Shipley College £6k. At 31 July 2016 the College owed Shipley College Developments Limited £34k.

23. AMOUNTS DISBURSED AS AGENT

Learner Support Funds	**Year ended 31 July 2017**	**Year ended 31 July 2016**
	£'000	**£'000**
Funding body grants – hardship funds	187	376
TOTAL	187	376
Disbursed to students	(178)	(357)
Staffing	(9)	(19)
Balance unspent at 31 July, included in creditors	-	-

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 Statement of Comprehensive Income.