YEAR END ACCOUNTS

SHIPLEY COLLEGE

Report and Financial Statements

Year ended 31 July 2019

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 2018/2019:

Nav Chohan	Principal and CEO; Accounting officer
Julie Kitcheman	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 14 and 15 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
One, St Peters' Square
Manchester
M2 3DE

CONTENTS

STRATEGIC REPORT

NATURE, OBJECTIVES AND STRATEGIES

The members present their report and the audited financial statements for the year ended 31 July 2019.

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 highest quality, inspirational education and training that exceeds the ambitions of individuals, businesses and communities."

CORE VALUES

Culture of Collaboration and Partnership:	A team working closely with our stakeholders in a spirit of trust and integrity
Aspiration and Professionalism:	Striving for excellence in a safe, sustainable environment, while supporting all students to achieve their personal best and to progress to their next steps in work and life
Responsiveness:	Meeting the needs and exceeding the expectations of students and employers, both locally and regionally, responding to government initiatives and our local community
Equality and Respect:	Celebrating the diversity of our students and staff

PUBLIC BENEFIT

Shipley College is an exempt charity under 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 pages 14 and 15.

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 2020. The main Strategic Drivers are:

1. Support for the Regional Economy
2. Maximise student achievement and progression
3. Develop Opportunities for Personal Growth
4. Achieving a surplus to invest in the student experience

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 to 2020. 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 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 2018/19
Financial Health Score	Good	**Achieved**
Earnings before interest, tax, depreciation and amortisation (EBITDA)	Above 4% of income	**Not Achieved** EBITDA = 3.86%
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.	**Not Achieved** Although there was a cash inflow on operations, cash decreased by £71k after capital spend of £170k Operating surplus higher than targeted but debtors higher at year end.
Income increases	Over £9m	**Achieved**

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.

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 £192k, before the cost of the Defined Benefit Scheme adjustments. The effect of these adjustments are detailed below:-

	2018/19		2017/18	
	£'000	£'000	£'000	£'000
Operating surplus before pension reserve adjustments		192		126
Pension reserve adjustments:-				
Pension cost - note 6	580		316	
Pension Finance cost - note 9	89	(669)	86	(402)
Deficit for the year - Page 29		(477)		(276)

The College generated a deficit before other gains and losses in the year of £477k (2017/18 £276k), with a total comprehensive deficit of £2,201k (2017/18 surplus of £473k).

The main sources of income upon which the College depends, in addition to the funds provided by the funding bodies which represents 80% of income, are Other grant funded schemes and Fee income and Advanced Learner loans. These additional sources represent 20% (2017/18 15%) of total operating income. The College continues to seek opportunities to increase additional non funding body income in future years with new provision in Advanced Learning Loans and full cost work as well as maximising opportunities arising from the Apprenticeship Levy and project funding streams.

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/deficit generated in Shipley College Developments Limited was nil. Shipley College Developments Limited is now a dormant company.

Consolidated accounts have not been prepared for the year to 31 July 2019 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 £384k (2017/18 £455k). There was a small operating cash inflow during the year due to an increase in debtors from funding body and the Council. 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.

During 2018/19 the College increased the target EBITDA to 4% of income and is actively looking to generate cash surpluses to allow investment in the College infrastructure.

The College currently holds no restricted reserves. The College has accumulated general reserves excluding the Pension deficit/liability, as stated in note 20, page 48 of £1,945k (2017/18 £1,758k) and cash balances of £384k (2017/18 £455k). 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 2018/19.

Numbers for 16-18 year olds were 10% above contract.

Early indications for 2019/20 suggest:-
- 16-18 numbers will be maintained;
- apprenticeship enrolments are likely to be maintained; and
- adult enrolments will comfortably meet contract targets.

Student Achievement

Student achievement rates for Learner Responsive and apprenticeship provision are above national averages.

Curriculum Developments

The College plans to:-
- provide a good, balanced range of choices in the context of the district's 14-19 Strategy, including introduction of the new post 16 'T Level' courses;
- 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 2018 to 31 July 2019, the College paid 91 per cent of its invoices within 30 days. A further 6% 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.

Trade union facility time

The Trade Union (Facility Time Publication Requirements) Regulations 2017 require the College to publish information on facility time arrangements for trade union officials at the College. 1 Employee (0.7 FTE), was given Trade union facility time in the year. This represented 1% of that employees paid time and cost £146.

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 2019/20 has been confirmed by the Education and Skills Funding Agency at £4,885k for 16-19 allocation and £1,747k for Adult Education.

Going Concern

Although the balance sheet shows a total net liability of £3,471k, excluding the pension liability the College has net assets of £2,311k. Of the total pension liability of £5,782k, 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 2018/19 increased in line with the lagged funding methodology. Student numbers are stable for 2019/20 so with the increase the base rate income will increase. The College has generated an operating surplus of £192k, before the cost of the Defined Benefit Scheme adjustments, thus improving the net assets and maintaining the cash reserves.

As at 31 July 2019 the College had net current assets of £14k. This includes £249k holiday pay accrual and £70k deferred income from Government capital grants in line with the 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 3 year financial forecasts and 2 year cashflow statements and has successfully secured 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. For this reason, it continues to adopt the going concern basis in preparing these financial statements.

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 was secured for refurbishment of the College's Salt Building which means that the College's estate is now secure for the foreseeable future.

Financial
The College has £14k of net current assets, this includes £249k holiday pay accrual and £70k deferred income from Government capital grants in line with the 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 2019 the College employed 195 people (expressed as full time equivalents), of whom 138 have a direct teaching role. This represents 312 staff, of which 219 have a direct teaching role. Average staff over the year was 187 full time equivalents as shown in note 6.

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 2018/19, 80% 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 possible devolution of the Adult Skills Budget.
- It is recognised that the apprenticeship levy and new apprenticeship standards are significantly affecting the 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.

The College has entered into a 'Delivery Agreement' with the Local Enterprise 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 of additional contributions as advised by the pension actuaries. The current agreement is for £45,300 payable over the 3 years to March 2020. The College is awaiting information of the contributions payable from April 2020 but is currently expecting them to increase following the introduction of the Insolvency Regime and therefore the actuaries assessment of the risk associated with the College.

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;
- the Department for Education;
- local employers (with specific links);
- the local community;
- other Further Education institutions;
- Trade unions;
- Local Enterprise Partnerships (LEPs);
- West Yorkshire Combined Authority; 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 or belief,
- sex,
- 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 Deaf Call 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 10 December 2019 and signed on its behalf by:-

Joanne Beaumont, Chair of the Corporation
10 December 2019

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 2018 to 31 July 2019 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");

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 2019. 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 2018/2019 and up to the date of signature of this report

Name	Date of appointment	Term of office	Date of resignation	Status of appoint-ment	Attendance at Full Corporation	Committees served and attendance
Mr P Brown	January 2005 Reappointed June 2017	3 years		Member	3/3	F&R (3/4); Remuneration (1/1); Search (1/1)
Mr N Hainsworth	July 2007 Reappointed July 2017	3 years		Member	3/3	Chair: Audit (2/2)
Mr J Egan	November 2009 Reappointed Nov 2019	3 years		Member	3/3	Audit (2/2), Remuneration (1/1); Chair C&Q (3/3)
Mr N S Chohan	July 2009	N/a		Principal (Accounting Officer)	3/3	F&R (4/4); Search (2/2); C&Q (3/3)
Mr S Desai	Dec 2010 Reappointed Dec 2017	3 years		Staff Member	3/3	C&Q (3/3)
Mr A Podesta	Dec 2011 Reappointed Oct 2018	3 years		Member	3/3	Chair of F&R (4/4),
Ms J Beaumont	Oct 2012 Reappointed Oct 2019	3 years		Member	3/3	Chair: Corporation C&Q (3/3), F&R (4/4), Remuneration (2/2), Search (1/1)

Name	Date of appointment	Term of office	Date of resignation	Status of appoint-ment	Attendance at Full Corporation	Committees served
Mr D Butcher	Apr 2015 Reappointed April 2019	3 years		Member	3/3	F&R (4/4)
Ms S Khan	Apr 2015 Reappointed April 2019	3 years	Nov 19	Member	0/3	C&Q (0/3)
Mr J Parker	Apr 2015 Reappointed April 2019	3 years		Member	3/3	Audit (2/2) C&Q (3/3) Search (1/1)
Ms W Rowan	Dec 2015 Reappointed Dec 2017	3 Years		Staff Member	2/3	F&R (3/4),
Mr C Forrest	Dec 2016 Reappointed Dec 2017	3 years		Member	3/3	C&Q 2/3 Audit 2/2
Mrs R Howarth	Dec 2016 Reappointed Dec 2017	3 years	June 2019	Member	1/2	C&Q 2/2
Mr P Hunter	Dec 2016 Reappointed Dec 2017	3 years		Member	1/3	C&Q 2/3
Miss M Trutwein	Dec 2017	2 Years	July 2019	Student	0/2	
Miss A Kay	Dec 2018	2 yrs		Student	2/2	
Dr S Bibila	Mar 2019	1 yr	Dec 2019	Member	1/2	C&Q 1/1
Dr G Curtis	Mar 2019	1 yr	Dec 2019	Member	2/2	
Vacancies: 5 (4 external members and 1 student member)						
Clerk to the Corporation: Mr J Stott						

Non Corporation Members co-opted to serve on College committees during 2018/2019

Name	Date of appointment	Term of office	Date of resignation	Committees served
Mr M Brannan	March 2008 Reappointed Mar 2017	3 yrs	May 2019	Audit (1/1)
	Oct 2011 Reappointed Oct 2015	4 yrs	May 2019	Search (1/1)
	Dec 2018	3 yrs	May 2019	Remuneration (1/1)
Mr P Webley	Dec 2018	4 yrs		Search (1/1)
	July 2019	3 yrs		Audit (0/0)
	July 2019	3 yrs		Remuneration (0/0)

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 Resources Search
- Remuneration
- Curriculum and Quality; and
- Audit.

The Corporation, Finance and Resources, 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

The Corporation has a self assessment process via a questionnaire completed by Governors annual. The outcome of the 2018/19 process shows continued positive outcomes.

In Summer 2019, although a slight decrease in the overall rating, this remains high at 4.4 out of 5 overall.

Ratings for all key questions were between 4 & 4.9 bar 3 questions:

- 'The Corporation makeup is diverse with experience, skills, ethnicity, gender, and age group';
- 'Corporation members fully and positively participate in discussions'
- 'the Corporation is well informed about the labour market needs of its local community and has considered and set out what it believes those needs are and to what extent it will seek to meet them'.

These scored 3.9, 3.9 and 3.8 respectively. A number of governors commented that the Corporation should always strive for a more diverse membership. These comments will be considered by the Search Committee when recruiting to the current vacancies.

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. Some governors have an educational background and training activities for all governors related to teaching & learning ensure continuous development of governors' understanding and skills in challenging learners' achievements and weaknesses in the quality of provision

During 2018/19 individual governor attendance at Corporation and Committee meetings was very good at 86%, a slight increase compared to 17/18 and above the sector average of 81%. 12 Members had 100% attendance record at Corporation and Committee meetings

Remuneration Committee

Throughout the year ended 31 July 2019, the College's remuneration committee comprised of three 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 post holders. In July 2019 the College appointed an Chair of the Committee who is an independent external co-opted member.

Details of remuneration for the year ended 31 July 2019 are set out in note 6 to the financial statements.

Audit Committee

The Audit Committee is comprised of up to six members of the Corporation (excluding the Principal, Chair of the Corporation, staff members and Members of the Finance & Resources 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 appoints specialist services to review the systems of internal control; risk management controls and governance processes 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 & Resources Committee

The Finance & Resources Committee comprises 6 members of the Corporation (and excludes 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 Curriculum and Quality Committee comprises up to 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 advice 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 short listing 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 2019 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 2019 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 31 July 2019. 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 2019 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2019.

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

Although the balance sheet shows a total net liability of £3,471k, excluding the pension liability the College has net assets of £2,311k. Of the total pension liability of £5,782k, 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 2018/19 increased in line with the lagged funding methodology. Student numbers are stable for 2019/20 so with the increase the base rate income will increase. The College has generated an operating surplus of £192k, before the cost of the Defined Benefit Scheme adjustments, thus improving the net assets and maintaining the cash reserves.

As at 31 July 2019 the College had net current assets of £14k. This includes £249k holiday pay accrual and £70k deferred income from Government capital grants in line with the 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 3 year financial forecasts and 2 year cashflow statements and has successfully secured 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. For this reason, it continues to adopt the going concern basis in preparing these financial statements.

Approved by order of the members of the Corporation on 10 December 2019 and signed on its behalf by:-

Joanne Beaumont
Chair of the Corporation
10 December 2019

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 (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of funding, under the College's grant funding agreement and contracts with ESFA. As part of our consideration we have had due regard to the requirements of the grant funding agreements and contracts with ESFA.

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

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

Joanne Beaumont
Chair of the Corporation
10 December 2019

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, as charity trustees, are required to present audited financial statements for each financial year.

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

In preparing the 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 Members' Report which describes what it is trying to do and how it is going about it, including information about the legal and administrative status of the College.

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

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

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition, they are responsible for ensuring that funds from ESFA are used only in accordance with ESFA's grant funding agreements and contracts and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place to safeguard public and other funds and 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 ESFA are not put at risk.

Approved by order of the Members of the Corporation on 10 December 2019 and signed on its behalf by:-

Joanne Beaumont
Chair of the Corporation
10 December 2019

MAZARS

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

We have audited the financial statements of Shipley College (the 'College') for the year ended 31 July 2019 which comprise the Statement of Comprehensive Income and Expenditure, the Statement of Changes in Reserves, the Balance Sheet, the Cash Flow Statement 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 College's affairs as at 31 July 2019 and of the College's deficit of expenditure over income for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

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 College in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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 College'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 are responsible for the other information. The other information comprises the information included in the annual report, 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 returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- the information given in the report of the Members of the Corporation, including the operating and financial review and statement of corporate governance, 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 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 determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the 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 either intend to cease operations, or have no realistic alternative but to do so.

Responsibilities of the Corporation

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.

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

Use of the audit report

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.

Mazars LLP

Mazars LLP
Chartered Accountants and Statutory Auditor
One St Peter's Square
Manchester
M2 3DE

Date 13 December 2019

MAZARS

REPORTING ACCOUNTANT'S REPORT ON REGULARITY TO THE CORPORATION OF SHIPLEY COLLEGE AND SECRETARY OF STATE FOR EDUCATION ACTING THROUGH EDUCATION AND SKILLS FUNDING AGENCY

In accordance with the terms of our engagement letter dated 2 August 2019 and further to the requirements and conditions of funding in the Education and Skills Funding Agency grant funding agreements and contracts, or those of any other public funder, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest, in all material respects, the expenditure disbursed and income received by Shipley College during the period 1 August 2018 to 31 July 2019 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 Education and Skills Funding Agency. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record data returns, for which the Education and Skills Funding Agency has other assurance arrangements in place.

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

Respective responsibilities of Shipley College and the reporting accountant

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the 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 2018 to 31 July 2019 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 Education and Skills Funding Agency. We performed a limited assurance engagement as defined in that framework.

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

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

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

The work undertaken to draw to our conclusion included:

- Reviewing the statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding.

- Reviewing the College's completed self-assessment questionnaire on regularity.
- Reading the College's grant funding agreement and contract with the Education and Skills Funding Agency.
- Testing 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.
- Reviewing all payments to senior post holders on termination of employment or in respect of claims made in the year.
- Reviewing approved policies and procedures operating during the year for each funding stream that has specific terms attached.
- Obtaining the policy for personal gifts and/or hospitality.
- Obtaining the register of personal interests.
- Obtaining the financial regulations/financial procedures.
- Obtaining 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 2018 to 31 July 2019 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Mazars LLP

Mazars LLP
Chartered Accountants and Statutory Auditor
One St Peter's Square
Manchester
M2 3DE

Date 13 December 2019

STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
INCOME			
Funding body grants	2	7,670	7,088
Tuition Fees and Education contracts	3	928	576
Other grants and contracts	4	557	442
Other income	5	378	260
Total income		9,533	8,366
Expenditure			
Staff costs	6	7,081	6,258
Other operating expenses	8	2,596	2,019
Depreciation	11	244	279
Interest and Other Finance Costs	9	89	86
Total expenditure		10,010	8,642
Deficit before tax		(477)	(276)
Taxation	10	-	-
Deficit for the year		(477)	(276)
Actuarial (loss)/gain in respect of pension schemes	20	(1,724)	749
Total Comprehensive (deficit)/surplus for the year		(2,201)	473

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 31 July 2017	(1,863)	120	(1,743)
Deficit for the year	(276)	-	(276)
Other comprehensive income/(expenditure)	749	-	749
Total comprehensive surplus/(deficit) for the year	473	-	473
Transfers between revaluation and income and expenditure reserves	3	(3)	-
Balance at 31 July 2018	(1,387)	117	(1,270)
Deficit for the year	(477)	-	(477)
Other comprehensive income/(expenditure)	(1,724)	-	(1,724)
Total comprehensive surplus/(deficit) for the year	(2,201)	-	(2,201)
Transfers between revaluation and income and expenditure reserves	3	(3)	-
Balance at 31 July 2019	(3,585)	114	(3,471)

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

BALANCE SHEET 31 JULY 2019

	Note	2019	2018
		£'000	**£'000**
NON CURRENT ASSETS			
Tangible Fixed Assets	11	5,166	5,240
Investments	12	1	1
		5,167	5,241
CURRENT ASSETS			
Trade and other receivables	13	719	416
Cash and cash equivalents	14	384	455
Total current assets		1,103	871
Creditors: amounts falling due within one year	15	(1,089)	(1,054)
Net current assets/(liabilities)		14	(183)
Total assets less current liabilities		5,181	5,058
Creditors: amounts falling due after more than one year	16	(2,870)	(2,940)
Provisions			
Defined benefit obligations	20	(5,530)	(3,145)
Other Provisions	17	(252)	(243)
TOTAL NET LIABILITIES		(3,471)	(1,270)
UNRESTRICTED RESERVES			
Income and expenditure account	20	(3,585)	(1,387)
Revaluation reserve		114	117
TOTAL UNRESTRICTED RESERVES		(3,471)	(1,270)

These financial statements on pages 28-50 were approved and authorised for issue by the Corporation on 10 December 2019 and were signed on its behalf by:

Joanne Beaumont
Chair of the Corporation
10 December 2019

Mr N Chohan
Principal & Accounting Officer

STATEMENT OF CASH FLOWS
YEAR ENDED 31 JULY 2019

	Notes	2019	2018
		£'000	£'000
Cash flow from operating activities			
Deficit for the year		(477)	(276)
Adjustment for non cash items			
Depreciation		244	279
Deferred capital grants released to income		(88)	(130)
Defined benefit pension scheme cost less contributions payable		598	316
(Increase)/Decrease in trade debtors		(51)	9
(Increase)/Decrease in prepayments and accrued income		(51)	4
Increase in other debtors		(200)	(104)
(Increase)/Decrease in amounts due from/to subsidiary		(1)	6
Decrease in trade creditors		(14)	(14)
Increase in taxation and social security		10	9
Decrease in other creditors		(25)	(9)
Increase/(Decrease) in accruals and deferred income		42	(38)
Decrease in provisions		(18)	(17)
Increase in holiday pay accrual		41	6
Adjustment for investing and financing activities			
Pension finance cost		89	86
Net cash inflow from operating activities		99	126
Cash flow from investing activities			
Payments made to acquire fixed assets		(170)	(142)
Net cash outflow from investing activities		(170)	(142)
(Decrease)/increase in cash and cash equivalents in the year		(71)	(16)
Cash and cash equivalents at beginning of the year	14	455	471
Cash and cash equivalents at end of the year	14	384	455

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 2017 to 2018* and in accordance with Financial Reporting Standard 102 - *"The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland"* (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

Basis of accounting

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

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

Although the balance sheet shows a total net liability of £3,471k, excluding the pension liability the College has net assets of £2,311k. Of the total pension liability of £5,782k, 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 2018/19 increased in line with the lagged funding methodology. Student numbers are stable for 2019/20 so with the increase the base rate income will increase. The College has generated an operating surplus of £192k, before the cost of the Defined Benefit Scheme adjustments, thus improving the net assets and maintaining the cash reserves.

As at 31 July 2019 the College had net current assets of £14k. This includes £249k holiday pay accrual and £70k deferred income from Government capital grants in line with the 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 3 year financial forecasts and 2 year cashflow statements and has successfully secured 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. For this reason, it continues to adopt the going concern basis in preparing these financial statements.

1. ACCOUNTING POLICIES (CONTINUED)

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 government 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 22, except for 5% of the grant which is available to the College to cover administration costs relating to the grant.

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.

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.

1. ACCOUNTING POLICIES (CONTINUED)

As stated in Note 20, 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, past 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.

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.

1. ACCOUNTING POLICIES (CONTINUED)

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.

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.

1. ACCOUNTING POLICIES (CONTINUED)

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 2018/19 this was 5.57%. 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 if:

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

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

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

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

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

1. ACCOUNTING POLICIES (CONTINUED)

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.

- 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 20, 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 2019. 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.

On 26 October 2018, the High Court handed down a judgement involving the Lloyds Banking Group's defined benefit pension schemes. The judgement concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits, ('GMP'). There has also been court action regarding age discrimination in the fire service with regard to pension benefits. The impact on the LGPS, and the financial impact has been reflected in the FRS102 LGPS positions for the College with a past service cost of £279k.

2. FUNDING BODY GRANTS

	2019 £'000	2018 £'000
Funding body recurrent grant :-		
Education and Skills Funding Agency 16-18	4,759	4,455
Education and Skills Funding Agency Adults	1,772	1,711
Release of government capital grants	83	118
Education and Skills Funding Agency Apprenticeships	652	622
Funding body non recurrent grants	404	182
	7,670	7,088

3. TUITION FEES AND EDUCATION CONTRACTS

	2019 £'000	2018 £'000
UK Further Education Students	295	273
Apprenticeship fees	16	12
Advanced Learning loans	617	291
	928	576

4. OTHER GRANTS AND CONTRACTS

	2019 £'000	2018 £'000
Other Grants and contracts	557	442

5. OTHER INCOME

	2019 £'000	2018 £'000
Government Capital Grants release – non funding bodies	6	12
Other income	372	248
	378	260

6. STAFF COSTS

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

	2019 No.	2018 No.
Teaching staff	131	119
Non – teaching staff	56	54
	187	173

6. STAFF COSTS (CONTINUED)

	2019 £'000	2018 £'000
Staff costs for the above persons		
Wages and salaries	5,286	4,773
Social security costs	384	366
Other pension costs including defined benefit pension adjustments of £598k, (2018 £316k less enhanced pension adjustment of £18k)	1,393	1,058
	7,063	6,197
Contracted out staffing services	18	61
TOTAL STAFF COSTS	7,081	6,258

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 and the two Vice Principals.

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

	2019 No.	2018 No.
The number of Key management personnel including the Accounting Officer was:	3	3

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	2019 No.	2018 No.
£60,001 - £65,000	-	-
£65,001 - £70,000	2	2
£70,001 - £75,000	-	-
£75,001 - £80,000	-	-
£85,001 - £90,000	1	1
	3	3

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

6. STAFF COSTS (CONTINUED)

Key management personnel compensation is made up as follows	2019 £'000	2018 £'000
Salary	233	217
Employer's national insurance contributions	27	27
Benefits in kind	4	4
	264	247
Pension contributions	36	36
Total emoluments	300	284

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:-

	2019 £'000	2018 £'000
Salary	88	86
Benefit in kind	1	1
	89	87
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.

The College's median pay for all other Corporation employees in 2018/19 was £23,786 per annum.

The Fair Pay Review published in the Hutton Report for the public sector recommended that an organisation's pay multiple should be no greater than 20:1. The College's pay multiple based on the Principal's basic salary in 2018/19 was 3.7:1 and based on the Principal's total emoluments was 3.75:1.

7. OVERSEAS ACTIVITIES

There were no costs incurred during 2018-19 in respect of overseas activities.

8. OTHER OPERATING EXPENSES

	2019 £'000	2018 £'000
Teaching costs	261	257
Non Teaching costs	1,702	1,160
Premises costs	633	602
	2,596	**2,019**

Other operating expenses include:	2019 £'000	2018 £'000
Operating lease rentals		
Land and Buildings	110	110
Plant and Machinery	17	17
Auditor's remuneration		
Financial statements audit	9	9
Regularity audit	2	2
Teachers Pension audit	1	1
Internal audit assurance	4	7

9. INTEREST AND OTHER FINANCE COSTS

	2019 £'000	2018 £'000
Net interest on defined pension liability (note 20)	83	86
Net interest on enhanced pension provision	6	-
	89	**86**

10. TAXATION

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

11. TANGIBLE FIXED ASSETS

	Freehold land and buildings	Long leasehold improvements	Equipment	Total
	£'000	**£'000**	**£'000**	**£'000**
Cost or Valuation				
At 1 August 2018	1,154	6,101	3,459	10,714
Additions	-	10	160	170
Disposals	-	-	(132)	(132)
At 31 July 2019	1,154	6,111	3,487	10,752
Depreciation				
At 1 August 2018	361	1,851	3,262	5,474
Charge for Year	26	105	113	244
Eliminated on disposal			(132)	(132)
At 31 July 2019	387	1,956	3,243	5,586
Net book value at 31 Jul 2019	767	4,155	244	5,166
Net book value at 1 Aug 2018	793	4,250	197	5,240

12. NON CURRENT INVESTMENTS

	2019	2018
	£'000	£'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 100 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 Developments limited is now dormant. Shipley College Services Limited has been dormant since incorporation.

13. TRADE AND OTHER RECEIVABLES

	2019 £'000	2018 £'000
Amounts falling due within one year:		
Trade receivables	82	31
Other receivables	257	127
Amount owed from Subsidiary undertakings	1	-
Amounts owed by the funding body (ESFA)	168	98
Prepayments and accrued income	211	160
	719	416

14. CASH AND OTHER CASH EQUIVALENTS

	At 31 July 2018 £'000	Cash flows £'000	At 31 July 2019 £'000
College Cash in hand and at bank	455	(71)	384
TOTAL	455	(71)	384

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £'000	2018 £'000
Trade creditors	272	286
Taxation and social security	124	114
Other creditors	114	107
Deferred income – government capital grants	70	89
Deferred income – government revenue grants	18	50
Holiday pay accrual	249	208
Accruals and deferred income	242	200
	1,089	1,054

16. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	2019 £'000	2018 £'000
Deferred income – government capital grants	2,870	2,940
	2,870	2,940

17. PROVISIONS

	Defined benefit obligations £,000	Enhanced pensions £,000	Total £,000
At 1 August 2018	3,145	243	3,388
Increase in provision	2,385	9	2,394
At 31 July 2019	5,530	252	5,782

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government pension Scheme. Further details are given in Note 20.

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:	2019 £'000	2018 £'000
Interest Rate	2.2%	2.8%
Inflation Rate	2.2%	2.1%

18. OPERATING LEASES

At 31 July 2019, the College had outstanding commitments for future minimum lease payments under non-cancellable operating leases as follows:

Land and buildings

	2019 £'000	2018 £'000
Due within one year	110	110
Later than one year and not later than five years	439	440
Later than five years	814	924
	1,363	1,474

A total of £110k was recognised as an operating lease expense in the year (2018 £110k)

Equipment

	2019 £'000	2018 £'000
Due within one year	4	17
Later than one year and not later than five years	9	9
Total Future minimum lease payments due	13	26

A total of £17k was recognised as an operating lease expense in the year (2018 £18k)

19. FINANCIAL COMMITMENTS

As at 31 July 2019 the College had £88k of commitments for equipment orders (2018 £51k) and £148k for building works (2018 £nil).

20. DEFINED BENEFIT OBLIGATIONS

The College's employees belong to two principal post employment 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:	**2019**	**2018**
	£'000	**£'000**
Teachers' Pension Scheme: contributions paid	403	366
West Yorkshire Pension Fund –contributions paid	410	393
Defined benefit obligation accounting adjustment	598	316
Enhanced pension charge to Statement of Comprehensive income	(18)	(17)
Total pension cost for the year within staff costs	1,393	1,058

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 £67k (2018 £62k) 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' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including colleges. Membership is automatic for teachers and lecturers at eligible institutions. Teachers and lecturers are able to opt out of the TPS.

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

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

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

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

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

20. DEFINED BENEFIT OBLIGATIONS (CONTINUED)

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/9. The Department for Education has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2019-20 academic year.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website.

The pension costs paid to TPS in the year amounted to £403k (2018: £368k)

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 2019 was £553k of which employers' contributions totalled £395k and employee's contributions totalled £158k. In addition, the College has entered into an agreement with the LGPS to make additional contributions of a further £45,300 payable over the 3 years to March 2020. The payment included in the accounts for 2018/19 was £15k. 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 2019 by a qualified independent actuary.

	At 31 July 2019	At 31 July 2018
Rate of increase in salaries	3.45%	3.35%
Rate of increase for pensions in payment/inflation	2.2%	2.1%
Discount rate for scheme liabilities	2.2%	2.8%
Inflation assumption (CPI)	2.2%	2.1%
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 2019	At 31 July 2018
Retiring today		
Males	22.2	22.1
Females	25.4	25.3
Retiring in 20 years		
Males	23.2	23.1
Females	27.2	27.1

20. 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 2019 £'000	Value at 31 July 2018 £'000
Equities	10,403	8,939
Government Bonds	1,310	1,294
Other Bonds	477	419
Property	569	503
Cash/liquidity	278	263
Other	199	565
College share of total market value of assets	13,236	11,983
Present value of scheme liabilities		
Funded	(18,746)	(15,108)
Unfunded	(20)	(20)
Deficit in the scheme	(5,530)	(3,145)

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

	2019 £'000	2018 £'000
Amounts included in staff costs		
Current service costs	733	709
Past service costs	279	-
Total	1,012	709

	2019 £'000	2018 £'000
Amounts included in financing costs		
Net finance cost	83	86
	83	86

	2019 £'000	2018 £'000
Amounts recognised in Other Comprehensive Income		
Return on pension plan assets excluding amounts included in net interest	736	510
Actuarial (loss)/gain on liabilities in defined benefit pension scheme	(2,440)	239
Actuarial loss on liabilities in enhance pension provision	20	-
Amounts recognised in Other Comprehensive Income	(1,724)	749

20. DEFINED BENEFIT OBLIGATIONS (CONTINUED)

	2019 £'000	2018 £'000
Movement in net defined liability during year		
Deficit in scheme at 1 August	(3,145)	(3,492)
Movement in year:		
Employer's service costs (net of employee contributions)	(733)	(709)
Employer's contributions	414	393
Past service cost	(279)	-
Net interest	(83)	(86)
Actuarial (loss)/gain	(1,704)	749
Net defined liability at 31 July	(5,530)	(3,145)

	2019 £'000	2018 £'000
Asset and Liability Reconciliation		
Changes in the present value of the defined benefit obligations		
Defined benefit obligations at start of period	15,128	14,377
Current service cost	733	709
Past service cost	279	-
Interest cost	421	373
Contributions by scheme participants	159	154
Changes in financial assumptions	2,440	(239)
Estimated benefits paid	(392)	(246)
Defined benefit obligations at end of period	18,768	15,128
Fair value of plan assets at the start of period	11,983	10,885
Interest on plan assets	338	287
Return on plan assets less interest on plan assets	736	510
Employer contributions	412	393
Contributions by scheme participants	159	154
Estimated benefits paid	(392)	(246)
Fair value of plan assets at the end of the period	13,236	11,983

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

	2019 £'000	2018 £'000
Income and Expenditure before pension liability	1,945	1,758
Pension liability	(5,530)	(3,145)
Income and expenditure account	(3,585)	(1,387)

20. DEFINED BENEFIT OBLIGATIONS (CONTINUED)

On 26 October 2018, the High Court handed down a judgement involving the Lloyds Banking Group's defined benefit pension schemes. The judgement concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits, ('GMP'). There has also been court action regarding age discrimination in the fire service with regard to pension benefits. The impact on the LGPS, and the financial impact has been reflected in the FRS102 LGPS positions for the College with a past service cost of £279k.

21. 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.

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 (2018 – 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 no sales to the College (2018 nil).

During the current and previous years Shipley College made no sales to Shipley College Developments Limited.

At 31 July 2019 Shipley College Developments Limited owed Shipley College £1k (2018 nil).

Shipley College is part of a joint venture agreement with West Yorkshire Consortium of Colleges Limited (WYCC) and the Principal of the College is a Director of WYCC.

The College paid subscriptions to WYCC of £1,500 in 2018/19 (2017/18 £1,500) and received gift aid of £2,972 (£2017/18 nil).

The College made a loan to WYCC in 16/17 of £5,000 which was outstanding at 31 July 2018 and is still outstanding at 31 July 2019. A provision for bad debt has been made for this debt as no repayment is currently expected.

At 31 July 2019 a debt of £19,742 for project expenditure due from WYCC is included in income and debtors (2018 £17,800).

22. AMOUNTS DISBURSED AS AGENT

Learner Support Funds	**Year ended 31 July 2019**	**Year ended 31 July 2018**
	£'000	**£'000**
Funding body grants – 16-18 discretionary bursary fund	265	226
TOTAL	265	226
Disbursed to students	(235)	(205)
Staffing	(12)	(11)
Balance unspent at 31 July, included in creditors	18	10

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.