



Members' Report and Financial Statements

For the year ended 31 July 2017

YORK COLLEGE

Key Management Personnel, Governing Body and Professional Advisers

Key Management Personnel

Key management personnel for York College are the members of the Senior Management Team and were the following throughout 2016-17:

Alison Birkinshaw	Principal and Accounting Officer
Louise Lawrence-Crockford	Deputy Principal, Resources
Graeme Murdoch	Deputy Principal, Quality Assurance and Support
Nikki Davis	Assistant Principal, Employer Engagement
Mark Doyle	Assistant Principal, 14-19 Vocational (to April 2017)
Glyn Jones	Assistant Principal, 16-19 A Level
Andrea Shepherd	Assistant Principal, Higher Education, International, Adult & Development
Clare Wareing	Assistant Principal, 14-19 Vocational (from May 2017 to September 2017)
Trevor Armer	Director of Finance

Governing Body

Clare Wareing was appointed as Assistant Principal, 14-19 Vocational on an interim basis from May 2017 to September 2017).

Sharon Smith was appointed Deputy Principal, Teaching, Learning and Curriculum Development in August 2017. This post replaced that of the Assistant Principal, 14-19 Vocational.

A full list of Governors is provided on pages 9 to 11 of these financial statements.

Gareth Catterson acted as Clerk to the Corporation throughout the period.

Professional Advisers

Financial Statements Auditors & Reporting Accountants:

KPMG LLP
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

Internal Auditors:

RSM Risk Assurance Services LLP
Central Square
29 Wellington Street
Leeds
LS1 4DL

Bankers:

Barclays Bank Plc
2nd Floor
10 Market Street
Bradford
BD1 1XW

Solicitors:

Addleshaw Goddard LLP
Sovereign House
Sovereign Street
Leeds
LS1 1HQ

Members' Report and Financial Statements

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Members' Report and Operating and Financial Review

Nature, Objectives and Strategies

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

Legal status

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

Mission

The College mission was last reviewed during the 2010-11 academic year and in July 2011, the following mission statement was adopted. This was the College's mission in the 2016-17 academic year.

'York College – Where everyone matters and a successful future begins'

York College's mission is to provide a life enhancing educational experience, through inspirational teaching, by working in partnership and helping individuals to be the best they can.

Public Benefit Statement

York 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. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 9 to 11.

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

In delivering its mission, the College provides the following identifiable public benefits, through the advancement of education, by:

- Widening participation in education and training and thereby helping to tackle social exclusion;
- Providing high quality teaching and learning and comprehensive systems of student support;
- Enhancing students' prospects for employment, further education or training;
- Supporting economic growth through its work with Local Enterprise Partnerships, employers and industry generally; and
- Supporting community development through its work with local communities and local authorities.

Implementation of strategic plan

In July 2016, the Corporation approved a strategic plan for the period 1 August 2016 to 31 July 2019. This strategic plan included details of the College's property and financial plans. The Corporation monitors the performance of the College against these plans. The plans are reviewed and updated each year.

Members' Report and Operating and Financial Review (continued)

Implementation of strategic plan (continued)

The College's approved strategic objectives for the period to 31 July 2019 were as follows:

- To work with key communities and employers to raise the College's profile and create opportunities for engagement and growth;
- To ensure that the lives of students are enriched and that they are well equipped to make their chosen next steps;
- To provide a broad and responsive curriculum that meets the needs of students, employers and the key communities we serve;
- To provide all students with excellent teaching, learning and assessment;
- To provide outstanding support for students;
- To ensure that information is managed so that it is right first time and processed in a timely manner;
- To attract and retain the very best staff and develop high performing individuals and teams;
- To provide an outstanding environment for learning and working;
- To maintain a strong financial performance over time, which will allow the College to fulfil its commitments to students, staff and the communities we serve;
- To maintain and develop improvement, assurance and governance processes to support the delivery of the College's mission and objectives.

Reserves policy

The College's policy for the maintenance and development of its financial reserves reflects the ongoing fundamental changes taking place in the financial environment in which it operates. The policy was last approved in December 2016.

In approving this policy, the College's Governing Body recognised that if it is to achieve its mission and strategic objectives, it is essential for the College to be financially stable over the long term and that both of the following objectives need to be achieved:

- A consistent financial operating performance over time;
- A significant level of financial reserves to be retained.

The Governing Body considered that, if achieved, this would provide sufficient financial reserves to both protect the College from the long term effects of unforeseen financial events and to provide the financial resources to fund future developments, when required.

Financial objectives

The Governing Body sets operational and strategic financial objectives, which incorporate specific and measurable financial performance measures. These measures focus on the need to generate both operating surpluses and positive cash flows to maintain the College's financial reserves and long term solvency.

The College's strategic financial objectives were:

- To remain financially healthy and responsive to future changes in funding and other sources of income;
- To protect itself from unforeseen adverse changes in all income streams, including those arising from student enrolments;

Members' Report and Operating and Financial Review (continued)**Financial objectives (continued)**

- To generate sufficient income and cash to enable the College to meet the requirements of the College's 2016-19 Strategic Plan, including:
 - The provision of high quality teaching and learning and a student experience consistent with that of an outstanding college;
 - The recruitment, retention and development of appropriately skilled and motivated staff;
 - The maintenance and development of an appropriate range of accommodation, equipment and other resources; and
 - The continuous improvement of the College's activities and processes, including those relating to Health and Safety.
- To maintain the confidence of funders, suppliers, bankers, auditors and other key stakeholders.

The College achieved all of its strategic financial objectives in 2016-17.

Performance objectives

Performance objectives were approved by the Corporation to monitor the implementation of the College's financial strategy and the maintenance of its 'Outstanding' financial health status. Six of the eight operational financial performance objectives, approved for the year, were achieved.

Performance Objective	Target	Actual Achieved	Excluding impact of loan repayment
Net cash flow from operating activities as a % of income	1.6%	2.8%	2.8%
Net cash flow	£426,000	£737,000	£737,000
Cash available for debt servicing	142%	N/A	250%
Cash days at 31 July 2017	114 days	82 days	137 days
Adjusted Current Ratio at 31 July 2017	2.8	2.6	3.8
Operating (Deficit)/Surplus before FRS 102 pension costs - LGPS costs £760,000 and £302,000 interest per note 22.	£236,000	(£360,000)	£421,000
Borrowings as a percentage of income	11.8%	0.0%	11.9%
Borrowings as a percentage of reserves	8.4%	0.0%	8.3%
Annual debt and interest repayments as a percentage of income	1.2%	16.7%	1.8%

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

Financial position

In 2016-17, the College's financial performance resulted in a deficit of £1,422,000 (2016: a surplus of £85,000). Before loan breakage costs of £781,000, the College's deficit for 2016-17 was £641,000. Before loan breakage costs and FRS102 pension costs, the College reported a surplus of £421,000 (2016: a surplus of £790,000).

The College has accumulated reserves of £31,411,000 and cash balances of £5,997,000.

Tangible fixed asset additions during the year amount to £467,000.

At 31 July 2017, the College had no subsidiary companies.

Members' Report and Operating and Financial Review (continued)

Exceptional costs

On 14 July 2017, the College repaid all outstanding capital on the loan undertaken in 2007 to part fund campus developments on its Sim Balk Lane site. The total amount repaid was £3,964,000. This comprised loan capital repayment of £3,164,000, accrued interest payable of £19,000 and loan breakage costs of £781,000.

The accrued interest of £19,000 has been included in Interest Payable on bank loans, overdrafts and other loans in Note 9. The £781,000 loan breakage costs are exceptional costs, which will only be incurred in the 2016-17 financial year. These have been identified separately within Other Finance Costs in Note 9.

Treasury management policies and objectives

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

The College has a separate treasury management policy in place. Any borrowings or repayment of borrowings require the authorisation of the Governing Body and shall comply with the requirements of the College's Memorandum.

Current and future development and performance

Cash flows and liquidity

In 2016-17, the College's operating cash flow after exceptional loan breakage costs of £781,000 was £737,000. Before loan breakage costs, the College's operating cash flow was £1,518,000 (2016: £1,423,000).

At 31 July 2017, the College had no loans or leases outstanding and therefore will have no debt or lease servicing costs in future financial years.

Student numbers

In 2016-17 the College has delivered learning activity that generated £18,696,000 in funding from its main funding body, the ESFA, (2016: £18,390,000). The College had approximately 5,300 students funded by the Education and Skills Funding Agency (or its predecessor bodies) and approximately 2,000 students with other sources of funding.

Student achievements

Students achieved 95% of their qualification aims in 2016-17 (2016: 95%).

Curriculum developments

The key initiatives in the year included:

- The ongoing implementation of key strategies affecting post 16 education, including GCSE Maths and English and the provision of work experience and placement opportunities within study programmes;
- The implementation of further curriculum change in response to the reform of A levels, vocational assessment and apprenticeships;
- Increasing the number of progression routes and opportunities between levels of study at the College, to facilitate greater progression to higher level technical and vocational education, employment and apprenticeships;

Members' Report and Operating and Financial Review (continued)

Current and future development and performance (continued)

Curriculum developments (continued)

- The continued development of new provision in response to demand from employers and the requirements of the new apprenticeship standards and the positive impact of the Apprenticeship Levy;
- Creating new partnership and distance learning provision so as to widen access and increase opportunities for learning for adult students without the need for physical attendance at the College;
- The development of new and existing educational partnerships in Europe and the Far East, in particular China.

These developments were underpinned by the ongoing cross college strategy to promote excellence in all aspects of teaching, learning and assessment, including the wider experience of students.

Events after the end of the reporting period

There were no significant post balance sheet events after the end of the reporting period.

Resources

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

Financial

The College has £31,411,000 of net assets (after a £6,629,000 FRS 102 pension liability).

People

The College employed 558 people (expressed as full time equivalents), of whom 259 were teaching staff.

Reputation

The College has an excellent reputation locally, regionally and nationally. Maintaining this reputation is essential for the College's continued success in attracting students and in developing relationships with stakeholders.

The College has a long established reputation for excellence in teaching and learning. This has been demonstrated by the College being rated as Outstanding by Ofsted and, most recently in June 2017, by the confirmation of the College's Silver award under HEFCE's Teaching Excellence Framework.

Principal risks and uncertainties

The College has undertaken further work during the year to develop and embed its system of internal control, including financial, operational and risk management. This work included continued development of those processes, which are designed to ensure the effective and efficient use of resources, to protect the solvency of the College and to safeguard its reputation and assets.

Based on the strategic plan, the Senior Management Team undertakes a comprehensive review of the risks to which the College is exposed. They identify systems and procedures, including specific preventative actions to mitigate any potential impact on the College.

Members' Report and Operating and Financial Review (continued)

Current and future development and performance (continued)

Principal risks and uncertainties (continued)

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 Senior Management Team will also consider any risks which may arise from major developments being undertaken by the College.

A risk register is maintained at the college level which is reviewed at least annually by the Audit Committee and more frequently where necessary. The risk register identifies the key risks, the likelihood of those risks occurring and their potential impact on the College. Risks are prioritised using a consistent scoring system.

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

1. Government funding

The College has considerable reliance on government funding through the further education sector funding bodies and HEFCE. In 2016-17, 83% of the College's revenue was ultimately public funded. The movement to student loan based funding means that the level of funding direct from the government will continue to fall in future years. Given the scale and scope of planned changes to the methodologies by which public funding is allocated to colleges, there can be no assurance that government funding available to the College will continue at similar levels or on similar terms.

The College mitigates this risk by:

- Being rigorous in its delivery of high quality education and training;
- By focusing its development to support those priority sectors, which will continue to benefit from public funding;
- By ensuring funding continues to be derived through a range of direct and indirect contractual arrangements;
- By maintaining and investing in strong relationships with each of its funding bodies.

2. Tuition fee policy

Ministers confirmed that the adult FE tuition fee assumption was to remain at 50% in 2016-17. In line with the majority of other colleges, York College increased tuition fees in accordance with these rising fee assumptions.

The price elasticity of adult further education and other learning is not fully understood. The risk for the College is that demand falls as fees are increased further. This may impact on the College's strategy for the future.

This risk will be mitigated in the following 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 College's financial statements report its share of the Local Government Pension Scheme deficit within the Balance Sheet. This is in line with the requirements of FRS 102.

Members' Report and Operating and Financial Review (continued)

Stakeholder relationships

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

- Students;
- Local employers;
- The local communities of York and North Yorkshire;
- Staff;
- Education sector funding bodies;
- Local Authorities;
- FE Commissioner;
- Other further education colleges; and
- Trade unions and professional bodies.

The College recognises the importance of these relationships and engages regularly with its stakeholders through meetings and communication through both electronic and non electronic media.

Equality and Diversity Statement and the employment of disabled persons

York College is committed to ensuring equality of opportunity for all who learn and work at the College. The aim of the College's provision is to create an ethos whereby all individuals are valued and people treat each other with mutual respect regardless of age; disability; gender; gender re-assignment/transgender; marriage and civil partnership; pregnancy and maternity; race; religion or belief; sexual orientation. York College is also committed to ensuring those with family responsibility; carer responsibilities; trade union responsibilities or unrelated criminal convictions are also able to succeed. The College strives vigorously to remove conditions which place people at a disadvantage and seek to actively combat discrimination.

The Equality and Diversity Policy and related procedures are resourced, implemented and monitored on a planned basis. The College's Equality and Diversity Policy deals with all aspects of equality and diversity and is published on the College's intranet and website.

The College endeavours to assess all policies and procedures, plus key plans, practices and proposals as part of a three year equality analysis cycle. This process is referred to as an 'equality impact assessment'. It is intended to help ensure that no individual or group of individuals is inadvertently discriminated against whilst studying or working at the College.

York College is committed to ensuring disabled people are not disadvantaged either during the recruitment and selection process or during their employment. The College provides practical support to current or prospective members of staff who have a disability or long term health condition. This can involve liaison with specialist organisations to ensure that the College provides the most appropriate support.

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 to disabled persons, which are the same as those available to other employees.

The College has received the Job Centre Plus Disability Award. It should be noted that the Department of Work and Pensions is revising this to a 'Disability Confident Employer' award framework shortly.

Members' Report and Operating and Financial Review (continued)

Provision for students with learning difficulties and/or disabilities (continued)

Disability Commitment

York College is committed to ensuring that disabled people, including those with learning difficulties, can access, participate and succeed in their learning. We will make all reasonable adjustments to ensure that disabled people are not substantially disadvantaged.

The College considers all applications, including those from people with learning difficulties and/or disabilities.

The College's Student Charter applies equally to all students. This means that students who have learning difficulties and/or disabilities (LDD) are entitled to receive the same consideration as other students.

This is achieved through the following:

- a) The College campus is accessible and has been designed to facilitate access for disabled people;
- b) The College employs a team of well qualified and highly skilled Learning Support Tutors, Learning Support Mentors and Learning Support Practitioners, who provide a wide range of additional learning support to students with learning difficulties and/or disabilities;
- c) The Learning Support team assesses, organises and provides learning support for students with learning difficulties and/or disabilities, and can provide advice and guidance regarding related issues;
- d) The Learning Support team also has a range of specialist equipment and software which can be loaned to students with learning difficulties and/or disabilities. There is a range of assistive technology available across the College;
- e) There is a continuing programme of staff development to facilitate and support the inclusion of people with LDD, as well as to update staff regarding wider disability issues and legislation;
- f) Specific programmes of study are available for students with learning difficulties.

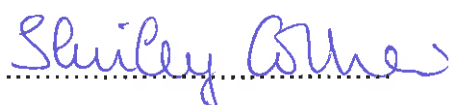
In addition, specific support may be provided to enable these students to use particular facilities or services.

The College has received the 'A Good Place to Come' Award from the Children's Society/Disabled Young People.

Disclosure of information to auditors

The members who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the College's auditors are unaware; and each member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the College's auditors are aware of that information.

Approved by order of the members of the Corporation on 14 December 2017 and signed on its behalf:



S Collier

Chair

Statement of Corporate Governance and Internal Control

This statement is provided to enable readers of the Members' Report and Financial Statements to obtain a better understanding of the governance and legal structure of the College.

The College conducts its business:

- i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- ii. in full accordance with the guidance to colleges from the Association of Colleges in The English Colleges' Foundation Code of Governance ("the Code"); and
- iii. having due regard to the UK Corporate Governance Code 2016 ("the Code") insofar as it is applicable to the further education sector.

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

In the opinion of the Corporation, the College complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2017. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of the Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted in July 2015.

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

The Corporation

The members who served on the Corporation during the year and up to the date of signature of this report were as follows:

Name	Date of most recent appointment	Term of office	Date of resignation	Status of appointment	Committees served
S Collier	December 2016	4 years	-	Independent	<ul style="list-style-type: none"> o Corporation (Chair); o Employment & Skills (Chair) (from March 2017); o Property; o Remuneration; o Search & Governance.
A Birkinshaw	Ex-Officio	-	-	Principal / Accounting Officer	<ul style="list-style-type: none"> o Employer & Skills; o Finance & General Purposes; o Human Resources; o Property; o Quality & Curriculum; o Search & Governance.
H Aldridge	March 2015	4 years	-	Independent	<ul style="list-style-type: none"> o Human Resources (to May 2017); o Audit (from May 2017).
J Brooks	June 2017	4 years	-	Independent	<ul style="list-style-type: none"> o Quality & Curriculum.
V Buckle	March 2017	4 years	-	Staff	<ul style="list-style-type: none"> o Finance & General Purposes (from May 2017);

Statement of Corporate Governance and Internal Control (continued)

The Corporation (continued)

Name	Date of most recent appointment	Term of office	Date of resignation	Status of appointment	Committees served
J Clark	March 2016	2 years	-	Independent	<ul style="list-style-type: none"> Finance & General Purposes (to May 2017); Human Resources (from May 2017).
J Commandeur	July 2014	4 years	-	Independent	<ul style="list-style-type: none"> Finance & General Purposes (Chair); Property ((Chair); Remuneration; Search & Governance.
D Connor	December 2016	1 year	-	Student	<ul style="list-style-type: none"> Quality & Curriculum.
R Frogson	July 2016	4 years	-	Independent	<ul style="list-style-type: none"> Employer & Skills; Quality & Curriculum (Chair); Remuneration; Search & Governance.
C Gendall	December 2016	1 year	-	Student	<ul style="list-style-type: none"> Quality & Curriculum.
T Head	April 2014	4 years	September 2017	Independent	<ul style="list-style-type: none"> Human Resources.
A Hughes	December 2016	4 years	-	Independent	<ul style="list-style-type: none"> Quality & Curriculum.
D Inglis	September 2016	4 years	-	Independent	<ul style="list-style-type: none"> Finance & General Purposes.
D Johnson	August 2014	4 years	-	Independent	<ul style="list-style-type: none"> Corporation (Vice Chair); Audit (from May 2017); Employer & Skills; Finance & General Purposes (to May 2017); Property; Remuneration (Chair); Search & Governance (Chair).
R Jones	March 2017	4 years	-	Independent	<ul style="list-style-type: none"> Audit (from May 2017).
A Mendus	June 2013	4 years	May 2017	Independent	<ul style="list-style-type: none"> Audit; Human Resources (Chair); Property; Remuneration; Search & Governance.
K Moss	July 2014	4 years	-	Independent	<ul style="list-style-type: none"> Audit (Chair); Remuneration (from April 2016); Search and Governance (from April 2016).
S Rawlings	September 2016	4 years	November 2016	Independent	<ul style="list-style-type: none"> Quality & Curriculum.
J Robinson	April 2014	4 years	-	Independent	<ul style="list-style-type: none"> Quality & Curriculum.
M Rushworth	September 2016	4 years	-	Staff	<ul style="list-style-type: none"> Quality & Curriculum.
F Thompson	March 2015	4 years	-	Independent	<ul style="list-style-type: none"> Quality & Curriculum (to May 2017); Human Resources (from May 2017) (Chair from June 2017).
O Trotter	March 2017	4 years	-	Independent	<ul style="list-style-type: none"> Finance & General Purposes (from May 2017).
W Woolley	December 2012	4 years	December 2016	Independent	<ul style="list-style-type: none"> Employer & Skills (Chair); Remuneration; Search and Governance.

Statement of Corporate Governance and Internal Control (continued)**The Corporation (continued)**

Co-opted Committee Members:

Name	Date of most recent appointment	Term of office	Date of resignation	Status of appointment	Committees served
S Ashton	December 2014	3 years	-	Co-opted	o Audit.
L Beckett	May 2017	3 years	-	Co-opted	o Human Resources.
N Grace	July 2015	3 years	July 2017	Co-opted	o Finance & General Purposes; o Property.
J Henderson	October 2017	3 years	-	Co-opted	o Finance & General Purposes
D King	December 2014	3 years	-	Co-opted	o Audit.
D Morgan	August 2016	3 years	-	Co-opted	o Finance & General Purposes.
S Nazir	October 2015	3 years	October 2016	Co-opted	o Human Resources.
C Runciman	July 2017	3 years	-	Co-opted	o Quality & Curriculum.
D Tomlin	December 2014	3 years	-	Co-opted	o Quality & Curriculum.

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

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 the Principal / Accounting Officer are separate.

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

At 31 July 2017, the Clerk to the Corporation was Gareth Catterson.

The appointment, evaluation and removal of the Clerk are matters for the Corporation as a whole.

Corporation and committee meetings

It is the Corporation's responsibility to bring independent judgement to bear on issues of the College's strategy, performance, resources and standards of conduct.

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees include the Audit, Employer and Skills, Finance and General Purposes, Human Resources, Property, Quality and Curriculum, Remuneration and Search and Governance Committees.

Statement of Corporate Governance and Internal Control (continued)**Corporation and committee meetings (continued)**

The number of committee meetings that took place during 2016-17 was as follows:

Audit	3	Property	1
Employer & Skills	2	Quality & Curriculum	3
Finance & General Purposes	3	Remuneration	1
Human Resources	3	Search & Governance	3

The number of Governing Body meetings that took place during 2016-17 was four.

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

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, personnel related matters such as health and safety and environmental issues.

Full minutes of all meetings are produced. Copies of all minutes, except those deemed to be confidential by the Corporation, are available on the College website (www.yorkcollege.ac.uk) or from the Clerk to the Corporation at the College address which is York College, Sim Balk Lane, York YO23 2BB.

Governor attendance at meetings during 2016-17 was as follows:

Name	Meeting Attendance			Name	Meeting Attendance		
	Corporation	Committee	Combined		Corporation	Committee	Combined
S Collier	100%	67%	80%	D Inglis	100%	100%	100%
A Birkinshaw	100%	80%	84%	D Johnson	100%	80%	86%
H Aldridge	50%	67%	57%	R Jones	100%	100%	100%
J Brooks	100%	100%	100%	A Mendus	67%	70%	69%
V Buckle	50%	100%	67%	K Moss	75%	71%	73%
J Clark	75%	100%	86%	S Rawlings	0%	n/a	0%
J Commandeur	100%	100%	100%	J Robinson	75%	67%	71%
D Connor	67%	0%	40%	M Rushworth	75%	67%	71%
R Frogson	75%	100%	92%	F Thompson	100%	67%	86%
C Gendall	100%	0%	60%	O Trotter	100%	100%	100%
T Head	25%	67%	43%	W Woolley	50%	0%	25%
A Hughes	50%	100%	75%				

Co-opted governor attendance at meetings during 2016-17 was as follows:

Name	Meeting Attendance			Name	Meeting Attendance		
	Corporation	Committee	Combined		Corporation	Committee	Combined
S Ashton	n/a	67%	67%	D Morgan	n/a	100%	100%
L Beckett	n/a	100%	100%	S Nazir	n/a	n/a	n/a
N Grace	n/a	100%	100%	C Runciman	n/a	67%	67%
D King	n/a	67%	67%	D Tomlin	n/a	67%	67%

Statement of Corporate Governance and Internal Control (continued)

Corporation and committee meetings (continued)

During 2016-17 overall governor attendance at Corporation and Committee meetings was 77% and 78% respectively (2016: 80% and 84% respectively).

Governor attendance at all meetings of the Corporation and its Committees in 2016-17 was 77% (2016: 82%).

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 and Governance Committee, comprised of seven members of the Corporation, 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 four years.

Remuneration Committee

Throughout the year ending 31 July 2017, the College's Remuneration Committee comprised five members. The Committee's responsibilities include making recommendations to the Corporation on the remuneration and benefits of the Principal / Accounting Officer and other senior post-holders.

Details of remuneration for the year ended 31 July 2017 are set out in Note 7 to the financial statements.

Audit Committee

The Audit Committee comprises the four members of the Corporation (who exclude the Chair and the Principal / Accounting Officer) and two independent co-opted members. 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 audit arrangements, its framework of governance, system of internal control and risk management control, and its processes for the effective and efficient use of resources and safeguarding the College's assets and solvency.

The Audit Committee meets on a termly basis and provides a forum for reporting by the College's internal and financial statements auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers audit and assurance reports from the main FE funding bodies, as they affect the College's activities.

The College's internal auditors review the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input. They report their findings to both management and the Audit Committee as well as reporting annually to the Corporation.

Management is responsible for the implementation of audit recommendations and internal audit undertakes periodic follow-up reviews to ensure such recommendations have been implemented.

The Audit Committee also advises the Corporation on the appointment of internal and financial statements auditors and their remuneration for both audit and non-audit work.

Statement of Corporate Governance and Internal Control (continued)

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 she is personally responsible, in accordance with the responsibilities assigned to her in the Financial Memorandum between York College and the funding bodies. She is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in York College for the year ended 31 July 2017 and up to the date of approval of the Member's 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 period ending 31 July 2017 and up to the date of approval of the annual report and financial statements.

This process is regularly reviewed by the Corporation.

The risk and control framework

The system of internal control is based on a framework of regular management information, administrative 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; and
- the adoption of formal project management disciplines, where appropriate.

The College has an internal audit service, which operates in accordance with the requirements of the ESFA's *Post 16 Audit Code of Practice*. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis.

Statement of Corporate Governance and Internal Control (continued)

Internal Control (continued)

Review of effectiveness

The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee.

At a minimum annually, the Head of Internal Audit (HIA) provides the Corporation with a report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

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

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

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

The Senior Management Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Senior Management Team and the Audit Committee also receive regular reports from internal audit, 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 Senior Management Team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

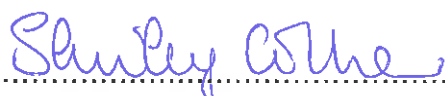
At its December 2017 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2017 by considering documentation from the Senior Management Team and the internal audit service, and taking account of events since 31 July 2017.

Based on the advice of the Audit Committee and the Principal, as Accounting Officer, the Corporation is of the opinion that the College does have an adequate 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 College and safeguarding its assets'*.

Going concern

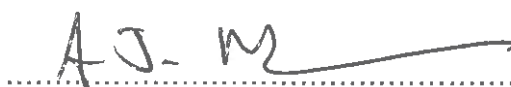
After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason it continues to adopt the going concern basis in preparing the financial statements.

Approved by order of the members of the Corporation on 14 December 2017 and signed on its behalf.



S Collier

Chair



A Birkinshaw

Principal & Accounting Officer

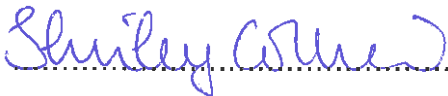
Statement on the College's Regularity, Propriety and Compliance

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 financial memorandum and funding agreements. As part of our consideration we have had due regard to the requirements of the financial memorandum and funding agreements.

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 financial memorandum and funding agreements.

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 Education and Skills Funding Agency.

Approved by order of the members of the Corporation on 14 December 2017 and signed on its behalf.



S Collier

Chair



A Birkinshaw

Principal & Accounting Officer

Statement of Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the College's Financial Memorandum and the Funding Agreements with the ESFA, the Corporation, through its Accounting Officer, it is required to prepare financial statements for each financial year. They are prepared in accordance with the 2015 Statement of Recommended Practice – Accounting for *Further and Higher Education* and with the *College Accounts Direction 2016 to 2017*, issued by the ESFA, and give a true and fair view of the state of affairs of the College and the result for that year.

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

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

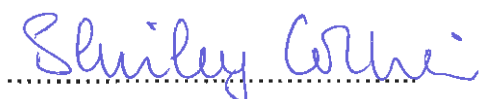
The Corporation is also required to prepare a Members' Report and Operating and Financial Review, which describes, what it is trying to do and how it is going about it, including information about the legal and administrative status of the College.

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 the relevant legislation of incorporation and other relevant accounting standards. It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for taking steps that are reasonably open to it in order to safeguard the assets of the College and to prevent and detect fraud and other irregularities.

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

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

Approved by order of the members of the Corporation on 14 December 2017 and signed on its behalf by:



Independent Auditor's Report to the Corporation of York College

Opinion

We have audited the financial statements of York College ("the College") for the year ended 31 July 2017, which comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, Balance Sheet and Statement of Cash Flows and related notes, including the Statement of accounting policies and estimation techniques in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2017, and of the College's income and expenditure, gains and losses, changes in reserves, and cash flows, for the year then ended; and
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, and with the 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education*.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the College in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information

The Corporation is responsible for the other information, which comprises the Members' Report and Operating and Financial Review, the Statement of Corporate Governance and Internal Control, the Corporation's Statement on the College's Regularity, Propriety and Compliance with the Funding Body Terms and Conditions of Funding and the Statement of the Responsibilities of the Members of the Corporation. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

Matters on which we are required to report by exception

Under the Post-16 Audit Code of Practice 2016 to 2017 (March 2017) issued jointly by the Skills Funding Agency and the Education Funding Agency we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Independent Auditor's Report to the Corporation of York College (continued)

Corporation's responsibilities

As explained more fully in their statement set out on page 17, the Corporation is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the College or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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



Clare Partridge

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1, Sovereign Square,
Sovereign St,
Leeds LS1 4DA

15 December 2017

Reporting Accountant's Report on Regularity to the Corporation of York College and the Secretary of State for Education acting through the Education and Skills Funding Agency

In accordance with the terms of our engagement letter dated 19 October 2017 and further to the requirements of the funding agreement with the ESFA we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by York College during the period 1 August 2016 to 31 July 2017 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

This report is made solely to the Corporation of York 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 York College and 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 York College and the Education and Skills Funding Agency for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of York College and the Reporting Accountant

The Corporation of York 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 to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Post-16 Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2016 to 31 July 2017 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Post-16 Audit Code of Practice issued jointly by the Skills Funding Agency and the Education Funding Agency. We performed a limited assurance engagement as defined in that framework.

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

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

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

Reporting Accountant's Report on Regularity to the Corporation of York College and the Secretary of State for Education acting through the Education and Skills Funding Agency (continued)

The work undertaken to draw our conclusion included:

- Documenting the framework of authorities which govern the activities of the College;
- Undertaking a risk assessment based on our understanding of the general control environment and any weaknesses in internal controls identified by our audit of the financial statements;
- Reviewing the self-assessment questionnaire which supports the representations included in the Chair of Governors and Accounting Officer's statement on regularity, propriety and compliance with the framework of authorities;
- Testing transactions with related parties;
- Confirming through enquiry and sample testing that the College has complied with its procurement policies and that these policies comply with delegated authorities; and
- Reviewing any evidence of impropriety resulting from our work and determining whether it was significant enough to be referred to in our regularity report.

This list is not exhaustive and we performed additional procedures designed to provide us with sufficient appropriate evidence to express a limited assurance conclusion on regularity consistent with the requirements of the Post-16 Audit Code of Practice.

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2016 to 31 July 2017 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



Clare Partridge

For and on behalf of KPMG LLP, Reporting Accountant
1, Sovereign Square,
Sovereign St,
Leeds LS1 4DA

15 December 2017

Statement of Comprehensive Income

	Note	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
Income			
Funding body grants	2	19,671	19,400
Tuition fees and education contracts	3	5,383	6,030
Other grants and contracts	4	106	129
Other income	5	1,941	1,929
Investment income	6	30	53
Total income		27,131	27,541
Expenditure			
Staff costs	7	19,425	19,057
Other operating costs	8	5,873	6,043
Depreciation	11	2,006	1,953
Interest and other finance costs	9	1,250	395
Total expenditure		28,554	27,448
(Deficit) / Surplus before other gains and losses		(1,423)	93
Surplus / (Loss) on the disposal of assets		1	(8)
(Deficit) / Surplus before taxation		(1,422)	85
Taxation	10	-	-
(Deficit) / Surplus for the year		(1,422)	85
Actuarial Gain / (Loss) in respect of pensions schemes	22	7,466	(5,884)
Total comprehensive income for the year		6,044	(5,799)
Represented by:			
Restricted comprehensive income		-	-
Unrestricted comprehensive income		6,044	(5,799)
		6,044	(5,799)

The notes on pages 26 to 51 form part of the financial statements

Statement in Changes in Reserves

	Restricted Reserve £'000	Unrestricted Income and Expenditure Reserve £'000	Unrestricted Revaluation Reserve £'000	Total Unrestricted Reserves £'000	Total Reserves £'000
Balance at 1 August 2015	8	30,305	853	31,158	31,166
Surplus/(deficit) from the income and expenditure account	-	85	-	85	85
Actuarial loss in respect of pensions schemes	-	(5,884)	-	(5,884)	(5,884)
Balance at 31 July 2016	8	24,506	853	25,359	25,367
Surplus/(deficit) from the income and expenditure account	-	(1,422)	-	(1,422)	(1,422)
Actuarial loss in respect of pensions schemes	-	7,466	-	7,466	7,466
Balance at 31 July 2017	8	30,550	853	31,403	31,411


The notes on pages 26 to 51 form part of the financial statements

YORK COLLEGE

Balance Sheet

	Note	2017 £'000	2016 £'000
Non current assets			
Tangible fixed assets	11	51,690	53,233
		<hr/>	<hr/>
		51,690	53,233
Current assets			
Stocks		23	21
Trade and other receivables	12	853	596
Cash and cash equivalents	17	5,997	10,152
		<hr/>	<hr/>
		6,873	10,769
Less: Creditors: Amounts falling due within one year	13	(3,212)	(4,184)
		<hr/>	<hr/>
Net current assets		3,661	6,585
Total assets less current liabilities		55,351	59,818
Creditors: Amounts falling due after more than one year	14	(16,387)	(20,489)
Provisions			
Defined benefit obligations	16	(6,629)	(13,026)
Other provisions	16	(924)	(936)
		<hr/>	<hr/>
Total net assets		31,411	25,367
		<hr/>	<hr/>
Restricted reserves		8	8
Unrestricted reserves			
Income and expenditure account		30,550	24,506
Revaluation reserve		853	853
		<hr/>	<hr/>
		31,403	25,359
		<hr/>	<hr/>
Total reserves		31,411	25,367
		<hr/>	<hr/>

The financial statements on pages 22 to 51 were approved by the Corporation on 14 December 2017 and were signed on its behalf by:



S Collier

Chair



A Birkinshaw

Principal & Accounting Officer

YORK COLLEGE

Statement of Cash Flows

	2017 £'000	2016 £'000
Cash flow from operating activities		
Surplus/(Deficit) for the year	(1,422)	85
Adjustment for non-cash items		
Depreciation	2,006	1,953
(Increase)/decrease in stocks	(2)	-
(Increase)/decrease in debtors	(260)	326
Increase/(decrease) in creditors due within one year	(711)	(1,076)
Increase/(decrease) in creditors due after one year	(848)	(475)
Increase/(decrease) in provisions	29	(184)
Pensions costs less contributions payable	726	444
Taxation	-	-
Adjustment for investing or financing activities		
Investment income	(30)	(53)
Interest / finance costs payable	1,250	395
Taxation paid	-	-
Loss on sale of fixed assets	(1)	8
Net cash flow from operating activities	737	1,423
Cash flows from investing activities		
Proceeds from sale of fixed assets	1	3
Investment income	37	59
Withdrawal of deposits	4,132	12,322
New deposits	(4,132)	(8,222)
Payments made to acquire fixed assets	(498)	(1,883)
	(460)	2,279
Cash flows from financing activities		
Interest / finance costs paid	(965)	(174)
Interest element of finance lease rental payments	(11)	(7)
Repayments of amounts borrowed	(3,324)	(152)
Capital element of finance lease rental payments	(132)	(41)
	(4,432)	(374)
Increase / (decrease) in cash and cash equivalents in the year	(4,155)	3,328
Cash and cash equivalents at beginning of year	10,152	6,824
Cash and cash equivalents at end of year	5,997	10,152

The notes on pages 26 to 51 form part of the financial statements

Notes

1. Statement of accounting policies and estimation techniques

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

Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2015* (the 2015 FE-HE SORP), the *College Accounts Direction for 2016 to 2017* and in accordance with Financial Reporting Standard 102 – “*The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland*” (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

Basis of accounting

These financial statements are prepared in accordance with the historical cost convention.

Basis of consolidation

At 31 July 2017, the College had no subsidiary companies or joint venture arrangements.

In accordance with Financial Reporting Standard FRS 102, the activities of the student union have not been consolidated because the College does not control those activities.

All financial statements are made up to 31 July 2017.

Going concern

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

The College currently has no loans outstanding at 31 July 2017.

Accordingly the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

Recognition of income

- Revenue grant funding

Government revenue grants including funding body recurrent grants and other grants are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with the 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 Statement of Comprehensive Income. 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.

Notes (continued)

1. Statement of accounting policies and estimation techniques (continued)

Recognition of income (continued)

16-18 learner responsive funding is not normally subject to reconciliation and is there for not subject to contract adjustments.

The recurrent grant from HEFCE represents the funding allocation attributable to the current financial year and is credited direct to the Statement of Comprehensive Income.

Where part of a government grant is deferred, the deferred element is recognised as deferred income within creditors and allocated between creditors due within one year and creditors due after more than one year as appropriate.

Grants (including research grants) from non-government sources are recognised in income when the College is entitled to the income and performance conditions have been met. Income received in advance of the performance related criteria being met is recognised as deferred income within creditors on the balance sheet and released to income as 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 method as permitted by FRS 102. Other 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 that is not a discount and is recognised in the period for which it is received. This includes all fees payable by students or their sponsors.

- **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.

Accounting for Post-employment benefits

Post-employment benefits to employees of the College are principally provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit plans, which are externally funded and contracted out of the State Second Pension.

Teachers' Pension Scheme (TPS)

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method. The TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

Notes (continued)

1. Statement of accounting policies and estimation techniques (continued)

Accounting for Post-employment benefits (continued)

Local Government Pension Scheme (LGPS)

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

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

The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in interest and other finance costs.

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 that 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.

Goodwill and other intangible assets

The College does not capitalise goodwill or other intangible assets. All such assets are written off to the Statement of Comprehensive Income, when acquired. This policy includes internally created intangible assets such as copyright or patents.

Non-current assets – tangible fixed assets

Cost measurement and valuation

The College accounts for the value of tangible fixed assets at cost less accumulated depreciation and accumulated impairment losses. This also includes any costs that are directly attributable to bringing the asset into working condition for its intended use.

Notes (continued)

1. Statement of accounting policies and estimation techniques (continued)

Non-current assets – tangible fixed assets (continued)

Cost measurement and valuation

The cost of a tangible fixed asset, whether acquired or self-constructed, can include the following costs:

- The purchase or construction cost of the asset including any irrecoverable Value Added Tax. This is after deducting any trade discounts or rebates;
- Any additional acquisition costs, such as stamp duty or import duties;
- Any initial delivery or handling costs;
- Any costs of installation and commissioning the asset;
- Any cost of site preparation and clearance;
- Any professional fees, including legal, architect or engineering fees; and
- Any other costs directly attributable to bringing the asset into working use, including software essential to the operation of the asset.

The capitalisation of directly attributable costs ceases when all activities needed to get the tangible fixed asset ready for use, are complete. This is the case, even if the asset has not yet been brought into use.

The cost of tangible fixed assets does not include the following:

- Finance costs attributable to the purchase or construction of tangible fixed assets; and
- The value of the time of the College's own staff attributable to bringing a tangible fixed asset into working use.

Land and buildings

Land transferred from North Yorkshire County Council upon Incorporation is valued on the College's balance sheet on the basis of depreciated replacement cost, as the open market value in existing use was not readily obtainable at the point of transfer.

Land and buildings acquired since Incorporation are included in the balance sheet at cost.

When an asset is donated to the College, the initial valuation of the asset is the current value of the asset at the date it is received.

Depreciation

College owned freehold land is not depreciated.

Freehold and leasehold buildings are depreciated over their expected useful life to the College as follows:

Buildings	Between 40 and 60 years
Specialist facilities (e.g. all weather pitch, multi-use games area, etc.)	Between 10 and 25 years

Where land and buildings are acquired with the aid of specific grants, these assets are 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.

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

Notes (continued)

1. Statement of accounting policies and estimation techniques (continued)

Subsequent expenditure on existing fixed assets

Once in use, where significant expenditure is incurred on tangible fixed assets, it is charged to the Statement of Comprehensive Income 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:

- The market value of the fixed asset has subsequently improved;
- The asset's capacity has been increased;
- There have been substantial improvements in the quality of output or reduction in operating costs; and
- There has been a significant extension of the asset's life beyond that conferred by repair and maintenance.

Buildings owned by third parties

When land and buildings are used, but the legal rights are held by a third party, they are only capitalised if the College has rights or access to their long term use.

In these circumstances, these assets are depreciated over their expected useful economic life.

Assets under construction

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs, incurred to 31 July 2017. They are not depreciated until they are brought into use.

Equipment

Equipment costing less than £1,000 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost.

Depreciation

Equipment is depreciated over its useful economic life as follows:

Computer equipment	Between 4 and 6 years
Motor vehicles and general equipment	Between 5 and 20 years
Fixtures and fittings	Between 10 and 35 years

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

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

Assets held under finance leases are recognised initially at their fair value at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as an obligation under finance leases. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Notes (continued)

1. Statement of accounting policies and estimation techniques (continued)

Leased assets (continued)

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

Investments

Any investments in subsidiaries would be accounted for at cost less impairment in the financial statements.

Stocks

Stocks are stated at the lower of their purchase cost and net realisable value. Where necessary, provision is made for obsolete, slow moving or defective stocks.

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.

Maintenance of premises

The cost of long term and routine corrective maintenance is charged to the Statement of Comprehensive Income in the period in which it is incurred.

Financial liabilities and equity

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

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

Notes (continued)**1. Statement of accounting policies and estimation techniques (continued)****Foreign currency translation**

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

Taxation

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

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

Provisions and contingent liabilities

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

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

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

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

Agency arrangements

The College acts as an agent in the collection and payment of certain discretionary support funds, employer incentive funding, ESFA 16-19 Bursary Fund, etc. Related payments received from 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.

Notes (continued)

1. Statement of accounting policies and estimation techniques (continued)

Judgements in applying accounting policies and key sources of estimation uncertainty

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

- Leasing arrangements

Determination as to 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.

- Impairment

Determination as to 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 and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

- Tangible fixed assets

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

- Local Government Pension Scheme

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in Note 22, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2017. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Notes (continued)

2. Funding body grants

	2017 £'000	2016 £'000
Recurrent Grants:		
Education and Skills Funding Agency – 16-18	15,650	15,399
Education and Skills Funding Agency – Adult	1,444	1,253
Education and Skills Funding Agency – Apprenticeships	1,602	1,738
Higher Education Funding Council	359	341
Specific Grants:		
Education and Skills Funding Agency	25	33
Releases of government capital grants	591	633
HE Grant	-	3
	<hr/>	<hr/>
Total	19,671	19,400
	<hr/>	<hr/>

3. Tuition fees and education contracts

	2017 £'000	2016 £'000
Adult education fees	167	313
Apprenticeship fees and contracts	110	121
Fees for FE loan supported courses	852	700
Fees for HE loan supported courses	2,211	2,419
International student fees	545	921
	<hr/>	<hr/>
Total tuition fees	3,885	4,474
Education contracts	1,498	1,556
	<hr/>	<hr/>
Total	5,383	6,030
	<hr/>	<hr/>

4. Other grants and contracts

	2017 £'000	2016 £'000
Erasmus	-	76
UK based charities	16	21
European Commission	76	29
Other grants and contracts	14	3
	<hr/>	<hr/>
Total	106	129
	<hr/>	<hr/>

Notes (continued)

5. Other income

	2017 £'000	2016 £'000
Catering and residencies	745	797
Other income generating activities	180	198
Non-government capital grants	2	2
Miscellaneous income	1,014	932
	<hr/>	<hr/>
Total	1,941	1,929

6. Investment income

	2017 £'000	2016 £'000
Other investment income	30	53
	<hr/>	<hr/>
Total	30	53

7. Staff costs

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

	2017 No.	2016 No.
Teaching staff	259	270
Non teaching staff	299	295
	<hr/>	<hr/>
Total	558	565

The numbers above includes staff members employed through contracting out arrangements.

Staff costs for the above persons	2017 £'000	2016 £'000
Wages and salaries	14,924	15,060
Social security costs	1,270	1,086
Other pension costs	2,997	2,719
	<hr/>	<hr/>
Payroll sub total	19,191	18,865
Contracted out services	234	192
	<hr/>	<hr/>
Total	19,425	19,057

Notes (continued)

7. Staff costs (continued)

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. This comprised the Principal, two Deputy Principals, four Assistant Principals and the Director of Finance in the period to 31 July 2017.

From August 2017, the Senior Management Team comprised the Principal, three Deputy Principals, three Assistant Principals and the Director of Finance.

No payments were made to key management personnel for loss of office in either financial year.

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

	2017 No.	2016 No.
The number of key management personnel, including the Accounting Officer was:	9	8

NB Mark Doyle resigned as Assistant Principal, 14-19 Vocational in April 2017 and was replaced by Clare Wareing on an interim basis from May 2017. The remaining seven key management personnel were unchanged during the year.

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

	2017 Key Management Personnel	2016 Key Management Personnel
£60,001-£70,000	3	4
£80,001-£90,000	3	3
£110,001-£120,000	-	-
£120,001-£130,000	1	1
Total	7	8

No other staff received annual emoluments above £60,000.

	2017 £'000	2016 £'000
Key management personnel emoluments are made up as follows:		
Salaries	620	620
Benefits in kind	2	2
Pension contributions	100	99
Total	722	721

Notes (continued)

7. Staff costs (continued)

Emoluments of key management personnel, Accounting Officer and other higher paid staff (continued)

The above emoluments include amounts payable to the Principal (who is the highest paid officer) of:

	2017 £'000	2016 £'000
Salaries	120	119
Benefits in kind – Life Assurance Premiums	1	1
	<hr/>	<hr/>
	121	120
Pension contributions	20	19
	<hr/>	<hr/>
Total emoluments	141	139
	<hr/>	<hr/>

The pension contributions in respect of the Principal and other key management personnel are in respect of employer's contributions to the Teachers' Pension Scheme and Local Government Pension Fund and are paid at the same rate as for other employees.

The members of the Corporation, other than the Principal and two staff governors, did not receive any payment from the College other than the reimbursement of travel and subsistence expenses in the course of their duties.

Notes (continued)**8. Other operating expenses**

	2017 £'000	2016 £'000
Teaching costs	1,857	1,562
Non teaching costs	2,559	2,862
Premises costs	1,457	1,619
	<hr/>	<hr/>
Total	5,873	6,043
Other operating expenses include:		
Auditors remuneration		
Financial statements audit	20	22
Internal audit	22	22
Other services from auditors:		
Internal auditors – Sub contracting controls review	2	-
External auditors – VAT Consultancy	-	6
Hire of plant and machinery - leases	-	-
- other	5	8
Hire of other assets Buildings - leases	-	-
- other	35	41
Hire of other assets Vehicles - leases	24	38

9. Interest and other finance costs

	2017 £'000	2016 £'000
On bank loans, overdrafts and other loans:		
Repayable wholly or partly in more than five years by instalments	156	172
On finance leases	11	7
Pension finance costs (Note 22)	302	216
Other finance charges – loan breakage costs	781	-
	<hr/>	<hr/>
Total	1,250	395

10. Taxation

The Corporation does not believe the College was liable for any corporation tax arising from its activities during either period.

Notes (continued)

11. Tangible fixed assets

College

	Freehold Land and Buildings	Equipment		Assets in the course of construction	Total
	£'000	Owned £'000	Leased £'000	£'000	£'000
Cost or valuation					
At 1 August 2016	53,910	16,018	212	534	70,674
Additions	-	234	-	233	467
Transfers	-	212	(212)	-	-
Disposals	(244)	(258)	-	-	(502)
At 31 July 2017	53,666	16,206	-	767	70,639
Depreciation					
At August 2016	9,302	8,054	85	-	17,441
Charge for the period	930	1,076	-	-	2,006
Transfers	-	85	(85)	-	-
Elimination in respect of disposals	(244)	(254)	-	-	(498)
At 31 July 2017	9,988	8,961	-	-	18,949
Net book value at 31 July 2017	43,678	7,245	-	767	51,690
Net book value at 31 July 2016	44,608	7,964	127	534	53,233

The College's inherited land was valued at 30 April 1996 at depreciated replacement cost by Sanderson, Townsend & Gilbert, independent chartered surveyors. The valuation has been made in accordance with the RICS Practice Statement 12 (6/96 Revised). The College has no other inherited tangible fixed assets.

Notes (continued)

12. Trade and other receivables

	2017 £'000	2016 £'000
Amounts falling due within one year:		
Trade receivables	108	118
Prepayments and accrued income	510	286
Amounts owed by the Education and Skills Funding Agency	201	166
Other receivables	34	26
	<hr/>	<hr/>
Total	853	596
	<hr/>	<hr/>

13. Creditors: Amounts falling due within one year

	2017 £'000	2016 £'000
Bank loans and overdraft	-	160
Obligations under finance leases	-	42
Deferred income and payments received on account	150	110
Trade payables	662	693
Capital related payables	263	294
Other taxation and social security	395	341
Accruals	206	274
Value Added Tax (Lennartz)	245	782
Value Added Tax (Other)	9	12
Deferred income – government capital grants	567	524
Deferred income – government revenue grants	8	23
Amounts owed to the Education and Skills Funding Agency	200	311
Other creditors	507	618
	<hr/>	<hr/>
Total	3,212	4,184
	<hr/>	<hr/>

14. Creditors: Amounts falling due after more than one year

	2017 £'000	2016 £'000
Bank Loans	-	3,164
Obligations under Finance Leases	-	90
Value Added Tax (Lennartz)	-	253
Deferred income – government capital grants	16,387	16,982
	<hr/>	<hr/>
Total	16,387	20,489
	<hr/>	<hr/>

Notes (continued)

15. Maturity of debt

	2017 £'000	2016 £'000
Bank Loans and overdrafts		
Bank loans are repayable as follows:		
In one year or less	-	160
Between one and two years	-	168
Between two and five years	-	560
In five years or more	-	2,436
	<hr/>	<hr/>
Total	-	3,324
	<hr/>	<hr/>

Loan capital of £160,000 was repaid during the financial year under the College's loan repayment schedule with Lloyds Bank.

On 14 July 2017, the College repaid the remaining loan capital of £3,164,000. The total amount repaid to Lloyds Bank was £3,964,000. This included interest payable of £19,000 due at this date and loan breakage costs of £781,000.

The net finance lease obligations to which the College is committed are as follows:

	Lease obligation 2017 £000	Finance cost 2017 £'000	Minimum lease payment 2017 £000	Lease obligation 2016 £000	Finance cost 2016 £'000	Minimum lease payment 2016 £000
Finance Leases						
In one year or less	-	-	-	42	5	47
Between two and five years	-	-	-	90	5	95
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	-	-	-	132	10	142
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

The College elected to repay its outstanding finance lease obligations, in full, in July 2017.

Notes (continued)

16. Provisions

	Defined Benefit Obligations £'000	Enhanced Pension Provision £'000	Other £'000	Total £'000
At 1 August 2016	13,026	936	-	13,962
Utilised in the period	(459)	(66)	-	(525)
Additions in the period	(5,938)	25	29	(5,884)
At 31 July 2017	6,629	895	29	7,553

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government pension Scheme. Further details are given in Note 22.

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

The principal assumptions for this calculation are:

	2017	2016
Price inflation	1.3%	1.3%
Interest rate	2.3%	2.3%

The College commenced a targeted restructuring programme in May 2017. This had been largely completed by 31 July 2017. The other provision of £29,000 represents the expenditure after this date required to bring this restructuring programme to a conclusion.

17. Cash and cash equivalents

	At 1 August 2016 £'000	Cash Flows £'000	At 31 July 2017 £'000
Cash and cash equivalents	10,152	(4,155)	5,997
Total	10,152	(4,155)	5,997

Notes (continued)**18. Capital and other commitments**

	2017 £'000	2016 £'000
	<hr/>	<hr/>
Commitments contracted for at 31 July 2017	139	139
	<hr/>	<hr/>

19. Events after the reporting period

There were no events after the reporting period.

20. Lease obligations

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

	2017 £'000	2016 £'000
Future minimum lease payments due		
Vehicles		
Not later than one year	25	25
Later than one year and not later than five years	75	-
	<hr/>	<hr/>
	100	25
	<hr/>	<hr/>

21. Contingent Liabilities

The College has no contingent liabilities at 31 July 2017 (2016: None)

Notes (continued)

22. Defined benefit obligations

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

Total pension cost for the year	2017	2016
	£'000	£'000
Included in Staff Costs in respect of:		
Teachers' Pension Scheme	1,240	1,276
Local Government Pension Scheme		
Contributions paid	965	931
FRS 102 (28) charge	760	489
Charge to the Statement of Comprehensive Income	1,725	1,420
Enhanced Pension charge to the Statement of Comprehensive Income	32	23
Total Pension Costs included in staff costs for Year	2,997	2,719
Actuarial (Gains)/Losses Charged to Statement of Comprehensive Income in respect of:		
Local Government Defined Benefit Scheme:	(7,459)	5,869
Enhanced pension (income)/charge to Statement of Comprehensive Income	(7)	15
	(7,466)	5,884
Total Pension Costs for Year	(4,469)	8,603

Total pension costs include £4,000 of pension costs included within restructuring costs. This amount was outstanding at 31 July 2017 and included in Creditors: Amounts falling due within one year.

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations 2010, and from 1 April 2014 the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities.

In addition, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and, from 1 January 2007, automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

Notes (continued)

22. Defined benefit obligations (continued)

Teachers' Pension Scheme (continued)

The Teachers' Pension Budgeting and Valuation Account

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act 1972 and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act. Retirement and other pension benefits are paid by public funds provided by parliament.

The Teachers' Pensions Regulations 2010 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension increases). From 1 April 2001, the Account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

Valuation of the Teachers' Pension Scheme

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

- New employer contribution rates set at 16.48% of pensionable pay (including administration fees of 0.08%);
- Total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- An employer cost cap of 10.9% of pensionable pay;
- The assumed real rate of return was 3% in excess of prices and 2% in excess of earnings. The rate of real earnings growth was assumed to be 2.75%. The assumed nominal rate of return was 5.06%.

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

The next valuation of the TPS is currently underway based on April 2016 data, where upon the employer contribution rate is expected to be re-assessed and will be payable from 1 April 2019.

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

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

Scheme changes

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

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

Notes (continued)**22. Defined benefit obligations (continued)****Scheme changes (continued)**

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

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

The pension costs paid to TPS in the year amounted to £1,900,000 (2016: £1,969,000).

FRS 102 (28)

Under the definitions set out in Financial Reporting Standard 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, taking advantage of the exemption in FRS 102, has accounted for its contributions as if it were a defined contribution plan. The College has set out above the information available on the plan and the implications for the College in terms of the anticipated contribution rates.

Local Government Pension Scheme

The LGPS is a funded defined benefit plan, with the assets held in separate funds administered by North Yorkshire County Council. The total contribution made for the year ended 31 July 2017 was £1,306,000 of which employer contributions totalled £965,000 and employee contributions totalled £341,000.

Principal actuarial assumptions

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

	At 31 July 2017	At 31 July 2016
Rate of increase in salaries	3.25%	3.30%
Future pensions increase	2.00%	1.80%
Discount rate for scheme liabilities	2.60%	2.40%
Inflation assumption (CPI)	2.00%	1.80%
Commutation of pensions to lump sum at retirement	50%	50%

Notes (continued)

22. Defined benefit obligations (continued)

Principal actuarial assumptions (continued)

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

	At 31 July 2017	At 31 July 2016
Aged 65 at accounting date		
Males	22.8	23.3
Females	26.3	25.8
Aged 45 at accounting date		
Males	25.0	25.6
Females	28.6	28.1

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

	Long term rate of return expected at 31 July 2017	Value at 31 July 2017 £'000	Long term rate of return expected at 31 July 2016	Value at 31 July 2016 £'000
Equity instruments	65.6%	23,005	61.1%	17,924
Debt instruments	13.2%	4,629	14.9%	4,371
Government Bonds				
Other Bonds	3.0%	1,052	5.2%	1,526
Property	8.2%	2,876	9.3%	2,728
Cash	0.8%	281	- 0.4%	(117)
Other	9.2%	3,226	9.9%	2,904
		<hr/>		<hr/>
Total fair value of assets		35,069		29,336
		<hr/>		<hr/>
Actual return on plan assets		4,898		2,698
		<hr/>		<hr/>

Notes (continued)

22. Defined benefit obligations (continued)

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

	2017 £'000	2016 £'000
Fair value of plan assets	35,069	29,336
Present value of plan liabilities	(41,698)	(42,362)
Net pensions (liability)/asset	(6,629)	(13,026)

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

	2017 £'000	2016 £'000
Amounts included in staff costs		
Current service cost	1,711	1,422
Past service cost	-	9
Total	1,711	1,431

Amounts included in Interest and other finance costs

Net interest cost	302	216
Total	302	216

Amount recognised in Other Comprehensive Income

Return on pension plan assets	4,184	1,748
Experience losses arising on defined benefit obligations	(3,275)	(7,617)
Amount recognised in Other Comprehensive Income	909	(5,869)

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

	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
Net defined benefit (liability)/asset at 1 August	(13,026)	(6,452)
Movement in year:		
Current service cost	(1,711)	(1,422)
Employer contributions	951	942
Past service cost	-	(9)
Net interest on the defined (liability)/asset	(302)	(216)
Actuarial gain/(loss)	7,459	(5,869)
Net defined benefit (liability)/asset at 31 July	(6,629)	(13,026)

Notes (continued)

22. Defined benefit obligations (continued)

Asset and liability reconciliation

	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
Changes in present value of defined benefit obligations		
Defined benefit obligations at start of period	42,362	32,589
Current service cost	1,711	1,422
Interest cost	1,016	1,166
Contributions by scheme participants	343	344
Experience gains and losses on defined benefit	(3,275)	7,617
Changes in financial assumptions	-	-
Estimated benefits paid	(459)	(785)
Past service cost	-	9
	<hr/>	<hr/>
Defined benefit obligations at end of period	41,698	42,362
	<hr/>	<hr/>
Change in fair value of plan assets		
Reconciliation of Assets		
Fair value of assets at start of period	29,336	26,137
Return on plan assets	714	950
Re measurement gains/(losses) on assets	4,184	1,748
Employer contributions	951	942
Contributions by scheme participants	343	344
Estimated benefits paid	(459)	(785)
	<hr/>	<hr/>
Fair value of plan assets at end of period	35,069	29,336
	<hr/>	<hr/>

23. 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 inevitable that transactions will take place with organisations in which a member of the Corporation may have an interest. All transactions involving organisations in which a member of the Corporation may have an interest are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures.

The total expenses paid to or on behalf of the Governors during the year was £812 to six governors (2016: £695 to four governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending meetings, training and other events in their official capacity.

No Governor has received any remuneration or waived payments from the College during the year (2016: None).

No other transactions requiring disclosure were identified.

Notes (continued)

24. Amounts disbursed as an agent

Learner Support Funds

	2017 £'000	2016 £'000
Balance held at 1 August	200	116
ESFA Hardship and Childcare support grants	-	170
ESFA Residential grant	-	-
Adult Learner Loans Bursary	107	99
ESFA 16-19 Student Bursary grant	478	528
Funding clawback	(17)	(24)
	<hr/> 768	<hr/> 889
Disbursed to students	(582)	(657)
Administration costs	(25)	(32)
	<hr/>	<hr/>
Balance unspent at 31 July, included in Creditors	<hr/> 161	<hr/> 200

Funding Body grants are available solely for students. For the majority of such funds, the College acts only as a paying agent. Grants of this nature and related disbursements have therefore been excluded from the income and expenditure account, other than when the College has directly incurred expenditure itself. The income consolidated in the College's 2016-17 financial statements relates to permissible charges for the administration of learner support funds.

ESFA Employer Incentive AGE grants

	2017 £'000	2016 £'000
Balance unspent at 1 August, included in Creditors	9	29
Funds received		
16-18 AGE grants	63	81
19-24 AGE grants	13	28
Expenditure incurred	(72)	(129)
	<hr/>	<hr/>
Balance unspent at 31 July, included in Creditors	<hr/> 13	<hr/> 9

Government grants are available for the employers of College students undertaking Apprenticeships. The College acts only as a paying agent for these grants. ESFA Employer Incentive AGE grants and related disbursements have therefore been excluded from the income and expenditure account.

Notes (continued)

24. Amounts disbursed as an agent (continued)

Other funds

	2017 £'000	2016 £'000
Balance unspent at 1 August, included in Creditors	-	11
Expenditure incurred	-	(3)
	<hr/>	<hr/>
	-	8
Funds transferred	-	(8)
	<hr/>	<hr/>
Balance unspent at 31 July, included in Creditors	-	-
	<hr/>	<hr/>

This was funding received from the College's funding bodies and other organisations between 2009-10 and 2011-12, to support the work of the FE Reputation Strategy Group. These funds were intended to help implement the Group's strategies for enhancing the FE sector's reputation with key stakeholders. The College's Principal chaired the Group.

In September 2015, it was decided that all remaining funds would be transferred to the Association of Colleges so that it could continue the work of the Group by enhancing the reputation of the wider Further Education sector with its key stakeholders.