



**Members' Report and Financial Statements**

**For the year ended 31 July 2019**

## **KEY MANAGEMENT PERSONNEL, GOVERNING BODY AND PROFESSIONAL ADVISERS**

### **KEY MANAGEMENT PERSONNEL**

Key management personnel for York College are the members of the Strategic Leadership Team and were the following throughout 2018-19 (job titles as at the date of signing):

Alison Birkinshaw	Principal and Accounting Officer (to May 2019)
Lee Probert	Chief Executive, Principal and Accounting Officer (from June 2019)
Louise Doswell	Deputy Chief Executive and Principal for Partnerships and Development
Graeme Murdoch	Deputy Chief Executive and Principal for Quality and Student Experience
Sharon Smith	Vice Principal for Higher, Vocational and Professional Education
Nikki Davis	Vice Principal, Technical and Professional (to March 2019)
Glyn Jones	Vice Principal for Academic and Applied Education
Clare Wareing	Assistant Principal (Interim from April 2019 to July 2019)
David Hawkins	Vice Principal for Finance and Professional Services

### **Governing Body**

A full list of Governors is provided on pages 10 to 12 of these financial statements.

Gareth Catterson acted as Clerk to the Corporation until August 2018. Sarah McKenzie was appointed Director of Governance from September 2018.

### **Professional Advisers**

#### **Financial Statements Auditors & Reporting Accountants:**

RSM UK Audit LLP  
Two Humber Quays  
Wellington Street West  
Hull  
HU1 2BN

#### **Internal Auditors:**

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

#### **Bankers:**

Barclays Bank Plc  
2<sup>nd</sup> Floor  
1 Park Row  
Leeds  
LS1 5AB

#### **Solicitors:**

Addleshaw Goddard LLP  
Sovereign House  
Sovereign Street  
Leeds  
LS1 1HQ

**MEMBERS' REPORT AND FINANCIAL STATEMENTS**

<b>Contents</b>	<b>PAGE</b>
Members' Report and Operating and Financial Review	1-9
Statement of Corporate Governance and Internal Control	10-16
Governing Body's Statement on the College's Regularity, Propriety and Compliance with Funding Body terms and conditions of funding	17
Statement of the Responsibilities of the Members of the Corporation	18
Independent Auditor's Report to the Corporation of York College	19-20
Statement of Comprehensive Income	21
Balance Sheet	22
Statement of Changes in Reserves	23
Statement of Cash Flows	24
Notes	25-47

## **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 2019.

### **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 2018-19 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 10 to 12.

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

In delivering its mission, the College provides the following identifiable public benefits, through the advancement of education, 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 2018, the Corporation approved a strategic plan for the period 1 August 2018 to 31 July 2021. 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 2021 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 and information systems are fit for purpose and support the delivery of the College's mission and objectives
- 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 March 2019.

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 2018-21 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 2018-19.

### 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.

Performance Objective	Target	Actual Achieved
Net cash flow from operating activities as a % of income	5.4%	5.1%
Net cash flow	£1,441,000	£1,337,000
Cash days at 31 July 2019	92 days	99 days
Adjusted Current Ratio at 31 July 2019	3.75	3.82
Operating (Deficit)/Surplus before FRS 102 pension costs. (Operating Surplus excluding LGPS FRS102 charge of £1,262,000, LGPS net interest costs of £74,000 (per note 20) and £76,000 actuarial loss on enhanced pension.)	£104,000	£256,000
Borrowings as a percentage of income	0%	0%
Borrowings as a percentage of reserves	0%	0%
Annual debt and interest repayments as a percentage of income	0%	0%

The College is committed to observing the importance of sector measures and indicators and uses the [FE Choices website](#), which looks at measures such as 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 2018-19, the College's financial performance resulted in a deficit of £1,156,000 (2018: a deficit of £881,000). Before LGPS FRS102 pension charges, pension interest costs and actuarial loss on enhanced pension, the College reported a surplus of £256,000 (2018: a surplus of £41,000).

The College has accumulated reserves of £31,035,000 and cash balances of £7,074,000. Tangible fixed asset additions during the year amount to £748,000.

At 31 July 2019, the College had no subsidiary companies but shares control in the recently formed Yorkshire and Humber Institute of Technology Limited.



## **MEMBERS' REPORT AND OPERATING AND FINANCIAL REVIEW (CONTINUED)**

### **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 conditions of funding.

### **Current and future development and performance**

#### **Cash flows and liquidity**

In 2018-19, the College's operating cash flow was £1,337,000 (2018: £1,023,000).

At 31 July 2019, 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 2018-19 the College has delivered learning activity that generated £18,902,000 in funding from its main funding body, the ESFA, (2018: £18,596,000). The College had approximately 5,061 students funded by the Education and Skills Funding Agency (or its predecessor bodies) and approximately 2,011 students with other sources of funding.

#### **Student achievements**

Students achieved 94.9% of their qualification aims in 2018-19 (2017-18: 95.5%).

#### **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 curriculum reforms including A levels, the introduction of technical qualifications in some divisions and new more practical vocational programmes where appropriate for these students who have to retake GCSE English and/or maths and the changes to apprenticeship standards where available;
- Continuing to develop 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 including the development of higher level apprenticeships;
- Consolidating partnerships and providing our own 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;
- In 2018-19 the College was announced as a first wave provider of the new T- levels in Construction, Digital and Early Years. Preparation for these flagship qualifications has included developing capacity for the substantial industry placements that are required;
- Growing and widening our adult education offer
- The development of existing educational international partnerships.

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 £31,035,000 of net assets (after a £7,214,000 FRS 102 pension liability).

#### **People**

The College employed 527 people (expressed as full time equivalents), 242 of whom 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 Office for Students 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 Strategic Leadership 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 Leadership Team will also consider any risks which may arise from major developments being undertaken by the College.

A risk register is maintained at the strategic 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 body and Office for Students. In 2018-19, 84% 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. 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.

#### **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.

## **MEMBERS' REPORT AND OPERATING AND FINANCIAL REVIEW (CONTINUED)**

### **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 been recognised as a level 2 Disability confident Employer. Previously known as the Two Ticks scheme, Disability Confident is a government run scheme, which works with employers to "remove barriers, increase understanding and ensure that disabled people have the opportunities to fulfil their potential and realise their aspirations".

## **MEMBERS' REPORT AND OPERATING AND FINANCIAL REVIEW (CONTINUED)**

### **Provision for students with learning difficulties and/or disabilities**

#### **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.

## MEMBERS' REPORT AND OPERATING AND FINANCIAL REVIEW (CONTINUED)

### Trade union facility time

The Trade Union (Facility Time Publication Requirements) Regulations 2017 require the college to publish information on facility time arrangements for trade union officials at the college

Numbers of employees who were trade union officials during the relevant period	7
FTE employee number	6.8

Percentage of working hours spend on facility time	Number of employees
0%	-
1-50%	7
51-99%	-
100%	-

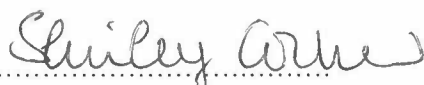
Total cost of facility time	£10,574
Total pay bill	£17,853,000
Percentage of total bill spent on facility time	0.059%

Time spent on paid trade union activities as a percentage of total paid facility time	5.8%
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### 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 12 December 2019 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 Code of Good Governance for English Colleges ; and
- iii. having due regard to the UK Corporate Governance Code 2016 ("the Code") insofar as it is applicable to the College.

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 Code of Good Governance for English Colleges. 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 sector.

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 the opinion of the Corporation, the College complies with all the provisions of the Code of Good Governance for English Colleges, and it has complied throughout the year ended 31 July 2019.

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 Corporation (Chair)	December 2016	4 years	-	Independent	<ul style="list-style-type: none"> <li>• Employment &amp; Skills (Chair)</li> <li>• Remuneration;</li> <li>• Search &amp; Governance.</li> </ul>
A Birkinshaw	Ex-Officio	-	May 2019	Principal / Accounting Officer	<ul style="list-style-type: none"> <li>• Employer &amp; Skills</li> <li>• Finance &amp; General Purposes</li> <li>• Human Resources</li> <li>• Quality &amp; Curriculum</li> <li>• Search &amp; Governance</li> </ul>
J Brooks	June 2017	4 years	July 2019	Independent	<ul style="list-style-type: none"> <li>• HR</li> </ul>
V Buckle	March 2017	4 years	-	Staff	<ul style="list-style-type: none"> <li>• Finance &amp; General Purposes</li> </ul>



**STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTINUED)**

Name	Date of most recent appointment	Term of office	Date of resignation	Status of appointment	Committees served
J Commandeur	July 2018	4 years	-	Independent	<ul style="list-style-type: none"> <li>Finance &amp; General Purposes (Chair)</li> <li>Remuneration</li> <li>Search &amp; Governance</li> </ul>
H Crews	August 2018	4 years	-	Independent	<ul style="list-style-type: none"> <li>Audit</li> </ul>
D Denby	December 2018	4 years or until ceases being a student	July 2019	Student	<ul style="list-style-type: none"> <li>Quality &amp; Curriculum.</li> </ul>
J Ennis	March 2018	4 years	April 2019 converted to co-opted member	Independent	<ul style="list-style-type: none"> <li>HR Committee.</li> </ul>
R Frogson	July 2016	4 years	-	Independent	<ul style="list-style-type: none"> <li>Quality &amp; Curriculum</li> <li>Remuneration</li> <li>Search &amp; Governance</li> </ul>
A Hughes (Vice Chair)	December 2016	4 years	-	Independent	<ul style="list-style-type: none"> <li>Remuneration (Chair)</li> <li>Search &amp; Governance</li> </ul>
D Inglis	September 2016	4 years	-	Independent	<ul style="list-style-type: none"> <li>Finance &amp; General Purposes</li> </ul>
K Moss	July 2018	4 years	-	Independent	<ul style="list-style-type: none"> <li>Audit (Chair)</li> <li>Remuneration</li> <li>Search and Governance</li> </ul>
L Probert	Ex-Officio	-	-	Chief Executive and Principal/Accounting Officer	<ul style="list-style-type: none"> <li>Finance &amp; General Purposes</li> <li>Human Resources</li> <li>Quality &amp; Curriculum</li> <li>Search &amp; Governance.</li> </ul>
J Robinson	April 2018	4 years	-	Independent	<ul style="list-style-type: none"> <li>Quality &amp; Curriculum</li> </ul>
M Rushworth	September 2016	4 years	-	Staff	<ul style="list-style-type: none"> <li>Quality &amp; Curriculum</li> </ul>
F Sellers	October 2018	4 years or until ceases being a student	July 2019	Student	<ul style="list-style-type: none"> <li>Quality &amp; Curriculum</li> </ul>
A Thomas	December 2018	4 years	-		<ul style="list-style-type: none"> <li>Audit</li> </ul>
F Thompson	October 2018	Until December 2020	-	Independent	<ul style="list-style-type: none"> <li>Human Resources (Chair)</li> <li>Remuneration</li> <li>Search &amp; Governance</li> </ul>
O Trotter	March 2017	4 years	-	Independent	<ul style="list-style-type: none"> <li>Finance &amp; General Purposes</li> </ul>
C Waters	March 2019	4 years	-	Independent	<ul style="list-style-type: none"> <li>Quality &amp; Curriculum</li> </ul>



## STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTINUED)

Co-opted committee members:

Name	Date of most recent appointment	Term of office	Date of resignation	Status of appointment	Committees served
L Beckett	May 2017	3 years	July 2019	Co-opted	• Human Resources
S Carden	December 2018	4 years	-	Co-opted	• Employer & Skills
N Costello	March 2018	3 years	-	Co-opted	• Finance & General Purposes
J Ennis	April 2019	4 years	-	Co-opted	• Human Resources
J Haselden	December 2017	3 years	February 2019	Co-opted	• Quality & Curriculum.
D Johnson	July 2018	3 years	-	Co-opted	• Finance & General Purposes
M Jones	August 2018	3 years	-	Co-opted	• Human Resources
D King	December 2017	3 years	-	Co-opted	• Audit
D Morgan	August 2016	3 years	July 2019	Co-opted	• Finance & General Purposes
C Runciman	July 2017	3 years	-	Co-opted	• Quality & Curriculum

The term of office for Co-opted members was changed from 3 years to 4 years in 2018-19.

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 known as the Director of Governance, who is responsible to the Board for ensuring compliance with all applicable procedures and regulations.

At 31 July 2019, the Director of Governance was Sarah McKenzie.

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, 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 2018-19 was as follows:

Audit	3	Quality & Curriculum	3
Employer & Skills	2	Remuneration	2
Finance & General Purposes	4 and 1 extra ordinary meeting	Search & Governance	3
Human Resources	3		

The number of Governing Body meetings that took place during 2018-19 was 4 and 2 extra ordinary meetings.

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](http://www.yorkcollege.ac.uk)) or from the Director of Governance at the College address which is York College, Sim Balk Lane, York YO23 2BB.

Governor attendance at meetings during 2018-19 was as follows:

Name	Meeting Attendance			Name	Meeting Attendance		
	Corporation	Committee	Combined		Corporation	Committee	Combined
S Collier	100%	100%	100%	D Inglis	67%	100%	80%
A Birkinshaw	67%	100%	93%	K Moss	75%	86%	82%
J Brooks	50%	67%	57%	L Probert	100%	100%	100%
V Buckle	100%	80%	89%	J Robinson	100%	67%	86%
J Commandeur	75%	75%	75%	M Rushworth	75%	100%	86%
H Crews	100%	100%	100%	F Sellers	75%	67%	71%
D Denby	100%	0%	50%	A Thomas	100%	100%	100%
J Ennis	0%	50%	20%	F Thompson	100%	100%	100%
R Frogson	75%	71%	73%	O Trotter	75%	100%	89%
A Hughes	50%	75%	63%	C Waters	100%	0%	50%

Co-opted governor attendance at meetings during 2018-19 was as follows:

Name	Meeting Attendance		Name	Meeting Attendance	
	Corporation	Committee		Corporation	Committee
L Beckett	n/a	100%	M Jones	n/a	50%
S Carden	n/a	100%	D King	n/a	100%
N Costello	n/a	50%	D Morgan	n/a	50%
J Ennis	n/a	0%	C Runciman	n/a	100%
J Haselden	n/a	0%	A Thomas	n/a	100%
D Johnson	n/a	100%			

## **STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTINUED)**

### **Corporation and committee meetings (continued)**

During 2018-19 overall governor attendance at Corporation and Committee meetings was 78% and 85% respectively (2018-19: 78% and 75% respectively).

Governor attendance at all meetings of the Corporation and its Committees in 2018-19 was 82% (2017-18: 76%).

### **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, 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 of four years and will be eligible for re-appointment for an additional four year term.

### **Remuneration Committee**

Throughout the year ending 31 July 2019, the College's Remuneration Committee comprised six members. The Committee's responsibilities include making recommendations to the Corporation on the remuneration and benefits of the Principal / Accounting Officer, other senior post-holders and the Director of Governance.

In the financial year 2018-19 the College adopted the AoC's Senior staff remuneration code. Details of remuneration for the year ended 31 July 2019 are set out in Note 7 to the financial statements.

### **Audit Committee**

The Audit Committee comprises the three members of the Corporation (who exclude the Chair and the Principal / Accounting Officer) and one independent co-opted member. 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 Chief Executive and Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with the responsibilities assigned to him in the conditions of funding between York College and the funding bodies. He 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 2019 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 2019 and up to the date of approval of the annual report and financial statements.

This process is regularly reviewed by the Corporation.

#### The risk and control framework

The system of internal control is based on a framework of regular management information, 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 Chief Executive and 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 Strategic Leadership Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Strategic Leadership 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 Strategic Leadership Team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

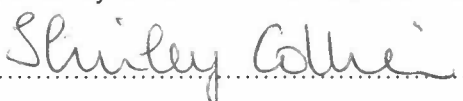
At its December 2019 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2019 by considering documentation from the Senior Leadership Team and the internal audit service and taking account of events since 31 July 2019.

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'*.

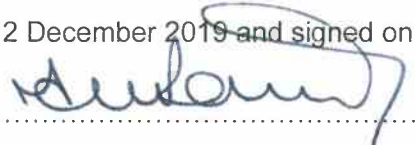
#### Going concern

After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. This is evidenced through the submission of financial plans including cash flow projections and sensitivity analysis of operating performance. 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 12 December 2019 and signed on its behalf.

  
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S Collier  
Chair

  
.....

L Probert  
Chief Executive, Principal and Accounting Officer

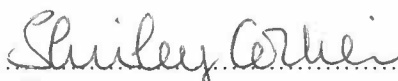
**GOVERNING BODY'S STATEMENT ON THE COLLEGE'S REGULARITY, PROPRIETY AND COMPLIANCE WITH FUNDING BODY TERMS AND CONDITIONS OF FUNDING**

The Corporation has considered its responsibility to notify the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of funding under the College's grant funding agreements and contracts with ESFA. As part of our consideration we have had due regard to the requirements of the grant funding agreements and contracts with the ESFA.

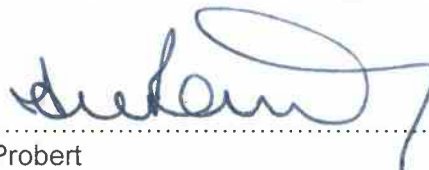
We confirm, on behalf of the Corporation, that after due enquiry and to the best of our knowledge, we are able to identify any material irregular or improper use of funds by the College, or material non-compliance with the terms and conditions of funding under the College's grant funding agreements and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

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

Approved by order of the members of the Corporation on 12 December 2019 and signed on its behalf.

.....

S Collier  
Chair

.....

L Probert  
Chief Executive, Principal and 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 conditions of funding and the Funding Agreements with the ESFA, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the *2015 Statement of Recommended Practice – Accounting for Further and Higher Education 2015 FE HE SORP* and with the *College Accounts Direction 2018 to 2019* issued by the ESFA, and which give a true and fair view of the state of affairs of the College and the result for that year.

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

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- 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 adequate 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 ESFA's grant funding agreements 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 12 December 2019 and signed on its behalf by:

.....  
S Collier  
Chair

## 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 2019 which comprise the college statement of comprehensive income, the college balance sheet, the college statement of changes in reserves, the college statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2019 and of the College's deficit of income over expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

### Basis for opinion

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

### Conclusions relating to going concern

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

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

### Other information

The other information comprises the information included in the Report and Financial Statements other than the financial statements and our auditor's report thereon. The governors are responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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

We have nothing to report in respect of the following matters where the Post-16 Audit Code of Practice 2018 to 2019 issued by the Education and Skills Funding Agency requires us to report to you if, in our opinion:

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

## INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF YORK COLLEGE (CONTINUED)

### Responsibilities of the Corporation of York College

As explained more fully in the Statement of the Corporation's Responsibilities set out on page 18, the Corporation is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### Auditor's responsibilities for the audit of the financial statements

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

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

### Use of our report

This report is made solely to the Corporation, as a body, in accordance with the Funding Agreement published by the Education and Skills Funding Agency and our engagement letter dated 7 March 2019. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are engaged 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 Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

**RSM UK AUDIT LLP**  
Chartered Accountants  
Two Humber Quays  
Wellington Street West  
HULL  
HU1 2BN

Date

16/12/2019

**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 JULY 2019**

	Note	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
<b>Income</b>			
Funding body grants	2	20,027	19,621
Tuition fees and education contracts	3	4,412	5,040
Other grants and contracts	4	184	129
Other income	5	1,922	1,849
Investment income	6	41	22
<b>Total income</b>		<b>26,586</b>	<b>26,661</b>
<b>Expenditure</b>			
Staff costs	7	19,311	19,245
Other operating costs	8	6,351	6,157
Depreciation	11	2,001	1,970
Interest and other finance costs	9	74	159
<b>Total expenditure</b>		<b>27,737</b>	<b>27,531</b>
<b>(Deficit) before other gains and losses</b>		<b>(1,151)</b>	<b>(870)</b>
(Loss) on the disposal of assets		(5)	(11)
<b>(Deficit) before taxation</b>		<b>(1,156)</b>	<b>(881)</b>
<b>Operating Surplus before other gains and losses and FRS 102 pension adjustments</b>		<b>256</b>	<b>41</b>
Pension adjustments		(1,412)	(922)
Taxation	10	-	-
<b>(Deficit) for the year</b>		<b>(1,156)</b>	<b>(881)</b>
Remeasurement of net defined benefit pension liability	20	(2,693)	4,354
<b>Total comprehensive income for the year and attributable to the Corporation of the College</b>		<b>(3,849)</b>	<b>3,473</b>


The notes on pages 25 to 47 form part of the financial statements

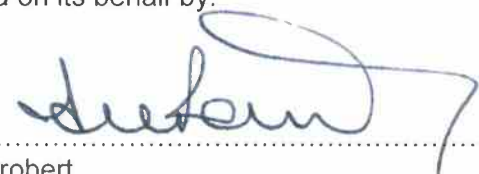


**BALANCE SHEET AS AT 31 JULY 2019**

	<b>Note</b>	<b>2019 £</b>	<b>2018 £</b>
<b>Non current assets</b>			
Tangible fixed assets	11	49,193	50,456
<b>Current assets</b>			
Stocks		22	20
Trade and other receivables	12	855	905
Cash and cash equivalents		<u>7,074</u>	<u>6,460</u>
		7,951	7,385
<b>Current liabilities</b>			
<b>Creditors:</b> Amounts falling due within one year	13	<u>(2,670)</u>	<u>(3,024)</u>
<b>Net current assets</b>		<u>5,281</u>	<u>4,361</u>
<b>Total assets less current liabilities</b>		<u>54,474</u>	<u>54,817</u>
<b>Creditors:</b> Amounts falling due after more than one year	14	(15,326)	(15,877)
<b>Provisions for liabilities</b>			
Defined benefit pension scheme	15	(7,214)	(3,185)
Other provisions	15	<u>(899)</u>	<u>(871)</u>
<b>Total net assets</b>		<u>31,035</u>	<u>34,884</u>
<b>Restricted reserves</b>		7	7
<b>Unrestricted reserves</b>			
Income and expenditure reserve		30,175	34,024
Revaluation reserve		<u>853</u>	<u>853</u>
<b>Attributable to the College Corporation</b>		<u>31,028</u>	<u>34,877</u>
<b>Total reserves</b>		<u>31,035</u>	<u>34,884</u>

The financial statements on pages 21 to 47 were approved and authorised for issue by the Corporation on 12 December 2019 and were signed on its behalf by:

  
S Collier  
Chair

  
L Probert  
Chief Executive, Principal & Accounting Officer

**STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 31 JULY 2019**

	<b>Restricted Reserve £'000</b>	<b>Unrestricted Income and Expenditure Reserve £'000</b>	<b>Unrestricted Revaluation Reserve £'000</b>	<b>Total Unrestricted Reserves £'000</b>	<b>Total Reserves £'000</b>
Balance at 1 August 2017	8	30,550	853	31,403	31,411
(Deficit) from the income and expenditure account	(1)	(880)	-	(880)	(881)
Other comprehensive income	-	4,354	-	4,354	4,354
<b>Balance at 31 July 2018</b>	<u>7</u>	<u>34,024</u>	<u>853</u>	<u>34,877</u>	<u>34,884</u>
(Deficit) from the income and expenditure account	-	(1,156)	-	(1,156)	(1,156)
Other comprehensive income	-	(2,693)	-	(2,693)	(2,693)
<b>Balance at 31 July 2019</b>	<u>7</u>	<u>30,175</u>	<u>853</u>	<u>31,028</u>	<u>31,035</u>

The notes on pages 25 to 47 form part of the financial statements



**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 JULY 2019**

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
<b>Cash flow from operating activities</b>		
Deficit for the year	(1,156)	(881)
<b>Adjustment for non-cash items</b>		
Depreciation	2,001	1,970
(Increase)/decrease in stocks	(2)	3
(Decrease)/increase in debtors	51	(51)
Increase/(decrease) in creditors due within one year	(334)	(346)
(Decrease) in creditors due after one year	(551)	(510)
Increase/(decrease) in provisions	28	(29)
Pensions costs less contributions payable	1,262	727
Taxation	-	-
<b>Adjustment for investing or financing activities</b>		
Investment income	(41)	(30)
Interest / finance costs payable	74	159
Taxation paid	-	-
Loss/(gain) on sale of fixed assets	5	11
<b>Net cash flow from operating activities</b>	<u>1,337</u>	<u>1,023</u>
<b>Cash flows from investing activities</b>		
Proceeds from sale of fixed assets	5	-
Investment income	40	29
Withdrawal of deposits	4,135	7,210
New deposits	(4,135)	(7,210)
Payments made to acquire fixed assets	(768)	(589)
	<u>(723)</u>	<u>(560)</u>
<b>Increase in cash and cash equivalents in the year</b>	<u>614</u>	<u>463</u>
Cash and cash equivalents at beginning of year	6,460	5,997
Cash and cash equivalents at end of year	7,074	6,460

The notes on pages 25 to 47 form part of the financial statements.

## NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 JULY 2019

### 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 2018 to 2019* 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 2019, the College had no subsidiary companies. A joint venture activity commenced on 17 July 2019 with the formation of the Yorkshire and Humber Institute of Technology Limited. This is a company limited by guarantee with eight other partners. No activity was recorded in the company up to 31 July 2019.

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 2019.

#### 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 generates positive operating cash flows contributing towards a healthy bank balance and reserves position. In addition, the College has no loans outstanding at 31 July 2019. The financial plan prepared for the period to July 2021 does not show a deterioration in this position.

Accordingly the College has a reasonable expectation that it has adequate resources to continue in operational existence for the twelve months to December 2020, 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 TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 JULY 2019 (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 therefore not subject to contract adjustments.

The recurrent grant from the Office for Students 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.

#### **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 TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 JULY 2019 (CONTINUED)

### 1. Statement of accounting policies and estimation techniques (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 body.

### 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 TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 JULY 2019 (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.

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 as it is considered to have an infinite life.

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 TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 JULY 2019 (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.

#### 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 2019. 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:

IT Hardware and Software	Between 3 and 6 years
Motor vehicles and general equipment	Between 3 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 TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 JULY 2019 (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.

#### **Jointly Controlled Entities**

Entities in which the Group has a long-term interest and shares control under a contractual arrangement are classified as jointly controlled entities. Jointly controlled entities are accounted for using the equity method, (being the Group's share of the results, other comprehensive income and equity of associates are accounted for using the equity method based on the associate's financial statements).

#### **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.

#### **Financial Instruments**

The College has chosen to adopt Sections 11 and 12 of FRS 102 in full in respect of financial instruments.

#### **Financial assets and liabilities**

Financial assets and financial liabilities are recognised when the College becomes a party to the contractual provisions of the instrument.

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 financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets measured at fair value through the profit or loss, which are initially measure at fair value (which is normally the transaction price excluding transaction costs), unless arrangement constitutes a financing transaction. A financial asset or financial liability that is payable or receivable in one year is measured at the undiscounted amount expected to be received or paid net of impairment, unless it is a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and financial liabilities are offset only when there is a current legally enforceable right to set off the recognised amounts and the intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

## NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 JULY 2019 (CONTINUED)

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

#### **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 bursary support funds. Related payments received from funding body and subsequent disbursements to students are excluded from the income and expenditure of the College where the College does not have control of the economic benefit to the transaction.

**NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 JULY 2019 (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:

- Tangible fixed assets

Tangible fixed assets 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.

- 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.

- 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 or (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in Note 20, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2019. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

**NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 JULY 2019 (CONTINUED)**

**2. Funding body grants**

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Recurrent Grants:		
Education and Skills Funding Agency – 16-18	15,165	15,598
Education and Skills Funding Agency – Adult	1,329	1,271
Education and Skills Funding Agency – Apprenticeships	2,408	1,727
Office for Students	258	334
Specific Grants:		
Apprentice Employer Additional payments	181	89
Other ESFA grants	27	33
Institute of Technology	80	-
Release of Government capital grants	579	569
	<u>20,027</u>	<u>19,621</u>

**3. Tuition fees and education contracts**

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Adult education fees	134	151
Apprenticeship fees and contracts	99	83
Fees for FE loan supported courses	659	713
Fees for HE loan supported courses	1,719	2,132
International student fees	468	491
Total tuition fees	3,079	3,570
Education contracts	1,333	1,470
	<u>4,412</u>	<u>5,040</u>

**4. Other grants and contracts**

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
UK based charities	33	1
European Commission	58	91
Other grants and contacts	93	37
	<u>184</u>	<u>129</u>

**NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 JULY 2019 (CONTINUED)**

**5. Other income**

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Catering and residencies	693	652
Other income generating activities	182	172
Non-government capital grants	5	4
Miscellaneous income	1,042	1,021
Total	<u>1,922</u>	<u>1,849</u>

**6. Investment income**

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Other investment income	41	22
Total	<u>41</u>	<u>22</u>

**7. Staff costs**

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

	<b>2019</b>	<b>2018</b>
Teaching staff	242	247
Non teaching staff	285	300
Total	<u>527</u>	<u>547</u>

The numbers above includes staff members employed through contracting out arrangements

Staff costs for the above persons	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Wages and salaries	14,304	14,644
Social security costs	1,197	1,271
Other pension costs	3,614	3,040
Payroll sub total	<u>19,115</u>	<u>18,955</u>
Contracted out services	196	139
	<u>19,311</u>	<u>19,094</u>
Restructuring costs – contractual	-	151
Total	<u>19,311</u>	<u>19,245</u>



## NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 JULY 2019 (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 Leadership Team. This comprised the Chief Executive and Principal, three Deputy Principals, two Vice Principals, one Assistant Principal and the Executive Director of Finance in the period to 31 July 2019.

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

	2019 No.	2018 No.
The number of key management personnel, including the Accounting Officer was	9	11

Alison Birkinshaw resigned as Principal and Chief Executive in May 2019 and was replaced by Lee Probert. Nikki Davis resigned as Vice Principal in May 2019 and was replaced by Clare Wareing on an interim basis. The remaining five 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:

	2019 Key Management Personnel	2018 Key Management Personnel
£45,001-£50,000	1	1
£60,001-£65,000	-	3
£65,001-£70,000	2	-
£85,001-£90,000	4	6
£120,001-£125,000	1	1
£140,001-£145,000	1	-
<b>Total</b>	<b>9</b>	<b>11</b>

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

Key management personnel compensation is made up as follows:

	2019 £'000	2018 £'000
Salaries	614	663
Employer's National Insurance contributions	77	82
Benefits in kind	2	2
Pension contributions	86	95
<b>Total</b>	<b>779</b>	<b>842</b>

**NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 JULY 2019 (CONTINUED)**

**7. Staff costs (continued)**

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

Total key management personnel compensation includes amounts payable to the current Accounting Officer, from June 2019 (who is the highest paid officer) of:

	<b>2019</b> <b>£'000</b>	<b>2018</b> <b>£'000</b>
Salaries	23	-
Employer's National Insurance contributions	3	-
Benefits in kind	-	-
	<u>26</u>	<u>-</u>
Pension contributions	4	-
	<u>4</u>	<u>-</u>
<b>Total compensation</b>	<b><u>30</u></b>	<b><u>-</u></b>

Total key management personnel compensation include amounts payable to the former Accounting Officer, to May 2019 (who is the highest paid officer) of:

	<b>2019</b> <b>£'000</b>	<b>2018</b> <b>£'000</b>
Salaries	113	121
Employer's National Insurance contributions	15	16
Benefits in kind	-	1
	<u>128</u>	<u>138</u>
Pension contributions	17	20
	<u>17</u>	<u>20</u>
<b>Total compensation</b>	<b><u>145</u></b>	<b><u>158</u></b>

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 remuneration of the Accounting Officer (June to July 2019) for 2018-19 was determined on 4 October 2018 by the College's Remuneration Committee with final agreement by the Board of Governors on 13 December 2018. The accounting officer was not involved in setting their remuneration. The factors taken into account by the Committee in determining the accounting officer's remuneration for the year to 31 July 2019 included sector data on pay of accounting officers and benchmarking to the broader market.

The remuneration of the Accounting Officer (to May 2019) for 2018-19 was determined on 28 March 2019 by the College's Remuneration Committee. The accounting officer was not involved in setting their remuneration. The factors taken into account by the Committee in determining the accounting officer's remuneration for the period to 31 May 2019 included: consistency with the pay increases determined by the governing body for other staff; performance against performance review; performance of the organisation and benchmarking against the sector data in relation to the pay of accounting officers.

A similar approach was used to determine the remuneration of other key management personnel.

## NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 JULY 2019 (CONTINUED)

### 7. Staff costs (continued)

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

The relationship between the accounting officer's emoluments, expressed as a multiple of all other employees based on full-time equivalents, is set out below for both basic salary and total remuneration.

	2019 No	2018 No
Basic salary as a multiple of median basic salary of staff	5.3	4.6
Total remuneration as a multiple of median total remuneration of staff	5.3	4.6

The above calculations are based on the guidance issued by the Office for Students. The calculations include costs of all salaried staff. Agency staff costs are not included in the calculation, as the data is not readily available. The cost of agency staff is only 1.6% of total wages and salaries and therefore deemed to have no material effect.

### Governors' remuneration

The Accounting Officers and the staff member only receive remuneration in respect of services they provide undertaking their roles of Principal and staff members under contracts of employment and not in respect of their roles as governors. The other members of the Corporation did not receive any payments from the college in respect of their roles as governors.

The total expenses paid to or on behalf of the Governors during the year was £307 to three governors (2018: £943 to six 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.

### 8. Other operating expenses

	2019 £'000	2018 £'000
Teaching staff	1,846	1,925
Non-teaching costs	2,934	2,649
Premises costs	1,571	1,582
Payment from restricted reserve	-	1
<b>Total</b>	<b>6,351</b>	<b>6,157</b>

Other operating expenses include:

Auditors remuneration		
Financial statements audit	22	20
Internal audit	22	22
Other services from auditors		
RSM Risk Assurance	5	2
Operating lease rentals	25	26

**NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 JULY 2019 (CONTINUED)**

**9. Interest and other finance costs**

	<b>2019</b> <b>£'000</b>	<b>2018</b> <b>£'000</b>
Pension finance costs (Note 20)	74	159
<b>Total</b>	<b>74</b>	<b>159</b>

**10. Taxation**

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

**11. Tangible fixed assets**

	<b>Freehold land and buildings £'000</b>	<b>Equipment £'000</b>	<b>Total £'000</b>
<b>Cost or valuation</b>			
At 1 August 2018	54,612	15,468	70,080
Additions	36	712	748
Disposals	-	(210)	(210)
At 31 July 2019	<u>54,648</u>	<u>15,970</u>	<u>70,618</u>
<b>Depreciation</b>			
At 31 July 2018	10,918	8,706	19,624
Charge for the period	945	1,056	2,001
Elimination in respect of disposal	-	(200)	(200)
At 31 July 2019	<u>11,863</u>	<u>9,562</u>	<u>21,425</u>
<b>Carrying amount at 31 July 2019</b>	<b><u>42,785</u></b>	<b><u>6,408</u></b>	<b><u>49,193</u></b>
<b>Carrying amount at 31 July 2018</b>	<b><u>43,694</u></b>	<b><u>6,762</u></b>	<b><u>50,456</u></b>

Land and buildings includes land valued at £853,000 (2018: £853,000) that is not depreciated.

**NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 JULY 2019 (CONTINUED)**

**11. Tangible fixed assets (continued)**

If inherited land had not been valued, they would have been included at the following amounts:

	<b>£000</b>
Cost	Nil
Aggregate depreciation based on cost	Nil
	<u>Nil</u>
Carrying amount based on cost	<u>Nil</u>

**12. Trade and other receivables**

	<b>2019 £'000</b>	<b>2018 £'000</b>
Amounts falling due within one year		
Trade receivables	210	204
Other receivables	12	18
Prepayments and accrued income	359	475
Amounts owed by the Education and Skills Funding Agency	274	208
	<u>855</u>	<u>905</u>
<b>Total</b>	<b>855</b>	<b>905</b>

**13. Creditors: Amounts falling due within one year**

	<b>2019 £'000</b>	<b>2018 £'000</b>
Trade payables	438	669
Other taxation and social security	306	342
Other creditors	550	497
Accruals and deferred income	761	941
Government capital grants	575	571
Government revenue grants	4	4
Amounts owed to the Education and Skills Funding Agency	36	-
	<u>2,670</u>	<u>3,024</u>
<b>Total</b>	<b>2,670</b>	<b>3,024</b>

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

	<b>2019 £'000</b>	<b>2018 £'000</b>
Government capital grants	15,326	15,877
<b>Total</b>	<b>15,326</b>	<b>15,877</b>



**NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 JULY 2019 (CONTINUED)**

**15. Provisions**

	Defined benefit obligations £'000	Enhanced pension provision £'000	Total £'000
At 31 August 2018	3,185	871	4,056
Utilised in the period	(186)	(68)	(254)
Additions in the period	4,215	96	4,311
At 31 July 2019	7,214	899	8,113

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

The enhanced pension provision relates to the cost of staff who have already left the College's 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.

	2019	2018
Price inflation	2.2%	1.3%
Interest rate	2.0%	2.3%

**16. Capital commitments**

	2019 £'000	2018 £'000
Commitments contracted for at 31 July 2019	22	171

**17. Events after the reporting period**

There were no events after the reporting period.

**18. Lease obligations**

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

	2019 £'000	2018 £'000
Future minimum lease payments due		
Vehicles		
Not later than one year	25	25
Later than one year and not later than five years	28	54
	53	79

**NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 JULY 2019 (CONTINUED)**

**19. Financial instruments**

The College has the following financial instruments:

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
<b>Financial assets</b>		
Debt instruments measured at amortised cost:		
Trade receivables	210	204
Accrued income	71	256
Other receivables	12	18
<b>Total</b>	<u>293</u>	<u>478</u>
	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost:		
Trade payables	438	669
Accruals	511	340
Other payables	550	497
<b>Total</b>	<u>1,499</u>	<u>1,506</u>

**NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 JULY 2019 (CONTINUED)**

**20. 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.

<b>Total pension cost for the year</b>	<b>2019 £'000</b>	<b>2018 £'000</b>
Included in Staff Costs in respect of:		
Teachers' Pension Scheme: contributions paid	1,166	1,228
Local Government Pension Scheme:		
Contributions paid	1,090	1,018
FRS 102 (28) charge	<u>1,262</u>	<u>763</u>
Charge to the Statement of Comprehensive income	2,352	1,781
Enhanced Pension charge to the Statement of Comprehensive income	<u>96</u>	<u>31</u>
<b>Total Pension costs included in staff costs for the year</b>	<u><b>3,614</b></u>	<u><b>3,040</b></u>

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2016 and of the LGPS 31 March 2016.

**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. 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. The TPS is a multi-employer pension plan and there is insufficient information to account for the scheme on as a defined benefit plan so it is accounted for as a defined contribution plan.

**Valuation of the Teachers' Pension Scheme**

Not less than every four years the Government Actuary ("GA"), using normal actuarial principles, conducts a formal actuarial review of the TPS. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors.

The latest actuarial valuation was carried out as at 31 March 2016 and in accordance with The Public Service Pensions (Valuation and Employer Cost Cap) Directions 2014 except it has been prepared following the Government's decision to pause the operation of the cost control mechanisms at the time when legal challenges were still pending.

## NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 JULY 2019 (CONTINUED)

### 20. Defined benefit obligations (continued)

#### Valuation of the Teachers' Pension Scheme (continued)

The valuation report was published in April 2019. The key results of the valuation and subsequent consultation are:

- Total scheme liabilities for service (pensions currently payable and the estimated cost of future benefits) of £218 billion
- Value of notional assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) of £196 billion
- Notional past service deficit of £22 billion
- Discount rate is 2.4% in excess of CPI.

As a result of the valuation, new employer new employer contributions rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/19). DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2019-20 academic year.

The pension costs paid to TPS in the year (employees and employers) amounted to £1,800,000 (2018: £1,857,000).

#### 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 2019 was £1,458,000 of which employer contributions totalled £1,090,000 and employee contributions totalled £368,000.

#### 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 2019 by a qualified independent actuary.

	At 31 July 2019	At 31 July 2018
Rate of increase in salaries	3.45%	3.35%
Future pensions increase	2.20%	2.10%
Discount rate for scheme liabilities	2.20%	2.80%
Inflation assumption (CPI)	2.20%	2.10%
Commutation of pensions to lump sum at retirement	75%	50%

**NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 JULY 2019 (CONTINUED)**

**20. 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:

	<b>At 31 July 2019</b>	<b>At 31 July 2018</b>
Aged 65 at accounting date		
Males	21.9	22.9
Females	25.1	26.4
Aged 45 at accounting date		
Males	23.6	25.1
Females	26.9	28.7

The College's share of the assets in the plan at the balance sheet date.

	<b>Fair value at 31 July 2019 £'000</b>	<b>Fair value at 31 July 2018 £'000</b>
Equity instruments	25,633	24,328
Government bonds	8,456	6,565
Property	3,453	3,222
Cash	1,992	121
Other	4,737	6,042
	<hr/>	<hr/>
Total fair value of assets	44,271	40,278
	<hr/>	<hr/>
Actual return on plan assets	2,721	4,626
	<hr/>	<hr/>



**NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 JULY 2019 (CONTINUED)**

**20. Defined benefit obligations (continued)**

**Principal actuarial assumptions (continued)**

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

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Fair value of plan assets	44,271	40,278
Present value of plan liabilities	(51,485)	(43,463)
Net pensions (liability)	<u>(7,214)</u>	<u>(3,185)</u>

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

**Amounts included in staff cost**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Current service cost	1,781	1,784
Past service cost	573	4
Total	<u>2,354</u>	<u>1,788</u>

**Amounts included in interest and other finance costs**

Net interest cost	74	159
Total	<u>74</u>	<u>159</u>

**Amount recognised in Other Comprehensive Income**

Return on pension plan assets	1,575	3,706
Experience (losses) / gains arising on defined benefit obligations	(4,268)	660
Amounts recognised in Other Comprehensive Income	<u>(2,693)</u>	<u>4,366</u>

**NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 JULY 2019 (CONTINUED)**

**20. Defined benefit obligations (continued)**

	2019 £'000	2018 £'000
<b>Changes in present value of defined benefit obligations</b>		
Defined benefit obligations at start of period	43,463	41,698
Current service cost	1,781	1,784
Interest cost	1,220	1,079
Contributions by scheme participants	366	356
Actuarial gains/(losses) on defined benefit	4,268	(660)
Estimated benefits paid	(186)	(798)
Past service cost	573	4
	<u>51,485</u>	<u>43,463</u>
Defined benefit obligations at end of period		
<b>Change in fair value of plan assets</b>		
<b>Reconciliation of Assets</b>		
Fair value of assets at start of period	40,278	35,069
Return on plan assets (excluding net interest on the net defined benefit liability)	2,721	4,626
Employer contributions	1,092	1,025
Contributions by scheme participants	366	356
Estimated benefits paid	(186)	(798)
	<u>44,271</u>	<u>40,278</u>
Fair value of plan assets at end of period		

The current valuation does not reflect the expected increase in benefits and therefore liability as a result of Guaranteed Minimum Pension ('GMP') equalisation between men and women which is required as a result of the removal of the Additional State Pension. Methodologies for a long-term solution are still being investigated by the Government as set out in the published (January 2018) outcome of the Government Consultation 'Indexation and Equalisation of GMP in Public Service Pensions Schemes' and therefore the expected impact cannot be reliably estimated and consequently no provision/liability has been recognised.

**21. Related party transactions**

Key management compensation disclosure is given in Note 7.

**NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 JULY 2019 (CONTINUED)**

**22. Amounts disbursed as an agent**

**Learner Support Funds**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Balance held at 1 August	169	161
Adult Learner Loans Bursary	113	107
ESFA 16-19 Student Bursary grant	429	424
16-19 Vulnerable group bursary	50	53
Funding clawback	(3)	-
	<u>758</u>	<u>745</u>
Disbursed to students	(543)	(551)
Administration costs	(27)	(25)
Balance unspent at 31 July, including Creditors	<u>188</u>	<u>169</u>

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 in the College's 2018-19 financial statements relates to permissible charges for the administration of learner support funds.

**23. Interests in jointly controlled entities**

The College has a long term interest and shares control under a contractual arrangement in Yorkshire and Humber Institute of Technology Limited, a private company limited by guarantee incorporated in England and Wales on the 17 July 2019. During the year to 31 July 2019 this company had not traded.

## **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**

We have carried out an engagement, in accordance with the terms of our engagement letter dated 7 March 2019 and further to the requirements of the grant funding agreements and contracts with the Education and Skills Funding Agency (the "ESFA"), to obtain limited assurance about whether the expenditure disbursed and income received by York College during the period 1 August 2018 to 31 July 2019 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2018 to 31 July 2019 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

### **Basis for conclusion**

The framework that has been applied is set out in the Post-16 Audit Code of Practice (the "ACoP") issued by the ESFA. 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 ESFA has other assurance arrangements in place.

We are independent of York College in accordance with the ethical requirements that are applicable to this engagement and we have fulfilled our ethical requirements in accordance with these requirements. We believe the assurance evidence we have obtained is sufficient to provide a basis for our conclusion.

### **Responsibilities of Corporation of York College for regularity**

The Corporation of York College is responsible, under the grant funding agreements and contracts with the ESFA and 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. The corporation of York College is also responsible for preparing the Governing Body's Statement of Regularity, Propriety and Compliance.

### **Reporting accountant's responsibilities for reporting on regularity**

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the ACoP.

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 the procedures performed vary in nature and timing from, and are less in extent than for a reasonable assurance engagement; consequently a limited assurance engagement 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.

We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2018 to 31 July 2019 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Our work included identification and assessment of the design and operational effectiveness of the controls, policies and procedures that have been implemented to ensure compliance with the framework of authorities including the specific requirements of the grant funding agreements and contracts with the ESFA and high level financial control areas where we identified a material irregularity is likely to arise. We undertook detailed testing, on a sample basis, on the identified areas where a material irregularity is likely to arise where such areas are in respect of controls, policies and procedures that apply to classes of transactions.

**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)**

This work was integrated with our audit of the financial statements and evidence was also derived from the conduct of that audit to the extent it supports the regularity conclusion.

**Use of our report**

This report is made solely to the Corporation of York College and the Secretary of State for Education acting through the ESFA 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 the Secretary of State for Education acting through the ESFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation of York College and the Secretary of State for Education acting through the ESFA for our work, for this report, or for the conclusion we have formed.

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Date *16/12/2019*