

SELBY COLLEGE

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2020

Selby College
FINANCIAL STATEMENTS
For the year ended 31 July 2020

KEY MANAGEMENT PERSONNEL, BOARD OF GOVERNORS AND PROFESSIONAL ADVISORS

Key management personnel

Key management personnel are defined as members of the College Management Team and were the following in 2019/20:

Phil Sayles – Principal and CEO
Liz Ridley - Deputy Principal
Steve Fowler – Director of Curriculum Operations
Mark Gent – Director of Estates & Facilities (left November 2019)
Dawn Hardy – Director of Curriculum & Support (left May 2020)
Pam Olbison – Director of Finance
Linda Tebb – Director of Marketing & Student Experience
Alison Whale – HR Manager

Board of Governors

A full list of Governors is given on pages 18-20 of these financial statements.
Jeanne Woolford, Director of Governance acted as Clerk to the Corporation to September 2019; Maxine Bagshaw to November 2019 and Antonia Praud, Director of Governance acted as Clerk to the Corporation throughout the remaining period.

Professional advisers

Financial statements auditors and reporting accountants:

	RSM UK Audit LLP Two Humber Quays Wellington Street West Hull HU1 2BN	
Internal Auditor:	AuditOne Crosskill House Mill Lane Beverley HU17 9JB	
Solicitors:	Rollits LLP Citadel House 58 High Street HULL HU1 1QE	Walker Morris LLP 33 Wellington Street Leeds LS1 4DL
Bankers:	Lloyds Bank plc 8 th Floor 40 Spring Gardens Manchester M2 1EN	

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REPORT OF THE GOVERNING BODY

Nature, objectives and strategies

The members present their report and the audited financial statements for the year ended 31 July 2020.

Legal Status

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

The College Mission

The College's mission as approved by its members in July 2020 is:

Make a positive difference to people's lives through education, skills and training to help them achieve their full potential.

COVID-19:

During the response to the pandemic from lockdown and into the current academic year the College has placed students and safety at the heart of all of its decision making, to ensure no students were disproportionately disadvantaged due to the pandemic. To fulfil our mission we rapidly deployed IT resources to our most disadvantaged students and were the grateful recipients of a donation of 30 chrome books and dongles from Drax.

As soon as it was possible to re-open the campus to all 16-19 students in June, we started bringing students back in in a controlled way to enable 1st years to receive in person support and progress reviews and students studying practical courses the opportunity to fulfil their alternative completion outcomes, ensuring as many students as possible were able to take their next progression steps.

The whole College has worked to ensure the staff and resources needed to enable safe and meaningful education have been in place for students returning in September. This has enabled us to maximise learning on site and the time for students to settle into their studies and peer groups, prior to instigating increased remote learning. This has inevitably been costly, but again fits with our mission and values.

Public Benefit

Selby College is an exempt charity under Part 3 of the Charities Act 2011 is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the Charity, are disclosed on page 18.

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.

Selby College is committed to adding value and enriching the social, economic and physical well-being of the community we serve.

We understand the large significance of the services we provide to individuals, businesses and groups, and this shapes everything we do. We recognise the importance of individual excellence and personal accountability. We embrace diversity, curiosity, respect and responsibility.

We act with integrity and we collaborate wherever possible, aligning ourselves with others and sharing knowledge and resources to create new opportunities. People are at the very heart of how we organise and utilise our resources. We empower our learners and aim to transform their lives by raising their aspirations and encouraging and supporting them to achieve to their very best. In doing so, we provide a catalyst for sustainable economic growth and prosperity.

The delivery of public benefit is also covered extensively throughout the Report of the Governing Body.

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REPORT OF THE GOVERNING BODY (CONTINUED)

Implementation of Strategy

Selby College adopted a new strategy for the period 2019-20 in June 2019.

The College Vision

- To be our area's first choice for education, skills and training

Key Strategic Goals:

- To work collaboratively and positively in our area to:
 - Promote aspiration, opportunity and the most ambitious outcomes possible for our students
 - Increase success, happiness, social mobility, inclusion and cohesion in our communities
 - Play our part in the wellbeing and safety of our students
 - Develop further our positive working relationships with local schools to open up the full range of opportunities for young people
- To work collaboratively and positively in the locality and region:
 - With councils, Local Enterprise Partnerships and other organisations, to draw in funding and other benefits for the college, our students and our area
 - With employers of all sizes, to support their skills needs, create benefits for our learners and create partnerships which can promote education, skills and career routes
- To use and develop the resources we have in the best way to deliver the most effective and relevant education.

Corporate Values

- Put students first
- Pursue excellence
- Deliver an education offer that is inclusive
- Act with integrity, honesty and respect
- Work with drive, passion and determination
- Use resources wisely and fairly
- Take responsibility for our actions

The College's specific financial objectives for 2019/2020 included:

- Ensure all areas of college take responsibility for contributing positively to college overheads and costs
- Seek to increase and maximise all income sources
- Maintain excellent value for money in all college services
- Ensure robust financial controls by stringent risk management.

Progress has been made towards achieving these objectives. Curriculum and income generating activities have been reviewed to match against staff and resource delivery requirements. The successful Institute of Technology bid was made during 2018/19 will assist in securing future income. Enhanced risk management and risk monitoring processes have been implemented during the year to facilitate rigorous review and risk rating. Student numbers have been maintained during the 2020/21 recruitment process, securing funding income for the next financial year with a growth in Higher Education income.

The financial objectives for 2019/20 to ensure financial viability included:

- Protect the annual surplus (Achieve a balanced budget in each of the next three years and invest in the property strategy to promote diversification and growth)
- Increase income and diversify income sources
- Ensure robust financial controls and stringent risk management and maintain a sound financial base (solvency and liquidity)
- Seek to increase value for money in procurement and support functions.

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REPORT OF THE GOVERNING BODY (CONTINUED)

Performance indicators

Key performance indicator	Measure/Target	Actual for 2019/20
Operating surplus/sector EBITDA as % of income	4.57%	9.80%
Staff costs as % of income	68.17%	70.39%
Cash days in hand	40.80	57.0
Cash days in hand/liquidity (adjusted current ratio)	1.14	1.77
Borrowing as % of income	13.40%	13.09
Income used in ratio analysis	£9,554	£9,770
Financial Health Score	Requires improvement	Outstanding

The target of achieving Good has been both achieved and exceeded by delivering an outturn of 'Outstanding' Financial Health. This has been secured through increasing operating surplus and raising cash balances and repaying bank loan debt resulting in improved balance sheet strength, prior to the FRS102 pension deficit adjustment. The original strategic plan aim was to return to 'Good' financial health score by the end of the 2020 financial year. Due to the Covid 19 Pandemic impact, this expectation was down-graded to "Requires Improvement" reflecting our prudent approach to our financial position.

An annual surplus well ahead of budget was achieved in 2019/20 before adjustments for FRS 102 section 28 pension notional costs. Strategic plans are in place to ensure that future financial plan key performance indicators are achieved.

Income was significantly impacted by the Covid-19 pandemic during the financial year from March 2020 following national lockdown of England. Actions were immediately taken to address the shortfall by decreasing the operating cost base and securing savings.

Selby College is part of a successful Institute of Technology bid which forms an integral element of our income growth and diversification strategy. Investment relating to this bid will benefit learners in the next financial year ended 31 July 2021.

Risk Management has been a thorough and robust process. An additional risk register containing specific Covid-19 risks was developed and implemented. This provided an enhanced risk monitoring system to strengthen existing arrangements.

Various strategies were deployed to increase cash in 2019/20 including sale of the five investment properties to repay bank loan debt and add-to cash reserves, along with increasing value for money in procurement, by dedicated purchase specialists in areas and sharing of some administrative costs with Selby Educational Trust. A subsidiary company, Supporting Futures Selby Ltd, is reducing the on costs of some staff roles.

The Corporation moved to an enhanced Strategic Key Performance Indicator report in 2019/20, which linked to the Strategic Plan and enabled members to have a clear oversight of a number of measures that contributed to the Key Strategic Aims.

Financial position

Financial results

The Group generated an operating surplus before FRS102 Local Government Pension Scheme (LGPS) pension expenditure in the year of £581,000 (2018/19 surplus of £9,000).

The Group generated an operating surplus after the LGPS pension expenditure in the year of £244,000 (2018/19 – deficit in the year of £218,000).

The Group has unrestricted reserves of £4.238 million and cash balances of £1,554,000.

The Total Comprehensive Income for the year attributable to the Corporation of the College is represented by £2,639,000 deficit (£1,146,000 for 2018/19) due to the pension scheme valuation.

Tangible fixed asset additions during the year amounted to £129,000 of equipment purchases.

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REPORT OF THE GOVERNING BODY (CONTINUED)

Financial results (continued)

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2019/20 the funding bodies provided 81% of the College's total income.

COVID-19:

Funding income was significantly impacted by the Covid-19 pandemic both in the areas of Apprenticeships and the Adult Education Budget. The College successfully submitted a successful claim for Supplier Provider relief funding, which assisted income balances by £40k. The Adult Education budget was confirmed as having no clawback, so the non-procured element of this was secure. The College suffered shortfalls in apprenticeship funding; the procured Adult Education Budget, commercial income and Higher Education Courses which would have commenced in March.

A small proportion of our staff, who could not undertake their role from home were furloughed. This resulted in the receipt of £33k funding from the HMRC to help with their pay costs. The College funded 100% of their salary cost.

Selby College has the competitive advantage of being able to act rapidly to risks and the ability to make considerable savings through well-informed staff and their commitment to securing an improved financial operating position. This resulted in our ability to deliver an operating surplus for the year.

The valuation of the defined benefit pension liability has had a significant impact on the balance sheet reducing the net balance from £6.877m to £4.238m in year ended 31st July 2020.

Treasury policies and objectives

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

The College has a separate treasury management policy in place and this is reviewed on an annual basis by the Corporation.

Short-term borrowing for temporary revenue purposes is authorised by the Accounting Officer. All other borrowing requires the authorisation of the Corporation.

Cash flows

The £1,590,000 cash inflow from operating activities before movements in working capital (2018/19 inflow £887,000) is a positive and robust inflow.

COVID-19

The College did not require any cash flow support from the ESFA or other funders, due to our careful cash monitoring and management.

Liquidity

The College has secured loans amounting to £1.279 million outstanding at the year-end, which were arranged to help finance the previous Academy and Renaissance redevelopment replacing a number of old-style buildings, including further borrowings in 2017/18 to part-finance the 50% grants funded LEP Aspiration Building development.

The size of the College's total borrowing and its approach to interest rates have been calculated to ensure a reasonable cushion between the operating cash flow and total cost of servicing debt. During the year this margin was comfortably exceeded.

During March 2020, one of the College investment properties had been sold, repaying part of the bank loan variable rate debt.

COVID 19

Through robust budget re-forecasting and careful management of our College cash reserves, the College was able to outturn substantially ahead of the annual budget target. At the start of the lockdown, Selby College donated all our existing PPE in response to the NHS needs. Additional costs related to PPE were subsequently incurred of £11k due to the Covid-19 pandemic.

REPORT OF THE GOVERNING BODY (CONTINUED)

Reserves Policy

Incoming resources have been used during the year for their intended purpose as detailed in the notes of the Financial Statements.

The unrestricted reserves, excluding the FRS102 notional funding deficit on the defined benefit pension plan for non-teaching staff were £9.707m at 31 July 2020 (2019: £9.126m). The unrestricted reserves excluding the FRS102 notional funding deficit have been maintained at well above the required policy level £1.5m.

The Governors also consider that access to liquidity is a priority, and that the future College cash flows require a robust prediction of its income levels. The Governors have set a minimum level for liquid assets of £1m (defined as cash at bank and in hand and deposit investments with a maturity of less than one year), equivalent to approximately six weeks' expenditure. Cash days have been maintained at 30 days or more at all times with the exception of March 2020 of 18 days due to the ESFA income funding profile, during the financial year to protect against financial risk.

The need for day-to-day working capital is met by careful management of short-term liquid resources. The Governors consider that free unrestricted reserves of approximately £2.5m, equivalent to some twelve weeks' expenditure, would be desirable. Although this has been achieved at 31 July 2020, there is a need for continuing investment in the College, and the maintenance of this level of free reserves is likely to remain a long-term objective. In recognition of this, the policy is to create free reserves out of operating surpluses once all bank debt has been repaid, whilst also recognising the need for targeted capital expenditure and sufficient capital funds to provide for both current and future projects.

At 31 July 2020 the total unrestricted reserves, after allowing for the implications of FRS102, were £4.238m (2019: £6.877m). Total unrestricted reserves as shown in the financial statements include a funding deficit of £5.469m (2019: £2.249m) calculated under FRS 102 in respect of the defined benefit pension plan for the College's non-teaching staff. The Governors believe that this funding calculation, which can vary considerably between surplus and deficit according to the assumptions used and market valuations at each period-end, has no material effect on the College's cash flows in the short term, but that, in the longer term, its effects might prove challenging. The FRS102 local government pension valuations, is a national issue and continues to have an impact on the entire education sector.

Reserves are monitored closely through our stringent risk management processes to protect against the risk of any fall in student numbers and we use resources to promote our achievements, excellent facilities which are continually invested in and the great destinations secured by our students.

The Reserves Policy is reviewed on an annual basis and the Governors believe that the level of unrestricted reserves is adequate to cover the purposes for which they are intended. The Group's reserves policy is reviewed annually, with no change made to the Reserves policy, and the Governors consider it appropriate for the financial statements to be prepared on a going concern basis.

Student numbers

During the academic year 2019/20 we educated 1,019 6-19 year-old students funded via the Education and Skills Funding Agency on study programmes. In addition, we had a further 189 16-18 Apprentices studying with us, taking the total number of 16-19 young people educated with us to 1,208. On top of that, we had 237 Apprentices over the age of 19; 1,161 Adults, mostly on part time courses funded via the Adult Skills Budget. We also had 196 HE students funded via a range of sources including loans, higher apprenticeships and employer sponsored.

Student retention and achievement data

Prior to lockdown both in year retention and attendance had improved compared to the previous year. Once lockdown occurred the college had very few withdrawals from any of its programmes, although a number of apprentices were placed on furlough and a handful were temporarily suspended from learning by their employer.

The vast majority of students and apprentices were able to achieve their qualifications either at the usual time for GCSE and A level students, or slightly delayed for BTEC students. However some students on vocational and apprenticeship aims in Hair, Beauty, Hospitality, Engineering and Construction were inevitably delayed.

REPORT OF THE GOVERNING BODY (CONTINUED)

Curriculum developments

The College undertook an extensive curriculum review, planning and costing exercise during 2019/20, which was continued during the lockdown. Three new Curriculum Managers were appointed to improve localised leadership and decision making. The level one curriculum was totally re-designed with a new staff team and a number of HE and Access courses were developed / revalidated to ensure contemporary content and a demand led offer.

Quality and Financial Assurance

During December 2017 the College was inspected by OFSTED. The results of the inspection led to a Good grading for all aspects of provision.

The College successfully joined the Office for Students in November 2018 and was also successful in retaining our position on the Register of Apprenticeship Providers.

Physical developments

The College commenced its Institute of Technology capital redesign and equipment procurement and also developed a Pathways Centre for our Level 1 and Entry Provision. Other plans and developments were either placed on hold, or progressed more slowly due to the impact of Covid-19 pandemic and will be revisited in 2020/21.

Future developments

The College welcomed its first school into the Selby Educational Trust ("The SET") in December 2017, with the conversion of Selby Community Primary School. The SET continues to seek additional schools to join the trust and is also seeking to broaden its scope to include voluntary controlled schools. One School is currently going through the due diligence process and intends to join the Trust in January 2021.

In terms of meeting current and future needs, Selby College is highly regarded by Selby District Council for its responsiveness and role in economic development, meeting the needs of local people and employers alike. It has made changes in curriculum to match LEP priorities for age 16-19 provision and apprenticeships and has grown this in business administration and law, construction, computing and IT and science and maths. The college offers apprenticeships, and higher education pathways to level 6.

REPORT OF THE GOVERNING BODY (CONTINUED)

Future developments (continued)

The College will continue to focus on 16-18 full time provision, as the core element of its income and student numbers, whilst seeking to maximise and grow Apprenticeship, Adult and Higher Education income. It is anticipated that apprenticeship growth will be challenging over the next couple of years, as businesses make economic decisions to respond to the recession and effects of the global pandemic on consumer behaviour. The College will use all its links and partnerships to ensure it swiftly develops the offer that is needed.

A comprehensive adult offer is being designed to enable the College to support young people and adults who will need to re-train and /or upskill as unemployment rises and the nature of the jobs market changes.

The College is part of the Yorkshire and Humber Institute of Technology Ltd., with York College as the lead partner and liaison with the DfE, which has seen capital investment and curriculum growth in digital manufacturing processes to support the Fourth Industrial Revolution (Digital Automation).

During 2019/20 the college worked to develop a strategic relationship with Drax Power to support longer term planning and investment in skills and knowledge to drive a carbon zero future.

The SLT and Corporation decided early on in the planning for the autumn re-opening that digital and remote skills would be integral to students induction and first weeks at college, but decided to maintain as much on-campus learning as possible, for as long as possible to maximise student experience.

Employer Engagement – A Key Strategic Objective

The College has identified Apprenticeships (levy and non-levy) as being of key strategic importance to its growth strategy. To this end work has been undertaken to enhance the current sales / business development team and practices. In response to the continuing Covid 19 Pandemic situation, the College has successfully secured further ESFA Provider Supplier Relief funding for the Adult Education funding and Apprenticeships funding to support risk mitigation of potential income shortfalls.

Staff and student involvement

The College uses a variety of methods to communicate effectively with staff and students and ensure a 2-way dialogue. These have included:

- 'Meet the Principal' introductory sessions during September/October in which staff were encouraged to give their views on how communication in college could be improved
- Principal's Talks to Staff, where the Principal updates staff on college issues on a half-termly basis
- Staff Communications Hub, a repository of staff information including presentations from Principal's Talks to Staff; Staff Briefs and feedback from College Improvement Group meetings
- Principals Focus Groups – students from across college are encouraged to participate in informal discussion groups.

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REPORT OF THE GOVERNING BODY (CONTINUED)

Events after the end of the reporting period

The sale of two further investment properties were made after the year end for the total of £289k. Of this amount £201k repaid the most recent variable rate debt, with the remaining balance being added to our cash reserves.

Resources

Overall staff numbers were 205 including teaching staff of 89.

Student numbers were a total of 3,193 and consist of the following learner types:-

16-19 Funded Learners: 1,080
Adult Education Budget Funded Learners: 1,166
Apprentices: 537
Higher Education: 184
Full Cost: 226

Key financial assets held by the corporation at the year-end consist of net assets of £9.707m excluding the local government pension liability of £5.469m deficit. Cash balances at the financial year end are £1.554m.

The main tangible assets held by the corporation at the year-end are the Selby College campus buildings located at our Abbot's Road premises. Other assets are the remaining four investment properties, which were in the progress of being sold at the financial year end.

The College has a strong local and regional reputation and works extensively to maintain this. We work closely with our local authorities, LEPs and economic development departments on cross organisation initiatives to support work, life and education.

As part of its commitment to the local community the College donated significant stocks of unused PPE at the start of the pandemic lockdown to the NHS and local care homes who were struggling to access this vital equipment. In addition the engineering department set up their 3d printers to produce over 100 visors for care homes between April and June.

The college has a very strong reputation for Engineering and this has allowed the college to land two strategically significant partnerships that will launch at the start of the 20/21 academic year. The first is with Siemens to train its new apprentices for the train manufacturing centre being built in Goole. The second is with Drax who will be the main sponsor for Selby College over the next 5 years and securing £180,000 of investment over this period.

Financial

The College has £ 4.238 million of net assets (including £ 5.469 million pension liability) and long term debt of £1.095 million (2019: £1.497 million).

Reputation

The College has a good reputation in the local area, however some schools do not recommend us to their pupils, preferring to recommend our key competitors, Wyke, York and New College Pontefract. Work is ongoing with the schools to improve the College's reputation. Word of mouth is a key communication tool and it is therefore why one of our key aims is to promote our good news stories, achievements, excellent facilities and great destinations for our students.

REPORT OF THE GOVERNING BODY (CONTINUED)

Principal risks and uncertainties

COVID-19:

The principle risks and uncertainties are sensitive to COVID-19 related matters. An additional Covid-19 specific risk register was developed to assist the College in mitigating these diverse and rapidly changing risks.

The College has undertaken further work during the year to develop and embed the system of internal control, including financial, operational and risk management which is designed to protect the College's assets and reputation.

Based on the strategic development plan, the Risk Management Group undertakes a comprehensive review of the risks to which the College is exposed. They identify systems and procedures, including specific actions to mitigate any potential impact on the College. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions. In addition to the annual review, the Risk Management Group will also consider any newly emerging risks throughout the year including those in any new areas of work being undertaken.

A combined risk register/action plan is maintained at the College level which is regularly monitored and updated, and 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, their potential impact on College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent grading 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. Student Numbers and Competition

The College has considerable reliance on its 16-19 students and the income they generate which is paid on profile. Whilst this funding is lagged and therefore guaranteed in year the ongoing decline in demographics for this age group, which is predicted to continue through into 2020-21, is causing unprecedented levels of competition and disturbance to the market. The last four years have seen significant incursion into the College's recruitment area by two Sixth Form Colleges to the west and east of Selby. Both of these establishments have been providing heavily subsidised contract buses running through and out of Selby and the surrounding area.

As more of the College funding moves to payments in arrears, the monthly guaranteed cash flow from the 16-19 classroom students is essential. The lagged approach to funding, whilst stabilising during the demographic downturn, will present financial pressures as the College seeks to grow, with the requirement to carry any investment and growth for up to 18 months prior to the lagged funding catching up.

These risks are mitigated in a number of ways:

- Targeted marketing and branding around Sixth Form messages
- Increasing the range of marketing avenues –social media, bus and radio
- Increased focus on schools liaison and student recruitment
- Relaunch of the Horizon programme
- Ongoing investment in Construction and Engineering linked to LEP growth plans
- Ongoing curriculum reviews for a competitive edge.

REPORT OF THE GOVERNING BODY (CONTINUED)

Principal risks and uncertainties (continued)

2. Government and Contracted Funding

The College also has considerable reliance on continued government funding through the Further and Higher Education sector funding bodies and with per capita funding static for 16-18 and 19+ learners, whilst pay and non-pay costs are rising and predicted to rise more rapidly in the future, there is acute pressure where there is little more efficiency savings to be found after this prolonged period.

The changes to Apprenticeship funding and the introduction of the levy has caused a number of alterations and challenges for the College, especially with cash flow and the very significant changes to starts within 19+ work. The majority of the College's Apprenticeship work is with small and micro businesses, and this does not appear to have impacted upon 16-18 year old starts, with the 20% off line release being fairly straight forward to manage. However, the 20% off line release has had a major impact on work with companies who have 19+ workers in certain sectors.

The College has pro-actively sought to increase and develop its Higher Education offer in order to provide high quality Higher Education to young people and adults who might not otherwise participate. This aspect of delivery has now become essential to the College's future with it being one of the few areas that can be both grown and also where per capita income can be increased to keep pace with costs and quality. HE income now accounts for over 10% of the College income.

These risks are mitigated in a number of ways:

- By ensuring the College is rigorous in delivering high quality education and training
- Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding
- Targeting growth in apprenticeships, HE and higher apprenticeships
- The College is working with its three neighbouring LEs and local and regional industry and organisations, and is developing its reputation specifically to meet employer and community needs
- Funding is derived through a number of direct and indirect contractual arrangements
- The formation of Selby Educational Trust which provided Academy sponsorship opportunities within Selby District as a result of government policy for schools; this presents opportunities for the provision of central services funded through top-slicing funding provided at actual cost.

3. Maintain adequate funding of pension liabilities

The financial statements report the share of the pension scheme deficit on the College's balance sheet in line with the requirements of FRS 102.

The risk is mitigated by an agreed deficit recovery plan with the North Yorkshire Local Government Pension Scheme. The latest triennial scheme valuation undertaken did not require any further lump sum repayments of the deficit.

4. Failure to maintain the financial viability of the College

The College had the objective of a 'good' financial health assessment. Applying the ESFA methodology to the financial position of the College resulted in the rating of 'requires improvement' for 2018-19 which is primarily a result of its low Earnings Before Interest Tax and Depreciation (EBITDA) position driven by the higher operational cost basis within the year.

The College has secured an outstanding health status for 2019-20, however, the position is not considered sustainable for a further financial year due to savings made during 2019/20, which will materialise as costs in 2020/21 to continue investment in learners and remote ways of delivering the curriculum. The College is continuing to take steps to reduce its operational costs and develop income streams growth including through HE course delivery.

- Tracking variable income and reacting to shortfalls
- Regular in year budget monitoring
- Robust financial controls
- Exploring ongoing procurement efficiencies
- Contingencies – continued savings, asset sales 2020/21
- Budget building, challenge and validation processes.

REPORT OF THE GOVERNING BODY (CONTINUED)

Stakeholder relationships

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

- Students;
- Staff;
- Education Skills Funding Agency;
- Bank;
- Office for Students;
- FE Commissioner;
- Local employers and regional employers (with specific links);
- Local Authorities;
- Government Departments, LEPs;
- The local community;
- Other FE institutions;
- Schools;
- Partner organisations;
- Trade unions;
- Professional bodies.

The College recognises the importance of these relationships and engages in regular communication with them through the College website and through meetings.

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.

Relevant union officials

Numbers of employees who were relevant union officials during the relevant period	FTE employee number
1	1

There was one relevant union official during the period, however there was no requirement for the official to be engaged in facility time or paid trade union activities.

Percentage of pay bill spent on facility time

Percentage of time	Number of employees
0%	1
1-50%	
51-99%	
100%	

Percentage of pay bill spent on facility time

Total cost of facility time	0
Total pay bill	£6,708k
Percentage of total bill spent on facility time	% 0

Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time	0
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REPORT OF THE GOVERNING BODY (CONTINUED)

Equality

The College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, gender, sexual orientation, disability, religion or belief and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry. This policy is resourced, implemented and monitored on a planned basis. The College's Equality and Diversity Policy is published on the College's Intranet site.

The College publishes an Annual Equality Report and Equality Objectives to ensure compliance with all relevant equality legislation including the Equality Act 2010.

The College considers all employment applications from disabled persons, bearing in mind the aptitudes of the individuals concerned, and guarantees an interview to any disabled applicant who meets the essential criteria for the post. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion which, as far as possible, provide identical opportunities to those of non-disabled employees.

The corporate induction encompasses Equality and Diversity training and refresher training is carried out on an ongoing basis.

Disability statement

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

- a) The College is fully accessible.
- b) The College employs specialised staff, who provide information, advice and arranges support where necessary for students with disabilities.
- c) There is a list of specialist equipment, such as radio aids, which the College can make available to use by students and a range of assistive technology is available in the skills department.
- d) The Admissions & Enrolment Policy for all students is described in the College charter. Appeals against a decision not to offer a place are dealt with under the College's Complaints Procedure.
- e) The College has made a significant investment in the appointment of specialist lecturers to support students with learning difficulties and/or disabilities. There are a number of student support assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.

British Values and Prevent Duty

The College adheres to the Prevent Duty Guidance which came into force in September 2015 and makes reference to FE/HE requirements, including British Values.

We will strive to eradicate the myths and assumptions that can lead to some people becoming alienated and disempowered, especially where the narrow approaches people may experience elsewhere may make it harder for them to challenge or question radical and extremist influences.

Going concern

Selby College has a current confirmed financial health status of "requires improvement" by the Education and Skills Funding Agency for the financial year ended 31 July 2020. Current results have improved our actual financial health score to "outstanding". In the ESFA July 2020 financial plan, the financial health status of "good" is predicted for both year ended 31 July 2021 and 31 July 2022, generating a small operating surplus in each year. The financial health is expected to revert to good for the financial year ended 2021, as it is not considered the current "outstanding" health score to be sustainable.

A monthly rolling cash flow forecast for a 24 month period is updated each month covering the period up to 31 July 2022 with sensitivity analysis performed to assess short term cash demands with adequate cash reserves available. An overdraft facility is planned for the next financial year to cover in-month short term working capital requirements from 1st March 2021 to 30th April 2021.

This will be secured by financial management actions including alignment of operational costs to income generation. The 2020/21 budget has been prepared with the utilisation of external Curriculum planning consultancy and has been subject to challenge and stringent validation processes, including assessments for sensitivity analysis.

REPORT OF THE GOVERNING BODY (CONTINUED)

Going concern (continued)

The main assumptions used by the College in the financial plan relate to:

- Student numbers;
- Levy funded apprentices; and
- Staff costs.

Borrowings as a percentage of income are low and well below the Funding Agency recommended levels. The ratio is represented by 12.28% in 2019/20, the College therefore has flexibility in its management of financial resources and the ability to maintain viability.

The proportion of staff costs as a percentage of income 65.90% for 2019/20 since the College operates similarly to a 6th Form College, with the necessity for a broad curriculum range of provision to meet local needs. As part of the financial strategy actions are being undertaken to decrease this %.

COVID-19:

Going concern is be a key consideration at this time due to the strains Covid-19. Selby College reacted promptly and effectively in introducing control measures put in place including an immediate budget reforecast of revenue balances, revised cash flow forecasts and review of government support funding available to facilitate a robust financial position and continued deliverable operations.

Support was applied for through the Supplier Provider Relief for apprenticeships and we received £40k of funding from the ESFA. We also submitted successful Furlough claims for the period of April to July securing HMRC funding of £33k.

A key element of our financial strategy for financial year end 2020, was to sell the 5 investment properties in order to pay some of our loan borrowings and increase our cash position to ensure funds for future investment in the College to support attracting learners to our College and securing our future financial viability. The Covid-19 pandemic delayed this process, with one sale completed during the year ended July 2020 and two further sales completing shortly after the financial year end.

The college also took advantage of the VAT deferment of the April VAT return, to make cash savings.

The steps outlined supports the governor's opinion that the college continues to operate as a going concern.

Selby College has a financial surplus and also considerably increased cash balances, due to strategies employed in budget reforecasting, expenditure savings made and increasing cash. The well managed outcome has ensured that no bank covenants have been breached and it has not been necessary to obtain a bank waiver letter.

The College Cash days in hand are sound at an average 60 to 33 days at year end compared to the National FEC Median of an average between 60 to 45 days to year ended 2020. Cash Management is robust with regular review and planning of investment deposits and potential returns. The College has a detailed monthly cash flow forecast which is used to monitor headroom and make decisions on whether or not the College is going to place funds on deposit. This allows appropriate monitoring of cash in the future to ensure adequate headroom is maintained. No investment deposits were made during the financial year ended 2020. The cash flow is reviewed and updated on a monthly basis to ensure that there continues to be adequate cash in the bank.

The College has growth plans mainly in the areas of Higher Education and Apprenticeships to maintain and secure its long term financial viability through diversification and growth. Higher Education enrolments are ahead of the income budget for financial year ended 2021, Apprenticeship growth may be stalled by the impacts of the Covid-19 pandemic, however the College has secured ESFA Supplier Provider Relief to assist in mitigating this risk.

After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future to at least 31 July 2022. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Selby College
FINANCIAL STATEMENTS
For the year ended 31 July 2020

REPORT OF THE GOVERNING BODY (CONTINUED)

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 membership of the Corporation on 15th December 2020 and signed on its behalf by:

Mr. R. Stiff

(Chair)



STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

The following statement is provided to enable readers of the annual report and financial statements of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2019 to 31 July 2020 and up to the date of approval of the annual report and financial statements.

The Corporation 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.

The Corporation endeavours to conduct its business:

- in accordance with the seven principles identified on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- in full accordance with the guidance to colleges from the Association of Colleges in the Code of Good Governance for English Colleges published in May 2019 ("the Code").

The Corporation is committed to exhibiting best practice in all aspects of corporate governance and in the opinion of the Corporation, the College has complied with all provisions of the Code throughout the year ended 31 July 2020. The Corporation recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of the Code of Good Governance for English Colleges originally issued by the Association of Colleges in March 2015, which it formally adopted initially on 14th July 2015.

This opinion is based on an external review of compliance with the Code by the Internal Auditors reported to the board on 20th October 2020. The objective of this audit was to evaluate the College's governance processes, with consideration of the good practice principles outlined in the Association of Colleges 'Code of Good Governance for English Colleges' (May 2019) and Department for Education's 'Further Education Corporations and Sixth-Form College Corporations Governance Guide' (February 2019) guidance, and test the compliance against the agreed governance arrangements and requirements at Corporation Board and Sub-Committee level. Substantial Assurance was confirmed by the Internal Auditors to the Audit Committee on 28th September 2020.

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 purposes 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.

Selby College
FINANCIAL STATEMENTS
For the year ended 31 July 2020

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTINUED)

The Corporation

Members who served on the Corporation during the year and up to the date of signature of this report are listed in the table below:

Name	Date of appointment/ re-appointment	Term of office ends	Date of resignation	Status of appointment	Committees served	Corporation Meeting Attendance (%)	Corporation Meeting Attendance (number)
Alan Brown	Jul 2019	July 2020	-	Staff	Curriculum & Quality	87.5%	7 of 8
Tom Gordon	Oct 2019	July 2023	-	Independent	Finance	50%	4 out of 8
David Harbourne	Jul 2019	July 2023	-	Independent	Audit Curriculum & Quality (c)	100%	8 of 8
Margaret Hicks- Clarke	Aug 2016	Jul 2020	-	Independent	Audit; Curriculum & Quality; Remuneration	100%	8 of 8
David Kellett	Jul 2018	Jul 2022	-	Independent	Audit (c)	100%	8 of 8
Joe Leigh	Oct 2019	Jul 2023	-	Independent	Finance (c)	100%	8 of 8
Cllr Cliff Lunn	Aug 2017	Jul 2021	July 2020	Independent	Finance	100%	8 of 8
Gordon McAlpine	Feb 2017	Jul 2020	-	Independent	Audit; Curriculum & Quality;	100%	8 of 8
Will Matthews	Oct 2019	July 2020	-	Student	Curriculum and Quality (invited)	87.5%	7 of 8
Liz Philip	Oct 2018	Jul 2020	-	Independent	Finance Search	87.5%	7 of 8
Phil Sayles	Sept 2018	-	-	Ex-Officio	Search; Finance	100%	8 of 8
Jess Smith	Oct 2019	July 2020	July 2020	Student	-	75%	6 of 8
Richard Stiff,	Oct 2017	Jul 2021	-	Independent	Finance ; Remuneration;	100%	8 of 8
Janet Waggott	Oct 2017	Jul 2021	-	Independent	- Remuneration	100%	8 of 8
Julie Watson	Jul 2019	Jul 2023	-	Independent	- Curriculum and Quality, Search (Chair)	87.5%	7 of 8
Vernon Wells	Jul 2019	Jul 2023	January 2020	Independent	Search; Finance	0%	0 of 2

(c) = committee chair

Selby College
FINANCIAL STATEMENTS
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STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTINUED)

The Corporation (continued)

Members who served on Selby College Corporation Committees during the period 1 August 2019 to 31 July 2020:

Audit

Name	Status of appointment	Committee Attendance (%)	Committee Attendance (number)
David Harbourne	Independent	75%	3 of 4
Margaret Hicks-Clarke	Independent	100%	4 of 4
David Kellett (Chair)	Independent	100%	4 of 4
Gordon McAlpine	Independent	100%	4 of 4

Curriculum and Quality

Name	Status of appointment	Committee Attendance (%)	Committee Attendance (number)
Alan Brown	Staff	100%	4 of 4
David Harbourne (Chair)	Independent	100%	4 of 4
Margaret Hicks-Clarke	Independent	100%	4 of 4
Gordon McAlpine	Independent	100%	4 of 4
Julie Watson	Independent	75%	3 of 4
Will Matthews (invited and will join when vacancy arises)	Student	67%	2 of 3

Finance

Name	Status of appointment	Committee Attendance (%)	Committee Attendance (number)
Joe Leigh (Chair)	Independent	100%	4 of 4
Cllr Cliff Lunn	Independent	100%	4 of 4
Liz Phillip	Independent	75%	3 of 4
Phil Sayles	Ex-Officio	100%	4 of 4
Richard Stiff	Independent	100%	4 of 4

Selby College
FINANCIAL STATEMENTS
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STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTINUED)

The Corporation (continued)

Remuneration

Name	Status of appointment	Committee Attendance (%)	Committee Attendance (number)
Margaret Hicks-Clarke (Chair)	Independent	100%	1 of 1
Gordon McAlpine	Independent	100%	1 of 1
Richard Stiff	Independent	100%	1 of 1
Janet Waggott	Independent	100%	1 of 1

Search

Name	Status of appointment	Committee Attendance (%)	Committee Attendance (number)
Liz Phillip	Independent	100%	4 of 4
Phil Sayles	Ex-Officio	75%	3 of 4
Richard Stiff	Independent	100%	4 of 4
Julie Watson (Chair)	Independent	100%	3 of 3
Vernon Wells	Independent	100%	1 of 1

* Attended 2/2 possible meetings prior to resignation

** Resigned at last meeting (25.6.19)

COVID-19:

As a result of Covid 19, meetings have been held virtually. The Corporation Board revised the schedule of meetings to enable the Board to meet on a more frequent monthly basis.

The Standing Orders and Articles were also revised in March 2020 to allow additional provisions for teleconferencing and to enable a potential Chair's Action to be communicated by electronic means.

Members received regular weekly bulletins and Covid Risk Assessments in addition to the regular schedules reports.

Mr. R. Stiff

(Chair)



Date

15/12/2020

Selby College
FINANCIAL STATEMENTS
For the year ended 31 July 2020

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTINUED)

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

The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety and environmental issues. The Corporation meets as a minimum on a termly basis and the Director of Finance has been invited to each meeting to present a financial report.

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 are audit, curriculum & quality, finance, remuneration and search.

Full minutes of all Corporation and Committee meetings except those deemed to be confidential by the corporation are available on the College's website at www.selby.ac.uk, or from the Director of Governance at the College's registered address:

Selby College
Abbot's Road
Selby
North Yorkshire
YO8 8AT

The Director of Governance maintains a register of financial and personal interests of the governors. The register is available for inspection at the above address.

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

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

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

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

Appointments to the Corporation

Any new appointments to the Corporation are a matter for consideration by the Corporation as a whole. The Corporation has a Search Committee comprising of the Chair of Corporation, the Accounting Officer and two members of the Corporation and is responsible for the selection and recommendation of any new member for appointment (apart from staff and student members) for the Corporation's consideration. The Corporation is responsible for ensuring members receive appropriate training as required.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTINUED)

Appointments to the Corporation (continued)

Members of the Corporation are appointed for a term of office not exceeding four years. Any applications for re-appointment are always carefully considered on merit, taking account of the relevant skills and experience of the individual, any gaps within the Corporation's skills base and the potential for continuing to enhance operations of the Corporation.

This year recruitment was a priority for the Board and the Search Committee met on 4 occasions, supported by a task group.

The Director of Governance maintains a Register of the Financial and Personal Interests of all governors and key college budget holders. The register is available at the address below.

Selby College
Abbot's Road
Selby
North Yorkshire
YO8 8AT

The Corporation is extremely effective and benefits from strong membership, which includes a broad range of skills and experience in education, public services and business. Board representation is evident on many cross college committees and governors are actively involved in college life and participate in many cross college events/activities.

In line with the recommendation in the AoC's Code of Good Governance, the Board agreed to amend the Standing Orders to introduce a maximum of term of office to be two terms with an extension of an additional year in exceptional circumstances.

The composition of the Board was also altered to

- to 1 Principal (Ex-Officio),
- 2 Student Members,
- 2 Staff Members and
- 12 Independent Members.

Corporation Performance

Robust governance provides clear strategic direction, promoting high standards whilst challenging and focussing upon performance and continual improvement, ensuring very effective response to a wide range of challenges and access to opportunities.

Within the Corporation's annual business schedule are detailed reports/data dashboards with key targets which enable successful scrutiny, monitoring, challenge and support to college management.

The Corporation meets termly as a minimum. In 2019-2020 the Corporation met 8 times, were quorate and achieved 90% attendance. In addition, 2 Saturday development events were held.

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 are Audit, Curriculum and Quality, Finance, Remuneration and Search. Overall attendance at committee meetings in 2019-2020 was 95%.

Self-Assessment

An annual cycle of Self-Assessment is undertaken by the Corporation to assess its own performance against pre-agreed Key Performance Indicators and Targets which include:

- Educational Character
- Oversight of College Activities
- Quality Strategy
- Effective and Efficient use of Resources, Solvency of College and Safeguarding Assets
- Approving Annual Estimates of Income and Expenditure
- Appointment, Grading, Suspension Dismissal and Determination of Pay, Conditions of Service of Holders of Senior Posts and the Director of Governance
- Review of Standing Orders; Code of Conduct; Attendance; Quoracy of meetings; Clerkship Timeframes
- Completion of Register of interests

Selby College
FINANCIAL STATEMENTS
For the year ended 31 July 2020

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTINUED)

Corporation Performance (continued)

All KPI targets during 2019-2020 were successfully achieved.

Evaluation Questionnaires

All governors are required to participate in a process of which align to the Instruments and Articles, the Corporation's Code of Conduct and the AoC Code of Governance for English Colleges covering key responsibilities of the Corporation.

One to one meetings are held between the Chair and members of the Corporation and an annual 360° review of the Chair is undertaken. Each Committee reviews its effectiveness which is then reported to the Board. The outcomes of the questionnaires and meetings indicate corporation and individual performance levels and inform quality improvement plans along with the identification of training needs to enhance members to fulfil their roles successfully. The Board have identified they wish to further develop their processes which is an item for the next Corporation Development event.

Annual Committee Self-Assessments

Annual Committee Self-Assessments are undertaken with outcomes feeding into the annual review of Committee Remits, which are then recommended to the Corporation for approval for the coming year.

Outcomes from all assessments/evaluations of the Corporation during 2019-2020 indicated an overall rating of Good.

Audit Committee

The Audit Committee comprises five members of the Corporation (excluding the Chair, Accounting Officer and any staff members). The committee operates in accordance with written terms of reference approved by the Corporation. Its purpose is to advise the Corporation on the adequacy and effectiveness of the College's systems of internal control and its arrangements for risk management, control and governance processes.

The Audit Committee met on a termly basis during 2019-2020 and 93% attendance was achieved. All meetings were quorate. The Audit Committee provides a forum for reporting by the College's internal auditors and financial statements auditors who have access to the Committee for independent discussion as required, without the presence of College management. The Audit Committee also receives and considers reports from the FE funding body, as they affect the College's business.

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 and report their findings to the Audit Committee and management.

Management is responsible for the implementation of agreed 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 auditors and financial statements auditors and also on regularity reporting accountants and their remuneration, for both audit and non-audit work in addition to reporting annually to the Corporation.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTINUED)

Finance Committee

The Finance Committee comprises six members. The Chair of Corporation and the Accounting Officer are members. The committee operates in accordance with written terms of reference approved by the Corporation. Its purpose is to consider any matters relating to finance and assets/liabilities, including making recommendations to the Corporation on the annual estimates of income and expenditure; capital expenditure requirements including loans; the financial implications of major building projects, major repairs and renewal projects, acquisitions and disposals of land and buildings; major variances of income and expenditure, cash flow and financial forecasts.

The Finance Committee meets as a minimum 3 times a year. All the meetings were quorate during 2019-2020 with 94% attendance at committee meetings. The Finance Committee review the audited annual accounts and recommend these for approval to the Corporation and also monitor and advise the Corporation on the solvency of the College.

Remuneration Committee

The College's Remuneration Committee comprises four members of the Corporation. One committee meeting was held during the year achieving 100% attendance and hence quorate. The committee's responsibilities are to make recommendations to the Corporation on the remuneration and benefits of the Accounting Officer, other senior post-holders and the Director of Governance and to provide the Corporation with a Remuneration Committee Annual Report.

The Corporation adopted the AoC Colleges Senior Staff Remuneration Code (December 2018) in January 2019 and the report re-confirms their written commitment to comply with the Code. The AoC developed the Code with the assistance of the Office for Students (OfS), with the aim of meeting the regulatory requirements of both ESFA and OfS and in line with the feedback from AoC Members and College Stakeholders.

It's aim is to have "fair and appropriate remuneration" through

- I. A fair, appropriate and justifiable level of remuneration
- II. Procedural fairness; and
- III. Transparency and accountability

It should therefore provide reassurance to our stakeholders

The Code states that a college 'must' publish a readily accessible annual statement, based on an annual report to its governing body, and specifies the minimum content to be included within the report as well as 'should' statements recommending best practice. The structure of the annual report follows the guidance provided by the AoC and the annual report is available on the College website.

Details of remuneration for the year ended 31 July 2020 are set out in note 7 to the financial statements.

Internal Control

Scope of responsibility

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

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

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTINUED)

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the College for the year ended 31 July 2020 and up to the date of approval of the annual report and financial statements.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed, together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2020 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 governing body
- regular reviews by the governing body of periodic and annual financial reports which indicate financial performance against forecasts
- setting targets to measure financial and other performance
- clearly defined capital investment control guidelines
- the adoption of formal project management disciplines, where appropriate

The College has an internal audit service, which operates in accordance with the requirements of the 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. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the audit committee. At minimum annually, the Head of Internal Audit (HIA) provides the governing body 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.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTINUED)

The risk and control framework (continued)

COVID-19:

A separate Covid Risk Register was developed (Covid 19) which was reviewed by the Audit Committee and the Board on a monthly basis.

Statement from the audit committee

The audit committee has advised the board of governors that the corporation has an effective framework for governance and risk management in place and this has been identified as an area of strength within the Governor's self assurance process. The audit committee believes the corporation has a range of effective internal controls in place.

A wider risk-based approach towards internal audit planning has been adopted. The annual Internal Audit plan is reviewed by the Audit Committee, SLT and key management personnel, prior to board agreement and has since been revised throughout the year to flexibly respond to the needs of the College and changing priorities.

When determining areas of focus each year a number of factors are considered including:

- prior coverage - including previous results and time since last review
- processes identified internally as requiring improvement
- areas that may present a higher level of risk to the College (such as areas with new staff leads or where there have been significant developments in systems, processes or requirements).
- recommendations from the Internal and External Auditors (for example inclusion of cyber security after a number of recent incidents within the sector)
- Compliance and funding requirements

Areas have then been considered and prioritised in order to identify areas where improvements can be made and to eliminate or minimise key risks. With a limited budget for Internal Audit services each year, it also ensures value from the service can be obtained.

The Committee have reviewed their approach this year and confirmed their intention for audits to inform and identify risks so that processes can be developed and assurance received through follow up audits.

The Committee have also held the College to account, holding additional risk based committee meetings during the year and requesting reports from the management team when particular risks were highlighted. The follow up audits and management responses to risks identified within an audit are reviewed with interest by the committee. Where progress was identified during lockdown to be slow, the Committee responded quickly – requiring a management report, an additional meeting and for the plan for 2021-2 to include a further split audit so the team can be held to account for the proposed improvements and required to provide this additional assurance in a timely and effective manner.

The Internal Audit Service is one tool within a variety of methods to review risk including:

- Receiving minutes and reports from the Risk Committee. The Audit Committee have been pleased to see the strong attendance at this meeting from SLT and key personnel. It reinforced the importance with which the college views its assurance processes.
- Reviewing the wider College Assurance Map. This is a detailed document that records risks, responsible owners and key achievements over time. It includes many of the risks that are not regularly reviewed by the Internal Auditors and is shared with Internal and External Auditors.

The specific areas of work undertaken by the audit committee in 2019/20 and up to the date of the approval of the financial statements include

- Approval of the Internal Audit Strategic and Annual Plan
- Assurance from audits in: Curriculum Planning, Work placements, apprenticeships, subcontracting, governance and follow up
- Internal Audit reports assuring the Committee on the college risk management control and governance processes. Governance is particularly strong securing Substantial assurance.
- Reports from the College Risk Management Group
- GDPR and Individual Learner Records reports
- Regular review of the College Assurance Map and Risk Registers

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTINUED)

Statement from the audit committee (continued)

- Reporting the Risk Register at audit and board meetings. During the pandemic, an additional Covid Register was created. As the College planned to return to site, a comprehensive review and combination of the documents was prioritised.
- Inviting the Internal and External Auditors to each meeting and inviting speakers to present reports

Review of Effectiveness

COVID-19:

All Internal audits have been completed on a virtual basis with the exception of the Health & Safety Audit, following advice from the Internal Auditors. This was delayed until the autumn so it could be held on site. This is planned for November 2020 and the findings of the report will be included in the plan for 2020-21.

From the other Internal Audits the results were:

Reports	Assurance level
Bursary Management	Reasonable
Governance	Substantial
Apprenticeships	Reasonable
Work Placements	Reasonable
Curriculum Planning Software	Good
Subcontracting	Reasonable
Follow up	Reasonable

These reports included 36 recommendations. The majority were low or medium risks, some are housekeeping and an encouraging number of the recommendations have already been implemented. College staff responded well to the recommendations and there are action plans in place to respond quickly to many of the recommendations made. There were 3 high, 17 medium and 16 low risks (new) identified over the course of the year.

Where there were high grade recommendations, additional internal monitoring processes have been put in place to action change quickly and are priority areas where Governors seek assurance. Management reports have been requested at the next Committee meeting.

Follow-Up of Previous Recommendations

Of the 29 recommendations raised through the Audit process last year, 14 were fully implemented, 10 are partly implemented and 5 are outstanding.

As a result, the Internal Auditors re-opened or revised 15 recommendations that were found to be outstanding or partially implemented during the testing stage. They predominantly all were linked to a delay in process change, which is now a focus in the plan for this year.

At the time the Annual Report was produced there were 49 other recommendations that either hadn't reached the original target implementation date or an extended target date was requested and these will be included within the next follow up audit.

Accounting Officer

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

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

Selby College
FINANCIAL STATEMENTS
For the year ended 31 July 2020

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTINUED)

Accounting Officer (continued)

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

The Accounting Officer and senior management team receive reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Principal and senior management team and the audit committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The audit committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the audit committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2020 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2020 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2020.

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

Approved by order of the members of the Corporation on 15th December 2020 and signed on its behalf by:

Mr. R. Stiff - Chairman 

Mr P Sayles – Accounting Officer 

Selby College
FINANCIAL STATEMENTS
For the year ended 31 July 2020

**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 Corporation'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 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 Corporation's grant funding agreements with contracts with the EFSA or any other public funder.

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

Mr. R. Stiff

Chairman



Dated

15/12/2020 2020

Mr P Sayles

Accounting Officer



Dated

15/12/2020 2020

Selby College
FINANCIAL STATEMENTS
For the year ended 31 July 2020

STATEMENT OF RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION

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

Within the terms and conditions of the Corporation's Conditions of Funding with the ESFA and any relevant funding bodies, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education FE HE SORP and with the College Accounts Direction 2019 to 2020 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 were followed, subject to any material departure disclosed and explained in the financial statements;
- assess whether the corporation is a going concern, noting the key supporting assumptions qualifications or mitigating actions as appropriate; and
- prepare financial statements on the going concern basis unless it is inappropriate to assume that the College will continue in operation.

The Corporation is also required to prepare a report to the Governing Body which describes what it is trying to do and how it is going about it, including the legal and administrative status of the Corporation.

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

The maintenance and integrity of the Corporation 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 and any other public funds are used only in accordance with ESFA'S grant funding agreements and contracts and any other conditions that may be prescribed from time to time by the ESFA or any other public funder. Members of the Corporation must ensure that there are appropriate financial and management controls in place sufficient to safeguard public and other funds and ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the Corporation's resources and expenditure, so that the benefits that should be derived from the application of public funds from ESFA and other public bodies are not put at risk.

Approved by order of the members of the Corporation on 15th December 2020 and signed on its behalf by:

Mr. R. Stiff

(Chair)



INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF SELBY COLLEGE

Opinion

We have audited the financial statements of Selby College (the 'College') and its subsidiary (the 'Group') for the year ended 31 July 2020 which comprise the consolidated and College statements of comprehensive income, the consolidated and College balance sheets, the consolidated and College statements of changes in reserves, the consolidated 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 Group's and of the College's affairs as at 31 July 2020 and of the Group's and the College's surplus of income over expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

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 group and 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 group's or 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.

Opinion on other matters prescribed by the Office for Students' Accounts Direction

In our opinion, in all material respects:

- funds from whatever source administered by the College for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the Office for Students, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and Department for Education have been applied in accordance with the relevant terms and conditions; and
- the requirements of the Office for Students' accounts direction for the relevant year's financial statements have been met.

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

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 2019 to 2020 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.

We have nothing to report in respect of the following matters where the Office for Students' accounts direction requires us to report to you if:

- the College's grant and fee income, as disclosed in the note to the accounts, has been materially misstated.
- The College's expenditure on access and participation activities for the financial year has been materially misstated.

Responsibilities of the Corporation of Selby College

As explained more fully in the Statement of the Corporation's Responsibilities set out on page 30, 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 Group's and 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 Group or 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 26 October 2020. 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
Rivermead House
7 Lewis Court
Grove Park
Leicester
LE19 1SD

Date 21/01/2021

Selby College
FINANCIAL STATEMENTS
For the year ended 31 July 2020

CONSOLIDATED AND COLLEGE STATEMENTS OF COMPREHENSIVE INCOME

		2020		2019	
	Notes	Group £'000	College £'000	Group £'000	College £'000
Income					
Funding body grants	3	8,471	8,471	7,953	7,953
Tuition fees and education contracts	4	1,411	1,411	1,908	1,908
Other income	5	497	493	666	666
Investment income	6	28	39	42	42
Total income		<u>10,407</u>	<u>10,414</u>	<u>10,569</u>	<u>10,569</u>
Expenditure					
Staff costs	7	6,880	6,899	7,005	7,014
Other operating expenses	8	2,188	2,176	2,817	2,809
Depreciation	11	1,021	1,021	1,060	1,060
Interest and other finance costs	9	79	79	64	64
Total expenditure		<u>10,168</u>	<u>10,175</u>	<u>10,946</u>	<u>10,947</u>
Surplus/(deficit) before other gains and losses		239	239	(377)	(378)
Fair value gains on investment properties		-	-	75	75
Profit on disposal of tangible fixed assets		5	5	84	84
Surplus/(deficit) before tax		244	244	(218)	(219)
Taxation	10	-	-	-	-
Surplus/(deficit) for the year		244	244	(218)	(219)
Re-measurement of net defined benefit pension liability	19	(2,883)	(2,883)	(928)	(928)
Other comprehensive income for the year		(2,883)	(2,883)	(928)	(928)
Total comprehensive income for the year		<u>(2,639)</u>	<u>(2,639)</u>	<u>(1,146)</u>	<u>(1,147)</u>
Total comprehensive income for the year attributable to the Corporation of the College		<u>(2,639)</u>	<u>(2,639)</u>	<u>(1,146)</u>	<u>(1,147)</u>

Selby College
FINANCIAL STATEMENTS
For the year ended 31 July 2020

CONSOLIDATED AND COLLEGE BALANCE SHEETS AS AT 31 JULY 2020

	Notes	Group 2020 £000	College 2020 £000	Group 2019 £000	College 2019 £000
Fixed assets					
Tangible fixed assets	11	31,142	31,142	32,251	32,251
Investments	12	-	-	-	-
		<u>31,142</u>	<u>31,142</u>	<u>32,251</u>	<u>32,251</u>
Current assets					
Stocks	13	45	45	48	48
Debtors	14	328	373	313	338
Cash at bank and in hand		<u>1,554</u>	<u>1,524</u>	<u>943</u>	<u>910</u>
		<u>1,927</u>	<u>1,942</u>	<u>1,304</u>	<u>1,296</u>
Current liabilities					
Creditors - amounts falling due within one year	15	<u>(1,937)</u>	<u>(1,953)</u>	<u>(2,195)</u>	<u>(2,188)</u>
Net current liabilities		<u>(10)</u>	<u>(11)</u>	<u>(891)</u>	<u>(892)</u>
Total assets less current liabilities		<u>31,132</u>	<u>31,131</u>	<u>31,360</u>	<u>31,359</u>
Creditors – amounts falling due after more than one year	16	<u>(21,425)</u>	<u>(21,425)</u>	<u>(22,234)</u>	<u>(22,234)</u>
Provisions for liabilities					
Defined benefit pension scheme	19	<u>(5,469)</u>	<u>(5,469)</u>	<u>(2,249)</u>	<u>(2,249)</u>
Total net assets		<u>4,238</u>	<u>4,237</u>	<u>6,877</u>	<u>6,876</u>
Unrestricted reserves					
Income and expenditure reserve		988	987	3,627	3,626
Revaluation reserve		<u>3,250</u>	<u>3,250</u>	<u>3,250</u>	<u>3,250</u>
Attributable to the College Corporation and total unrestricted reserves		<u>4,238</u>	<u>4,237</u>	<u>6,877</u>	<u>6,876</u>

The financial statements on pages 33 to 56 were approved and authorised for issue by the Corporation on 15th December 2020 and were signed on its behalf on that date by:

Mr. R. Stiff
Chairman



Mr P Sayles
Accounting Officer



Selby College
FINANCIAL STATEMENTS
For the year ended 31 July 2020

CONSOLIDATED AND COLLEGE STATEMENT OF CHANGES IN RESERVES

	Income and expenditure reserve	Revaluation reserve	Total
	£000	£000	£000
Group			
Balance at 1 August 2018	4,773	3,250	8,023
Deficit for the year	(218)	-	(218)
Other comprehensive income	(928)	-	(928)
Total comprehensive income for the year	<u>(1,146)</u>	<u>-</u>	<u>(1,146)</u>
Balance at 31 July 2019	<u>3,627</u>	<u>3,250</u>	<u>6,877</u>
Balance at 31 July 2019	3,627	3,250	6,877
Surplus for the year	244	-	244
Other comprehensive income	(2,883)	-	(2,883)
Total comprehensive income for the year	<u>(2,639)</u>	<u>-</u>	<u>(2,639)</u>
Balance at 31 July 2020	<u>988</u>	<u>3,250</u>	<u>4,238</u>
	Income and expenditure reserve	Revaluation reserve	Total
	£000	£000	£000
College			
Balance at 1 August 2018	4,773	3,250	8,023
Deficit for the year	(219)	-	(219)
Other comprehensive income	(928)	-	(928)
Total comprehensive income for the year	<u>(1,147)</u>	<u>-</u>	<u>(1,147)</u>
Balance at 31 July 2019	<u>3,626</u>	<u>3,250</u>	<u>6,876</u>
Surplus for the year	244	-	244
Other comprehensive income	(2,883)	-	(2,883)
Total comprehensive income for the year	<u>(2,639)</u>	<u>-</u>	<u>(2,639)</u>
Balance at 31 July 2020	<u>987</u>	<u>3,250</u>	<u>4,237</u>

Selby College
 FINANCIAL STATEMENTS
 For the year ended 31 July 2020

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2020 £000	2019 £000
Operating activities			
Cash from operations	18	911	118
Taxation paid		-	-
Net cash from operating activities		<u>911</u>	<u>118</u>
Investing activities			
Proceeds from sale of tangible fixed assets		222	184
Investment income		28	42
Purchase of tangible fixed assets		(117)	(88)
		<u>133</u>	<u>138</u>
Financing activities			
Interest paid		(33)	(39)
Repayment of borrowings		(400)	(180)
		<u>(433)</u>	<u>(219)</u>
Increase in cash and cash equivalents in the year		611	37
Cash and cash equivalents at beginning of the year		<u>943</u>	<u>906</u>
Cash and cash equivalents at end of the year		<u>1,554</u>	<u>943</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020

1 Accounting policies

Selby College is a corporation established under the Further and Higher Education Act 1992 as an English general college of further education. The address of the College's principal place of business is given on page 21. The nature of the College's operations are set out in the Report of the Governing Body.

The group consists of Selby College and its subsidiary company Supporting Futures Selby Ltd.

Basis of accounting

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education (the FE HE SORP), the College Accounts Direction for 2019 to 2020 and Regulatory Advice 9 Accounts Direction issued by the Office for Students and in accordance with Financial Reporting Standard 102 – "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102) under the historical cost convention modified to include the revaluation of freehold land. The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently applied to all the years presented, unless otherwise stated.

The consolidated financial statements are presented in sterling which is also the functional currency of the college.

Monetary amounts in these financial statements are rounded to the nearest whole £1,000, except where otherwise indicated.

Reduced disclosures

In accordance with the FE HE SORP, the College in its separate financial statements, which are presented alongside the consolidated financial statements, has taken advantage of the disclosure exemptions available to it in respect of presentation of a cash flow statement and financial instruments.

Basis of consolidation

The consolidated financial statements include the College and its subsidiary, Supporting Futures Selby Ltd. The results of any subsidiary acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra-Group sales and profits are eliminated fully on consolidation. All financial statements are made up to 31 July 2020.

In the prior year the results of the subsidiary are consolidated for the period from 3 April 2018 rather than 1 August 2018, as the results for the 16 months are not materially different to those for the year 31 July 2019.

Going concern

The activities of the College group, together with the factors likely to affect its future development and performance are set out in the Report of the Governing Body. The financial position of the College group, its cash flow, liquidity and borrowings are presented in the Financial Statements and accompanying Notes.

The latest two-year financial plan and cash flow projections prepared by the College group cover the period 2020-2022. These show that the College group expects to maintain a healthy financial and cash flow position over the period, with a financial health score of "good" for the period. A monthly rolling cash flow forecast for a 24 month period is updated each month covering the period up to 31 July 2022 with sensitivity analysis performed to assess short term cash demands.

Selby College
FINANCIAL STATEMENTS
For the year ended 31 July 2020

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020 (CONTINUED)

1 Accounting policies (continued)

Going concern (continued)

COVID-19:

Following lockdown in March 2020, the college responded rapidly to the financial threat of potential budgeted income losses. The forecast for the financial year ended 2020, was quickly re-assessed and updated for factors affected by the pandemic. Selby College successfully secured claims for both Funding Agency Apprenticeship Supplier Relief and the HMRC furlough scheme. The College has delivered a substantial surplus in year ended 2020, by exceeding required expenditure savings targets.

Selby College commenced the process of selling the investment properties following corporation agreement in December 2019 and one sale was secured and completed before the financial year end. This repaid a substantial balance of the newest variable rate borrowings. The College ended the financial year with significantly increased cash balances.

The operating surplus position achieved combined with the higher cash balances and repayment of bank loan debt, will support the College's secure future financial viability and contributes to our confidence in continuing to adopt the going concern basis.

Accordingly, the College group has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future to at least 31 July 2022, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

Recognition of income

Grants – government and non-government

Government revenue grants are accounted for under the accrual model and are recognised where a reliable estimate of the fair value of the asset received or receivable can be made on a systematic basis over the periods in which the related costs for which the grant compensates are recognised.

Funding body recurrent grants are measured in line with best estimates for the year of what is receivable and depend on the particular income stream involved. Any under achievement for the Adult Education Budget, outside of permitted tolerance levels, is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end.

16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments and is recognised when receivable.

The recurrent grant from Office for Students represents the funding allocations attributable to the current financial year and is recognised when received or receivable.

Grants from non-government sources, including grants relating to assets, are recognised in income when the College has met the performance-related conditions and the grant will be received. Income received in advance of performance related conditions being met is recognised as a liability.

Government capital grants for assets, other than land, are accounted for under the accrual model. The grant income received or receivable will be recognised over the expected useful life of the asset, with any amount of the asset-related grant that is deferred being recognised as deferred income. The deferred income is allocated between creditors due within one year and those due after more than one year.

Other income

Income from the supply of services is recognised at fair value of the consideration received or receivable and represents the value of services to the extent there is a right to consideration.

Income from tuition fees is recognised over the period for which it is received.

All income from short-term deposits is accrued in the period in which it is earned on a receivable basis.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020 (CONTINUED)

1 Accounting policies (continued)

Retirement benefits

Retirement benefits to employees of the College are principally provided by Teachers' Pensions Scheme (TPS) and the North Yorkshire Pension Fund (NYPF), which are multi-employer defined benefit plans.

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 the Government Actuary on the basis of valuations using a projected unit method. The TPS is a multi-employer scheme but sufficient information is not available to use defined benefit accounting and therefore it is accounted for as a defined contribution scheme, with the amount charge to the statement of comprehensive income is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

The NYPF is a funded scheme, and the assets of the scheme are held separately. Pension schemes are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. 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. The net interest cost on the net defined benefit liability is charged to comprehensive income and included within finance costs. Re-measurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in other comprehensive income.

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. The cost of any unused holiday entitlement the College expects to pay in future periods is recognised in the period the employees' services are rendered.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020 (CONTINUED)

1 Accounting policies (continued)

Tangible fixed assets

Tangible fixed assets are stated at cost or deemed cost less accumulated depreciation and accumulated impairment losses.

Land and buildings

Land and buildings are stated at cost or deemed cost at the date of transition to FRS 102 less accumulated depreciation and accumulated impairment losses.

Investment properties are initially measured at cost and subsequently measured at fair value whilst a reliable measure of fair value is available without undue cost or effort. Changes in fair value are recognised in profit or loss.

Equipment

Equipment costing less than £1,000 per individual item or set of items acquired together is recognised as expenditure in the period of acquisition. All other equipment is capitalised and recognised at cost less accumulated depreciation and accumulated impairment losses.

Depreciation and residual values

Freehold land is not depreciated as it is considered to have an infinite useful life. Depreciation on other assets is calculated, using the straight line basis, to write off the cost of each asset to its estimated residual value over its expected useful lives, as follows:

- Freehold buildings – 50 years
- Sports field improvements – between 10-20 years
- Office equipment – between 4-10 years
- Motor vehicles – between 4-7 years
- Furniture, fixtures and fittings – between 4-10 years
- Computer equipment - 5 years

Residual value is calculated on prices prevailing at the reporting date, after estimated costs of disposal, for the asset as if it were at the age and in the condition expected at the end of its useful life.

Subsequent costs, including replacement parts, are only capitalised when it is probable that such costs will generate future economic benefits. Any replaced parts are then derecognised. All other costs of repairs and maintenance are expenses as incurred.

Fixed asset investments

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses in the separate financial statements of the College.

Interests in subsidiaries and jointly controlled entities are assessed for impairment at each reporting date. Any impairment losses or reversals of impairment losses are recognised immediately in comprehensive income.

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).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020 (CONTINUED)

1 Accounting policies (continued)

Impairments of fixed assets

An assessment is made at each reporting date of whether there are indications that a fixed asset may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, an estimate is made of the recoverable amount of the asset.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use, are recognised as impairment losses. Impairment of revalued assets, are treated as a revaluation loss. All other impairment losses are recognised in comprehensive income.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in comprehensive income or, for revalued assets, as a revaluation gain. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.

Borrowing costs

Borrowing costs are recognised as expenditure in the period in which they are incurred. Borrowing costs which are directly attributable to the acquisition, construction or production of freehold buildings are added to the cost of those properties until such a time as those properties are ready for their intended use.

Leased assets

Operating leases

All leases are operating leases and annual rents are charged to comprehensive income on a straight line basis over the lease term.

Cash and cash equivalents

Cash includes cash in hand and deposits repayable on demand.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020 (CONTINUED)

1 Accounting policies (continued)

Financial Instruments (continued)

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.

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 by 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 exclusively to charitable purposes.

The College receives no similar exemption in respect of value added tax. For this reason the College is generally unable to recover input VAT it suffers on goods and services purchased. Capital costs and non-pay expenditure is therefore shown inclusive of VAT with any partial recovery netted off against these figures.

The College's subsidiary company is subject to corporation tax and VAT in the same way as any commercial organisation.

Agency arrangements

The College acts as an agent in distributing certain discretionary support funds from the funding body. Payments received from the 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 related to the transaction.

2 Critical accounting judgements and estimation uncertainty

Critical areas of judgement

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

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020 (CONTINUED)

2 Critical accounting judgements and estimation uncertainty (continued)

Critical accounting estimates and assumptions

- North Yorkshire Pension Fund

The present value of the North Yorkshire Pension Fund defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 20, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 has been used by the actuary in valuing the pensions liability at 31 July 2020. 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.

- Tangible fixed assets

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

- Impairment of fixed assets

The College considers whether tangible fixed assets are impaired. Where an indication of impairment is identified the estimation of the recoverable amount of the asset or the recoverable amount of the cash-generating unit is required. These will require an estimation of the future cash flow and selection of an appropriate discount rates in order to calculate the net present value of those cash flows.

- Investment properties

The College has used the valuation performed by its independent valuers as the fair value of its investment properties held at valuation.

3 Funding body grants

	2020		2019	
	Group £000	College £000	Group £000	College £000
Recurrent grants				
Education and Skills Funding Agency - adult	2,281	2,281	2,195	2,195
Education and Skills Funding Agency – 16 – 18	5,273	5,273	5,040	5,040
Office for Students	140	140	130	130
Specific grants				
Education and Skills Funding Agency – provider relief scheme	40	40	-	-
Teacher Pension Scheme contribution grant	199	199	-	-
Releases of government capital grants	538	538	588	588
Total	<u>8,471</u>	<u>8,471</u>	<u>7,953</u>	<u>7,953</u>

Under the provider relief scheme, the corporation received funding of £40k from the ESFA. This amount was fully spent in the year.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020 (CONTINUED)

4 Tuition fees and education contracts

	2020		2019	
	Group £000	College £000	Group £000	College £000
Tuition fees	1,254	1,254	1,588	1,588
Education contracts	157	157	320	320
Total	1,411	1,411	1,908	1,908

Details of grant and fee income

	Year ended 31 July 2020		Year ended 31 July 2019	
	Group £000	College £000	Group £000	College £000
Grant income from the Office for Students	140	140	130	130
Grant income from other bodies	8,331	8,331	7,823	7,823
Total grants	8,471	8,471	7,953	7,953
Fee income from non-qualifying courses (exclusive of VAT)	1,411	1,411	1,908	1,908
Total grant and fee income	9,882	9,882	9,861	9,861

5 Other income

	2020		2019	
	Group £000	College £000	Group £000	College £000
Catering operations	103	103	198	198
Other income generating activities	56	56	63	63
Non funding body government capital grant	80	80	78	78
Coronavirus Job Retention Scheme	37	33	-	-
Miscellaneous income	221	221	327	327
Total	497	493	666	666

The Corporation furloughed the Catering team, and some members of administrative and technician staff under the governments Coronavirus Job Retention Scheme. The funding received of £37k relates to staff costs which are included within the staff costs (note 7). The staff costs continued to be paid in full at 100%.

Miscellaneous income includes equipment gifted to the College with a fair value of £12k (2019: £23k). These assets have been included as equipment additions within tangible fixed assets (note 11).

6 Investment income

	2020		2019	
	Group £000	College £000	Group £000	College £000
Other interest receivable	3	4	3	3
Rental income	25	25	39	39
Gift aid distribution from subsidiary	-	10	-	-
Total	28	39	42	42

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020 (CONTINUED)

7 Staff costs and key management personnel remuneration

The average number of persons (including key management personnel) employed by the College during the year, disclosed on an average headcount basis, was:

	Group 2020 No.	College 2020 No.	Group 2019 No.	College 2019 No.
Teaching staff	89	89	100	100
Non-teaching staff	127	103	133	128
Total	216	192	233	228

Previously staff numbers have been disclosed as full time equivalents. In accordance with the Accounts Direction 2019 to 2020, staff numbers are disclosed on an average headcount basis. Comparatives have been restated to reflect this change. The numbers above include staff members employed through contracting out arrangements.

	Group 2020 £000	College 2020 £000	Group 2019 £000	College 2019 £000
Staff costs for the above persons:				
Wages and salaries	5,053	4,718	5,312	5,213
Social security costs	447	417	483	458
Other pension costs	1,208	1,158	1,016	1,011
Payroll sub-total	6,708	6,293	6,811	6,682
Contracted out staffing services	104	538	156	294
	6,812	6,831	6,967	6,976
Restructuring costs - Contractual	36	36	38	38
- Non contractual	32	32	-	-
Total staff costs	6,880	6,899	7,005	7,014

The staff restructuring costs were approved by the Corporation.

Included in the restructuring costs above, payments were made to one member of the senior management team. This included £13k statutory redundancy pay and a £10k settlement. These payments were approved by the Corporation.

Key management personnel – group and college

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the Senior Management Team which comprises the Principal, Deputy Principal, Director of Business Services, Director of Curriculum & Head of 6th Form, Director of Estates & Facilities, Director of Curriculum & Support, Director of Finance, Director of Marketing & Student Experience and HR Manager.

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

	2020 No.	2019 No.
The number of key management personnel including the Accounting Officer was:	7	9

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020 (CONTINUED)

7 Staff costs and key management personnel remuneration (continued)

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

	Key management Personnel	
	2020	2019
	No.	No.
£35,001 to £40,000 p.a.	-	1
£40,001 to £45,000 p.a.	1	-
£45,001 to £50,000 p.a.	2	3
£50,001 to £55,000 p.a.	2	2
£60,001 to £65,000 p.a.	-	1
£65,001 to £70,000 p.a.	1	1
£70,001 to £75,000 p.a.	1	1
≥ £90,000 p.a.	1	1
	<u>8</u>	<u>10*</u>

*Includes previous Accounting Officer (retired 3 September 2018).

Including part time workers grossed up to full time equivalent and staff on maternity, paternity or sickness leave at their usual rate of pay, 7 members of key management personnel were paid in the £35,001 to >£90,000 p.a. banding in 2020 (2019: 10 members of key personnel were paid in the £35,001 to >£90,000 p.a.)).

Key management personnel (including the Accounting Officer) total compensation is made up as follows:

	2020	2019
	£'000	£'000
Salaries	441	509
Benefits in kind	10	13
	<u>451</u>	<u>522</u>
Pension contributions	89	89
Total emoluments	<u>540</u>	<u>611</u>

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

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

	Current Accounting Officer	Former Accounting Officer
	2020	2019
	£'000	£'000
Salary	110	101
Benefits in kind	1	1
	<u>111</u>	<u>102</u>
Pension contributions	26	17
Total emoluments	<u>137</u>	<u>119</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020 (CONTINUED)

7 Staff costs and key management personnel remuneration (continued)

The Remuneration Committee's responsibilities are to make recommendations to the Corporation on the remuneration and benefits of the Accounting Officer, other senior post-holders and the Director of Governance and to provide the Corporation with a Remuneration Committee Annual Report, in accordance with the AoC Remuneration Code published December 2018 and adopted by the Corporation in January 2019.

The remuneration of the Accounting Officer, and Senior Postholders (the Deputy Principal and the Director of Governance) for 2019-20 were determined on 11th February 2020 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 year to 31 July 2020 was determined by reference to the AoC College Senior Post Holder Remuneration Code.

The Committee considered:

- The current package
- The proposed cost of living pay increases for other staff
- median college earnings
- the college approach to setting salaries
- benchmarking against salaries in the sector using the AoC Senior Pay Survey, and accounting for size and complexity of the College and its location
- The context of pay awards in the sector in the current climate
- The performance of the organisation and affordability

The recommendation was made to the Corporation Board that Senior Postholders receive a 1% pay increase backdated to the 1st January in line with other College Staff on 11th February 2020.

The annual remuneration report was presented to the Board on 28th April 2020. The report re-confirmed the Board's written commitment to comply with the Code.

It's aim to is have "fair and appropriate remuneration" through

- i) a fair, appropriate and justifiable level of remuneration;
- ii) procedural fairness; and
- iii) transparency and accountability.

It should therefore provide reassurance to our stakeholders.

The Code states that a college 'must' publish a readily accessible annual statement, based on an annual report to its governing body, and specifies the minimum content to be included within the report as well as 'should' statements recommending best practice. The structure of the Annual Board report follows the guidance provided by the AoC and is published on the College website.

The Board also took this opportunity to review the Remuneration policy and terms of reference of the Committee.

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020 (CONTINUED)

7 Staff costs and key management personnel remuneration (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.

	2020 No	2019 No
Basic salary as a multiple of median basic salary of staff	4.03	4.4
Total remuneration as a multiple of median total remuneration of staff	4.03	4.4

Governors' remuneration

The Accounting Officer 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 £Nil governors (2019 £256; 3 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

No governor has received any remuneration or waived payments from the College during the year (2019: None).

8 Other operating expenses

	2020		2019	
	Group £000	College £000	Group £000	College £000
Teaching costs	881	881	1,424	1,424
Non-lecturing costs	825	813	944	936
Premises costs	482	482	449	449
Total	2,188	2,176	2,817	2,809

	Group and College	
	2020 £000	2019 £000
Surplus/(deficit) before taxation is stated after charging/(crediting):		
Fair value gains on investment properties	-	(75)
Auditors remuneration:		
- financial statements audit: college and group	22	19
- audit of subsidiary	3	3
- internal audit	10	11
Other services provided by the financial statements auditor:		
- audit related assurance services - regularity	5	5
- other assurance services	-	2
Office for Students spend	30	-
Operating lease rentals	16	16

9 Interest and other finance costs – group and college

	2020 £000	2019 £000
Bank loans	33	39
Net interest on defined pension liability (note 20)	46	25
Total	79	64

Selby College
FINANCIAL STATEMENTS
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020 (CONTINUED)

10 **Taxation**

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

11 **Tangible fixed assets – Group and College**

	Freehold land and buildings £000	Investment properties £000	Equipment £000	Total £000
Cost or valuation				
At 1 August 2019	38,167	853	5,828	44,848
Additions	-	-	129	129
Disposals	-	(217)	(161)	(378)
At 31 July 2020	38,167	636	5,796	44,599
Depreciation				
At 1 August 2019	7,665	-	4,932	12,597
Charge for year	728	-	293	1,021
Eliminated in respect of disposals	-	-	(161)	(161)
At 31 July 2020	8,393	-	5,064	13,457
Carrying amount at 31 July 2020	29,774	636	732	31,142
Carrying amount at 31 July 2019	30,502	853	896	32,251

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

	£000
Cost	
Aggregate depreciation based on cost	Nil
Carrying amount based on cost	Nil

Freehold land and buildings include a total of £265,000 (2019: £265,000) interest capitalised included in cost.

Land and buildings includes land valued at £3,250,000 (2019: £3,250,000) on 1 August 2014 (the transition date to FRS102) that is not depreciated. This was included at deemed cost. This valuation was performed by Stephenson, an independent valuer, on a fair value basis.

Additions to tangible fixed assets include £12k (2019: £23k) of non-exchange transactions which are at fair value. The corresponding entry is credited to other income in the statement of comprehensive income.

Investment properties comprise houses that are rented out. The fair value of investment properties at 31 July 2020 has been arrived at on the basis of a valuation by an independent valuer on an open market value basis. One of the investment properties was sold during the financial year ended 2020.

12 **Fixed asset investment – College**

The College owns 100% of the issued ordinary £1 share capital of Supporting Futures Selby Limited, a company incorporated in England and Wales. The principal activity of the company is employment support services.

The College has a long term interest and shares control under a contractual arrangement with Yorkshire and Humber Institute of Technology Limited, a private company limited by guarantee incorporated in England and Wales on the 17 July 2019.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020 (CONTINUED)

13 Stock – group and college

	2020 £000	2019 £000
Consumables	45	48

14 Debtors

	2020		2019	
	Group £000	College £000	Group £000	College £000
Amounts falling due within one year:				
Trade debtors	7	7	35	35
Amounts owed by group undertakings	-	45	-	25
Other debtors	19	19	15	15
Prepayments and accrued income	142	142	92	92
Amounts owed by ESFA	160	160	171	171
Total	328	373	313	338

During the year, impairment losses of £2,000 (2019: £7,000) were recognised in respect of trade debtors which were not expected to be received.

15 Creditors: amounts falling due within one year

	2020		2019	
	Group £000	College £000	Group £000	College £000
Bank loans	184	184	182	182
Trade creditors	278	270	297	292
Amounts owed by group undertakings	-	58	-	-
Other creditors	169	142	176	173
Other taxation and social security	140	133	386	384
Accruals	468	468	414	417
Government capital grants	619	619	666	666
Government revenue grants	79	79	74	74
Total	1,937	1,953	2,195	2,188

16 Creditors: amounts falling due after more than one year

	2020		2019	
	Group £000	College £000	Group £000	College £000
Bank loans (note 17)	1,095	1,095	1,497	1,497
Government capital grants	20,330	20,330	20,737	20,737
Total	21,425	21,425	22,234	22,234

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020 (CONTINUED)

17 Bank loans

	2020		2019	
	Group £000	College £000	Group £000	College £000
Bank loans are repayable as follows:				
In one year or less	184	184	182	182
Between one and two years	187	187	184	184
Between two and five years	574	574	567	567
In five years or more	334	334	746	746
Total	1,279	1,279	1,679	1,679

The bank loan is secured by a fixed and floating charge over certain land and buildings of the College. It is subject to interest at variable rates of bank margin of 0.75% + bank base rate and is repayable by quarterly instalments falling due between 1 August 2015 and 31 December 2026. From 29 September 2016, £500,000 of the borrowings are on a fixed rate loan at the all-in rate of 2.43% until 31 December 2026. From 29 June 2017, a further £500,000 of the borrowings are on a fixed rate loan at the all-in rate of 2.115% until 31 December 2026.

New borrowings of £500,000 were entered into on 7 April 2017 which are subject to variable rates of bank margin of 1.95% and bank base rate and is a repayable by quarterly instalments falling between 7 April 2017 for 5 years, and up to 20 years. During the year £217,677 was repaid from the sale of one investment property.

Bank loans are secured by fixed charges against the land and buildings and investment properties of the College.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020 (CONTINUED)

18 (a) Notes to cash flow statement

	2020 £'000	2019 £'000
Surplus/(deficit) after tax for the year	244	(218)
Depreciation	1,021	1,060
Investment income	(28)	(42)
Interest payable	79	64
Profit on sale of fixed assets	(5)	(81)
Donated tangible fixed assets	(12)	(23)
Fair value gains on investment properties	-	(75)
Pensions cost less contributions payable	291	202
Operating cash flow before movements in working capital	1,590	887
Decrease in stocks	3	11
(Increase)/decrease in debtors	(15)	227
Decrease in creditors	(667)	(1,007)
Cash from operations	911	118

(b) Analysis of changes in net debt

	At 1 September 2019 £000	Cash flows £000	At 31 August 2020 £000
Cash	943	611	1,554
Loans falling due within one year	(182)	(2)	(184)
Loans falling due after more than one year	(1,497)	402	(1,095)
Net (debt)/funds	(736)	1,011	275

19 Retirement benefits

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 North Yorkshire Pension Fund (NYPF) for non-teaching staff, which is managed by North Yorkshire Council. Both are multi-employer defined-benefit plans. The subsidiary company Supporting Futures Selby Ltd's employees belong to a stakeholder pension scheme which is a defined contribution scheme.

Total pension cost for the year	2020 £'000	2019 £'000
Teachers' pension scheme: contributions paid	535	441
North Yorkshire Pension Fund		
Contributions paid	348	368
FRS 102 (28) charge	291	202
Charge to the Statement of Comprehensive Income	639	570
Defined contributions paid	34	5
Total Pension cost for year within staff costs	1,208	1,016

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 2019.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020 (CONTINUED)

19 Retirement benefits (continued)

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by 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.

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 contributions rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/2019). DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2020-21 academic year.

The pension costs paid to TPS in the year amounted to £535,000 (2019: £441,000).

The next valuation result is due to be implemented from 1 April 2023.

Local Government Pension Scheme

The NYPF is a funded defined-benefit plan, with the assets held in separate funds administered by North Yorkshire County Council. The total contributions made for the year ended 31 July 2020 were £457,000, of which employer's contributions totalled £348,000 and employees' contributions totalled £109,000.

A deficit funding payment has been made in 2019/20 of £20,336 representing 8 months of £30,500 payable. No deficit payment is required from 1st April 2020.

The agreed contribution rates for future years are 21.2% which increased from 18.5% in April 2020 for employers and range from 5.5% to 9.9% for employees, depending on salary.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020 (CONTINUED)

19 Retirement benefits (continued)

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2019 updated to 31 July 2020 by a qualified independent actuary.

	At 31 July 2020	At 31 July 2019
Rate of increase in salaries	2.2%*	2.2%**
Future pensions increases	2.3%	2.2%
Discount rate	1.4%	2.2%
Inflation assumption (CPI)	2.3%	2.2%
Commutation of pensions to lump sums	47%	50%

*2020 – Assumed increase at 1% for year one, and then at the rate of CPI assumption thereafter.

**2019 – Assumed increase at 1% for one year, 2% in year two and then at the rate of CPI assumption thereafter.

The average life expectancy for a pensioner retiring at 65 on the reporting date is:

	At 31 July 2020 Years	At 31 July 2019 Years
<i>Retiring today</i>		
Males	21.8	21.9
Females	23.9	25.1
<i>Retiring in 20 years</i>		
Males	23.5	23.6
Females	25.7	26.9

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

	Fair Value at 31 July 2020 £000	Fair Value at 31 July 2019 £000
Equity instruments	8,542	7,583
Government bonds	2,886	2,501
Property	952	1,022
Cash	519	589
Other	1,530	1,401
Total fair value of plan assets	14,429	13,096
Actual return on plan assets	1,232	808

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

	2020 £000	2019 £000
Fair value of plan assets	14,429	13,096
Present value of plan liabilities	19,898	15,345
Net pensions liability	5,469	2,249

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020 (CONTINUED)

19 Retirement benefits (continued)

	2020	2019
	£000	£000
Amounts recognised in the statement of comprehensive income in respect of the plan are as follows:		
Current service cost	(639)	(570)
Net interest on the net defined benefit pension liability	(46)	(25)
Total	(685)	(595)
Amount recognised in other comprehensive income:		
Re-measurement of net defined benefit pension liability	(2,883)	(928)
Total	(2,883)	(928)
	2020	2019
	£000	£000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	15,345	13,156
Current service cost	639	570
Interest cost	335	366
Contributions by scheme participants	109	139
Actuarial loss	3,826	1,395
Benefits paid	(356)	(281)
Defined benefit obligations at end of period	19,898	15,345
Changes in fair value of plan assets		
Fair value of plan assets at start of period	13,096	12,062
Interest income	289	341
Return on plan assets (excluding net interest on the defined benefit liability)	943	467
Employer contributions	348	368
Contributions by scheme participants	109	139
Benefits paid	(356)	(281)
Fair value of plan assets at end of period	14,429	13,096

Selby College
FINANCIAL STATEMENTS
For the year ended 31 July 2020

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020 (CONTINUED)

20 Amounts disbursed as agent learner support funds

	2020	2019
	£000	£000
Funding body grants – bursary support	142	127
Funding body grants – Vulnerable Student Group	13	20
Funding body grants – discretionary learner support	12	1
Funding body grants – free school meals	53	57
	<u>220</u>	<u>205</u>
Disbursed to students	190	245
Administration costs	10	10
	<u>20</u>	<u>(50)</u>

Funding body grants are available solely for students. In the majority of instances, the College only acts as a paying agent. In these circumstances, the grants and related disbursements are therefore excluded from the Statement of Comprehensive Income.

21 Capital commitments – Group and College

	2020	2019
	£000	£000
Commitments contracted for at 31 July	541	10
	<u>541</u>	<u>10</u>

22 Lease obligations – Group and College

The total future minimum lease payments under non-cancellable operating leases as follows:

	2020	2019
	£000	£000
Payments due		
Not later than one year	-	10
Total lease payments due	<u>-</u>	<u>10</u>

23 Access and participation expenditure – Group and College

	2020
	£000
Access investment	22
Financial support provided to students	2
Support for disabled students	1
Research and evaluation related to access and participation	1
	<u>26</u>

The College's access and participation plan is available on the College's website at www.selby.ac.uk.

24 Related party transactions

Key management compensation disclosure is given in Note 7.

Selby College is a member of the Selby Educational Trust, a company limited by guarantee.

During the year, recharges to Selby Educational Trust amounted to £20,000 (2019: £37,000). Amounts owed to the College at the year end amounted to £12,240 (2019: £14,000).

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

Conclusion

We have carried out an engagement, in accordance with the terms of our engagement letter dated 26 October 2020 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 Selby College during the period 1 August 2019 to 31 July 2020 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 2019 to 31 July 2020 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 2019 to 2020 (the "Code") 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 the Selby 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 Selby College for regularity

The Corporation of Selby 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 Selby 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 Code.

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 2019 to 31 July 2020 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.

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.

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON REGULARITY TO THE CORPORATION OF SELBY COLLEGE AND THE SECRETARY OF STATE FOR EDUCATION ACTING THROUGH THE EDUCATION AND SKILLS FUNDING AGENCY (CONTINUED)

Use of our report

This report is made solely to the Corporation of Selby 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 Selby 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 Selby 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 21/01/2021

