

**The Northern College for Residential Adult Education
Limited**

Financial statements

For the year ended 31 July 2007

Grant Thornton 

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COMPANIES HOUSE

Company no 1339524

Company information

Company registration number: 1339524

Charity registration number: 507245

Principal address and registered office: Wentworth Castle
Lowe Lane
Stamborough
BARNSLY
South Yorkshire
S75 3EF

Principal: Professor J A Jowitt to 31 August 2007
J Westerman from 1 September 2007

Company Secretary: Ms S Burke

Members:

Dr M Ball	Ms C Malcham
Prof R Billingsley	Ms K May
Mr M Bradley	Cllr J McKenna
Cllr L Burgess	Mr B Mottershaw
Ms P Farrell	Mr R Myers
Ms J Goodridge	Mr B Quick
Prof W Hampton	Ms H Rose
Mr B Harrison	Cllr R Russell
Ms P Johnson	Ms E Shields
Ms B Laird	Cllr A Sockett
Mr F Lord	Ms J Stubbs
Mr C Macdonald	Ms A Walker
Dr P Macredie	Cllr M Walton

Bankers: The Co-operative Bank
PO Box 250
SKELMERDALE
WN8 6W1

The Northern College for Residential Adult Education Limited
Financial statements for the year ended 31 July 2007

Company information

Solicitors:

Eversheds LLP
Cloth Hall Court
Infirmary Street
LEEDS
LS1 2JB

Internal auditors:

Bentley Jennison
Chartered Accountants
2 Wellington Place
LEEDS
LS1 4AP

Financial statements auditors:

Grant Thornton UK LLP
Registered Auditors
Chartered Accountants
2 Broadfield Court
SHEFFIELD
S8 0XF

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Report of the members of the Board of Governors

The College

The Northern College for Residential Adult Education was set up in 1978, by a consortium of local authorities and trade unions to provide long-term residential education for adults. It is one of six residential colleges in England, designed under section 28 of the Further and Higher Education Act 1992, as eligible to receive funding from the Learning and Skills Council (LSC). The College is an exempt charity for the purposes of the Charities Act 1993.

The Company

The Northern College Company previously comprised six full members, the local authorities of Barnsley, Doncaster, Rotherham, Sheffield and Leeds and the trade union UNISON. Bradford City Council and Kirklees MDC were associate members, while the City of Wakefield Metropolitan District Council also purchased educational programmes from the College. The Northern College Company operated under an exemption from the Local Government and Housing Act 1989 Directions under section 68(1). The exemption ceased on 31 March 2001. The College Company was reconstructed and from 1 April 2001 all members of the Board of Governors of the College constitute the Company.

Mission

The College's mission as approved by the Governing Body is:

To provide opportunities for the transformation of individuals and communities and promote social change through the provision of outstanding residential and community based learning.

Objectives

The Board of Governors have approved a set of strategic objectives for the period August 2005 to July 2008:

- To increase student numbers on an annual basis
- To continually improve the College fabric in terms of the learning environment, residential accommodation, disability access and social and recreational facilities
- To remain financially sound
- To be a recognised regional Centre of excellence in skills for life
- To retain and build on an acknowledged reputation for the quality of provision through increased widening participation, the maintenance of high levels of retention and achievement and continuing improvement of the learning experience for all students
- To continue with the development of a coherent framework of accredited and non-accredited provision at all levels and in all areas of provision
- To contribute to the national and local targets for the reduction of adults who have basic skills learning needs by increasing the number of learners on discrete skills courses and by the further integration of basic and key skills across the College curriculum with a particular emphasis on ICT provision
- To ensure, in conjunction with the Trustees and Barnsley MBC, that the Stunborough Park development reaches the objectives, as set, by 2007

Report of the members of the Board of Governors

Objectives (continued)

The College is on target for achieving these objectives

The College's specific objectives for 2006/07 and achievement of those objectives is addressed below

- The College achieved an estimated 286 FTE learner numbers against a target of 240 (see below)
- Improving disability access. Significant improvements to the college facilities have been made to comply with the Disability Discrimination Act. Lifts have been installed in three buildings on the campus
- The College has made a small operating surplus, £25,549, prior to pension adjustments, a deficit of £63,556, after pension adjustments. In 2005/06 the College was classified as financial health category C, it moved back into category B during 2006/07
- To increase the overall success rate. This was achieved. Overall success rate for 2006/07 was 92% (2006 91%) (Interim figures pending final moderation)
- To maintain high levels of retention and achievement. Student retention for 2006/07 was 97% (2006 96%) Achievement for 2006/07 was 95% (2006 95%)
- To increase the number of learners on skills for life provision. This was achieved. The number of learners in 2006/07 was 663 learners on 1,394 enrolments (2006 517 learners on 811 enrolments) 452 learners took National Tests in Adult Literacy and Numeracy (2006 277 learners)
- To continue the development of an integrated and coherent framework of accredited and non-accredited provision. Significant parts of the College's Foundation programme curriculum have moved into the NCCN progression qualifications framework

Transparency arrangements

The College conducts its business through a number of committees. Each committee has terms of reference which have been approved by the Governing Body. These committees are: The Board of Governors, Policy and Finance, Audit, Quality, Academic Board, Search and Remuneration. All committees meet termly with the exception of the Policy and Finance Committee which meets twice termly and the Remuneration and Search Committees which are convened as necessary. Full minutes of all meetings are available from the Clerk to the Governing Body at

Northern College for Residential Adult Education Limited
Wentworth Castle
Stainborough
Barnsley

The Clerk to the Governing Body maintains a register of financial and personal interest of the governors. The register is available for inspection at the above address.

Performance Indicators/Quality Assurance

The College continues to operate its Integrated Performance Review Framework to establish principles and procedures for quality assurance and quality improvement across all service areas of the College. College-wide performance indicators and targets are set, as well as those for each of the College's main functions or departmental teams. Progress reports and annual reports are considered by the Governing Body.

Report of the members of the Board of Governors

Student Numbers

The College is funded according to the level of activity that it generates each year. In 2006/07, the College achieved an estimated 286 FTE learners against a target of 240. This represents an increase of 19% over 2005/06.

The College achieved an estimated 6,326 student enrolments (2006: 6,393).

Student Achievements

Students achieved an estimated 95% of their qualification aims (2006: 95%).

Curriculum Developments

Methods of teaching and learning are under continuous review and development to ensure that the curriculum meets the needs of the local population.

- Increased emphasis on basic skills provision as part of the overall College programme
- The achievement of a Centre of Excellence in Community Regeneration
- The development of short course awards and pathways

Finances

The College generated an operating deficit for the year of £63,556, after pension adjustments, a surplus of £25,529 prior to pension adjustments (2006: deficit £202,110, after pension adjustments, deficit £249,110 prior to pension adjustments).

Staff and Student Involvement

The College considers good communication with its staff to be very important and to this end publishes a regular newsletter that is available to all staff. The College continues to encourage staff and student involvement through the membership of formal committees.

Taxation

The College was not liable for any corporation tax arising out of its activities during 2006/07.

Employment of Disabled Persons

The College considers all applications for employment from disabled persons, bearing in mind the aptitudes of the individuals concerned. Where an existing employee becomes disabled every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion, which are, as far as possible, identical to those for other employees.

Report of the members of the Board of Governors

Disability Statement

The College seeks to achieve the objectives set down in the Disability Discrimination Act 1995 as amended by the Special Education Needs and Disability Act 2001 and in particular makes the following commitments

- a The admissions policy for all students is described in the College Charter. Appeals against a decision not to offer a place are dealt with under the complaints policy
- b Each student is allocated a course tutor or personal tutor to assist in the assessment of the need for any appropriate support
- c The College has undertaken an accessibility audit and has begun a programme of work to ensure that where possible, given the physical constraints of the Grade 1 listed building, most of the facilities will allow access to people with a disability
- d There is specialist equipment such as CCIV readers, PC software, magnifying glasses, loop systems, audio books and portable electronic spelling checkers that are available for use by students
- e The College provides support services for students who have learning difficulties and/or disabilities such as note taking and signing facilities, appropriate learning materials, appropriate individual and workshop tuition and facilities for guide dogs
- f 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
- g Counselling and welfare services are described in the College Charter

Planned Maintenance Programme

The cost of the College's planned maintenance programme over a period of five years is estimated to be £900,000. The programme was developed following a survey of the College's estate that was carried out during 2002/03. The programme is reviewed each year.

The College plans to carry out some of the outstanding works over the next three years and has set aside funds for this purpose.

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.

Auditors

Grint Thornton UK LLP offer themselves for reappointment as auditors.

Financial risk

The College uses financial instruments, comprising cash and other liquid resources and various other items such as trade debtors and creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the College's operations. The main risk arising from the College financial instruments is liquidity risk. The Senior Management Team review and agree policies for managing this risk and this policy has remained unchanged from previous periods. The College seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Main sources of funding are achieved from the LSC by payments made through the Financial Memorandum agreement and from Ruskin by means of bursary payments.

Report of the members of the Board of Governors

Members of the Board of Governors

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

	Date of appointment	Term of office	Date of resignation	Status of appointment	Committees served
Cllr A Sockett	01 08 2007	3 years		Local Auth Rep	Policy & Finance
Cllr R Russell	01 08 2007	3 years	19 06 2007	Local Auth Rep	Policy & Finance
Cllr J McKenna	01 08 2006	3 years		Local Auth Rep	Policy & Finance
Cllr M Walton	01 08 2005	3 years		Local Auth Rep	Chair Policy & Finance, Search, Remunerations Sub Committee
Cllr L Burgess	01 08 2006	3 years	19 06 2007	Local Auth Rep	Policy & Finance
Dr M Ball	01 08 2007	3 years		Academic Adviser	Chair Board of Governors Quality, Policy & Finance, Search, Remunerations Sub-Committee
Mr T Bell	06 10 2006	3 years		Academic staff	Policy & Finance
Ms S Black	06 10 2006	1 year	31 07 2007	Student Rep	Quality Committee
Prof R Billingsley	16 09 2005	3 years		Academic Adviser	Policy & Finance Committee
Mr R Harrison	01 08 2007	3 years		Business Rep	Chair Audit
Mr F Lord	01 08 2005	3 years		Business Rep	Remunerations Sub-Committee
Mrs P Farrell	01 08 2005	3 years		Minority ethnic Rep	
Mr M Bradley	01 08 2007	3 years		Trades Union Rep	Policy & Finance
Ms K May	01 08 2005	3 years		Trades Union Rep	
Ms C Malcham	16 12 2005	3 years		Trades Union Rep	
Mr I Sargeson	06 10 2006	3 years		IUC Rep	
Ms J Stubbs	01 08 2005	3 years		Co-opted	Search
Prof W Hampton	01 08 2007	3 years		Co-opted	Quality
Ms H Rose	01 08 2006	3 years		Co-opted	Chair Remunerations Sub-Committee
Mr R Quick	16 12 2005	3 years		Co-opted	Policy & Finance Committee
Mrs B Laird	01 08 2005	3 years		Educational Inst Rep	Quality, Search
Mrs J Goodridge	01 08 2005	3 years		F /t res/admin staff rep	Quality Search

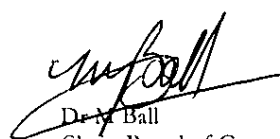
Report of the members of the Board of Governors

Members of the Board of Governors (continued)

	Date of appointment	Term of office	Date of resignation	Status of appointment	Committees served
Mr B Mottershaw	01 08 2007	3 years		NC Students' Assoc	Policy and Finance
Mr C Macdonald	01 08 2007	3 years		Academic Adviser	Quality
Ms A Walker	01 08 2007	3 years		WEA Rep	Remunerations Sub-Committee
Ms P Johnson	01 08 2006	3 years		UNISON	
Ms E Shields	19 09 2006	3 years	19 06 07	Business Rep	Audit
Dr P Macredie	19 09 2006	3 years		Business Rep	Search, Quality
Mr R Myers	19 09 2006	3 years		Voluntary Sector	Policy and Finance

At 31 July 2007 there were 26 members (2006 30)

ON BEHALF OF THE BOARD



Dr M Ball
Chair, Board of Governors
14 December 2007

Corporate governance statement incorporating the statement of internal control

The College is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the College has applied the principles set out in the revised Combined Code on Corporate Governance, which was issued by the London Stock Exchange in July 2003. Its purpose is to help the reader of the accounts to understand how the principles have been applied.

In the opinion of the governors, the College complies with all the provisions of the Combined Code in so far as they apply to the Further Education Sector, and it has complied throughout the year ended 31 July 2007.

The Corporation

The composition of the Board of Governors is set out on page 5 and 6. It is the Board of Governors' responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

The Board of Governors 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 Board of Governors meets each term.

The Board of Governors conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Board of Governors. These committees are: finance and general purposes, remuneration, search and audit.

All governors are able to obtain independent professional advice in furtherance of their duties at the College's expense and have access to the Clerk to the Corporation, who is responsible to the Board for ensuring compliance with all applicable procedures and regulations. The appointment, evaluation and removal of the Clerk are matters for the Board of Governors 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 Board of Governors has a strong and independent non-executive element and no individual or group dominates its decision-making process. The Board of Governors considers that each of its non-executive members is independent of management, and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

There is a clear division of responsibility in that the roles of the Chair of the Board of Governors and Principal of the College are separate.

Appointments to the Board of Governors

Any new appointments to the Board of Governors are a matter for consideration of the Board of Governors as a whole. The Board of Governors has a search committee comprising six members, which is responsible for the selection and nomination of any new member for the Board of Governors' consideration. The Board of Governors is responsible for ensuring that appropriate training is provided as required.

Members of the Board of Governors are appointed for a term of office not exceeding four years.

Remuneration Committee

Throughout the year ending 31 July 2007 the College's remuneration committee comprised six members. The committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Principal and other senior postholders.

Details of remuneration for the year ended 31 July 2007 are set out in notes 6 and 7 to the financial statements.

Corporate governance statement incorporating the statement of internal control

Audit Committee

The Audit Committee comprises two members of the Board of Governors (who exclude the Principal and Chair) and four other co-opted members. The Committee operates in accordance with written terms of reference approved by the Board of Governors. Its purpose is to advise the Board of Governors 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 meets on a termly basis and provides a forum for reporting by the College's internal and financial statement auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the LSC as they affect the College's business.

The College's internal auditors monitor the system of internal control, risk management controls and governance processes in accordance with an agreed plan of input and report their findings to management and the audit committee.

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

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

Internal Control

The Board of Governors 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 Board of Governors has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which she is personally responsible, in accordance with the responsibilities assigned to her in the Financial Memorandum between the College and the Learning and Skills Council (LSC). She is also responsible for reporting to the Board of Governors any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives, it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Northern College for the year ended 31 July 2007 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Board of Governors 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 Board of Governors 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 2007 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Board of Governors.

Corporate governance statement incorporating the statement of internal control

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 review 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 LSC's Interim 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 Board of Governors 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.

Review of effectiveness

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 and the LSC-appointed ILR auditors in their management letters and other reports

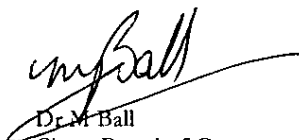
The Principal has been advised on the implications of the result of his or her review of the effectiveness of the system of internal control by the audit committee which oversees the work of the internal auditor, and a plan to address weaknesses and ensure continuous improvement of the system in place.

The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms which are embedded within the departments and reinforced by risk awareness training. The senior management team and the Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Board of Governors 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 July 2007 meeting, the Board of Governors carried out the annual assessment for the year ended 31 July 2007 by considering documentation from the senior management team and internal audit

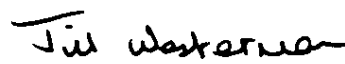
Corporate governance statement incorporating the statement of internal control

Going concern

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



Dr M Ball
Chair, Board of Governors
14 December 2007



J Westerman
Principal
14 December 2007

Statement of governing body's responsibilities

Members' responsibilities for the financial statements

The members of the Board of Governors are required to present audited financial statements for each financial year

Within the terms and conditions of the Financial Memorandum agreed between the Learning and Skills Council (the Council) and the Board of Governors of the College, the Board of Governors, through its Principal, is required to prepare financial statements for each financial year in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education Institutions 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 Board of Governors is required to

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare financial statements on the going concern basis unless it is inappropriate to assume that the College will continue in operation

The Board of Governors is also required to prepare a Members Report which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College

The Board of Governors is responsible for keeping proper accounting records, which disclose with reasonable accuracy, at any time, the financial position of the College and to enable it to ensure that the financial statements are prepared in accordance with the relevant legislation of incorporation and other relevant accounting standards. It is responsible for taking steps that are reasonably open to it to safeguard assets of the College and to prevent and detect fraud and other irregularities


In so far as the directors are aware

- there is no relevant audit information of which the college's auditors are unaware, and
- the Governors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

Members of the Board of Governors 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 Council are used only in accordance with the Financial Memorandum with the Council and any other conditions that the Council may from time to time prescribe. Members of the Board of Governors must ensure that there are appropriate financial and management controls in place to safeguard public and other funds and ensure they are used properly. In addition, members of the Board of Governors are responsible for securing economical, efficient and effective management of the College's resources and expenditure, so that the benefits that should be derived from the application of public funds by the Council are not put at risk.

The college has purchased third party indemnity insurance for the members of the board of governors during the year

Signed on behalf of the Board of Governors


Dr M Hall
Chair Board of Governors
14 December 2007

Report of the independent auditor to the members of The Northern College for Residential Adult Education Limited

We have audited the financial statements of The Northern College for Residential Adult Education Limited for the year ended 31 July 2007, which comprise the income and expenditure account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses and the related notes. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out therein.

This report is made solely to the Board of Governors, as a body, in accordance with statutory requirements. Our audit work has been undertaken so that we might state to the Board of Governors, as a body, those matters we are required to state to them in an auditors' 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 Board of Governors, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Board of Governors of The Northern College for Residential Adult Education Limited and Auditors

As described in the Statement of Responsibilities the College's Board of Governors is responsible for preparing the Members' Report and financial statements in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education 2003, applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education 2003. We also report to you whether, in our opinion, information given in the Members' Report is consistent with the financial statements. In addition we report to you if, in our opinion, the College has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the Members' Report and consider the implications for our report if we become aware of any apparent misstatement within it.

We read other information contained in the Members' report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies within the financial statements. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and the Audit Code of Practice issued by the Learning and Skills Council. An audit includes examination, on a test basis, of evidence relevant to amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the College's Corporation in the preparation of the financial statements, and of whether the accounting policies are appropriate to the College's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give us reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Report of the independent auditor to the members of The Northern College for Residential Adult Education Limited

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the College as at 31 July 2007 and of the College's deficit of income over expenditure for the year then ended,
- are properly prepared in accordance with the Statement of Recommended Practice - Accounting for Further and Higher Education 2003, and
- the information given in the Members Report is consistent with the financial statements

G Thornton UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS

SHEFFIELD
14 December 2007

Report of the independent auditor to the members of The Northern College for Residential Adult Education Limited

In accordance with the terms of our engagement letter dated 4 September 2006 and further to the requirements of the LSC, we have carried out a review to obtain assurance about whether, in all material respects, the expenditure disbursed and income received of The Northern College for Residential Adult Education Limited ('the College') during the year ended 31 July 2007 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them

This report is made solely to the members and the LSC. Our review work has been undertaken so that we might state to the members and the LSC those matters we are required to state to it 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 members and the LSC, for our review work, for this report, or for the opinion we have formed

Respective responsibilities of the members of The Northern College for Residential Adult Education Limited and the Auditors

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

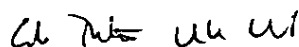
Our responsibilities for this review are established in the United Kingdom by our profession's ethical guidance and the audit guidance set out in the Audit Code of Practice and the Regularity Audit Framework 2004/05 issued by the LSC. We report to you whether, in our opinion, in all material respects, expenditure disbursed and income received during the year ended 31 July 2007 have been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them

Basis of opinion

We conducted our review in accordance with the Audit Code of Practice and the Regularity Audit Framework 2004/05 issued by the LSC. Our review includes examination, on a test basis, of evidence relevant to the regularity and propriety of the College's income and expenditure

Opinion

In all material respects the expenditure disbursed and income received during the year ended 31 July 2007 have been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them



GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS

SHEFFIELD
14 December 2007

Principal accounting policies

Basis of preparation

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

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP) Accounting for Further and Higher Education 2003 and in accordance with applicable Accounting Standards. They conform to guidance published by the Learning and Skills Council in the accounts direction handbook.

The financial statements have been prepared under the historical cost convention, modified by the revaluation of certain fixed assets.

Recognition of income

Income for tuition fees is recognised in the period which it is received and includes all fees chargeable to students or their sponsors.

Income from research grants, contracts and other services rendered is included to the extent of the completion of the contract or service concerned. This is generally equivalent to the sum of the relevant expenditure incurred during the year and any related contributions towards overhead costs. All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned.

Income from specific endowments and donations is included to the extent of the relevant expenditure incurred during the year, together with any related contributions towards overhead costs.

The recurrent grants from the LSC represent the funding allocations attributed to the current financial year and are credited direct to the income and expenditure account. Recurrent grants are recognised in line with planned activity. Any under-achievement against this planned activity is adjusted in the year and is reflected in the line of the recurrent grant recognised in the income and expenditure account.

Non-recurrent grants from the Funding Council, or other bodies, received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

Stocks

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

Maintenance of premises

The College has a five year rolling long-term maintenance plan, which forms the basis of the on-going maintenance of the estate. The cost of long-term and routine corrective maintenance is charged to the income and expenditure account in the period it is incurred.

Principal accounting policies

Pension schemes

Retirement benefits to employees of the College are provided by the Universities Superannuation Scheme and the South Yorkshire Pensions Authority (SYPA). These are defined benefit schemes which are externally funded and contracted out of the State Earnings Related Pension Scheme.

Contributions to the Universities Superannuation Scheme are charged to the income and expenditure account 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. Contributions to the scheme is determined by qualified actuaries on the basis of triennial valuations, using the projected unit method.

As stated in note 25, the USS is a multi employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the Scheme on a consistent and reasonable basis. The USS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

For SYPA the scheme assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the project unit method on the basis of quinquennial valuations, and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit, adjusted for deferred tax, is presented separately from other net assets on the balance sheet. A net surplus is recognised only to the extent that it is recoverable by the group.

The current service cost and costs from settlements and curtailments are charged against operating profit. Past service costs are spread over the period until the benefit increases vest. Interest on the scheme liabilities and the expected return on scheme assets are included in interest payable. Actuarial gains and losses are reported in the consolidated statement of total recognised gains and losses.

Tangible fixed assets

Freehold land and buildings

As no consideration was paid for the main property and because the College only has a right to retain the property whilst it continues to provide education, the governing body consider that it is not appropriate to recognise any value for the property and land surrounding it. Improvements made to the property and buildings built by the College are included at cost.

An assessment by Knight Frank of the hypothetical market rental value of the Main House indicates that immediate repairs required to its structure together with the ongoing running and maintenance costs to be borne by the College are sufficiently onerous that the property would be unlikely to let on the open market and if so would attain no more than a nominal rental.

The College's other buildings are specialised buildings and therefore it is not appropriate to value them on the basis of open market value. Other land and buildings are included in the balance sheet at cost. Other freehold land is not depreciated. Other freehold buildings are depreciated over their expected useful economic life to the College of 50 years.

Where land and buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

Finance costs which are directly attributable to the construction of land and buildings are not capitalised as part of the cost of those assets.

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

Principal accounting policies

Equipment and improvements to property

Equipment costing less than £1,500 per individual item is written off to the income and expenditure account in the year of acquisition. All other equipment is capitalised at cost. Capitalised equipment is depreciated over its useful life as follows:

Equipment	5%-20% per annum
Improvements to property	5%-20% per annum
Motor vehicles	25% per annum

Where equipment is acquired with the aid of specific grants it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related equipment.

Taxation

The College is an exempt charity within the meaning of schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of section 506(1) of the Income and Corporation Taxes Act (ICTA) 1988.

Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 505 of the ICTA 1988 or section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes.

The College 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. Non pay expenditure is therefore shown inclusive of VAT with any partial recovery netted off these figures.

Provisions

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

Leased assets

Leasing agreements that transfer to the College substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitment is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged to the income and expenditure account in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease term or the useful economic lives of equivalent owned assets.

Assets which are held under hire purchase contracts which have the characteristics of finance leases are depreciated over their useful lives.

Agency arrangements

The College acts as an agent in the collection and payment of learner support funds. Related payments received from the Learning and Skills Council and subsequent disbursements to students are excluded from the income and expenditure account and are shown separately in note 31, except for the 5 per cent of the grant received which is available to the College to cover administrative costs relating to the grant.

Income and expenditure account

	Note	2007 £	2006 £
Income			
Funding Council grants	1	3,236,470	3,472,161
Tuition fees and charges	2	330,932	354,751
Other grant income	3	756,803	1,753,136
Other operating income	4	986,692	1,046,292
Investment income	5	45,630	16,542
Total income		5,356,527	6,642,882
Expenditure			
Staff costs	6	3,248,954	3,376,664
Other operating expenses	8	1,844,076	3,012,397
Depreciation		250,286	256,517
Interest payable	10	53,143	44,058
Exceptional item restructuring	11	23,624	155,356
Total expenditure		5,420,083	6,844,992
Deficit on continuing operations after depreciation of assets	23	(63,556)	(202,110)

The income and expenditure account is in respect of continuing activities

Other primary statements

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

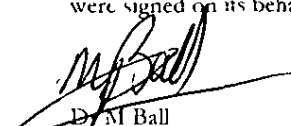
	2007 £	2006 £
Deficit on continuing operations after depreciation of assets at valuation and tax	<u>(63,556)</u>	<u>(202,110)</u>
Actual return less expected return on pension scheme assets	209,000	219,000
Experience gains and losses	-	(87,000)
Change in financial and demographic assumptions underlying the scheme liabilities	<u>78,000</u>	<u>(215,000)</u>
Actuarial gains and losses on pension scheme	<u>287,000</u>	<u>(83,000)</u>
Total recognised gain/(loss) relating to the year	<u>223,444</u>	<u>(285,110)</u>
Reconciliation		
Opening reserves	(352,951)	(67,841)
Total recognised gains and losses for the year	223,444	(285,110)
Closing reserves	<u>(129,507)</u>	<u>(352,951)</u>

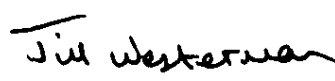
The accompanying accounting policies and notes form an integral part of these financial statements.

Balance sheet

	Note	2007 £	2006 £
Fixed assets			
Tangible assets	13	<u>2,800,693</u>	<u>2,759,012</u>
Current assets			
Stock	14	2,781	2,913
Debtors	15	1,110,655	702,809
Cash at bank and in hand		<u>609,967</u>	<u>731,867</u>
		<u>1,723,403</u>	<u>1,437,589</u>
Creditors amounts falling due within one year	16	<u>(1,804,554)</u>	<u>(1,436,796)</u>
Net current (liabilities)/assets		<u>(81,151)</u>	<u>793</u>
Total assets less current liabilities		<u>2,719,542</u>	<u>2,759,805</u>
Creditors amounts falling due after more than one year	17	(9,125)	(17,613)
Provision for liabilities	20	(46,719)	(45,333)
Pension deficit	26	(1,533,000)	(1,735,000)
		<u>1,130,698</u>	<u>961,859</u>
Deferred capital grants	21	<u>1,260,205</u>	<u>1,314,810</u>
Reserves			
Income and expenditure account excluding pension reserve		136,491	244,906
Pension reserve	26	(1,533,000)	(1,735,000)
Income and expenditure account including pension reserve	23	(1,396,509)	(1,490,094)
Capital reserve	22	1,267,002	1,137,143
Total reserves		<u>(129,507)</u>	<u>(352,951)</u>
		<u>1,130,698</u>	<u>961,859</u>

The financial statements on pages 15 to 35 were approved by the Board of Governors on 14 December 2007 and were signed on its behalf by


D. M. Ball
Chair


J. Westerman
Principal

Cash flow statement

	Note	2007 £	2006 £
Net cash inflow from operating activities	27	86,834	786,326
Returns on investments and servicing of finance			
Interest received		45,630	16,542
Interest paid		(2,143)	(4,058)
Net cash inflow from returns on investments and servicing of finance		43,487	12,484
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(291,967)	(368,158)
Receipt of capital grant		47,642	57,441
Net cash outflow from capital expenditure and financial investment		(244,325)	(310,717)
Net cash (outflow)/inflow before financing		(114,004)	488,093
Financing			
Net repayment of loans		(7,896)	(7,345)
Net cash outflow from financing		(7,896)	(7,345)
(Decrease)/increase in cash		(121,900)	480,748
Reconciliation of net cash flow to movement in net funds			
(Decrease)/increase in cash in the period		(121,900)	480,748
Cash outflow from loans		7,896	7,345
Movement in net funds in the period	28	(114,004)	488,093
Net funds at 1 August 2006		706,358	218,265
Net funds at 31 July 2007	28	592,354	706,358

Notes to the financial statements

1 Funding council grants

	Learning and Skills Council 2007 £	Learning and Skills Council 2006 £
Recurrent grant	3,004,474	3,084,500
Release of deferred capital grants	85,028	90,649
Child Care	29,399	67,045
Local initiative funds	117,569	225,455
Other funds	-	4,512
	<u>3,236,470</u>	<u>3,472,161</u>

2 Tuition fees and charges

	2007 £	2006 £
Home fees and charges	<u>330,932</u>	<u>354,751</u>

3 Other grant income

	2007 £	2006 £
Release from deferred capital grants (non Funding Council)	17,219	18,584
European funds	289,564	1,222,153
Other funds	450,020	512,399
	<u>756,803</u>	<u>1,753,136</u>

4 Other operating income

	2007 £	2006 £
Catering and residence operations	679,509	807,639
Other income generating activities	307,183	238,653
	<u>986,692</u>	<u>1,046,292</u>

Notes to the financial statements

5 Investment income

	2007 £	2006 £
Interest received	<u>45,630</u>	<u>16,542</u>

6 Staff costs

Staff costs during the year were as follows

	2007 £	2006 £
Wages and salaries	2,686,634	2,905,411
Social security costs	207,587	241,277
Other pension costs	354,733	229,976
	<u>3,248,954</u>	<u>3,376,664</u>

The average monthly number of persons (including senior postholders) employed by the college during the year was

	2007 Number	2006 Number
Teaching departments – teaching staff	28	53
Teaching support services	12	9
Other support services	14	17
Administration and central services	28	29
Premises	17	20
	<u>99</u>	<u>128</u>

Staff costs for the above persons

	2007 £	Restated 2006 £
Teaching departments – teaching staff	1,307,123	1,417,323
Teaching support services	341,644	318,112
Other support services	168,878	181,360
Administration and central services	958,971	949,243
Premises	276,425	293,191
Academy for Community leadership	161,913	304,435
FRS 17 retirement benefit charges	34,000	(87,000)
	<u>3,248,954</u>	<u>3,376,664</u>

Senior postholders are defined as the principal (Chief Executive) and holders of other posts as identified by the Board of Governors. The Board of Governors makes all appointments to senior posts.

Notes to the financial statements

6 Staff costs (continued)

Total staff costs analysed by type of contract were

	2007 £	2006 £
Employment costs for staff on permanent contracts	2,823,834	3,075,327
Employment costs for staff on short-term and temporary contracts	391,120	388,337
FRS 17 retirement benefit charge	34,000	(87,000)
	<u>3,248,954</u>	<u>3,376,664</u>

Restatement of Comparative Information

The college has reviewed the staffing categories for 2007 and has made changes to the way employees are classified. In addition, the previous year's treatment of FRS 17 retirement benefit charge to apportion across relevant staff costs has been amended to disclose the charge as a single figure. The comparative figures have been restated accordingly.

The number of staff, including senior postholders and the principal, who received emoluments in the following ranges was

	2007 Number Senior postholders	2007 Number Other	2006 Number Senior Postholders	2006 Number Other
£50,001 to £60,000	-	4	1	3
£60,001 to £70,000	5	-	4	-
£70,001 to £80,000	-	-	-	-
£80,001 to £90,000	-	-	1	-
£90,000 to £100,000	1	-	-	-
	<u>6</u>	<u>4</u>	<u>6</u>	<u>3</u>

The pay award for non-academic staff effective from 1 April 2007 had not been settled at the 31 July 2007, a provision for a 3% pay award has been included in the accounts.

A pay award of 3% was made from August 2006 for academic and academic related staff, with a further 1% pay award from 1 February 2007.

7 Senior postholders' emoluments

	2007 Number	2006 Number
The number of senior postholders including the principal was	<u>6</u>	<u>6</u>

Senior postholders' emoluments are made up as follows

	2007 £	2006 £
Salaries	358,416	341,512
Pension contributions	56,628	42,063
Total emoluments	<u>415,044</u>	<u>386,575</u>

Notes to the financial statements

7 Senior postholders emoluments (continued)

The previous emoluments include amounts payable to the principal (who is also the highest paid senior postholder) of

	2007 £	2006 £
Salary	79,634	75,277
Pension contribution	11,149	10,503
	<u>90,783</u>	<u>85,780</u>

Senior postholders, including the principal, received a pay increase of 3% with effect from August 2006, with a further pay increase of 1% from 1 February 2007, these pay awards were approved by the Board of Governors. This increase was in line with the increase awarded to all academic and academic related staff.

Ex gratia payment made to a former senior post holder or higher paid employee

	2007 £	2006 £
Ex gratia payment made to former employee	<u>11,550</u>	<u>-</u>

Members of the Board of Governors, other than the principal, and staff representatives, did not receive any payment from the College other than reimbursement of travel and subsistence expenses incurred in the course of their duties.

Overseas activities

The following costs were incurred during 2006/07 in respect of overseas activities, which were carried out in accordance with the strategy approved by the governing body

	Total cost £	2007 Contributions received £	Net cost to college £	2006 Net cost to college £
Senior postholders	-	-	-	-
Other staff	-	-	-	247
Governors	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>247</u>

Notes to the financial statements

8 Other operating expenses

	2007 £	2006 £
Teaching Departments	170,097	218,025
Teaching support services	64,284	49,193
Other support services	63,480	73,515
Administration and central services	256,929	346,568
General education	155,330	170,464
Premises costs - Running costs	247,657	210,199
Premises costs - Maintenance	73,704	58,956
Premises costs - Rents and leases	20,000	46,611
Catering and residence operations	536,908	550,714
Academy for Community leadership	255,687	1,288,152
	<u>1,844,076</u>	<u>3,012,397</u>

Other operating expenses include	2007 £	2006 £
Auditors' remuneration		
- Fees payable to the College's auditor for audit of the College's annual accounts audit	11,060	8,052
- Fees payable to internal audit	12,828	8,778
- Other services	-	4,465
	<u>-</u>	<u>-</u>

9 Bursaries

	2007 £	2006 £
Receipts	286,435	241,539
Payments	<u>(286,435)</u>	<u>(241,539)</u>
	<u>-</u>	<u>-</u>

10 Interest payable

	2007 £	2006 £
Pension finance costs	51,000	40,000
On loans	2,143	4,058
Repayable within 5 years, by instalments	<u>53,143</u>	<u>44,058</u>

11 Exceptional item

The exceptional item of £23,624, relates to £9,075 of redundancy costs relating to a restructuring exercise undertaken during the year (2006 £155,356), and ex gratia salary payments of £14,549 made

12 Taxation

The College was not liable for any corporation tax arising out of its activities during the year

Notes to the financial statements

13 Tangible fixed assets

	Freehold land and buildings £	Improvements to property £	Equipment £	Total £
Cost				
At 1 August 2006	781,934	3,936,406	1,296,682	6,015,022
Additions	-	262,645	29,322	291,967
At 31 July 2007	781,934	4,199,051	1,326,004	6,306,989
Depreciation				
At 1 August 2006	119,724	1,909,882	1,226,404	3,256,010
Charge for the year	17,151	205,029	28,106	250,286
At 31 July 2007	136,875	2,114,911	1,254,510	3,506,296
Net book amount at 31 July 2007	645,059	2,084,140	71,494	2,800,693
Net book amount at 31 July 2006	662,210	2,026,524	70,278	2,759,012
Financed by capital grant	229,610	1,137,180	20,839	1,387,629
Other	415,449	946,960	50,655	1,413,064
	645,059	2,084,140	71,494	2,800,693

Freehold land and buildings and improvements to property with a net book value of £1,171,032 have been financed by exchequer funds. Should these assets be sold, the College may be liable, under the terms of the Finance memorandum with the Council, to surrender the proceeds.

As no consideration was paid for the main property and because the College only has a right to retain the property whilst it continues to provide education, the governing body consider that it is not appropriate to recognise any value for the property and land surrounding it. Improvements made to the property and buildings built by the College are included at cost.

An assessment by Knight Frank of the hypothetical market rental value of the Main House indicates that immediate repairs required to its structure together with the ongoing running and maintenance costs to be borne by the College are sufficiently onerous that the property would be unlikely to let on the open market and if so would attain no more than a nominal rental.

14 Stock

	2007 £	2006 £
Goods for resale	2,781	2,913

Notes to the financial statements

15 Debtors

	2007	2006
	£	£
Amounts falling due within one year		
Trade debtors	1,048,385	630,825
Other debtors	-	2,378
LSC grant debtor	22,621	34,040
Prepayments and accrued income	39,649	35,566
	<u>1,110,655</u>	<u>702,809</u>

16 Creditors: amounts falling due within one year

	2007	2006
	£	£
Loans	8,488	7,896
Payments received in advance	459,363	175,964
Trade creditors	423,344	414,346
Other creditors	814,925	683,362
Other taxation and social security	85,606	132,263
Accruals	12,828	22,965
	<u>1,804,554</u>	<u>1,436,796</u>

17 Creditors: amounts falling due after more than one year

	2007	2006
	£	£
Loans	<u>9,125</u>	<u>17,613</u>

18 Borrowings

Borrowings are repayable as follows

	2007	2006
	£	£
Within one year		
Loans	8,488	7,896
After one and within two years		
Loans	9,125	8,488
After two and within five years		
Loans	-	9,125
	<u>17,613</u>	<u>25,509</u>

Notes to the financial statements

19 Borrowings (continued)

The loans outstanding represent various monies lent to the College through

	2007 £	2006 £
Union loans	<u>17,613</u>	<u>25,509</u>

The loan outstanding represents monies lent to the College by a Trade Union and is not secured by charges on the College's assets

20 Provision for liabilities

Enhanced pension provision	Total £
At 1 August 2006	45,333
Provision made in the year	4,101
Expenditure in the year	(2,715)
At 31 July 2007	<u>46,719</u>

21 Deferred capital grants

	Funding council £	Other grants £	Total £
At 1 August 2006			
Land and buildings and improvements to property	1,158,021	77,408	1,235,429
Equipment	15,126	64,255	79,381
	<u>1,173,147</u>	<u>141,663</u>	<u>1,314,810</u>
Cash receivable			
Land and buildings and improvements to property	28,627	19,015	47,642
Equipment	-	-	-
	<u>28,627</u>	<u>19,015</u>	<u>47,642</u>
Released to income and expenditure			
Land and buildings and improvements to property	76,628	12,076	88,704
Equipment	8,400	5,143	13,543
	<u>85,028</u>	<u>17,219</u>	<u>102,247</u>
At 31 July 2007			
Land and buildings and improvements to property	1,110,020	84,347	1,194,367
Equipment	6,726	59,112	65,838
	<u>1,116,746</u>	<u>143,459</u>	<u>1,260,205</u>

Analysis of capital grants received from the Learning and Skills Council during 2006/07

	£
Access improvement grant	<u>28,627</u>

Notes to the financial statements

22 Capital reserves

	2007 £	2006 £
At 1 August 2006	1,137,143	938,469
Transfer from income and expenditure account	244,325	311,617
Transfer to income and expenditure account	(114,466)	(112,943)
At 31 July 2007	<u>(1,267,002)</u>	<u>1,137,143</u>

23 Income and expenditure account

	2007 £	2006 £
At 31 July	(1,490,094)	(1,006,310)
Deficit on continuing operations	(63,556)	(202,110)
Transfer to capital reserve	(244,325)	(311,617)
Transfer from revaluation reserve	114,466	112,943
Actuarial gains and losses	287,000	(83,000)
	<u>(1,396,509)</u>	<u>(1,490,094)</u>

24 Reconciliation of movement in members' funds

	2007 £	2006 £
Deficit for the financial year	(63,556)	(202,110)
Actuarial gains and losses	287,000	(83,000)
Opening members' funds	(352,951)	(67,841)
Closing members' funds	<u>(129,507)</u>	<u>(352,951)</u>

25 Capital commitments

	2007 £	2006 £
Contracted for but not provided in these financial statements	-	80,745

Notes to the financial statements

26 Pension and similar obligations

The College's employees belong to two principal pension schemes, the Universities Superannuation Scheme (USS) and the South Yorkshire Pensions Authority (SYPA)

	2007 £'000	2006 £'000
Universities superannuation scheme contributions	153	149
South Yorkshire Pension Authority cost	277	81
Timing differences	(75)	-
	<u>355</u>	<u>230</u>

Timing differences have arisen due to differences in recognition of special contributions in prior year

Universities Superannuation Scheme

The Universities Superannuation Scheme is a multi-employer benefit scheme. Contributions on a pay as you go basis are credited to the exchequer under arrangements governed by the Superannuation Act 1972.

The pensions cost is assessed every five years in accordance with the advice of the government actuary. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

Latest actuarial valuation	31 March 2005
Actuarial method	Projected Unit
Investment returns per annum	4.5% per annum
Pension increases per annum	2.9% per annum
Salary scale increases per annum	3.9% per annum
Market value of assets at date of last valuation	£21,739 million

Proportion of members' accrued benefits covered by the actuarial value of the assets 77%

Under the definitions set out in Financial Reporting Standard 17 (Retirement Benefits), the USS is a multi-employer pension scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the College has taken advantage of the exemption in FRS 17 and had accounted for its contributions to the scheme as if it were a defined benefit contribution scheme. The College has set out above the information available on the deficit in the scheme and the implications for the College in terms of the anticipated contribution rates.

South Yorkshire Pensions Authority

The SYPA is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The total contribution paid for the year ended 31 July 2007 was £309,372 (2006: £229,255) of which employer's contributions totalled £240,772 (2006: £165,457) and employees' contributions totalled £68,600 (2006: £63,798). The agreed contribution rates for future years are 15.5% for employers and 6% for employees.

The pensions cost is assessed every three years in accordance with the advice of a qualified independent actuary. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

Latest actuarial valuation	31 March 2004
Actuarial method	Projected Unit
Investment returns per annum	6.50% per annum
Pension increases per annum	2.50% per annum
Salary scale increases per annum	4.25% per annum
Market value of assets at date of last valuation	£2,411 million

Proportion of members' accrued benefits covered by the actuarial value of the assets 77%

Notes to the financial statements

26 Pension and similar obligations (continued)

The following information is based upon a full valuation of the Fund at 31 March 2004 updated to 31 July 2007 by a qualified independent actuary

	At 31 July 2007 %	At 31 July 2006 %	At 31 July 2005 %
Inflation	3.20	3.00	2.70
Rate of increase in salaries	4.95	4.75	4.45
Rate of increase in pensions	3.20	3.00	2.70
Discount rate for liabilities	5.80	5.10	5.00

The assets of the college's share of the scheme and the expected rate of return were

	Long-term rate of return expected at 31 July 2007 %	Value at 31 July 2007 £'000	Long-term rate of return expected at 31 July 2006 %	Value at 31 July 2006 £'000	Long-term rate of return expected at 31 July 2005 %	Value at 31 July 2005 £'000
Equities	7.5	2,616	7.0	2,367	7.5	1,987
Government bonds	4.9	588	4.4	566	4.4	526
Other bonds	5.8	250	5.1	272	5.0	215
Property	6.5	465	6.0	415	6.5	340
Cash	5.75	56	4.5	55	4.75	47
Total Market Value of assets		<u>3,975</u>		<u>3,675</u>		<u>3,115</u>
Present value of scheme liabilities		<u>(5,508)</u>		<u>(5,410)</u>		<u>(4,814)</u>
Deficit in the scheme		<u>(1,533)</u>		<u>(1,735)</u>		<u>(1,699)</u>

Analysis of the amount charged to income and expenditure account

	2007 £'000	2006 £'000
Service cost	(199)	(188)
Past service gain	(78)	107
Total operating charge	<u>(277)</u>	<u>(81)</u>

Analysis of net return on pension scheme

	2007	2006
Expected return on pension scheme assets	220	205
Interest on pension liabilities	(271)	(245)
Net return	<u>(51)</u>	<u>(40)</u>

Amount recognised in the statements of total recognised gains and losses (STRGL)

	2007	2006
Actual return less expected return on pension scheme assets	209	219
Experience gains and losses arising on the scheme liabilities	-	(87)
Change in financial and demographic assumptions underlying the scheme liabilities	78	(215)
Actuarial loss recognised in STRGL	<u>287</u>	<u>(83)</u>

Notes to the financial statements

26 Pension and similar obligations (continued)

	2007 £'000	2006 £'000
Movement in deficit during year		
Deficit in scheme at 1 August	(1,735)	(1,699)
Movement in year		
Current service charge	(199)	(188)
Contributions	243	168
Past service gain	(78)	107
Net interest on assets	(51)	(40)
Actuarial gain or loss	287	(83)
Deficit in scheme at 31 July	<u>(1,533)</u>	<u>(1,735)</u>

History of experience gains and losses

	2007 £'000	2006 £'000	2005 £'000	2004 £'000	2003 £'000
Difference between the expected and actual return on assets					
Amount	209	219	349	51	(47)
% of scheme assets	5.3%	6%	11.2%	2.2%	2.7%
Experience gains and losses arising on the scheme liabilities					
Amount	-	(87)	(380)	-	-
% of scheme liabilities	0%	1.6%	7.9%	-	-
Total amount recognised in SIRGL					
Amount	78	(215)	(695)	(56)	(272)
% of scheme liabilities	1.4%	4%	14.4%	1.7%	10%

27 Net cash inflow from operating activities

	2007 £	2006 £
(Deficit)/surplus on continuing operations after depreciation	(63,556)	(202,110)
Depreciation	250,286	256,517
Pensions adjustment	85,000	(47,000)
Deferred capital grants released to income	(102,247)	(109,233)
Interest payable	2,143	4,058
Decrease in stock	132	142
Decrease/(increase) in debtors	(407,846)	524,150
Increase in creditors	367,166	377,601
(Decrease)/increase in provisions	1,386	(1,257)
Interest receivable	(45,630)	(16,542)
Net cash inflow from operating activities	<u>86,834</u>	<u>786,326</u>

Notes to the financial statements

28 Analysis of changes in net (debt)/funds

	At 1 August 2006 £	Cashflows £	Other non cash changes £	At 31 July 2007 £
Cash in at bank and in hand	731,867	(121,900)	-	609,967
Debt due within one year	(7,896)	7,896	(9,125)	(9,125)
Debt due after one year	(17,613)	-	9,125	(8,488)
	(25,509)	7,896	-	(17,613)
Total	706,358	(114,004)	-	(592,354)

29 Company limited by guarantee

The company is limited by guarantee and has no share capital. The liability of its members is limited to an amount not exceeding £1. At 31 July 2007 there were 26 members (2006: 30).

30 Contingent liabilities

There were no contingent liabilities at 31 July 2007 or 31 July 2006.

31 Related party transactions

Due to the nature of the College's operations and the composition of the Board of Governors (being drawn from local public and private sector organisations) it is inevitable that transactions will take place with organisations in which a member of the Board of Governors may have an interest. All transactions involving organisations in which a member of the Board of Governors may have an interest are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures.

The Wentworth Castle and Stainborough Park Heritage Trust is a related party as a result of the College Principal's position as a director for the Trust and the level of planned property transactions which will be undertaken in the future. It is also considered that there is a level of common influence at the management level.

The financial arrangements between the College and the Wentworth Castle and Stainborough Park Heritage Trust (the Trust) are governed by a series of agreements. The major agreements being the contract for grant funding with the Trustees of the National Heritage Lottery Fund and the LSC capital funding agreement. During the financial year 2006/07 the College received grant funding from the LSC to fund payments made by the Trust in respect of work carried out on the roof renewal and external repairs to Wentworth Castle, due to LSC funding constraints this funding had to be paid to the College, who then pass the funds on to the Trust. Funding of £1,033,156 had been received from the LSC, and at 31 July 2007 payments made to the Trust of £730,723, the balance of £302,433 had not been transferred to the Trust at 31 July 2007.

A series of other service and sale of goods agreements are in place for services and items necessary for the annual operation of the Trust's operations. During the financial year 2006/07 the College charged the Trust for energy usage, computer support and operational services, cleaning services and goods purchased on behalf of, or used by the Trust. During the financial year 2006/07 a total value of £11,552 of goods and services were provided to the Trust, the account had not been settled at 31 July 2007 and was included in the College accounts as a debtor.

Notes to the financial statements

32 Learner support funds

	2007 £	2006 £
Access funds		
Brought forward	-	816
Learning and Skills Council Grants	21,231	29,448
Interest earned	32	51
	<u>21,263</u>	<u>30,315</u>
Disbursed to students	(18,186)	(28,993)
Administration charge	(2,532)	(1,322)
Balance unspent as at 31 July	<u>545</u>	<u>-</u>
Other Learner Support Funds		
Learning and Skills Council		
- Childcare	29,339	67,045
Amount consolidated in financial statements as childcare	<u>(29,399)</u>	<u>(67,045)</u>
Balance unspent as at 31 July	<u>-</u>	<u>-</u>

Learning and Skills Council 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 Income and Expenditure Account. The income and expenditure consolidated in the College's financial statements relates to the provision of childcare.