


1339524

COMPANIES HOUSE

Grant Thornton 

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

Financial statements

For the year ended 31 July 2004



Company no 1339524

## Company information

**Company registration number:** 1339524

**Charity registration number:** 507245

**Address:** Town Hall  
Barnsley  
South Yorkshire  
S70 2TA

**Principal:** Professor J A Jowitt

|                 |                  |                        |
|-----------------|------------------|------------------------|
| <b>Members:</b> | Cllr A Sockett   | Mrs J Goodridge        |
|                 | Cllr M Morgan    | Ms H A Putman          |
|                 | Cllr J McKenna   | Mr C E Hartley         |
|                 | Cllr M Walton    | Mr F Lord              |
|                 | Prof C Hawkes    | Mrs P Farrell          |
|                 | Dr M Ball        | Mr C Macdonald         |
|                 | Mr R Harrison    | Cllr the Rev P Flowers |
|                 | Mr W P Adams     | Ms P Johnson           |
|                 | Mr M Bradley     | Ms E Shields           |
|                 | Ms L G Wilkinson | Dr P Macredie          |
|                 | Mr M T Bond      | Mr N Rafiq             |
|                 | Ms J Stubbs      | Mr R Myers             |
|                 | Prof W Hampton   | Ms H Rose              |
|                 | Mrs B Laird      | Ms A Walker            |

**Bankers:** The Co-operative Bank

**Solicitors:** Eversheds

**Internal auditors:** Bentley Jennison  
Chartered Accountants

**Financial statements auditors:** Grant Thornton UK LLP  
Registered Auditors  
Chartered Accountants

**Funding auditors:** PricewaterhouseCoopers  
Chartered Accountants

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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 high quality residential and community-based learning which enables adults to realise their full potential, and which furthers the development of groups and organisations and the regeneration of communities.

### **Objectives**

The Board of Governors have approved a set of strategic objectives for the period August 2002 to July 2005:

- 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 Community Regeneration through Learning
- 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 Stainborough Park development reaches the objectives, as set, by 2006.

## 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 2003/04 and achievement of those objectives is addressed below:

- The College achieved an estimated 235 FTE learner numbers against a target of 221 (see below)
- Improving disability access. A range of minor improvements to the college facilities have been made to commence the process of complying with the Disability Discrimination Act.
- To maintain financial viability of the College; in its financial forecast for the period 2003 to 2006 the College cautiously assessed itself as financial health category B. During 2003/04 the LSC confirmed the College as financial health category A
- To increase the number of students who qualify for the uplift for widening participation. In 2003/04 57% of students qualified for the uplift (2003: 57%)
- To increase the overall success rate. This was achieved. Overall success rate for 2003/04 was 95%. (2003: 91%)
- To maintain high levels of retention and achievement. This was achieved. Student retention for 2003/04 was 98% (2003: 98%) Achievement for 2003/04 was 97% (2003: 96%)
- To increase the number of students with disabilities and/or learning difficulties. 27% of students provided a self declaration of disability and/or learning difficulties (2003: 27%)
- To increase the number of learners on basic skills provision. This was achieved. The number of learners in 2003/04 was 378 learners on 553 enrolments (2003: 272 learners on 435 enrolments) 94 learners took National Tests in Adult Literacy and Numeracy. (2003: 5 learners)
- To continue the development of an integrated and coherent framework of accredited and non-accredited provision. Work has continued with the Open Colleges Network (OCN) to develop coherent and flexible qualifications which is currently with the Qualifications Curriculum Authority for validation.

### 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 2003/04, the College achieved an estimated 235 FTE learners against a target of 221. This represents an increase of 16% over 2002/03.

The College achieved an estimated 7,036 student enrolments (2003: 7,398).

### **Student Achievements**

Students achieved an estimated 97% of their qualification aims (2003: 96%).

### **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 surplus for the year of £162,366 (2003: £134,658) compared with a planned surplus for the year of £100,000.

The College has accumulated reserves of £661,579 and cash balances of £164,359. The College wishes to continue to accumulate reserves and cash balances in order to fund future capital developments.

### **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 2003/04.

### **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 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 CCTV 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 £1,026,900. 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.

### Auditors

On 1 July 2004, the Grant Thornton partnership transferred its business to a limited liability partnership, Grant Thornton UK LLP. Under section 26(5) of the Companies Act 1989, the members consented to extend the audit appointment to Grant Thornton UK LLP from 1 July 2004.

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

# Report of the members of the Board of Governors

## Members of the Board of Governors

The members who served the College during the year were as follows:

|                   | <b>Date of appointment</b> | <b>Term of office</b> | <b>Date of resignation</b>                                     | <b>Status of appointment</b>  | <b>Committees served</b>   |
|-------------------|----------------------------|-----------------------|--|-------------------------------|--|
| Cllr A Sockett    | 31.05.2001                 | 3 years               | Re-appointed<br>01.08.2004                                     | Local Auth Rep                | Policy & Finance   |
| Cllr M Morgan     | 01.08.2000                 | 3 years               | Re-appointed<br>01.08.2003                                     | Local Auth Rep                | Policy & Finance   |
| Cllr J Doyle      | 01.08.2002                 | 3 years               | Resigned<br>31.07.2004   | Local Auth Rep                | Policy & Finance,<br>Quality   |
| Cllr J McKenna    | 01.08.2000                 | 3 years               | Re-appointed<br>01.08.2003                                     | Local Auth Rep                | Policy & Finance,  |
| Cllr M Walton     | 01.08.2002                 | 3 years               |  | Local Auth Rep                | Chair: Policy &<br>Finance, Search                                   |
| Prof C Hawkes     | 01.08.2002                 | 3 years               |  | Educational Inst<br>Rep       | Policy & Finance   |
| Prof R K S Taylor | 01.08.2002                 | 3 years               | Resigned<br>31.07.2004   | Academic<br>Adviser           | Quality  |
| Dr M Ball         | 01.08.2001                 | 3 years               | Re-appointed<br>01.08.2004                                     | Academic<br>Adviser           | Chair: Board of<br>Governors<br>Quality, Policy &<br>Finance, Search |
| Mr R Harrison     | 08.05.2001                 | 3 years               | Re-appointed<br>01.08.2004                                     | Business Rep                  | Chair: Audit   |
| Mr E Hartley      | 01.08.2002                 | 3 years               | Resigned<br>31.07.2004   | WEA Rep                       |  |
| Mr W P Adams      | 01.08.2001                 | 3 years               | Re-appointed<br>01.08.2004                                     | TUC Regional<br>Ed            |  |
| Mr F Lord         | 13.12.2002                 | 3 years               |  | Business Rep                  |  |
| Mrs P Farrell     | 13.12.2002                 | 3 years               |  | Minority ethnic               |  |
| Mr M Bradley      | 01.08.2001                 | 3 years               | Re-appointed<br>01.08.2004                                     | Trades Union Rep              | Policy & Finance   |
| Ms L G Wilkinson  | 01.08.2001                 | 3 years               | Re-appointed<br>01.08.2004                                     | Trades Union Rep              | Policy & Finance   |
| Mr M T Bond       | 01.08.2001                 | 3 years               |  | TUC Rep                       |  |
| Ms J Stubbs       | 01.08.2002                 | 3 years               |  | Co-opted                      | Search   |
| Prof W Hampton    | 01.08.2001                 | 3 years               | Re-appointed<br>01.08.2004                                     | Co-opted                      | Quality  |
| Prof J A Jowitt   | 01.03.1999                 | Exofficio             | Ceased to be a<br>member of the<br>Board from<br>December 2003 | Principal                     | Policy and Finance   |
| Mr J Owen         | 01.08.2002                 | 3 years               | Resigned<br>25.09.2003   | Co-opted                      |  |
| Mrs B Laird       | 01.08.2002                 | 3 years               |  | Educational<br>Inst Rep       | Quality, Search  |
| Mrs J Goodridge   | 01.08.2002                 | 3 years               |  | F/t<br>res/admin<br>staff rep | Quality  |
| Ms H Putman       | 01.08.2002                 | 3 years               |  | F/t teaching<br>staff rep     | Policy & Finance,<br>Quality   |
| Mr C E Hartley    | 01.08.2002                 | 3 years               |  | NC Students'<br>Assoc         |  |

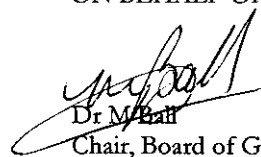


# Report of the members of the Board of Governors

## Members of the Board of Governors (continued)

|                        | Date of appointment | Term of office | Date of resignation  | Status of appointment  | Committees served  |
|------------------------|---------------------|----------------|----------------------|------------------------|--------------------|
| Mr C Macdonald         | 01.08.2002          | 3 years        |                      | Co-opted               | Quality            |
| Ms D Taylor            | 13.12.2003          | 1 year         | Ceased<br>28.05.2004 | Student representative |                    |
| Cllr the Rev P Flowers | 19.09.2003          | 3 years        |                      | Local Auth Rep         |                    |
| Ms P Johnson           | 01.08.2003          | 3 years        |                      | UNISON                 |                    |
| Ms E Shields           | 19.09.2003          | 3 years        |                      | Business Rep           | Audit              |
| Dr P Macredie          | 19.09.2003          | 3 years        |                      | Business Rep           | Search             |
| Mr N Rafiq             | 19.09.2003          | 3 years        |                      | Voluntary Sector       |                    |
| Mr R Myers             | 19.09.2003          | 3 years        |                      | Voluntary Sector       | Policy and Finance |
| Ms H Rose              | 12.12.2003          | 3 years        |                      | Co-opted               |                    |

ON BEHALF OF THE BOARD

  
Dr M Ball  
Chair, Board of Governors  
16 December 2004

## **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 section 1 of the Combined Code on Corporate Governance, which was issued by the London Stock Exchange in June 1998. 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 2004.

### **The Corporation**

The composition of the Board of Governors is set out on page 4. 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 2004, 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 2004 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.

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 he or she is personally responsible, in accordance with the responsibilities assigned to him or her in the Financial Memorandum between the College and the Learning and Skills Council (LSC). He or 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 2004 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 2004 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 October 2004 meeting, the Board of Governors carried out the annual assessment for the year ended 31 July 2004 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2004.

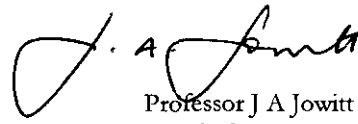
## Corporate governance statement incorporating the statement of internal control

### 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  
16 December 2004



Professor J A Jowitt  
Principal  
16 December 2004

## 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 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.

Members of the Board of Governors 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.

Signed on behalf of the Board of Governors

  
Dr M Ball  
Chair, Board of Governors

16 December 2004

# Report of the independent auditors 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 2004 which comprise the principal accounting policies, the income and expenditure account, the balance sheet, the cash flow statement and notes 1 to 30. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the College's members as a body, in accordance with Section 235 of the Companies Act 1985 and paragraph 20 of schedule 2 of the Further education Corporations (former Further Education Colleges) (Replacement of Instruments of Articles of Government) Order 2001 and Section 235 of the Companies Act 1985, issued under the Further and Higher Education Act 2002. Our audit work has been undertaken so that we might state to the College's members 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 College and the College's members as a body for our audit work, for this report, or for the opinions we have formed.

## **Respective Responsibilities of the Members of the Northern College and Auditors**

The College Board of Governors' responsibility for preparing the Members' Report and the financial statements in accordance with the Statement of Recommended Practice - Accounting for Further and Higher Education Institutions and applicable United Kingdom law and Accounting Standards, is set out in the statement of the Board of Governors members responsibilities on page 11.

Our responsibilities as independent auditors are established in the United Kingdom by applicable statute, relevant legal and regulatory requirements, the Auditing Practices Board and our profession's ethical guidance. 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 Institutions. We also report to you whether, in our opinion, in all material respects, monies expended out of funds from whatever source, administered by the College for specific purposes have been properly applied for those purposes and, if appropriate, managed in compliance with relevant legislation and whether in our opinion, in all material respects, monies expended out of funds provided by the Learning and Skills Council have been applied in accordance with the financial memorandum between the Learning and Skills Council and the Board of Governors of the College and any other terms and conditions attached to them.

We also report to you if, in our opinion, the Members' Report is not consistent with the financial statements, if the College has not kept proper accounting records, the accounting records do not agree with the financial statements or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Members' Report (including the corporate governance statement) and consider the implications for our report if we become aware of any apparent misstatements within it.

## **Basis of Audit Opinion**

We conducted our audit in accordance with Auditing Standards 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 Board of Governors 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 auditors 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 of the state of affairs of the College as at 31 July 2004 and of the College's surplus of income over expenditure, recognised gains and losses and cash flows for the year then ended and, are properly prepared in accordance with the Statement of Recommended Practice - Accounting for Further and Higher Education Institutions and with the Companies Act 1985.

In our opinion, in all material respects, monies expended out of funds from whatever source administered by the College for specific purposes have been properly applied for those purposes and, if appropriate, managed in compliance with relevant legislation for the year ended 31 July 2004.

In our opinion, in all material respects, monies expended out of funds provided by the Learning and Skills Council have been applied in accordance with the Financial Memorandum between the Learning and Skills Council and the Board of Governors of the College and any other terms and conditions attached to them for the year ended 31 July 2004.

*Grant Thornton UK LLP*

**GRANT THORNTON UK LLP  
REGISTERED AUDITORS  
CHARTERED ACCOUNTANTS**

**SHEFFIELD  
16 December 2004**



## Principal accounting policies

### Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education Institutions and in accordance with applicable Accounting Standards. They conform to guidance published by the Learning and Skills Council in circular 04/04.

The financial statements have been prepared under the historical cost convention.

### 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.

Recurrent grant from the LSC is recognised in line with the latest estimate of grant receivable for the academic year following the LSC's interim funding audit. The College's approach to the recognition within income of any tolerance balances is informed by the Board of Governor's view of the likelihood of the College achieving the return deadlines set out within LSC Circular 04/04. Following the conclusion of the funding audit, the final recurrent grant allocation is determined in the subsequent February. Any difference between the estimated and final grant allocations are recognised in the following year's financial statements.

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.

### 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 30.

### 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.

### Pension schemes

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

Contributions to the schemes 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 both schemes are determined by qualified actuaries on the basis of triennial valuations, using the projected unit method.

## Principal accounting policies

### Tangible fixed assets

#### 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.

#### 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 |

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.

### 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.

## Principal accounting policies

### **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.

## Income and expenditure account

|  | Note | 2004<br>£        | 2003<br>£        |
|--|------|------------------|------------------|
| <b>Income</b>  |      |                  |                  |
| Funding Council grants   | 1    | 3,273,980        | 2,862,793        |
| Tuition fees and charges   | 2    | 282,048          | 311,949          |
| Other grant income   | 3    | 635,233          | 712,723          |
| Other operating income   | 4    | 1,041,129        | 901,246          |
| Investment income  | 5    | 12,491           | 7,384            |
| <b>Total income</b>  |      | <b>5,244,881</b> | <b>4,796,095</b> |
| <b>Expenditure</b>   |      |                  |                  |
| Staff costs  | 6    | 3,380,652        | 3,186,206        |
| Other operating expenses   | 8    | 1,447,541        | 1,210,112        |
| Depreciation   |      | 236,434          | 246,834          |
| Interest payable   | 10   | 17,888           | 18,285           |
| <b>Total expenditure</b>   |      | <b>5,082,515</b> | <b>4,661,437</b> |
| <b>Surplus on continuing operations after depreciation of assets</b> | 21   | <b>162,366</b>   | <b>134,658</b>   |

The Income and Expenditure account is in respect of continuing activities.

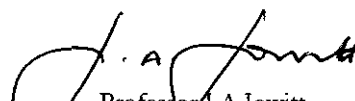
There were no recognised gains or losses other than the surplus for the financial year.

## Balance sheet

|  | Note | 2004<br>£        | 2003<br>£        |
|--|------|------------------|------------------|
| <b>Fixed assets</b>  |      |                  |                  |
| Tangible assets  | 12   | <u>1,968,205</u> | <u>2,050,076</u> |
| <b>Current assets</b>  |      |                  |                  |
| Stock  | 13   | 12,006           | 19,780           |
| Debtors  | 14   | 958,281          | 612,793          |
| Cash at bank and in hand                                       |      | <u>164,359</u>   | <u>318,645</u>   |
|  |      | <u>1,134,646</u> | <u>951,218</u>   |
| <b>Creditors: amounts falling due within one year</b>          | 15   | <u>(604,324)</u> | <u>(700,870)</u> |
| <b>Net current assets</b>                                      |      | <u>530,322</u>   | <u>250,348</u>   |
| <b>Total assets less current liabilities</b>                   |      | <u>2,498,527</u> | <u>2,300,424</u> |
| <b>Creditors: amounts falling due after more than one year</b> | 16   | <u>(32,854)</u>  | <u>(127,168)</u> |
| <b>Provision for liabilities and charges</b>                   | 18   | <u>(43,791)</u>  | <u>(44,010)</u>  |
|  |      | <u>2,421,882</u> | <u>2,129,246</u> |
| <b>Deferred capital grants</b>                                 | 19   | <u>1,013,735</u> | <u>883,465</u>   |
| <b>Reserves</b>  |      |                  |                  |
| Income and expenditure account                                 | 21   | 661,579          | 487,152          |
| Capital reserve  | 20   | 746,568          | 758,629          |
|  |      | <u>1,408,147</u> | <u>1,245,781</u> |
|  |      | <u>2,421,882</u> | <u>2,129,246</u> |

The financial statements on pages 14 to 33 were approved by the Board of Governors on 16 December 2004 and were signed on its behalf by:

  
Dr M Ball  
Chair

  
Professor J A Jowitt  
Principal

## Cash flow statement

|  | Note | 2004<br>£               | 2003<br>£        |
|--|------|-------------------------|------------------|
| <b>Net cash (outflow)/inflow from operating activities</b>                         | 24   | <b>(110,309)</b>        | 244,323          |
| <b>Returns on investments and servicing of finance</b>                             |      |                         |                  |
| Interest received  |      | 12,491                  | 7,384            |
| Interest paid  |      | <u>(17,888)</u>         | <u>(18,285)</u>  |
| <b>Net cash outflow from returns on investments and servicing of finance</b>       |      | <u><b>(5,397)</b></u>   | <u>(10,901)</u>  |
| <b>Capital expenditure and financial investment</b>                                |      |                         |                  |
| Purchase of tangible fixed assets  |      | (154,563)               | (167,557)        |
| Receipt of capital grant   |      | <u>249,548</u>          | <u>24,000</u>    |
| <b>Net cash inflow/(outflow) from capital expenditure and financial investment</b> |      | <u><b>94,985</b></u>    | <u>(143,557)</u> |
| <b>Net cash (outflow)/inflow before financing</b>                                  |      | <b>(20,721)</b>         | 89,865           |
| <b>Financing</b>   |      |                         |                  |
| Net repayment of loans   |      | <u>(133,565)</u>        | <u>(37,175)</u>  |
| <b>Net cash outflow from financing</b>   |      | <u><b>(133,565)</b></u> | <u>(37,175)</u>  |
| <b>(Decrease)/increase in cash</b>   |      | <u><b>(154,286)</b></u> | <u>52,690</u>    |
| <b>Reconciliation of net cash flow to movement in net funds</b>                    |      |                         |                  |
| (Decrease)/increase in cash in the period  |      | <b>(154,286)</b>        | 52,690           |
| Cash outflow from loans  |      | <u>133,565</u>          | <u>37,175</u>    |
| Movement in net funds in period  | 25   | <b>(20,721)</b>         | 89,865           |
| Net funds at 1 August 2003   |      | <u><b>145,393</b></u>   | <u>55,528</u>    |
| <b>Net funds at 31 July 2004</b>   | 25   | <u><b>124,672</b></u>   | <u>145,393</u>   |

## Notes to the financial statements

### 1 Funding council grants

|  | Learning<br>and Skills<br>Council<br>2004<br>£ | Learning<br>and Skills<br>Council<br>2003<br>£ |
|--|--|--|
| Recurrent grant  | 2,592,280                                      | 2,209,489                                      |
| Release of deferred capital grants                     | 94,258   | 96,895   |
| Child Care   | 64,969   | 10,965   |
| Ethnic minority student achievement grant (section 11) | -  | 929  |
| Local initiative funds                                 | 242,970  | 88,834   |
| FE Standards Funds                                     | -  | 173,319  |
| ESF Co-financing                                       | 124,815  | -  |
| Widening participation strategic partnerships          | -  | 700  |
| Centres for vocational excellence                      | -  | 2,000  |
| Other funds  | 112,802  | 162,099  |
| Additional funds in respect of prior years             | 41,886   | 117,563  |
|  | <u>3,273,980</u>                               | <u>2,862,793</u>                               |

### 2 Tuition fees and charges

|                       | 2004<br>£      | 2003<br>£      |
|-----------------------|----------------|----------------|
| Home fees and charges | <u>282,048</u> | <u>311,949</u> |

### 3 Other grant income

|  | 2004<br>£      | 2003<br>£      |
|--|----------------|----------------|
| Release from deferred capital grants (non Funding Council) | 25,020         | 37,237         |
| European funds   | 236,040        | 129,007        |
| Other funds  | 374,173        | 546,479        |
|  | <u>635,233</u> | <u>712,723</u> |

### 4 Other operating income

|                                    | 2004<br>£        | 2003<br>£      |
|------------------------------------|------------------|----------------|
| Catering and residence operations  | 881,732          | 780,585        |
| Other income generating activities | 159,397          | 120,661        |
|                                    | <u>1,041,129</u> | <u>901,246</u> |

## Notes to the financial statements

### 5 Investment income

|                   | 2004          | 2003         |
|-------------------|---------------|--------------|
|                   | £             | £            |
| Interest received | <u>12,491</u> | <u>7,384</u> |

### 6 Staff costs

Staff costs during the year were as follows:

|                       | 2004             | 2003             |
|-----------------------|------------------|------------------|
|                       | £                | £                |
| Wages and salaries    | 2,853,387        | 2,694,209        |
| Social security costs | 214,377          | 210,768          |
| Other pension costs   | 312,888          | 281,229          |
|                       | <u>3,380,652</u> | <u>3,186,206</u> |

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

|                                       | 2004<br>Number | 2003<br>Number |
|---------------------------------------|----------------|----------------|
| Teaching departments - teaching staff | 49             | 50             |
| Teaching support services             | 9              | 9              |
| Other support services                | 16             | 16             |
| Administration and central services   | 30             | 30             |
| Premises                              | 20             | 21             |
| Catering and residences               | 18             | 18             |
|                                       | <u>142</u>     | <u>144</u>     |

Staff costs for the above persons:

|                                       | 2004             | 2003             |
|---------------------------------------|------------------|------------------|
|                                       | £                | £                |
| Teaching departments - teaching staff | 1,447,117        | 1,425,364        |
| Teaching support services             | 306,972          | 273,326          |
| Other support services                | 175,659          | 164,367          |
| Administration and central services   | 888,188          | 806,896          |
| Premises                              | 263,718          | 251,520          |
| Catering and residences               | 298,998          | 264,733          |
|                                       | <u>3,380,652</u> | <u>3,186,206</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)

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

|                    | 2004<br>Number<br>Senior<br>postholders | 2004<br>Number<br>Other | 2003<br>Number<br>Senior<br>postholders | 2003<br>Number<br>Other |
|--------------------|---|-------------------------|---|-------------------------|
| £50,001 to £60,000 | 5                                       | -                       | 4                                       | -                       |
| £60,001 to £70,000 | 1                                       | -                       | -                                       | -                       |
| £70,001 to £80,000 | 1                                       | -                       | 1                                       | -                       |
|                    | <u>7</u>                                | <u>-</u>                | <u>5</u>                                | <u>-</u>                |

A pay award of 2.75% was made for non-academic staff with effect from April 2004.

A pay award of 3.44% was made from August 2003 for academic and academic related staff.

### 7 Senior postholders emoluments

|   | 2004<br>Number | 2003<br>Number |
|---|----------------|----------------|
| The number of senior postholders including the principal was: | <u>7</u>       | <u>9</u>       |

Senior postholders' emoluments are made up as follows:

|                       | 2004<br>£      | 2003<br>£      |
|-----------------------|----------------|----------------|
| Salaries              | 359,706        | 350,273        |
| Pension contributions | 50,258         | 48,318         |
| Total emoluments      | <u>409,964</u> | <u>398,591</u> |

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

|                      | 2004<br>£     | 2003<br>£     |
|----------------------|---------------|---------------|
| Salary               | 69,589        | 64,566        |
| Pension contribution | 9,742         | 9,039         |
|                      | <u>79,331</u> | <u>73,605</u> |

Senior postholders, including the principal, received a pay increase of 3.44% with effect from August 2003 approved by the Board of Governors. This increase was in line with the increase awarded to all academic and academic related staff.

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.

## Notes to the financial statements

### 7 Senior postholders emoluments (continued)

#### Overseas activities

The following costs were incurred during 2003/04 in respect of overseas activities, which were carried out in accordance with the strategy approved by the governing body.

|                    | Total cost<br>£ | Contributions<br>received<br>£ | Net cost to<br>College<br>£ |
|--------------------|-----------------|--------------------------------|-----------------------------|
| Senior postholders | -               | -                              | -                           |
| Other staff        | 809             | (661)                          | 148                         |
| Governors          | 382             | (262)                          | 120                         |
|                    | <u>1,191</u>    | <u>(923)</u>                   | <u>268</u>                  |

### 8 Other operating expenses

|                                     | 2004<br>£        | 2003<br>£        |
|-------------------------------------|------------------|------------------|
| Teaching Departments                | 329,637          | 246,629          |
| Teaching support services           | 70,804           | 67,494           |
| Other support services              | 69,385           | 62,190           |
| Administration and central services | 318,205          | 270,205          |
| General education                   | 128,148          | 118,980          |
| Premises costs - running costs      | 153,610          | 131,125          |
| Premises costs - Maintenance        | 59,980           | 54,522           |
| Catering and residence operations   | 317,772          | 258,967          |
|                                     | <u>1,447,541</u> | <u>1,210,112</u> |

|                                   |           |              |
|-----------------------------------|-----------|--------------|
| Other operating expenses include: | 2004<br>£ | 2003<br>£    |
| Auditors' remuneration            |           |              |
| - internal audit                  | 10,068    | 11,415       |
| - financial statements audit      | 8,284     | 8,212        |
| - other services                  | -         | 2,996        |
|                                   | <u>-</u>  | <u>2,996</u> |

### 9 Bursaries

|          | 2004<br>£        | 2003<br>£        |
|----------|------------------|------------------|
| Receipts | 210,795          | 257,150          |
| Payments | <u>(210,795)</u> | <u>(257,150)</u> |
|          | <u>-</u>         | <u>-</u>         |

## Notes to the financial statements

### 10 Interest payable

|   | 2004<br>£     | 2003<br>£     |
|---|---------------|---------------|
| On loans  |               |               |
| Repayable within 5 years, by instalments            | 17,888        | 2,896         |
| Repayable wholly, or partly in more than five years | -             | 15,389        |
|   | <u>17,888</u> | <u>18,285</u> |

### 11 Taxation

The College was not liable for any corporation tax arising out of its activities during this period.

### 12 Tangible fixed assets

|                                 | Freehold<br>land and<br>buildings<br>£ | Improvements<br>to property<br>£ | Equipment<br>£   | Total<br>£       |
|---------------------------------|--|----------------------------------|------------------|------------------|
| Cost                            |  |                                  |                  |                  |
| At 1 August 2003                | 768,725                                | 2,566,234                        | 1,205,783        | 4,540,742        |
| Additions                       | 4,273                                  | 110,661                          | 39,629           | 154,563          |
| At 31 July 2004                 | <u>772,998</u>                         | <u>2,676,895</u>                 | <u>1,245,412</u> | <u>4,695,305</u> |
| Depreciation                    |  |                                  |                  |                  |
| At 1 August 2003                | 68,540                                 | 1,373,326                        | 1,048,800        | 2,490,666        |
| Charge for the year             | 16,972                                 | 145,216                          | 74,246           | 236,434          |
| At 31 July 2004                 | <u>85,512</u>                          | <u>1,518,542</u>                 | <u>1,123,046</u> | <u>2,727,100</u> |
| Net book amount at 31 July 2004 | <u>687,486</u>                         | <u>1,158,353</u>                 | <u>122,366</u>   | <u>1,968,205</u> |
| Net book amount at 31 July 2003 | <u>700,185</u>                         | <u>1,192,908</u>                 | <u>156,983</u>   | <u>2,050,076</u> |
| Financed by capital grant       | 246,010                                | 583,689                          | 60,134           | 889,833          |
| Other                           | 441,476                                | 574,664                          | 62,232           | 1,078,372        |
|                                 | <u>687,486</u>                         | <u>1,158,353</u>                 | <u>122,366</u>   | <u>1,968,205</u> |

Freehold land and buildings and improvements to property with a net book value of £698,818 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.

## Notes to the financial statements

### 13 Stock

|                  | 2004<br>£     | 2003<br>£     |
|------------------|---------------|---------------|
| Goods for resale | <u>12,006</u> | <u>19,780</u> |

### 14 Debtors

|                                      | 2004<br>£      | 2003<br>£      |
|--------------------------------------|----------------|----------------|
| Amounts falling due within one year: |                |                |
| Trade debtors                        | 932,248        | 592,052        |
| Other debtors                        | 10,350         | 13,768         |
| Prepayments and accrued income       | 15,683         | 6,973          |
|                                      | <u>958,281</u> | <u>612,793</u> |

### 15 Creditors: amounts falling due within one year

|                                    | 2004<br>£      | 2003<br>£      |
|------------------------------------|----------------|----------------|
| Loans                              | 6,833          | 46,084         |
| Payments received in advance       | 149,506        | 261,612        |
| Trade creditors                    | 308,165        | 251,432        |
| Other taxation and social security | 126,477        | 120,481        |
| Accruals                           | 13,343         | 21,261         |
|                                    | <u>604,324</u> | <u>700,870</u> |

### 16 Creditors: amounts falling due after more than one year

|       | 2004<br>£     | 2003<br>£      |
|-------|---------------|----------------|
| Loans | <u>32,854</u> | <u>127,168</u> |

## Notes to the financial statements

### 17 Borrowings

Borrowings are repayable as follows:

|  | 2004<br>£     | 2003<br>£      |
|--|---------------|----------------|
| Within one year<br>Loans                 | 6,833         | 46,084         |
| After one and within two years<br>Loans  | 7,345         | 22,861         |
| After two and within five years<br>Loans | 25,509        | 82,468         |
| After five years<br>Loans                | -             | 21,838         |
|  | <u>39,687</u> | <u>173,251</u> |

The loans outstanding represent various monies lent to the College through:

|               | 2004<br>£     | 2003<br>£      |
|---------------|---------------|----------------|
| Council loans | -             | 112,183        |
| Union loans   | 39,687        | 61,068         |
|               | <u>39,687</u> | <u>173,251</u> |

Of the total loans outstanding £nil (2003: £117,624) is secured by charges on the company's assets.

The loans are repayable by instalments over differing periods and interest is charged at various rates.

### 18 Provision for liabilities and charges

| Enhanced pension provision   | Total<br>£    |
|------------------------------|---------------|
| At 1 August 2003             | 44,010        |
| Provision made in the period | 2,270         |
| Expenditure in the period    | (2,489)       |
| At 31 July 2004              | <u>43,791</u> |

## Notes to the financial statements

### 19 Deferred capital grants

|   | Funding<br>council<br>£ | Other<br>grants<br>£ | Total<br>£       |
|---|-------------------------|----------------------|------------------|
| At 1 August 2003                                |                         |                      |                  |
| Land and buildings and improvements to property | 626,354                 | 105,438              | 731,792          |
| Equipment                                       | 93,786                  | 57,887               | 151,673          |
|   | <u>720,140</u>          | <u>163,325</u>       | <u>883,465</u>   |
| Cash receivable                                 |                         |                      |                  |
| Land and buildings and improvements to property | 249,548                 | -                    | 249,548          |
| Equipment                                       | -                       | -                    | -                |
|   | <u>249,548</u>          | <u>-</u>             | <u>249,548</u>   |
| Released to income and expenditure              |                         |                      |                  |
| Land and buildings and improvements to property | 61,244                  | 11,992               | 73,236           |
| Equipment                                       | 33,014                  | 13,028               | 46,042           |
|   | <u>94,258</u>           | <u>25,020</u>        | <u>119,278</u>   |
| At 31 July 2004                                 |                         |                      |                  |
| Land and buildings and improvements to property | 814,658                 | 93,446               | 908,104          |
| Equipment                                       | 60,772                  | 44,859               | 105,631          |
|   | <u>875,430</u>          | <u>138,305</u>       | <u>1,013,735</u> |

Analysis of capital grants received from the Learning and Skills Council during 2003/04:

|                       | £              |
|-----------------------|----------------|
| Disabled access grant | <u>249,548</u> |

### 20 Capital reserves

|  | 2004<br>£      | 2003<br>£      |
|--|----------------|----------------|
| At 1 August 2003                             | 758,629        | 675,091        |
| Transfer from income and expenditure account | 61,739         | 152,612        |
| Transfer to income and expenditure account   | (73,800)       | (69,074)       |
| At 31 July 2004                              | <u>746,568</u> | <u>758,629</u> |

### 21 Income and expenditure account

|   | 2004<br>£      | 2003<br>£      |
|---|----------------|----------------|
| At 1 August 2003                                    | 487,152        | 436,032        |
| Surplus on continuing operations after depreciation | 162,366        | 134,658        |
| Transfer to capital reserve                         | (61,739)       | (152,612)      |
| Transfer from capital reserve                       | 73,800         | 69,074         |
| At 31 July 2004                                     | <u>661,579</u> | <u>487,152</u> |

## Notes to the financial statements

### 22 Capital commitments

|   | 2004   | 2003 |
|---|--------|------|
|   | £      | £    |
| Contracted for but not provided in these financial statements | 36,726 | -    |

### 23 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). The total pension cost for the period was £312,888 (2003: £281,229). This includes the increase in the enhanced pension provision of £2,270 (2003: £4,310).

#### 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.

#### SSAP 24

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 1999   |
| Actuarial method   | Projected Unit  |
| Investment returns per annum   | 4.5%            |
| Pension increases per annum  | 2.6%            |
| Salary scale increases per annum   | 3.6%            |
| Market value of assets at date of last valuation                                     | £18,815 million |
| Proportion of members' accrued benefits covered by the actuarial value of the assets | 108%            |

#### FRS 17

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 made for the year ended 31 July 2004 was £235,401 of which employers contributions totalled £165,174 and employees contributions totalled £70,227. The agreed contribution rates for the period to 1 April 2005 are 13.9% for employers and 6% for employees.

## Notes to the financial statements

### 23 Pension and similar obligations (continued)

#### SSAP 24

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 2001  |
| Actuarial method                                 | Projected Unit |
| Investment returns per annum                     | 6.5% per annum |
| Pension increases per annum                      | 2.5% per annum |
| Salary scale increases per annum                 | 4.0% per annum |
| Market value of assets at date of last valuation | £2,357 million |

Proportion of members' accrued benefits covered by the actuarial value of the assets 90%

#### FRS 17

The following information is based upon a full valuation of the Fund at 31 March 2001 updated to 31 July 2004 by a qualified independent actuary.

|                               | At 31 July<br>2003<br>% | At 31 July<br>2002<br>% |
|-------------------------------|-------------------------|-------------------------|
| Inflation                     | 2.5                     | 2.5                     |
| Rate of increase in salaries  | 4.0                     | 4.0                     |
| Rate of increase in pensions  | 2.5                     | 2.5                     |
| Discount rate for liabilities | 5.5                     | 6.0                     |

The assets of the scheme and the expected rate of return were (of which the College's share is estimated at 0.08%):

|                                     | Long-term<br>rate of<br>return<br>expected at<br>31 July<br>2004<br>% | Value at<br>31 July<br>2004<br>£'000 | Long-term<br>rate of<br>return<br>expected<br>at 31 July<br>2003<br>% | Value at<br>31 July<br>2003<br>£'000 | Long-term<br>rate of<br>return<br>expected<br>at 31 July<br>2002<br>% | Value at<br>31 July<br>2002<br>£'000 |
|-------------------------------------|---|--------------------------------------|---|--------------------------------------|---|--------------------------------------|
| Equities                            | 7.5   | 1,512,000                            | 7.5   | 1,378,000                            | 8.0   | 1,291,000                            |
| Government bonds                    | 5.0   | 429,000                              | 4.7   | 357,000                              | 6.0   | {                                    |
| Other bonds                         | 5.7   | 145,000                              | 5.5   | 146,000                              | 6.0   | {447,000                             |
| Property                            | 6.5   | 256,000                              | 6.5   | 238,000                              | 7.0   | 249,000                              |
| Other                               | 4.5   | 69,000                               | 3.75  | 86,000                               | 4.0   | 72,000                               |
| Total Market Value of assets        |   | <u>2,411,000</u>                     |   | <u>2,205,000</u>                     |   | <u>2,059,000</u>                     |
|                                     |   |                                      |   |                                      | 2004<br>£'000   | 2003<br>£'000                        |
| College's estimated asset share     |   |                                      |   |                                      | <u>2,310</u>  | <u>1,769</u>                         |
| Present value of scheme liabilities |   |                                      |   |                                      | (3,292)   | (2,726)                              |
| Enhanced pension provision          |   |                                      |   |                                      | (44)  | (44)                                 |
| Net pension liability               |   |                                      |   |                                      | <u>(3,336)</u>  | <u>(2,770)</u>                       |
| Deficit in the scheme               |   |                                      |   |                                      | <u>(1,026)</u>  | <u>(1,001)</u>                       |



## Notes to the financial statements

### 23 Pension and similar obligations (continued)

Under the transitional arrangements of FRS 17, no provision has been made by the college for the institution's share of the deficit of the scheme. If provision were made, the following entries would be made:

| <b>Balance sheet presentation</b>             | <b>2004</b><br><b>£'000</b> | <b>2003</b><br><b>£'000</b> |
|---|-----------------------------|-----------------------------|
| Net assets excluding FRS 17 pension liability | 2,422                       | 2,129                       |
| Add back enhanced pension provision           | 44                          | 44                          |
|   | <u>2,466</u>                | <u>2,173</u>                |
| Net pension liability                         | (1,026)                     | (1,001)                     |
| Net assets including FRS 17 pension liability | <u>1,440</u>                | <u>1,172</u>                |

| <b>Reserves note</b>  | <b>2004</b><br><b>£'000</b> | <b>2003</b><br><b>£'000</b> |
|---|-----------------------------|-----------------------------|
| Income and expenditure account excluding FRS 17 pension liability | 662                         | 487                         |
| Add back enhanced pension provision                               | 44                          | 44                          |
|   | <u>706</u>                  | <u>531</u>                  |
| Pension reserve   | (1,026)                     | (1,001)                     |
| Income and expenditure account including FRS 17 pension liability | <u>(320)</u>                | <u>(470)</u>                |

Under the transitional arrangements for FRS 17, the College's pension charge for the year calculated under FRS 17 assumptions is not included in the financial statements (as this is currently calculated on a SSAP 24 basis). If the charge had been included on an FRS 17 basis, the following entries would be made.

| <b>Analysis of the amount charged to income and expenditure account</b> | <b>2004</b><br><b>£'000</b> | <b>2003</b><br><b>£'000</b> |
|---|-----------------------------|-----------------------------|
| Service cost  | (158)                       | (118)                       |
| Movement on enhanced pension  | -                           | (2)                         |
| Total operating charge  | <u>(158)</u>                | <u>(120)</u>                |

#### Analysis of net return on pension scheme

|  |             |             |
|--|-------------|-------------|
| Expected return on pension scheme assets | 130         | 117         |
| Interest on pension liabilities          | (160)       | (137)       |
| Net return                               | <u>(30)</u> | <u>(20)</u> |

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

|   |            |              |
|---|------------|--------------|
| Actual return less expected return on pension scheme assets                       | 51         | (47)         |
| Experience gains and losses arising on the scheme liabilities                     | -          | -            |
| Change in financial and demographic assumptions underlying the scheme liabilities | (56)       | (225)        |
| Actuarial loss recognised in STRGL  | <u>(5)</u> | <u>(272)</u> |

## Notes to the financial statements

### 23 Pension and similar obligations (continued)

|  | 2004<br>£'000  | 2003<br>£'000  |
|--|----------------|----------------|
| <b>Movement in deficit during year</b> |                |                |
| Deficit in scheme at 1 August          | (1,001)        | (738)          |
| Movement in year:                      |                |                |
| Current service charge                 | (158)          | (120)          |
| Contributions                          | 168            | 149            |
| Past service costs                     | -              | -              |
| Net interest on assets                 | (30)           | (20)           |
| Actuarial gain or loss                 | (5)            | (272)          |
| Deficit in scheme at 31 July           | <u>(1,026)</u> | <u>(1,001)</u> |

#### History of experience gains and losses (in practice, from 2005, 5 years must be shown)

|  | 2004<br>£'000 | 2003<br>£'000 | 2002<br>£'000 |
|--|---------------|---------------|---------------|
| Difference between the expected and actual return on assets: |               |               |               |
| Amount   | 51            | (47)          | (337)         |
| % of scheme assets   | 2.2%          | 2.7%          | 22.5%         |
| Total amount recognised in STRGL                             |               |               |               |
| Amount   | (56)          | (272)         | (337)         |
| % of scheme liabilities                                      | 1.7%          | 10%           | 15.4%         |

### 24 Net cash inflow from operating activities

|   | 2004<br>£        | 2003<br>£      |
|---|------------------|----------------|
| Surplus on continuing operations after depreciation | 162,366          | 134,658        |
| Depreciation  | 236,434          | 246,834        |
| Deferred capital grants released to income          | (119,278)        | (134,132)      |
| Interest payable                                    | 17,888           | 18,285         |
| Decrease in stock                                   | 7,774            | 1,804          |
| Increase in debtors                                 | (345,488)        | (232,762)      |
| (Decrease)/increase in creditors                    | (57,295)         | 215,150        |
| (Decrease)/increase in provisions                   | (219)            | 1,870          |
| Interest receivable                                 | (12,491)         | (7,384)        |
| Net cash inflow from operating activities           | <u>(110,309)</u> | <u>244,323</u> |

## Notes to the financial statements

### 25 Analysis of changes in net (debt)/funds

|                             | At 1 August<br>2003<br>£ | Cashflows<br>£ | At 31 July<br>2004<br>£ |
|-----------------------------|--------------------------|----------------|-------------------------|
| Cash in at bank and in hand | 318,645                  | (154,286)      | 164,359                 |
| Debt due within one year    | (46,084)                 | 39,251         | (6,833)                 |
| Debt due after one year     | (127,168)                | 94,314         | (32,854)                |
|                             | (173,252)                | 133,565        | (39,687)                |
| Total                       | 145,393                  | (20,721)       | 124,672                 |

### 26 Reconciliation of movement in members' funds

|                                | 2004<br>£ | 2003<br>£ |
|--------------------------------|-----------|-----------|
| Surplus for the financial year | 162,366   | 134,658   |
| Opening members funds          | 1,245,781 | 1,111,123 |
| Closing members funds          | 1,408,147 | 1,245,781 |

### 27 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 2004 there were 31 members (2003: 27).

### 28 Contingent liabilities

There were no contingent liabilities at 31 July 2004 or 31 July 2003.

### 29 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.

During the year the College has made an agreement with the Wentworth Castle and Stainborough Park Heritage Trust to enter into lease arrangements at a future date. No specific financial commitment has yet been agreed for these leases and therefore these financial statements do not include these transactions.

## Notes to the financial statements

### 30 Learner support funds

|  | 2004<br>£       | 2003<br>£       |
|--|-----------------|-----------------|
| <b>Access funds</b>                                      |                 |                 |
| Brought forward  | 1,261           | 12              |
| Learning and Skills Council Grants                       | 44,351          | 28,692          |
| Interest earned  | 15              | 21              |
|  | <u>45,627</u>   | <u>28,725</u>   |
| Disbursed to students                                    | <u>(30,356)</u> | <u>(27,464)</u> |
| Balance unspent as at 31 July                            | <u>15,271</u>   | <u>1,261</u>    |
| <br><b>Other Learner Support Funds</b>                   |                 |                 |
| Learning and Skills Council                              |                 |                 |
| - Childcare  | 32,997          | 21,204          |
| - Recycled funds   | 31,972          | -               |
| Amount consolidated in financial statements as childcare | <u>(64,969)</u> | <u>(21,204)</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.