

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

Financial statements

For the year ended 31 July 2009



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03/04/2010

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## Company information

**Company registration number:** 1339524

**Charity registration number:** 507245

**Principal address and registered office:** Wentworth Castle  
Lowe Lane  
Stainborough  
BARNSLEY  
South Yorkshire  
S75 3ET

**Principal:** J Westerman

**Company Secretary:** Ms S Burke

<b>Members:</b>	Dr M Ball	Cllr J McKenna
	Prof R Billingsley	Mr B Mottershaw
	Mr M Bradley	Mr R Myers
	Ms J Goodridge	Mr R Quick
	Prof W Hampton	Ms H Rose
	(died June 2009)	(resigned November 2008)
	Mr R Harrison	Mr R Mann
	Ms H Anderson	Cllr A Sockett
	Ms P Johnson	Cllr M Stokes
	Mr J Jones	Ms J Stubbs
	Mr F Lord	Ms A Walker
	Mr C Macdonald	Cllr M Walton
	Ms K May	
	(died April 2009)	

**Bankers:** The Co-operative Bank  
PO Box 250  
SKELMERSDALE  
WN8 6WT

## 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 incorporating the Operating and Financial Review**

## **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 as amended by the Charities Act 2006.

## **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. The company is limited by guarantee and has no share capital, the liability of its members is limited to an amount not exceeding £1.

## **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 adult residential and community based learning.

## **Implementation of the Strategic Plan**

The college has developed a new Strategic Plan for the period 2008–2011. The plan is modelled around the Framework for Excellence which is being implemented within general FE colleges during 2008/09 and in the Northern College during 2009/10. Specific targets for 2008/09 have been developed out of the broad aims and objectives of the Strategic Plan and these have been included in the College's Quality Improvement Plan.

The strategic planning process has been closely related to the South Yorkshire Learning and Skills Council Strategic Plan, in particular, the nine key challenges identified as facing the LSC. The College works extensively in South and West Yorkshire but for the purposes of this report has utilised South Yorkshire key issues to underpin its learner needs strategy. As a specialised institution dealing only with post-19 learners, some of those challenges are not appropriate for the College but in particular we would argue that we have played, and will continue to play, a significant role in the following areas:

- To enhance the employability of individuals improving basic skills and skills for everyday work
- To promote inclusion through learning by raising the participation and achievement of people from disadvantaged backgrounds
- To stimulate demand for learning from employers and employees least likely to undertake training or with poor qualification levels

# **Report of the members of the Board of Governors incorporating the Operating and Financial Review**

## **Charitable status and the public benefit**

The governors confirm that they have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing the College's aims and objectives and in planning future activities

The college mission commits it to extending educational opportunities to adults, in particular as a 'second chance' to those who have had benefited least from education in the past

The make up of the student body during 2008/09 demonstrates that it is succeeding in reaching these adults 65% of all students had no qualifications above level one and 51% were from groups or geographical locations (super-output areas which are defined as deprived) that are designated as attracting a 'widening participation uplift' by the funding body 92% of all those who start a course at the college left having achieved their learning goal or qualification

In addition the college provides educational and training opportunities to activists from the voluntary and community sector (known as the third sector) who in turn provide a service for adults who are experiencing disadvantage So, for example, in 2008/9 the college offered a teacher training qualification aimed at those working in the third sector to enable them to carry out their own educational and training activities more effectively, thereby extending the reach of the college within the communities it serves

Although the college does charge fees for its educational provision, and indeed is expected to do so by its funders, these fees are set at a rate designed to be affordable to its users – a three day residential course for instance would typically cost £39 Courses in adult numeracy and literacy are free of charge, and the college has a fee remission policy which extends free provision to those without higher educational qualifications and those on limited incomes This policy is made available to prospective students through the college's recruitment publicity In addition, the college has two funds which can offer financial assistance to students whilst they are studying The learner support fund offers help with travelling expenses, other course related expenses and living costs, and the student hardship fund offers short-term loans to students to help with them with unexpected financial emergencies The learner support fund is administered on a means tested basis

In 2008/09 the college recruited students on to approximately 6,250 potentially fee bearing enrolments Of these, students paid fees on 531 enrolments, around 8.5%

## **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  
Stanborough  
Barnsley  
South Yorkshire  
S75 3ET

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

## **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 incorporating the Operating and Financial Review

## Financial Objectives

To maintain sound finances to underpin the College's work by,

- making a financial surplus each year
- creating sufficient reserves to ensure that the College's strategy can be effectively implemented
- diversifying income streams

## Performance Indicators

The LSC has introduced a new system of performance measures for colleges, the "Framework for Excellence". This framework was planned to be implemented across all providers in 2008/09 and in the interim, pilot institutions (of which the College is one) have developed the measures to be employed. The College has been measured against the planned measures alongside the existing measures.

The framework has three dimensions:

- Responsiveness
- Effectiveness
- Finance

Each dimension has subsidiary key performance areas. These key performance areas are further broken down into performance indicators supported by performance measures which are absolute measures of performance. In deriving the overall performance rating the Framework gives equal weighting to each of three dimensions.

The College's overall achievement in 2008/09 was:

Financial Health	- Good
Financial control	- Good
Resource Efficiency	- Good

**Target: Financial – Achieve a surplus of £100,000 (prior to pension adjustment)**

The College achieved a surplus of £76,295 in 2008/09 (prior to pension adjustment).

**Target: Diversify income streams and reduce dependency on LSC income**

In 2008/09 around 63% of funding came from the LSC, 3% from external grant sources, 3% from local authorities and 22% from catering and residence operations and external bookings. The remaining 9% came from tuition fees.

The College has lower levels of funding from the LSC than most in the sector and a greater diversity of income.

**Target: Achieve 100% of the funding allocation from the LSC**

The achieved funding allocation from the LSC in 2008/09 was 126.02%.

**Target: To achieve 225 LSC funded SLNS**

The College achieved 281 funded SLNS.

**Target: To achieve 550 Skills for Life national test learners**

The College achieved 466 Skills for Life national test learners, however, a significant amount of Skills for Life National Test provision was also provided within the Employer Responsive Funding Stream (Train to Gain).

## **Report of the members of the Board of Governors incorporating the Operating and Financial Review**

### **Financial Position**

#### **Financial results**

The College generated an operating deficit for the year of £27,705, after pension adjustments, a surplus of £76,295 prior to pension adjustments (2008 deficit £111,166, after pension adjustments, a surplus of £167,834 prior to pension adjustments)

The College has accumulated income and expenditure reserves of £487,574 and cash balances of £179,461

Tangible fixed asset additions during the year amounted to £189,783, of which £74,971 related to equipment purchases and £114,812 to improvements to property. The equipment expenditure was mainly in relation to IT infrastructure initiatives

#### **Future Developments and going concern considerations**

The Governors, Principal and Senior Management Team recognises that it is operating in a challenging funding environment and that it will continually need to review the effectiveness of its provision, the funding received for different provision and the need to be cost effective and take measures to reduce the cost of provision as well as to search for new areas of work which are consistent with the mission of the college

A programme of restructuring and redundancies undertaken in 2009 has resulted in a shift from a large projected deficit budget for 2009/10 to a surplus of in excess of £400,000. The recently published Skills Investment Strategy commits the Learning and Skills Council and its successor body the Skills Funding Agency, to an additional year of protection for the core budgets of the Specialist Designated Institutions (SDIs) of which the Northern College is one for 2010/11 giving some assurance as the college moves forward

#### **Treasury policies and objectives**

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

The College has for many years invested its surplus funds via Barnsley Metropolitan Council, which gave a high return and relatively low risk investment with on call refund. Regular reviews have taken place of alternative investments which have not provided higher returns with the same security and same day refund options

The arrangement has worked well, however the returns available are now relatively low and the Board of Governors have approved the setting up of an additional deposit account with the Co-operative Bank, which pays variable interest depending on the level of deposit, for use when the College has generated surplus funds

All borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum with the LSC

#### **Cashflow**

At £179,461 (2007/08 £356,987) the operating cash in flow was reasonable and reflected the reduced cash position given the reduction in creditors 2007/08 following the payment to Barnsley MBC of £350,000 relating to amounts due in respect of payroll payments made on the Colleges behalf in earlier years

#### **Liquidity**

The College has not entered into any new borrowing arrangements during the year. The loan which the College had, which was advanced by the Transport and General Workers Union, has been fully discharged by a final payment in December 2008



# **Report of the members of the Board of Governors incorporating the Operating and Financial Review**

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

### **Curriculum Developments**

The College is highly supportive of the mission, purpose and objectives of the Learning and Skills Council (LSC) and in particular with the declared objectives of the South Yorkshire LSC, with its objectives of working to address educational deficiencies in the sub-region and the development of partnership working. The College, because of its size, specificity and heritage, has always worked closely with other organisations, in particular the local authorities, the voluntary and community sector, local employers and trade unions. Over recent years it has worked to align its curriculum more closely with regional and national priorities. The programmes within the College are listed below with a brief description.

### **Diploma Programme**

A full-time residential enhanced Access programme which runs from September to May. There are multiple exit qualifications ranging from an Access to HE Diploma. This programme can be accessed on a non-residential full-time basis and on a part-time basis but numbers following these routes are limited in order to retain the residential core of the programme. A part-time Diploma in Trade Union Studies was offered over a series of residential weekends. In the previous year the programme was successfully re-validated by both the Open College Network and Sheffield Hallam University.

### **Gateway and Outreach**

This programme offers both openly recruited short courses and, in conjunction with the following local authorities – Bradford, Kirklees, Wakefield, Leeds, Barnsley, Rotherham and Sheffield – outreach provision, day visits and short non-accredited residential courses. These Outreach Development courses are primarily engaged with group learning for new learners. The groups who come into the College are chosen in conjunction with the local authorities and often reflect different priorities in different authorities. This work is non accredited.

### **Foundation Learning**

The College's openly recruited short course offer is now organised so that students can follow routes within foundation learning, progressing from entry level to level one and then level two.

### **Skills for Life Programme**

This programme provides Skills for Life courses in Literacy and Numeracy and National Tests. It is also delivering functional skills on a pilot basis. All College provision has embedded Skills for Life and the programme provides support for other programme areas.

### **Workforce Development Programme**

This area includes the Trade Union Programme, the Learning for Work Programme, Sustainable Communities activity and work with employers. Trade union courses are undertaken in conjunction with UNISON, the GFTU, UNITE, GMBU and the regional TUC. The College began delivery of the Foundation Degree in partnership with Bradford University. In Sustainable Communities short courses are offered to community activists and professionals within the community and voluntary sector. This programme area has a growing portfolio of work-related qualifications.

The College now offers a full teacher training route from level 2 to level 4, including a PGCE which is accredited by Huddersfield University. These qualifications are particularly aimed at those working in the voluntary and community sector.

### **Train to Gain**

The College works with a number of local employers delivering training in the areas of Skills for Life.

### **Payment Performance**

The College recognises the importance of paying suppliers within reasonable timescales, and for those goods and or services where factual accurate invoices are supplied aims to make payment within 30 days of either the provision of goods or services or the date which the invoice is received.

# Report of the members of the Board of Governors incorporating the Operating and Financial Review

## **Stakeholder relationships**

In line with other colleges, Northern College has many stakeholders. These include

- Students,
- Funding Councils,
- Staff,
- Local employers – with links to Train to Gain & Train to Gain Enhancement work,
- Local Authorities,
- Governments Offices/Regional Development Agencies,
- The local community,
- Other FE institutions,
- HE institutions,
- Trade Unions,
- Professional bodies

The College recognises the importance of these relationships and engages in regular communication with them through the College Internet site and by meetings

## **Post balance sheet events**

There were no post balance sheet events

## **Resources**

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

### **Physical**

The College is located within a magnificent grade one listed house, with a superb award winning Learning Resource Centre, situated in a beautiful grade one listed garden to which College students have access

### **People**

The College employs 91 people, expressed as full time equivalents, which includes lecturing staff, learner support workers and college support staff

### **Reputation**

The College has a good reputation, both locally and nationally, and was rated as outstanding by Ofsted in 2006/07

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

### **Student numbers**

In 2008/09 the College delivered activity to a value of £3,159,695 against an allocation of £2,505,838. This represents 2,670 part-time and 82 full-time LSC funded learners. In addition the College delivered provision to approximately 936 non-LSC funded learners

### **Student Achievements**

Overall success rates at the College remain very high at 93% (2008 92%)

## Report of the members of the Board of Governors incorporating the Operating and Financial Review

### Risk factors

The key factors impacting on provision in 2008/09 was the continuing decline in the level of adult funding and its increasing specificity. Since the shift in government priorities for adult education and training and consequent shifts in funding from 2005/06 onwards, the College has been in a difficult financial position and was designated satisfactory during 2008/09. Nonetheless, it achieved a financial surplus (prior to pension adjustment) during this year and is forecasting a surplus position (prior to pension adjustment) of over £400,000 in 2009/10. The College consolidated its work on changing its curriculum offer to continue to respond to government priorities whilst also remaining focussed on its central mission.

The College's approach to Risk Management was formally assessed by Internal Audit during 2008/09 and the College was found to be a "Risk Managed" organisation. Work will continue to define the College's "Risk Appetite" to move the College into an enabled category.

Some of the principal risk factors to the College and their mitigating actions are listed below.

### Funding

- a In order to continue to draw down the core LSC funding which forms the basis of a majority of the College's income, it is crucial that recruitment targets are hit.
- b Recruitment to LSC targets is therefore closely monitored through the production of monthly returns to LSC, regular monitoring by the Senior Management Team and Academic Management Team and reports to each Policy and Finance Committee.
- c The College aims to increase its income diversity through the development of additional funding streams via alternative provision (HE, project funded) and via the use of its buildings and facilities for conferences.

Curriculum developments are monitored through a clear curriculum planning cycle which takes into account feedback from stakeholders and learners and allows for the development of recruitment strategies for new and developing areas of the curriculum. This in turn leads to the identification of potential project funding streams.

The College seeks to raise its profile with stakeholders and the local business community through the work of the Business Development Unit and through its business planning and marketing strategies.

### Accommodation

- a The age and nature of some of the College's existing accommodation is such that there is an increased health and safety risk in terms of residential provision within an old building.
- b The College has in place robust Health and Safety Policies and Procedures and a qualified competent person in the Health and Safety Officer. The ongoing health and safety regime and performance is monitored by the Health and Safety Committee, the Audit Committee and the Board.
- c Some of the College's accommodation is becoming dilapidated and no longer fit for purpose.

### 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 incorporating the Operating and Financial Review**

### **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 2008/09.

### **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.

### **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 Acts 2001 and 2005, 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 £500,000. 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.

# Report of the members of the Board of Governors incorporating the Operating and Financial Review

## Equality and Diversity

The college actively works to ensure that the principles of Equality and Diversity are reflected throughout the work of the college and it was awarded a grade 1 (outstanding) for Equal Opportunities in its last OfSTED inspection. During 2008/9 it has been working to develop the Single Equality Duty and Equality Impact Assessments as well as continuing its developments in other areas and utilising the Disability and Equality and Diversity Forums to listen to and act upon the opinions of students, partners and other college users.

## Safeguarding

The College is fully aware of its duty with regard to the Safeguarding of Children and Vulnerable adults and is updating its policies and training all staff to ensure full compliance with the law and vigilance in this important area.

## Auditors

Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with Section 487(2) of the Companies Act 2006, unless the company receives notice under Section 488(1) of the Companies Act 2006.

## 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 2009	4 years		Local Auth Rep	Policy & Finance
Cllr J McKenna	01 08 2009	4 years		Local Auth Rep	Policy & Finance
Cllr M Walton			31 07 2009		
Cllr M Stokes	01 08 2009	4 years		Co-opted	Policy & Finance
Dr M Ball	01 08 2007	4 years		Academic Adviser	Chair Board of Governors Quality, Policy & Finance, Search, Remunerations Sub-Committee
Prof R Billingsley	16 09 2005	4 years		Academic Adviser	Policy & Finance Committee
Mr R Harrison	01 08 2007	4 years		Business Rep	Chair Audit
Mr F Lord	01 08 2005	4 years		Business Rep	Remunerations Sub-Committee
Mr M Bradley	01 08 2009	4 years		Trades Union Rep	Policy & Finance
Ms K May	01 08 2005	3 years	died 04 2009		
Mr T Sargeson	01 08 2009	4 years		TUC Rep	
Ms J Stubbs	01 08 2009	4 years		Co-opted	Search
Prof W Hampton	01 08 2007	3 years	died 06 2009		
Ms H Rose			01 11 2008		
Mr R Quick	16 12 2005	4 years		Co-opted	Policy & Finance Committee
Mrs J Goodridge			31 07 2009		
Mr P Wilson	01 08 2009	4 years		Staff rep	Quality
Mr J Edwards	01 08 2009	4 years		Co-opted	Policy & Finance
Prof T Thornton	01 08 2009	4 years		Nominated from another education institution	Policy & Finance
Prof S Webb	01 08 2009	4 years		Co-opted	Quality

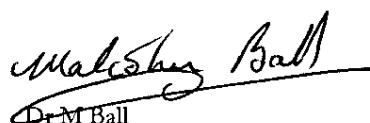
## Report of the members of the Board of Governors incorporating the Operating and Financial Review

### 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 2009	4 years		NC Students' Assoc	Policy and Finance
Mr C Macdonald	01 08 2009	4 years		Nominated by HE Institution	Quality
Ms A Walker	01 08 2009	4 years		WEA Rep	Remunerations Sub-Committee
Ms P Johnson	01 08 2009	4 years		UNISON	
Mr R Myers			31 07 2009		
Mr J Jones			31 07 2009		
Mr R Mann			31 07 2009		
Mr N Kendrew	19 12 2008	3 years		Student Rep	
Ms H Anderson	01 08 2009	4 years		Academic Staff	Policy and Finance

At 31 July there were 21 members (2008 27)

ON BEHALF OF THE BOARD



Dr M Ball  
Chair, Board of Governors  
18 December 2009

Company number 1339524

## **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 2006. 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 2009.

### **The Corporation**

The composition of the Board of Governors is set out on pages 9 and 10. 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 policy and finance, remuneration, search, quality 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. Minutes of the meetings are available from the Clerk to the Corporation at the College address.

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 five 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 2009 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 2009 are set out in notes 7 and 8 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 2009 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 2009 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 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 regulatory auditors in their management letters and other reports

The Principal has been advised on the implications of the result of 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 December 2009 meeting, the Board of Governors will carry out the annual assessment for the year ended 31 July 2009 by considering documentation from the senior management team and internal audit.

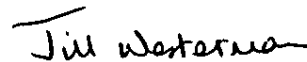
## Corporate governance statement incorporating the statement of internal control

### Going concern

The College is operating in both a difficult financial climate and with a changing funding environment and Governors, the Principal and Senior Management Team are aware of the financial risks faced by the College and have worked to ensure a predicted surplus for 2009/10. The recently published Skills Investment Strategy commits the Learning and Skills Council and its successor body, the Skills Funding Agency, to an additional year of protection for the core budgets of the Specialist Designated Institutions (SDIs), of which the Northern College is one, for 2010/11 giving some assurance as the College moves forward.



Dr M Ball  
Chair, Board of Governors  
18 December 2009



J Westerman  
Principal  
18 December 2009

## Statement of governing body's responsibilities

### Members' responsibilities for the financial statements

The members (who are also the directors for the purposes of company law) of the Corporation are required to present audited financial statements for each financial year

Under Company Law and within the terms and conditions of the Financial Memorandum agreed between the LSC and the Corporation of the College, the Corporation, through its Principal, is required to prepare financial statements for each financial year in accordance with the 2007 *Statement of Recommended Practice – Accounting for Further and Higher Education Institutions*, the Accounts Direction issued by the Learning and Skills Council and the Companies Act 2006, and which give a true and fair view of the state of affairs of the College and the result for that year

In preparing the financial statements, the Corporation is required to

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

The Corporation is also required to prepare a 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 Corporation is responsible for keeping adequate accounting records which disclose with reasonable accuracy, at any time, the financial position of the College, and which enable it to ensure that the financial statements are prepared in accordance with the relevant legislation of incorporation, the Companies Act 2006 and other relevant accounting standards. It is responsible for taking steps that are reasonably open to it in order to safeguard the assets of the College and to prevent and detect fraud and other irregularities

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


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

In so far as each of the directors is aware

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors 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

Approved by order of the members of the Corporation on 18 December 2009 and signed on its behalf by

Signed on behalf of the Board of Governors

  
Dr M Ball  
Chair, Board of Governors  
18 December 2009



# 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 2009, which comprise the principal accounting policies, the income and expenditure account, the statement of total recognised gains and losses, the balance sheet, the cash flow statement and the related notes on pages 26 to 38. 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 Corporation, as a body, in accordance with statutory requirements and with Sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

## **Respective responsibilities of the members of the Corporation of The Northern College for Residential Adult Education Limited and the auditor**

As described in the Statement of members' responsibilities, on page 15, the College's Corporation is responsible for preparing the Report of the members of the Board of Governors and financial statements in accordance with the Accounts Direction issued by the Learning and Skills Council, the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education, applicable law, the Companies Act 2006 and 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 2007 Statement of Recommended Practice – Accounting for Further and Higher Education and the Companies Act 2006. We also report to you if, in our opinion, the Report of the members of the Board of Governors is not consistent with the financial statements, if the College has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit or if certain disclosures of trustees' remuneration specified by law are not made.

We read the Report of the members of the Board of Governors (which incorporates the Operating and Financial Review) and consider the implications for our report if we become aware of any apparent misstatement within it.

We read other information contained in the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Report of the members of the Board of Governors (which incorporates the Operating and Financial Review) and the corporate governance statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to 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 of the state of affairs of the College as at 31 July 2009 and of the college's deficit of income over expenditure for the year then ended,
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Practice,
- the financial statements have been properly prepared in accordance with the 2008/09 Accounts Direction issued by the Learning and Skills Council and 2007 Statement of Recommended Practice - Accounting for Further and Higher Education and the Companies Act 2006, and
- the information given in the Report of the members of the Board of Governors is consistent with the financial statements

A handwritten signature in black ink, appearing to read "Michael Redfern".

Michael Redfern  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
Sheffield  
18 December 2009



# Independent Auditor's report on regularity to the members of The Northern College for Residential Adult Education Limited and the Learning Skills Council (The 'LSC')

In accordance with the terms of our engagement letter dated 19 October 2009 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 2009 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 2009 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 2009 have been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

*Grant Thornton UK LLP*

GRANT THORNTON UK LLP  
STATUTORY AUDITOR  
CHARTERED ACCOUNTANTS

SHEFFIELD  
18 December 2009

## 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 2007 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.

The accounts have been prepared on a going concern basis after the members' consideration of the factors set out in note 1.

### **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 (USS) 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 26, 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 as amended by the Charities Act 2006 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 32, 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	2009 £	2008 £
<b>Income</b>			
Funding Council grants	2	3,532,752	3,197,053
Tuition fees and charges	3	486,749	476,981
Other grant income	4	184,670	2,057,506
Other operating income	5	1,416,921	1,197,556
Investment income	6	15,084	38,281
<b>Total income</b>		<b>5,636,176</b>	<b>6,967,377</b>
<b>Expenditure</b>			
Staff costs	7	3,323,570	3,516,048
Other operating expenses	9	1,851,628	3,257,786
Depreciation	14	267,353	247,141
Interest payable	11	121,235	57,568
Exceptional item restructuring costs	12	100,095	-
<b>Total expenditure</b>		<b>5,663,881</b>	<b>7,078,543</b>
<b>Deficit on continuing operations after depreciation of assets</b>	22	<b>(27,705)</b>	<b>(111,166)</b>

The income and expenditure account is in respect of continuing activities

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

## Other primary statements

### STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES


	2009 £	2008 £
Deficit on continuing operations after depreciation of assets at valuation and tax	<u>(27,705)</u>	<u>(111,166)</u>
Actual return less expected return on pension scheme assets	(456,000)	(448,000)
Experience gains and losses	-	286,000
Change in financial and demographic assumptions underlying the scheme liabilities	<u>603,000</u>	<u>(473,000)</u>
Actuarial gains and losses on pension scheme	<u>147,000</u>	<u>(635,000)</u>
Total recognised gain/(loss) relating to the year	<u>119,295</u>	<u>(746,166)</u>
<b>Reconciliation</b>		
Opening reserves	(875,673)	(129,507)
Total recognised gains and losses for the year	119,295	(746,166)
Closing reserves	<u>(756,378)</u>	<u>(875,673)</u>

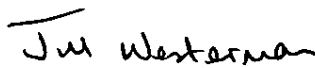
The accompanying accounting policies and notes form an integral part of these financial statements.

## Balance sheet

	Note	2009 £	2008 £
<b>Fixed assets</b>			
Tangible assets	14	<u>2,593,310</u>	<u>2,670,880</u>
<b>Current assets</b>			
Stock	15	3,754	2,433
Debtors	16	766,649	415,748
Cash at bank and in hand		<u>179,461</u>	<u>966,927</u>
		<u>949,864</u>	<u>1,385,108</u>
<b>Creditors amounts falling due within one year</b>	17	<u>(663,422)</u>	<u>(1,206,350)</u>
<b>Net current assets</b>		<u>286,442</u>	<u>178,758</u>
<b>Total assets less current liabilities</b>		<u>2,879,752</u>	<u>2,849,638</u>
<b>Provision for liabilities</b>	19	(47,018)	(49,715)
<b>Pension deficit</b>	25	(2,404,000)	(2,447,000)
		<u>428,734</u>	<u>352,923</u>
<b>Deferred capital grants</b>	20	<u>1,185,112</u>	<u>1,228,596</u>
<b>Reserves</b>			
Income and expenditure account excluding pension reserve		487,574	389,346
Pension reserve	25	(2,404,000)	(2,447,000)
Income and expenditure account including pension reserve	22	(1,916,426)	(2,057,654)
Capital reserve	21	1,160,048	1,181,981
Total reserves		<u>(756,378)</u>	<u>(875,673)</u>
		<u>428,734</u>	<u>352,923</u>

The financial statements on pages 19 to 38 were approved by the Board of Governors on 18 December 2009 and were signed on its behalf by

  
Dr M Ball  
Chair

  
J Westerman  
Principal

Company number: 1339524

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

## Cash flow statement

	Note	2009 £	2008 £
<b>Net cash (outflow)/inflow from operating activities</b>	26	(693,328)	356,987
<b>Returns on investments and servicing of finance</b>			
Interest received		15,084	38,281
Interest paid		(1,235)	(1,568)
<b>Net cash inflow from returns on investments and servicing of finance</b>		<u>13,849</u>	<u>36,713</u>
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets		(189,783)	(117,328)
Receipt of capital grant		90,921	89,076
<b>Net cash outflow from capital expenditure and financial investment</b>		<u>(98,862)</u>	<u>(28,252)</u>
<b>Net cash (outflow)/inflow before financing</b>		(778,341)	365,448
<b>Financing</b>			
Net repayment of loans		(9,125)	(8,488)
<b>Net cash outflow from financing</b>		<u>(9,125)</u>	<u>(8,488)</u>
<b>(Decrease)/increase in cash</b>		<u>(787,466)</u>	<u>356,960</u>
<b>Reconciliation of net cash flow to movement in net funds</b>			
(Decrease)/increase in cash in the period		(787,466)	356,960
Cash outflow from loans		9,125	8,488
<b>Movement in net funds in the period</b>	27	(778,341)	365,448
Net funds at 1 August 2008		957,802	592,354
<b>Net funds at 31 July 2009</b>	27	<u>179,461</u>	<u>957,802</u>

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

## Notes to the financial statements

### 1 Going concern

The College is operating in both a difficult financial climate and with a changing funding environment and Governors, the Principal and Senior Management Team are aware of the financial risks faced by the College and have worked to ensure a predicted surplus for 2009/10. The recently published Skills Investment Strategy commits the Learning and Skills Council and its successor body, the Skills Funding Agency, to an additional year of protection for the core budgets of the Specialist Designated Institutions (SDIs), of which the Northern College is one, for 2010/11 giving some assurance as the College moves forward.

### 2 Funding council grants

	Learning and Skills Council 2009 £	Restated Learning and Skills Council 2008 £
Recurrent grant	3,272,702	3,024,569
Release of deferred capital grants	112,739	103,466
Non recurrent grants – LSC	147,311	69,018
	<u>3,532,752</u>	<u>3,197,053</u>

LSC Childcare income has been reclassified between income categories

### 3 Tuition fees and charges

	2009 £	2008 £
Home fees and charges	<u>486,749</u>	<u>476,981</u>

### 4 Other grant income

	2009 £	2008 £
Release from deferred capital grants (non Funding Council)	21,666	17,219
European funds	88,671	1,258,825
Other funds	74,333	781,462
	<u>184,670</u>	<u>2,057,506</u>

### 5 Other operating income

	2009 £	Restated 2008 £
Catering and residence operations	883,320	731,589
Other income generating activities	533,601	465,967
	<u>1,416,921</u>	<u>1,197,556</u>

LSC Childcare income has been reclassified between income categories

## Notes to the financial statements

### 6 Investment income

	2009	2008
	£	£
Interest received	<u>15,084</u>	<u>38,281</u>

### 7 Staff costs

Staff costs during the year were as follows

	2009	2008
	£	£
Wages and salaries	2,759,122	2,737,371
Social security costs	206,724	212,762
Other pension costs	357,724	565,915
	<u>3,323,570</u>	<u>3,516,048</u>

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

	2009	2008
	Number	Number
Teaching departments - teaching staff	26	27
Teaching support services	11	12
Other support services	9	13
Administration and central services	28	27
Premises	17	18
	<u>91</u>	<u>97</u>

Staff costs for the above persons

	2009	Restated 2008
	£	£
Teaching departments - teaching staff	1,407,606	1,328,543
Teaching support services	380,642	342,351
Other support services	182,568	178,342
Administration and central services	975,984	950,824
Premises	300,789	255,539
Academy for Community leadership	91,981	275,205
FRS 17 retirement benefit income/charge	(16,000)	223,000
Staff cost accrual release	-	(37,756)
	<u>3,323,570</u>	<u>3,516,048</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.

Total staff costs analysed by type of contract were

	2009	2008
	£	£
Employment costs for staff on permanent contracts	3,025,943	2,850,723
Employment costs for staff on short-term and temporary contracts	313,627	480,081
FRS 17 retirement benefit income/charge	(16,000)	223,000
Staff cost accrual release	-	(37,756)
	<u>3,323,570</u>	<u>3,516,048</u>

## Notes to the financial statements

### 7 Staff costs (continued)

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

	2009 Number Senior postholders	2009 Number Other	2008 Number Senior Postholders	2008 Number Other
£50,001 to £60,000	-	1	-	8
£60,001 to £70,000	-	7	1	-
£70,001 to £80,000	2	-	3	-
£80,000 to £90,000	2	-	-	-
£90,000 to £100,000	1	-	1	-
	<u>5</u>	<u>8</u>	<u>5</u>	<u>8</u>

The pay award for non-academic staff effective from April 2009 had not been settled. At the 31 July 2009 a provision for a 1.5% pay award has been included in the accounts.

A pay award of 2.5% was made from October 2008 for academic and academic related staff.

### 8 Senior postholders' emoluments

	2009 Number	2008 Number
The number of senior postholders including the principal was	<u>5</u>	<u>5</u>

Senior postholders' emoluments are made up as follows

	2009 £	2008 £
Salaries	332,311	314,446
Pension contributions	52,639	46,507
Total emoluments	<u>384,950</u>	<u>360,953</u>

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

	2009 £	2008 £
Salary	80,832	76,725
Pension contribution	11,449	10,741
	<u>92,281</u>	<u>87,466</u>

Senior postholders, including the principal, received a pay increase of 2.5% with effect from October 2008, this pay award was 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

### 8 Senior postholders emoluments (continued)

#### Overseas activities

The following costs were incurred during 2008/09 in respect of overseas activities, which were carried out in accordance with the strategy approved by the governing body

	Total cost £	2009 Contributions received £	Net cost to college £	2008 Net cost to College £
Senior postholders	-	-	-	-
Other staff	526	526	-	624
	<u>526</u>	<u>526</u>	<u>-</u>	<u>624</u>

### 9 Other operating expenses

	2009 £	2008 £
Teaching Departments	98,379	196,036
Teaching support services	40,702	49,456
Other support services	65,676	61,285
Administration and central services	267,972	272,214
General education	191,287	173,349
Premises costs – Running costs	282,630	267,857
Premises costs – Maintenance	105,646	80,256
Premises costs – Rents and leases	50,062	50,968
Catering and residence operations	731,153	675,950
Academy for Community leadership	18,121	1,430,415
	<u>1,851,628</u>	<u>3,257,786</u>

Other operating expenses include	2009 £	2008 £
Auditors' remuneration		
- Fees payable to the College's auditor for audit of the College's annual accounts		
Audit	12,075	11,868
- Fees payable to internal audit	12,291	11,750
- Other services (internal auditors)	<u>5,571</u>	<u>7,232</u>

### 10 Bursaries

	2009 £	2008 £
Receipts	288,555	356,438
Payments	<u>(289,412)</u>	<u>(357,399)</u>
	<u>(857)</u>	<u>(961)</u>

## Notes to the financial statements

### 11 Interest payable

	2009 £	2008 £
Pension finance costs	120,000	56,000
On loans		
Repayable within 5 years, by instalments	1,235	1,568
	<u>121,235</u>	<u>57,568</u>

### 12 Exceptional item

The exceptional item of £100,095 relates to the redundancy and associated pension costs relating to a restructuring exercise undertaken during the year

### 13 Taxation

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

### 14 Tangible fixed assets

	Freehold land and buildings £	Improvements to property £	Equipment £	Total £
Cost				
At 1 August 2008	781,934	4,227,219	1,415,164	6,424,317
Additions	-	114,812	74,971	189,783
At 31 July 2009	<u>781,934</u>	<u>4,342,031</u>	<u>1,490,135</u>	<u>6,614,100</u>
Depreciation				
At 1 August 2008	154,026	2,223,575	1,375,836	3,753,437
Charge for the year	17,151	203,681	46,521	267,353
At 31 July 2009	<u>171,177</u>	<u>2,427,256</u>	<u>1,422,357</u>	<u>4,020,790</u>
<b>Net book amount at 31 July 2009</b>	<b><u>610,757</u></b>	<b><u>1,914,775</u></b>	<b><u>67,778</u></b>	<b><u>2,593,310</u></b>
Net book amount at 31 July 2008	<u>627,908</u>	<u>2,003,644</u>	<u>39,328</u>	<u>2,670,880</u>
Financed by capital grant	218,676	1,057,827	36,684	1,313,187
Other	392,081	856,948	31,094	1,280,123
	<u>610,757</u>	<u>1,914,775</u>	<u>67,778</u>	<u>2,593,310</u>

Freehold land and buildings and improvements to property with a net book value of £1,079,130 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

## Notes to the financial statements

### **14 Tangible fixed assets (continued)**

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.

### **15 Stock**

	2009 £	2008 £
Goods for resale	<u>3,754</u>	<u>2,433</u>

### **16 Debtors**

	2009 £	2008 £
Amounts falling due within one year		
Trade debtors	660,117	346,145
Other debtors	67,760	19,234
Prepayments and accrued income	38,772	50,369
	<u>766,649</u>	<u>415,748</u>

### **17 Creditors: amounts falling due within one year**

	2009 £	2008 £
Loans	-	9,125
Payments received in advance	33,594	62,429
Trade creditors	495,991	961,448
Other creditors	97,173	67,674
Other taxation and social security	18,692	83,528
Accruals	17,972	22,146
	<u>663,422</u>	<u>1,206,350</u>

## Notes to the financial statements

### 18 Borrowings

Borrowings are repayable as follows

	2009 £	2008 £
Within one year		
Loans	-	9,125
	<u>-</u>	<u>9,125</u>

The loans outstanding represent various monies lent to the College through

	2009 £	2008 £
Union loans	-	9,125
	<u>-</u>	<u>9,125</u>

### 19 Provision for liabilities

Enhanced pension provision

	Total £
At 1 August 2008	49,715
Expenditure in the year	(2,697)
At 31 July 2009	<u>47,018</u>

The enhanced pension provision relates to the cost of staff who have already left the College's employ and commitments for costs from which the College can not reasonably withdraw at the balance sheet date. This provision has been recalculated in accordance with the revised LSC circular 05/02.

### 20 Deferred capital grants

	Funding council £	Other Grants £	Total £
At 1 August 2008			
Land and buildings and improvements to property	1,029,781	72,271	1,102,052
Equipment	<u>72,575</u>	<u>53,969</u>	<u>126,544</u>
	<u>1,102,356</u>	<u>126,240</u>	<u>1,228,596</u>
Cash receivable			
Land and buildings and improvements to property			
Equipment	<u>68,677</u>	<u>22,244</u>	<u>90,921</u>
	<u>68,677</u>	<u>22,244</u>	<u>90,921</u>
Released to income and expenditure			
Land and buildings and improvements to property	84,401	12,075	96,476
Equipment	<u>28,338</u>	<u>9,591</u>	<u>37,929</u>
	<u>112,739</u>	<u>21,666</u>	<u>134,405</u>
At 31 July 2009			
Land and buildings and improvements to property	945,380	60,196	1,005,576
Equipment	<u>112,914</u>	<u>66,622</u>	<u>179,536</u>
	<u>1,058,294</u>	<u>126,818</u>	<u>1,185,112</u>

## Notes to the financial statements

### 20 Deferred capital grants (continued)

Analysis of capital grants received from the Learning and Skills Council during 2008/09

£

LSC Information Technology, Salix Energy Efficient & Exemplar Grants

68,677

Deferred grants are written down to revenue over the life of the asset to offset the depreciation charged on the asset to which they relate. The deferred capital grants balance on the College's balance sheet represents the remaining capital grant still to be written down to revenue.

### 21 Capital reserves

	2009 £	2008 £
At 1 August 2008	1,181,981	1,267,002
Transfer from income and expenditure account	98,295	28,252
Transfer to income and expenditure account	(120,228)	(113,273)
At 31 July 2009	<u>1,160,048</u>	<u>1,181,981</u>

### 22 Income and expenditure account

	2009 £	2008 £
At 31 July	(2,057,654)	(1,396,509)
Deficit on continuing operations	(27,705)	(111,166)
Transfer to capital reserve	120,228	113,273
Transfer from capital reserve	(98,295)	(28,252)
Actuarial gains and losses	147,000	(635,000)
	<u>(1,916,426)</u>	<u>(2,057,654)</u>

### 23 Reconciliation of movement in members' funds

	2009 £	2008 £
Deficit for the financial year	(27,705)	(111,166)
Actuarial gains and losses	147,000	(635,000)
Opening members' funds	(875,673)	(129,507)
Closing members' funds	<u>(756,378)</u>	<u>(875,673)</u>

### 24 Capital commitments

	2009 £	2008 £
Contracted for but not provided in these financial statements	<u>-</u>	<u>-</u>

## Notes to the financial statements

### 25 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)

	2009 £'000	2008 £'000
Universities superannuation scheme contributions	145	142
South Yorkshire Pension Authority cost	229	414
Timing differences	(16)	9
	<b>358</b>	<b>565</b>

#### 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%
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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 2009 was £296,736 (2008 £257,563) of which employer's contributions totalled £230,633 (2008 £192,840) and employees' contributions totalled £66,103 (2008 £64,723). The agreed contribution rates for future years are 22.8% for employers and from 5.5% to 7.5% 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 2007
Actuarial method	Projected Unit
Investment returns per annum	6.50% per annum
Pension increases per annum	3.70% per annum
Salary scale increases per annum	5.20% per annum
Market value of assets at date of last valuation	£3,720 million

Proportion of members' accrued benefits covered by the actuarial value of the assets	86%
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## Notes to the financial statements

### 25 Pension and similar obligations (continued)

The following information is based upon a full valuation of the Fund at 31 March 2007 updated to 31 July 2009 by a qualified independent actuary

	At 31 July 2009	At 31 July 2008	At 31 July 2007
	%	%	%
Inflation	3.70	3.80	3.20
Rate of increase in salaries	5.20	5.30	4.95
Rate of increase in pensions	3.70	3.80	3.20
Discount rate for liabilities	6.30	5.90	5.80

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

	At 31 July 2009	At 31 July 2008
<b>Retiring today</b>		
Males	20.3	20.3
Females	23.2	23.1
<b>Retiring in 20 years</b>		
Males	21.3	21.3
Females	24.1	24.0

The estimated value of employer contributions for the year ended 31 July 2010 is £232,000

The College's assets in the scheme and the expected rates of return were

	Long-term rate of return expected at 31 July 2009 %	Value at 31 July 2009 £'000	Long-term rate of return expected at 31 July 2008 %	Value at 31 July 2008 £'000	Long-term rate of return expected at 31 July 2007 %	Value at 31 July 2007 £'000
Equities	7.5	2,044	7.50	2,174	7.5	2,616
Government bonds	4.5	537	4.80	518	4.9	588
Other bonds	5.8	267	5.90	264	5.8	250
Property	6.5	296	6.50	372	6.5	465
Cash/liquidity	0.5	148	5.00	146	5.75	56
Total Market Value of assets		3,292		3,474		3,975
Present value of scheme liabilities		(5,696)		(5,921)		(5,508)
		<u>(2,404)</u>		<u>(2,447)</u>		<u>(1,533)</u>

Analysis of the amount charged to income and expenditure account

	2009 £'000	2008 £'000
Service cost	(198)	(184)
Employer past service cost	(29)	(230)
Total operating charge	<u>(227)</u>	<u>(414)</u>

## Notes to the financial statements

### 25 Pension and similar obligations (continued)

Analysis of pension finance costs	2009 £'000	2008 £'000
Expected return on pension scheme assets	228	259
Interest on pension liabilities	(348)	(315)
Net pension finance cost	(120)	(56)
Amount recognised in the statement of total recognised gains and losses (STRGL)	2009 £'000	2008 £'000
Actual return less expected return on pension scheme assets	(456)	(448)
Experience gains and losses arising on the scheme liabilities	-	286
Change in financial and demographic assumptions underlying the scheme liabilities	603	(473)
Actuarial gain/(loss) recognised in STRGL	147	(635)
Movement in surplus during year	2009 £'000	2008 £'000
Deficit in scheme at 1 August 2008	(2,447)	(1,533)
Movement in year		
Current service charge	(198)	(184)
Contributions	243	191
Past service cost	(29)	(230)
Net interest/return on assets	(120)	(56)
Actuarial gain/(loss)	147	(635)
Deficit in scheme at 31 July 2009	(2,404)	(2,447)
	2009 £'000	2008 £'000
<b>Reconciliation of liabilities</b>		
Liabilities at 1 August 2008	5,921	5,508
Service cost	198	184
Interest cost	348	315
Employee contributions	66	65
Actuarial (gains)/losses on scheme liabilities	(572)	23
Benefits paid	(294)	(404)
Past service cost	-	230
Curtailment	29	-
Liabilities at 31 July 2009	5,696	5,921
	2009 £'000	2008 £'000
<b>Reconciliation of assets</b>		
Assets at 1 August 2008	3,474	3,975
Expected return on assets	228	259
Actuarial loss	(425)	(612)
Employer contributions	243	191
Employee contributions	66	65
Benefits paid	(294)	(404)
Assets at 31 July 2009	3,292	3,474



## Notes to the financial statements

### 25 Pension and similar obligations (continued)

#### History of experience gains and losses

	2009 £'000	2008 £'000	2007 £'000	2006 £'000	2005 £'000
Difference between the expected and actual return on assets					
Amount	(456)	(448)	209	219	349
% of scheme assets	13.9%	12.8%	5.3%	6%	11.2%
Experience gains and losses arising on the scheme liabilities	-	286	-	(87)	(380)
% of scheme liabilities	0%	4.8%	0%	1.6%	7.9%
Total amount recognised in STRGL					
Amount	147	(627)	78	(215)	(695)
% of scheme liabilities	2.6%	10.7%	1.4%	4%	14.4%

### 26 Net cash inflow from operating activities

	2009 £	2008 £
Deficit on continuing operations after depreciation	(27,705)	(111,166)
Depreciation	267,353	247,141
Pensions adjustment	(16,000)	279,000
Deferred capital grants released to income	(134,405)	(120,685)
Interest payable	121,235	1,568
(Decrease)/increase in stock	(1,321)	348
(Increase)/decrease in debtors	(350,901)	694,907
Decrease in creditors	(533,803)	(598,841)
Decrease/(increase) in provisions	(2,697)	2,996
Interest receivable	(15,084)	(38,281)
Net cash inflow from operating activities	<u>(693,328)</u>	<u>356,987</u>

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

	At 1 August 2008 £	Cashflows £	At 31 July 2009 £
Cash in at bank and in hand	966,927	(787,466)	179,461
Debt due within one year	(9,125)	9,125	-
Total	<u>957,802</u>	<u>(778,341)</u>	<u>179,461</u>

### 28 Company limited by guarantee

The Northern College 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 2009 there were 21 members (2008: 27).

## Notes to the financial statements

### 29 Contingent liabilities

There were no contingent liabilities at 31 July 2009 or 31 July 2008

### 30 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 Stanborough 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 Stanborough 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.

A series of service and sale of goods agreements are in place for services and items necessary for the annual operation of the Trust's operations which are provided by the College and another set of agreements are in place for rentals and grounds maintenance charges in respect of buildings and services provided by the Trust to the College. At the 31 July 2009 the outstanding amount owed by the College to the Trust was £51,676 and was included in the accounts as a creditor, the outstanding amount owed by the Trust to the College was £57,551 and was included in the accounts as a debtor.

### 31 Amounts disbursed as agent - learner support funds

	2009 £	2008 £
LSC grants – hardship funds	22,156	23,771
LSC grants - childcare	16,112	52,568
LSC grants - discretionary support funding	48,899	-
Interest earned	44	119
Balance brought forward	1,675	545
	<u>88,886</u>	<u>77,003</u>
Disbursed to students	(14,355)	(20,847)
Administration costs	(1,913)	(1,913)
Amount consolidated in financial statements	<u>(27,618)</u>	<u>(52,568)</u>
Balance unspent at 31 July included in creditors	<u>45,000</u>	<u>1,675</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.