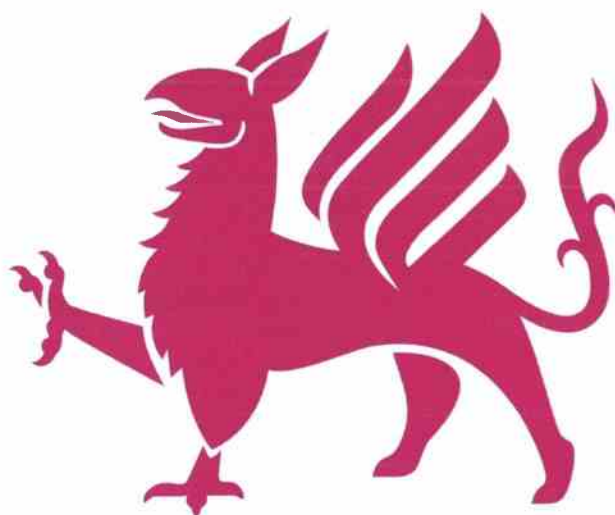


# **The Northern College for Residential Adult Education Limited**

Annual report and financial statements  
For the year ended 31 July 2022



# **Northern College**

**Company registration number: 01339524**  
**Charity registration number: 0507245**

## Company information

<b>Company registration number:</b>	01339524
<b>Charity registration number:</b>	0507245
<b>Principal address and registered office:</b>	Wentworth Castle Lowe Lane Stainborough BARNSELY South Yorkshire S75 3ET
<b>Key Management Personnel:</b>	Y Mellor - Principal and Chief Executive / Accounting Officer (to 28 <sup>th</sup> February 2023) E Beal - Interim Principal and Chief Executive/Accounting Officer (from 1 <sup>st</sup> March 2023)  S Saunders -Assistant Principal Finance and Business Services / (Interim Deputy Principal/CFO from 1 <sup>st</sup> March 2023) E Beal - Assistant Principal, Curriculum, Quality and Market Development (to 28 <sup>th</sup> February 2023) D Lawson - Assistant Principal, Student Experience
<b>Company Secretary:</b>	S Johnson (acted as Clerk to the Corporation throughout the year)
<b>Members:</b>	M Bowie C Clifton N Copley A Corrigan B Craig C Forrest S Horner N James S Schmoller E Beal E Norton M Sanders E Stanley T Thornton
<b>Bankers:</b>	Lloyds Bank plc 14 Church Street SHEFFIELD S1 1HP
<b>Solicitors:</b>	Eversheds LLP Cloth Hall Court Infirmary Street LEEDS LS1 2JB
<b>Internal auditors:</b>	Barnsley MBC - Internal Audit Services (to 31 July 2022) Westgate Plaza PO Box 634 BARNSELY S70 9EY

## Company information

**Financial statements auditor:**

RSM UK Audit LLP  
Statutory Auditor  
1<sup>st</sup> Floor  
Two Humber Quays  
Wellington Street West  
Hull  
HU1 2BN

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

## **Objectives and Strategy**

The Board of Governors present their annual report together with the financial statements and auditor's report for The Northern College for Residential Adult Education for the year ended 31 July 2022.

## **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 two residential Institutes of Adult Learning in England, designated under section 28 of the Further and Higher Education Act 1992, as eligible to receive funding from the Education and Skills Funding Agency (ESFA). The College is a charity for the purposes of the Charities Act 1993 as amended by the Charities Act 2011.

## **The Company**

The Northern College is a company limited by guarantee and has no share capital; the liability of its members is limited to an amount not exceeding £1. The College was incorporated on the 18 November 1977.

## **Mission**

The College's mission was refreshed in 2019-2020, and this was approved by the Board of Governors in March 2020: Inspiring positive change through adult education.

## **Implementation of Our 2025 Ambition**

The College has developed a strategic plan titled Our 2025 Ambition for the period 2020 – 2025. The strategy was approved by the Board at its meeting on 12 March 2020. The Ambition was developed following extensive consultation with staff, governors, students and stakeholders, and has five key strategic themes:

- Diversify our Curriculum Offer
- Promote Northern College and Adult Education
- Innovate to improve the Student Experience
- Value Our People
- Be Sustainable

These are achieved within the framework of the following values:

- Always Be Ambitious
- Have People at our Heart
- Make Things Happen

## **Strategic Context**

In July 2021 the Northern College Structure and Prospects Appraisal (SPA) concluded and the FE Commissioner recommended our standalone proposal as the preferred way forward. The standalone vision reflected a collaborative model with the potential to build on the strong stakeholder support for the unique provision that the College offers to adults across both South Yorkshire, West Yorkshire and beyond. The FE Commissioner recognised and acknowledged the College's strong track record on quality, leadership, governance and widening participation.

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

At this point the College reshaped a financially sustainable three-year model, which it recognised was realistic but challenging in the recovery position the College found itself in.

The College set out a number of key priorities running alongside the delivery of the curriculum and financial plan. These included:

- Continuing to deliver the 2025 Ambition.
- Further refining the curriculum to meet the region's needs.
- Diversifying and growing income in line with the College's mission.
- Enhancing the College's work in partnership across South and West Yorkshire and with strategic stakeholders.
- Extending partnerships with higher education providers.
- Working in partnership with Barnsley Council and the National Trust to maximise visitor economy opportunities.
- Building on the College's impressive and skilled Board of Governors.
- Continuing to provide leadership that implements important and well-judged changes to reduce operating costs and deliver improvements.
- Developing the estate to deliver new curriculum, improve space utilisation, house commercial and partnership opportunities and implement maintenance and capital improvements.

The three-year financial plan was based on an assumption that the impact of the pandemic would have minimised over the summer period, and the curriculum plan set out to deliver to a similar number of students as the College regularly did pre-Covid. However, the academic year started in a very challenging recruitment position. Although Covid restrictions had been lifted in July 2021, infection rates were high, causing challenges for individuals, employers and travel and creating a level of uncertainty for everyone. The nature of the College's cohort of students meant that this level of uncertainty and risk had a strong impact on their confidence to return to 'normal' resulting in low term 1 recruitment. Whilst the College aimed to recover term 1 by offering more January provision, the rise of the Omicron variant further impacted enrolment in term 2. Whilst recruitment did pick up in term 3, the College was unable to meet its curriculum plan or financial targets at this late stage in the year.

In setting the plan for 2022-2023, the forecast year end position was considered and realistic residential student enrolment targets have been set. This alongside developments in the curriculum offer, mode of delivery, marketing activities, recruitment and admissions processes and student experience has driven a positive start to the new academic year.

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

#### **Curriculum Developments**

The College provides students with learning and support which develops purposeful progression towards further study or work. Students can access learning at all levels and are supported to overcome the barriers and complexities of returning to learning as an adult.

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

### Curriculum Developments (continued)

The College retains a number of important design principles that set out what makes Northern College a unique and important part of the adult education pathway for Yorkshire and beyond which run throughout the curriculum plan:

- Adult Focus - An environment and experience crafted to support adult learning taking into account social and demographic changes in society
- Residential Uniqueness - An immersive experience that allows for an intensity of learning
- Blended Delivery - A residential experience enhanced by online independent study
- Underpinning Skills - Learning and support underpinned by our 6 Northern College Skills
- Regional Focus- An offer that reaches into communities and meets the needs of commissioners across South Yorkshire and West Yorkshire.

### Curriculum content

The curriculum is split into 3 key areas underpinned by a Foundation curriculum and a centralised student journey. A student's pathway through the College will focus on developing purposeful progression towards further study or work.

Society, Health & Development	Essential Skills	Business & Professional
Health & Social Care	English & Maths	University Level Study Education
Counselling	Community & Social Action	Business & Enterprise
Social Studies	Personal Wellbeing	Digital & IT
Access to University	Outdoor Learning	

### Our Curriculum priorities for 2022-23 are to:

- Diversify our Curriculum Offer - new courses include Access to Criminology and Digital and IT Skills for Business
- Deliver a community & employability offer that enables social inclusion- new developments include bespoke Workers Rights and Mentoring programmes
- Develop the essential skills our students need to progress in life and work - new developments include project learning focused on developing English and maths skills.
- Offer a range of programmes that enable entry to higher level study - priorities include embedding our new Level 3 Management, Skills and Knowledge and opening recruitment to a new Foundation Degree in Health and Social Care
- Deliver a programme of professional study to improve work opportunities - new developments include launching a new Gateway to Business pathways
- Work with partner organisations to improve people's lives through education - delivered through a new Business Development and Community Outreach Team



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

## **Resources**

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

## **Physical**

The College is located in a peaceful, rural setting, including a magnificent grade one listed house, maintained in a way that enables everyone to experience the traditional features, inspiring and motivating students to learn. The house is situated in beautiful gardens and parkland managed by The National Trust to which College students have access. The College is one of only two residential Colleges in the country, providing residential accommodation for students, providing an immersive experience for adults, allowing them to focus 100% on their studies away from the pressures of everyday life.

On campus adults work together for an intensive period of time, rebuilding their confidence to learn, engaging with likeminded peers and becoming part of an adult learning community.

## **People**

The College employed an average of 95 people (2021-22), which includes teaching staff, learning support staff and business support staff.

## **Students**

The College had 1,506 enrolments funded through South Yorkshire Mayoral Combined Authority/West Yorkshire Combined Authority and ESFA and 39 HE enrolments.

## **Reputation**

The College has a good reputation, locally, regionally and nationally. It was rated as Outstanding in the last inspection by OFSTED in June 2013/14. During the recent Structure and Prospects Appraisal process, the College received significant support from a wide range of stakeholders, who recognised the importance of the College's unique provision to the local area. The College brand was refreshed and relaunched in 2021 which is essential to the College's success at attracting students and external relationships.

## **Stakeholders**

The College has a wide range of stakeholders, including:

- Students
- Education Sector Funding bodies (ESFA/SYMCA/WYCA)
- FE Commissioner
- Staff
- Local Employers
- Local Authorities
- Mayoral Combined Authorities
- The Local Community
- Local Schools
- Other FE Institutions
- MP's
- Trade Unions
- Professional Bodies
- National Trust



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

## Financial

The College has strong cash reserves of £3,121k and no borrowings. The College has net current assets of £1,476k (2021: £2,705k) including £1,892k pension liability (2021 £5,679k) with no long term debt.

## Charitable status and public benefit

The College is a registered charity and the members of the Board of Governors, who are its trustees, are disclosed on pages 16-19. In setting and reviewing the College's strategic objectives, the Board of Governors has had due regard for the Charity Commission's guidance on public benefit and particularly its supplementary guidance on the advancement of education.

As a registered charity the College is committed to demonstrating the benefits its work provides for individuals, communities and the wider public.

The overall aim of the College as set out in its Memorandum of Association is 'to advance adult education, particularly by the provision, organisation and arrangement of full-time or part-time courses of study or educational research, whether or not leading to any formal qualification'. The College's mission builds further on this overall aim.

The College welcomes adults from many different backgrounds, often those that have not had the opportunity to access education and are seeking to return to learning. The College prides itself in supporting all its students to reach their potential and successfully progress into further or higher education, and work. Students may have no prior formal qualifications, be active in communities and trade unions, need to study essential skills to enter the workplace or access improved job opportunities or wish to take on professional upskilling.

The College provides public benefit by ensuring that the learning it delivers:

- Improves the qualifications, skills and employability of the groups and individuals it engages in learning;
- Benefits in other areas of public policy, for example in enhancing health and wellbeing, reducing dependency on public services, supporting families and upskilling volunteers;
- Transforms the lives of individuals which in turn contributes to the development of cohesive and resilient communities;
- Supports the region's need to upskill its adult population and address issues of social deprivation, poverty and economic inactivity;
- Added value to the activities of communities and trade unions.

The College measures the impact of its work in a number of ways, primarily using data which is measured against internal performance indicators (PIs) and where possible against external benchmarks.

## Transparency arrangements

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, Audit, Curriculum, Quality and Student Experience, Search and Remuneration. The Audit Committee meets at least three times per year, the Policy and Finance Committee at least four times per year, the Quality Committee at least once per year, the Search Committee meets as and when required and normally at least once per year and the Remuneration Committee is convened at least once per year. Full minutes of all meetings are available from the Clerk to the Governors, except those deemed to be confidential by the Board of Governors, at:

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

## Transparency arrangements (continued)

The Northern College for Residential Adult Education Limited  
Wentworth Castle  
Stainborough  
Barnsley  
South Yorkshire  
S75 3ET

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

## Development and Performance

### Financial results

The College generated an operating deficit for the year of £1,744k before pension adjustments (2021 (as restated): £222k deficit before pension adjustments). After pension adjustments a surplus of £2,590k (2021 (as restated): a surplus of £683k). The College has accumulated income and expenditure reserves, excluding the pension reserves, of £1,973k and cash/cash equivalent balances of £3,121k (2021: £4,800k). Tangible fixed asset additions during the year amounted to £149k, all of which related to improvements and equipment purchases. Net assets at the year-end were £2,713k (2021 as restated: net assets £123k). This is mainly due to the change in defined benefit pension obligation at the year-end of £1,101k (2021: £5,253k).

### Cash Flows and liquidity

At (£1,530k) (2021: +£1,212k) a negative cash flow from operating activities was due to repayment of clawback of Adult Learner Loans Bursary as a result of under recruitment and prior years audit clawback by the ESFA. The overall net cash outflow was as a result of funding from the ESFA being paid in line with the contract value, however the College has provided for a clawback of funding relating to 2021/22 in its current liabilities. The College's treasury management policy to diversify and invest surplus funds means the College continues to invest £2,116k of liquid resources.

### Financial Objectives

The College has set the following financial objectives:

- To achieve sustainability by remaining financially sound and to generate sufficient income to fund maintenance and improvement of its accommodation and equipment.
- To maintain the confidence of funders, bankers and auditors.
- To develop trained and financially aware budget managers with an understanding of the financial environment in which the College operates.
- To diversify income streams to optimise future funding.

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

## Performance Indicators

The College's key performance indicators, targets and results are set out below:

Key performance indicator	Measure/Target	Actual for 2021/22
Surplus as % of income - Exc FRS 102 Pension	3.1%	(37.0%)
Surplus as % of income - Inc FRS 102 Pension		(54.08%)
EBITDA % - Education Specific	7.6%	(33.4%)
Pay as % of income (Exc restructuring and FRS102)	61.5%	82.05%
% of ESFA/SYMCA/WYCA recurrent grant income	87.2%	83.44%
Adjusted Current Ratio	>1.6	1.86
Cash Days	>40	270
Borrowing as % of turnover	0%	0%
Enrolments	4,875	1,545
Achievement rate%	93.6%	93%
Financial Health	Outstanding	Requires Improvement

## 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 holds three investment accounts: two notice accounts and one deposit account which pay variable interest, for use when the College has generated surplus funds.

All borrowing requires the authorisation of the Corporation.

## Reserves policy required

The College has historically had high level of reserves, these have reduced due to audit clawback relating to previous years and have made provision for clawback of AEB funding due to student numbers in 2021/22 which will be repaid in 2022/23.

The College has no formal Reserves Policy but recognises the importance of reserves in the financial stability of any organisation and ensures that there are adequate reserves to support the College's core activities.

## Sources of Income

The College has significant reliance on recurrent grant funding from the ESFA, SYMCA and WYCA for its principal funding source. In 2021/22, the three funding bodies combined provided 83.44% of the College's total income.

## Quality Assurance

The College carries out termly Performance Management Reviews to monitor and oversee performance against targets, both financial and quality, in each area of the College. Through this process actions promptly address quality and performance issues to ensure a continuous focus on student experience and success. It also carries out a self-assessment process across departments and curriculum areas resulting in a College self-assessment report (SAR) and quality improvement plan (QIP). Progress reports and annual reports are considered by the Board of Governors.

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

## Student Achievements

Overall achievements at the College remain high at 93 % (2020/21: 89%).

## Future Developments

The Governors, Principal and Executive Leadership Team ["ELT"] recognise that the College is operating in a challenging funding environment and that it will continually need to review the effectiveness of its provision against the funding received; 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.

During 2020-21 the College was placed into formal intervention by the FE Commissioner and went through a Structure and Prospects Appraisal process as a result of uncertainties around future funding and potential funding clawback. As part of this process, the College undertook a detailed review of its position and developed an independent proposal supported by a robust 3-year financial plan which was scrutinised by the ESFA and FE Commissioner team. The plan included growth and reducing the reliance on grant funding.

In July 2021 the Northern College Structure and Prospects Appraisal (SPA) concluded and the FE Commissioner recommended our standalone proposal as the preferred way forward. The standalone vision reflected a collaborative model with the potential to build on the strong stakeholder support for the unique provision that the College offers to adults across both South Yorkshire, West Yorkshire and beyond. The FE Commissioner recognised and acknowledged the College's strong track record on quality, leadership, governance and widening participation.

At this point the College reshaped a financially sustainable three-year model, which it recognised was realistic but challenging in the recovery position the College found itself in.

The College set out a number of key priorities running alongside the delivery of the curriculum and financial plan. These included:

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

### Future Developments (continued)

The three-year financial plan was based on an assumption that the impact of the pandemic would have minimised over the summer period, and the curriculum plan set out to deliver to a similar number of students as the College regularly did pre-Covid. However, the academic year started in a very challenging recruitment position. Although Covid restrictions had been lifted in July 2021, infection rates were high, causing challenges for individuals, employers and travel and creating a level of uncertainty for everyone. The nature of the College's cohort of students meant that this level of uncertainty and risk had a strong impact on their confidence to return to 'normal' resulting in low term 1 recruitment. Whilst the College aimed to recover term 1 by offering more January provision, the rise of the Omicron variant further impacted enrolment in term 2. Whilst recruitment did pick up in term 3, the College was unable to meet its curriculum plan or financial targets at this late stage in the year.

In setting the plan for 2022-2023, the forecast year end position was considered and realistic residential student enrolment targets have been set. This alongside developments in the curriculum offer, mode of delivery, marketing activities, recruitment and admissions processes and student experience has driven a positive start to the new academic year.

### Student numbers

Pre Covid, The College has a strong track record of over delivering against its funding targets, however in 2020/21 and 2021/22, student recruitment was severely impacted by Covid restrictions. Covid impacted not only on students engaging in learning, but also students' confidence in staying at the College on a residential basis.

In 2021/22 the College delivered activity, under its adult education budget, to a value of £2,569k against an allocation of £4,080k. This represents 675 part-time learners (1,419 part-time enrolments) and 87 long course funded learners (22 were funded through the adult learning loans facility).

2021/22 has seen the first year of devolved funding for the Adult Education Budget, including Community Learning, this has created a number of challenges due to specific funding criteria for each area depending on where each student lives. It also meant that the College was unable to fund some potential learners as they lived in other devolved areas where the College does not hold a funding contract.

### Risk factors

In common with all other public sector organisations; a key factor impacting in 2020/21 and 2021/22 was Covid 19. The College is heavily reliant on ESFA income and has set income targets to increase income generation and diversity. Unfortunately, these targets have not been met because of the ongoing impact of Covid on recruitment in terms 1 and 2.

The Governing body has overall responsibility for risk management and its approach to managing risks and internal controls is explained in the Statement of Corporate Governance,

A risk register is maintained at College level which is reviewed bi-monthly by the ELT; and at each meeting of the Board of Governors and its committees as appropriate. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

Some of the principal risks for the College and their mitigating actions are listed below:

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

### Funding

- A From August 2021 the majority of the College's funding was devolved, the College has direct contracts with Sheffield Mayoral Combined Authority (SYMCA), West Yorkshire Combined Authority (WYCA), as well as the ESFA. This has required monitoring of each contract individually and meant that under performance in one area cannot be offset with over performance in another.
- B Recruitment continues to be one of the biggest risks for the College, this continued to be impacted by Covid during 2021/22. Recruitment to enrolment targets are closely monitored by the Executive Leadership Team and performance is reported to the Policy & Finance Committee and the Board.
- C Whilst residential funding has been confirmed for 2022/23 and 2023/24, there is still some uncertainty around the future of residential funding in the longer term. The College will continue ongoing discussions with each funder around the importance of residential funding and ensure the agreed levels of funding are factored into future planning.
- D The College still aims to increase its income diversity through the development of additional funding streams via alternative provision (e.g., commercial via the use of its buildings and facilities for conferences), this is a growth area for the College but is a relatively untested market.
- E Significantly increased energy prices continue to be a key risk to Colleges and the wider economy. Increased costs have been factored into plans for future years but will impact if this increases further. The government support scheme is in place until April 2023 which the College is currently benefiting from for electricity.
- F Cost of living, inflation and increased costs combined with no increase in adult funding rates impact on financial performance and ability to generate cash to re-invest. In February 2023, WYCA which accounts for around a third of the Colleges funding, have agreed a 10% increase for qualifications at level 2 or above.

Curriculum developments are monitored through a clear curriculum planning cycle which takes into account feedback from stakeholders and students 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.

### Financial risk

The College uses financial instruments, comprising of 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's financial instruments is liquidity risk. The Executive Leadership 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 ESFA by payments made through the funding.



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

## Energy and Carbon Reporting

The College is committed to the net zero journey and aims to be carbon neutral by 2045.

The College has been a participant in the *Leading the Change to Net Zero by 2045* with Barnsley BIC through the Net Zero Accelerator programme. This programme supported the College in beginning its journey into assessing its carbon footprint.

As a Grade 1 listed building working towards net zero there are many challenges. The College energy consumption has a Carbon Footprint of 386 Tonnes of CO<sub>2</sub>e per annum. The College will therefore be focusing on energy-saving activities within the planned period.

The College took part in an audit, aligned to the Net Zero project, led by Professional Energy Purchasing GB (PEPGB). The scope and objective of this report was to identify major energy using plant and equipment to then recommend measures to improve energy efficiency in College buildings. Areas identified would provide a forecasted energy savings of 11% of total energy for the buildings. This information will form part of the work of the Sustainability Committee.

The College worked with a sustainability coach to create a climate action strategy and pathway to support the College. The College now has a Sustainability Policy and road map to take it forward. A Sustainability Committee which includes students, staff and sustainability champions has been created. This will meet once every half term to push forward the sustainability agenda and road map.

The College works in partnership with its catering provider Thomas Franks and Surplus 2 Purpose to look at priorities for sustainability. These include waste, delivery and employee miles, packaging, operations and equipment. A half termly meeting is scheduled with Thomas Franks regional staff to ensure this stays high on partners' agendas.

In July 2022, as part of a College Development Day, staff were asked to consider their carbon footprint and create a pledge of sustainability. Where staff are able, they are also working from home to reduce the carbon footprint.

To achieve net zero carbon, the College will monitor and reduce every aspect of energy and resource consumption. Only then can it look to supply all energy from renewable sources and offset any residual emissions.

## Staff and Student Involvement

The College considers good communication with its staff to be very important and to this end holds regular Principal's Briefings at which key messages are shared and an opportunity is given to all staff to bring points for discussion.

## Taxation

The College was not liable for any corporation tax arising out of its activities during 2021/22.

## Equality and Diversity

### Equality in Employment

As a Public Body, Northern College recognises the requirement to give due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
- Advance equality of opportunity between people who share a protected characteristic and those who do not.
- Foster good relations between people who share a protected characteristic, and those who do not.

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

### Equality in Employment (continued)

The College ensures this with respect to employment through adherence to a range of policies including: Equality and Diversity, Recruitment and Selection, and Dignity at Work. The College also publishes its Equality in Employment Report annually on its website.

### Equality, Diversity and Inclusion

Northern College's strong commitment to the advancement of equality, diversity and inclusion is embodied in its mission and values. The College actively seeks to promote and advance equality of opportunity between people who share protected characteristics under the law and those who do not. It sets clear performance indicators in relation to the recruitment and achievement of disadvantaged and underrepresented groups. The College is committed to ensuring equality of opportunity for everyone who learns, lives and works at the College. We expect every member of the College community to promote equality of opportunity and achievement, to challenge conditions that place anyone at a disadvantage and help to create an inclusive community in which diversity is celebrated and valued. The College was judged to be outstanding in all areas in its last OFSTED inspection (June 2014) and was commended for its approach to equality and diversity.

The College has identified four overarching equality strands with related objectives as follows:

- Northern College will strive to ensure an inclusive and diverse student and staff community.
- All students and staff will have an enriching, inclusive experience and will be treated fairly and with respect.
- The College will foster positive partnerships and community relationships for the good of the College and its students.
- Northern College will promote a culture of excellence and quality in delivering Equality, Diversity and Inclusion.

### Disability Statement

The College is aligned to Public Sector Equality Duty (2011), Equality Act 2010, Ofsted requirements underpinned by effective equality objectives including Human Resource management.

To achieve these objectives:

- The Equality Diversity and Inclusion committee facilitates and monitors the Northern College Equality Objectives and Action Plan. This supports the Northern College to strive for an inclusive and diverse student and staff community.
- Ensure there are clear pathways of reporting to Executive Leadership and Governance.
- Provide a curriculum offer that enables those with no or limited qualifications to access education and progress in their learning and careers.
- Ensure a diverse workforce that reflects the student population.
- The College has a Learning Support Lead, who provides information, advice and arranges support where necessary for students with disabilities. Specialist neurodiverse assessments take place to assist the team in creating the correct pathway of support.
- The Learning Support Lead develops Support Plans for long-course students with disclosed additional learning support needs outlining reasonable adjustments and additional resources and ensure these are communicated with relevant staff and reviewed at frequent intervals
- The College has a Learning Support Advisor who is a specialist in mental health and specific learning needs who provides 1:1 support and online packages/Wakelets to support independent learning.

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

### Disability Statement (continued)

- There is a wide range of assistive and adaptive technology, alongside physical resources (electric scooters, chairs etc) which are available to students once they have received an Additional Learning Assessment.
- Ensure the catering team are aware of and can produce meals in line with individual dietary requirements. Ensure student representation on the catering committee (Estate)
- Work to create an inclusive physical environment where students, staff and visitor's accessibility and safety is promoted .
- The admissions policy is accessible via the College website and can be viewed where required with support by assistive technology. Appeals against a decision not to offer a place are dealt with under the complaints policy.
- There are several Learning Support Assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties, neuro diversity needs and/or disabilities.
- Achievements and destinations are recorded and published within reports which are reviewed by Executive leadership Team and the Governing body. All achievements and destinations are reviewed and monitored via the College's Equality, Diversity and Inclusion Committee.
- Counselling and welfare services are described in the Student Learning Hub , alongside the Complaints and Disciplinary Procedure. Students can self-refer into services where appropriate.
- The College liaises with external mental health and wellbeing services to ensure all students receive support where required.
- The College will ensure its accommodation is fit for purpose and is monitored via Health and Safety and Equality Objectives.

### Trade union facility time

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

Number of employees who were trade union representatives for the period	1
The FTE number of trade union representatives for the period	1
Percentage of working hours spent on facility time during this period	1 Representative Between 1 - 50%
The total pay bill during this period	£2,423,529
The total cost of Facility time during this period	£1,170.24
Percentage of the total pay bill spent on facility time	0.05%
Number of hours spent on facility time	46
Number of hours spent on trade union activities	22
Percentage of total paid facility time hours spent on paid trade union activities	47.83%



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

### Safeguarding

The College is fully aware of its duty and is pro-active with regard to the Safeguarding of Children and Vulnerable Adults and its Prevent duty in line with the Counter Terrorism and Security Act 2015.

### Going concern

The College is reporting net assets, after the pension provisions, of £2,713k; and net assets of £3,814k prior to defined benefit pension provisions. The College has achieved strong surpluses for a number of years which has resulted in cash balances and short-term investments of £3,121k, with nil borrowings, however the College repaid funds of £1,476k in year to the ESFA in relation to ALLB clawback for 2020/21 and audit clawback for previous years.

The College has prepared these financial statements on the assumption that it is a going concern and will be able to for a period of at least 12 months from the date of approving these financial statements. Informing this opinion, the Board of Governors have taken into account reports presented to it including current reforecast, 3 year budgets and cash flow forecasts to July 2025, as well as an independent financial review prepared by BDO LLP; the scope had included a high-level review of the College's historical trading performance in FY21 and FY22, a review of the College's integrated Income and Expenditure ('I&E'), balance sheet and cash flow forecasts for FY23 and FY24, and conclusions in relation to the financial forecasts and a high-level overview of the options available to the College.

The Board has ensured that future surplus and cash flow projections have been prepared on a prudent basis, including a contingency for unforeseen costs. Although the Board is satisfied that there is sufficient headroom within these cash flow projections to ensure the College has adequate resources to continue in operational existence for a period of at least 12 months, there are continuing challenges which are facing all Colleges within the Further Education sector, as well as some issues that impact specifically on Northern College.

The College currently receives an additional funding uplift for students who attend on a residential basis, the long-term future of this uplift has been uncertain, with an ongoing review by the DfE which commenced in November 2019 and subsequent to that date, all three funders are engaged in a review of residential funding. Following discussions with the Colleges all three funders (SYMCA, WYCA and DfE), have all agreed that this uplift will continue to be paid at the current rate for a further year (2023/24) as a transition year whilst an alternative funding model is agreed. Whilst there is uncertainty around the funding model from August 2024, the current agreement provides some certainty in terms of funding rates for the next 12-month period.

Whilst recruitment is improving, numbers have not yet returned to pre-pandemic levels as anticipated. Recruitment continues to be a key risk to the College and the financial performance for 2022/23 is likely to result in a deficit position with reduced cash reserves. Cash flow projections are based on increasing numbers over the next 2 years. The cashflow includes a number of sensitivities in relation to key risks, including recruitment as there remains an uncertainty in the post pandemic period and during the current cost of living crisis over enrolment numbers.

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

### Going concern (continued)

The high rate of inflation is not being met by increases in funding rates. In February 2023 WYCA confirmed an increase in AEB funding rates of 10% for courses at level 2 and below, this has been back dated to August 2022. SYMCA, which provide the majority of the College's income has not agreed an overall funding increase, however they have introduced a number of flexibilities to provide additional funding for priority provision. DfE have not indicated any increase in funding rates for AEB provision. Funding has not increased for Community Learning provision. Overall funding increases are significantly lower than CPI inflation of 10.1 % in January 2023.

The limited increases in funding, alongside the current recruitment position means that the College has limited ability to provide competitive pay awards and salary levels. In 2022/23 the College took the decision to implement a £500 flat rate consolidated pay award.

In addition, volatility in gas and electricity prices continues to pose a risk, albeit the price per term of gas fell in January 2023 back to pre-February 2022 levels. The College currently has a fixed term contract for gas until April 2023 and electricity until October 2023. The cost of maintenance given the nature of the property is also a potential risk.

The College finance team continue to carefully evaluate the potential impact of these challenges and these are reported to the Board monthly.

Accordingly, after making appropriate enquiries, the Board of Governors have concluded that there is a reasonable expectation that the College has adequate resources to continue in operational existence for a period of at least 12 months from the date of approving these financial statements, acknowledging there is evidence that a material uncertainty exists which requires careful oversight in relation to the College's ability to continue as a going concern. For this reason, it continues to adopt a going concern basis in preparing the financial statements and will continue to regularly review financial performance and key milestone dates.

### Disclosure of Information to Auditors

The members who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the College's auditors are unaware; and each member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the College's auditors are aware of that information.

Approved by order of the members of the corporation on 29 March 2023 and signed on its behalf by:



ON BEHALF OF THE BOARD  
Mr M Sanders - Chair

## Corporate governance statement incorporating the statement of internal control

### Governance Statement

The following statement is provided to enable readers of the annual report and financial statements of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2021 to 31 July 2022 and up to the date of approval of the annual report and financial statements.

### Governance Code

The College endeavours to conduct its business:

- i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- ii. in full accordance with the guidance to Colleges from the Association of Colleges in The Code of Good Governance for English Colleges ("the code")
- iii 'whilst not having adopted the UK Corporate Governance Code 2018, the corporation has due regard to its principles and guidance'

The College is committed to exhibiting best practice in all aspects of corporate governance and in particular the College has adopted and complied with the Code of Good Governance for English Colleges. We do not comply with the UK Corporate Governance Code. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the further education sector and best practice.

The governing body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of the Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted on (17 December 2015).

In the opinion of the Governors, the College complies with all the provisions of the Code of Good Governance for English Colleges, and it has complied throughout the year ended 31 July 2022. This opinion is based on internal review of compliance with the Code/Governance evaluation reported to the board in December 2022.

### The Corporation

#### Members of the Board of Governors

	<b>Date of appointment</b>	<b>Term of office</b>	<b>Date of resignation</b>	<b>Status of appointment</b>	<b>Committees served</b>	<b>Attendance % (Board) 2021/22</b>
Mrs E Beal	01.03.2023	Ex-officio		Principal/Chief Executive	Member - Policy and Finance, CQSE	n/a
Ms M Bowie	15.09.2022	4 years	27.01.2023	Staff - Academic	Member - CQSE	n/a
Prof M Bramhall	First Appointed 19.07.13 Reappointed 30.09.2021	To 31.07.2022	31.07.2022	Interest or expertise relevant to the College	Chair - CQSE (to 31.07.2022)	71%



## Corporate governance statement incorporating the statement of internal control

<b>Members of the Board of Governors (continued)</b>						
	<b>Date of appointment</b>	<b>Term of office</b>	<b>Date of resignation</b>	<b>Status of appointment</b>	<b>Committees served</b>	<b>Attendance % (Board) 2021/22</b>
Ms C Clifton	01.09.21	To 31.08.2025	23.02.2023	Interest or expertise relevant to the College	Member - Policy and Finance; Remuneration	86%
Mr N Copley	11.04.2022	4 years		Interest or expertise relevant to the College	Member - Policy and Finance; Remuneration	100%
Ms A Corrigan	First Appointed 01.08.2018 Reappointed 01.08.2022	4 years		Interest or expertise relevant to the College	Member - Policy and Finance, Remuneration	100%
Mr B Craig	11.04.2022	4 years		Interest or expertise relevant to the College	Member - Curriculum, Quality and Student Experience	100%
Mr J Edwards	First Appointed 01.08.09 Reappointed 15.07.21	To 31.12.21	31.12.2021	Interest or expertise relevant to the College	Member - Policy & Finance, Remuneration	50%
Dr C Forrest	First Appointed 01.08.2018 Reappointed 01.08.2022	4 years		Interest or expertise relevant to the College	Chair - CQSE (from 01.08.2022), Lead Governor Safeguarding	100%
Mr R Harrison	First Appointed 08.05.01 Reappointed 12.03.20	Sept 2022	30.06.2022	Interest or expertise relevant to the College	Co-chair - Board of Governors; Chair - Company; Chair - Search	83%
Dr S Horner	01.09.21	4 years		Interest or expertise relevant to the College	Member - Curriculum, Quality and Student Experience	86%
Mr N James	13.07.17 Reappointed 15.07.21 10.03.2022	4 years		Staff - Business Support	Member - Policy and Finance	100%

## Corporate governance statement incorporating the statement of internal control

Members of the Board of Governors (continued)						
	Date of appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance % (Board) 2021/22
Mr F Lord	First Appointed 13.12.02 Reappointed 30.9.2021	To 31.12.21	31.12.2022	Interest or expertise relevant to the College	Member - Remuneration	50%
Mr C Macdonald	First Appointed 13.09.02 Reappointed 12.03.20	Sept 2022	30.06.2022	Interest or expertise relevant to the College	Co-chair- Board of Governors; Vice Chair - Company; Chair - Policy & Finance; Member - Remuneration, Search	83%
Ms E Norton	16.03.2022	4 years		Interest or expertise relevant to the College	Member - Audit	67%
Ms Y Mellor	20.08.18	Ex-officio	28.02.2023	Principal	Member - Policy & Finance, CQSE, Search	100%
Mr H Otulowski	01.09.21	4 years	06.06.2022	Interest or expertise relevant to the College	Member - Curriculum, Quality and Student Experience	83%
Cllr K Richardson	First Appointed 18.03.11 Reappointed 30.9.21	To 31.7.2022	31.07.2022	Interest or expertise relevant to the College	Vice-Chair - Board of Governors; Member - Audit	86%
Mr A Roberts	16.12.2021	To 31.05.2022	31.05.2022	Student		67%
Mr M Sanders	11.04.2022	4 years		Interest or expertise relevant to the College	Chair - Board of Governors, Company, Policy and Finance; Member - Remuneration	100%

## Corporate governance statement incorporating the statement of internal control

Members of the Board of Governors (continued)						
	Date of appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance % (Board) 2021/22
Mr S Schmoller	01.04.21	4 years		Interest and expertise relevant to the College	Member - Audit, Vice -Chair - Board	100%
Ms E Stanley	First Appointed 16.07.15 Reappointed 16.07.19	4 years		Interest and expertise relevant to the College	Chair - Audit	100%
Mr A Taylor	First Appointed 22.02.2023	4 years		Current student		n/a
Prof T Thornton	First Appointed 16.07.09 Reappointed 01.08.2022	2 years		Interest and expertise relevant to the College	Member - CQSE, Policy & Finance; Chair - Remuneration	86%

### The Governance Framework

The composition of the Board of Governors is set out below. 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 usually meets four times per year.

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, Curriculum, Quality and Student Experience (CQSE) and Audit. Full minutes of all meetings, except those deemed to be confidential by the Board of Governors, are available on the College's website ([www.northern.ac.uk](http://www.northern.ac.uk)) or from the clerk to the corporation at the College's registered address.

The Clerk to the Board maintains a register of financial and personal interests of the governors. The register is available for inspection at the College's registered address.

All governors are able to take independent professional advice in furtherance of their duties at the College's expense and have access to the Clerk to the Governors, 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 meetings. Briefings are also provided on an ad hoc basis.

## Corporate governance statement incorporating the statement of internal control

### **The Governance Framework (continued)**

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/Accounting Officer 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 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. The total period of membership as a governor is normally limited to eight years i.e. two four year terms of office. However, the Board seeks to manage a careful mix of new members bringing fresh perspectives, serving alongside experienced members, and this means that in exceptional circumstances, and in the interests of continuity, members may be re-appointed for a further period of office.

### **Corporation Performance**

The Corporation will carry out a self-assessment of its own performance for the year ended 31 July 2022 which will be considered by the Board of Governors at its meeting in July 2023, the report will assess the College's governance performance and code compliance. A quality improvement plan addressing areas identified for further development will be implemented.

The governing body has considered DfE guidance on board reviews and plans to commission an external review in 2023/24, no formal external review was conducted in 2021/22.

### **Governor and Clerk Development Activities**

The Corporation is committed to training and development and governors participated in the following development activities during 2021/22:

- Curriculum planning
- Ofsted Inspection Framework
- Safeguarding and Prevent
- New Governor Induction
- Marketing and PR
- Student Experience
- Insolvency

The Lead Governor for Safeguarding completed a Safeguarding for Governors, Board Members and Trustees course.

## Corporate governance statement incorporating the statement of internal control

### Governor and Clerk Development Activities (continued)

The Clerk to the Governors participated in the following training and development activities during 2021/22:

- Cross College CPD Days
- Insolvency
- ICT
- Health and Safety
- Safeguarding
- Strategic Planning
- Sustainability
- Clifton Strengths

### Remuneration Committee

Throughout the year ended 31 July 2022 the College's Remuneration Committee comprised between three and four members. The committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Principal and other senior post holders and the pay awards of all staff. The Committee met on 16 September 2021 and 8 March 2022. Recommendations regarding pay awards and/or changes to terms and conditions were made to the Board of Governors at its meetings on 30 September 2021 and 10 March 2022.

Details of remuneration for the year ended 31 July 2022 are set out in note 8 to the financial statements.

Throughout the year the College complied with the AoC's Senior Staff Remuneration Code.

### Audit Committee

The purpose of the Audit Committee 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 main FE funding bodies 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 as well as reporting annually to the Board of Governors.

During 2021/22 the Audit Committee comprised of three members of the Board of Governors. Membership excluded the Principal, staff governors, Chair of the Board of Governors and members of the Policy and Finance Committee. The Committee operated in accordance with written terms of reference approved by the Board of Governors.



## Corporate governance statement incorporating the statement of internal control

### Audit Committee (continued)

The audit committee met five times in the year to 31 July 2022. The members of the committee and their attendance records are shown below:

Committee member	Meetings attended
Ms E Stanley	5
Cllr K Richardson	5
Mr S Schmoller	5

### Internal Control

#### Scope of Responsibility

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

The 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 Funding Agreement between Northern College and the funding bodies. 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 2022 and up to the date of approval of the annual report and accounts.

#### Risks faced by the Corporation and capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed, together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ended 31 July 2022 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 reviews by the governing body of periodic and annual financial reports which indicate financial performance against forecasts
- setting targets to measure financial and other performance
- clearly defined capital investment control guidelines
- the adoption of formal project management disciplines, where appropriate.

Throughout 2021/22 the College had an internal audit service, which operated in accordance with the requirements of the ESFA's Post 16 Audit Code of Practice. The work of the internal audit service was informed by an analysis of the risks to which the College was exposed, and the annual internal audit plan was based on this analysis. The analysis of risks and the internal audit plan was endorsed by the Corporation on the recommendation of the Audit Committee. The Head of Internal Audit (HIA) provided the governing body with a report on internal audit activity in the College. The report included the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

### Statement From the Audit Committee

The audit committee has advised the Board of Governors that the corporation has an effective framework for governance and risk management in place. The audit committee believes the corporation has effective internal controls in place.

Specific areas of assurance undertaken included audit recommendations follow up, journals, procurement, data protection.

The Audit Committee reported that one significant internal control weakness had been identified during 2021/22 relating to the independent review of journals. The following actions were implemented by management to address the weakness identified:

- a password protected excel log of journals to ensure reviews are evidenced;
- continuation of a monthly review of journals as part of the management accounts process;
- wherever possible all journals are processed by the Head of Finance or Finance & Payroll lead and reviewed by the Assistant Principal - Finance & Business Services to ensure an independent check.

## Corporate governance statement incorporating the statement of internal control

### 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 Leadership Team 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 reporting accountant for regularity assurance in their management letters and other reports.

The Principal/Accounting Officer 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. A plan to address weaknesses and ensure continuous improvement of the system has been put in place.

The Executive Leadership Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Executive Leadership Team and the Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Board of Governor's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Executive Leadership Team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its meeting in November 2022 the Audit Committee carried out the annual assessment for the year ended 31 July 2022 by considering documentation from the Executive Leadership Team and internal audit and taking account of events since 31 July 2022.

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

Approved by order of the members of the Corporation on 29<sup>th</sup> March 2023 and signed on its behalf by:



Mr M Sanders, Chair, Board of Governors  
29th March 2023



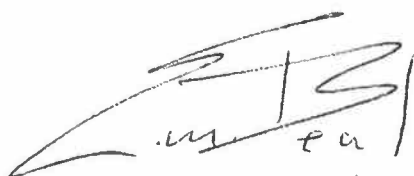
E Beal - Interim Principal & Chief Executive /  
Accounting Officer  
29th March 2023

## Statement of Regularity, Propriety and Compliance

As accounting officer I confirm that the corporation has had due regard to the requirements of grant funding agreements and contracts with ESFA and has considered its responsibility to notify ESFA of material irregularity, impropriety and non-compliance with terms and conditions of funding.

I confirm on behalf of the corporation that after due enquiry, and to the best of my knowledge, I am able to identify any material irregular or improper use of funds by the corporation, or material non-compliance with the terms and conditions of funding, under the corporation's grant funding agreements and contracts with ESFA, or any other public funder.

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

A handwritten signature in black ink, appearing to read 'Emma Beal', with a stylized flourish above the name.

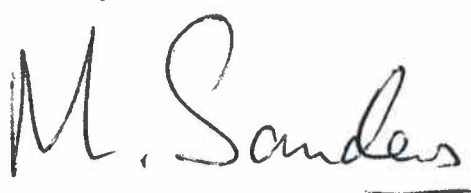
**Emma Beal**

Accounting officer

**29th March 2023**

### Statement of the chair of governors

On behalf of the corporation, I confirm that the accounting officer has discussed their statement of regularity, propriety and compliance with the board and that I am content that it is materially accurate.

A handwritten signature in black ink, appearing to read 'M. Sanders', with a large, stylized 'M' and a horizontal line at the end.

**Mark Sanders**

Chair of governors

**29th March 2023**

## Statement of governing body's responsibilities

### Members' responsibilities for the financial statements

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

Within the terms and conditions of the corporation's grant funding agreements and contracts with ESFA, SYMCA and WYCA, the corporation - through its Accounting Officer - is required to prepare financial statements which give a true and fair view of the financial performance and position of the corporation for the relevant period. Corporations must also prepare a strategic report which includes an operating and financial review for the year. The bases for the preparation of the financial statements and strategic report are the Statement of Recommended Practice - Accounting for Further and Higher Education, ESFA's College Accounts Direction and the UK's Generally Accepted Accounting Practice. 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 UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- assess whether the corporation is a going concern, noting the key supporting assumptions, qualifications or mitigating actions, as appropriate (which must be consistent with other disclosures in the financial statements and auditor's report)
- prepare financial statements on the going concern basis unless it is inappropriate to assume that the corporation will continue in operation

The corporation is also required to prepare a strategic report, in accordance with paragraphs 3.23 to 3.27 of the F & HE SORP, that describes what it is trying to do and how it is going about it, including information about the legal and administrative status of the corporation.

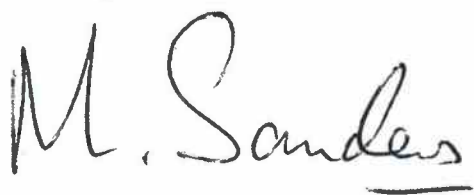
The corporation is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the corporation and which enable it to ensure that the financial statements are prepared in accordance with relevant legislation including the Further and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

The corporation is responsible for the maintenance and integrity of its website; the work carried out by auditors does not involve consideration of these matters and, accordingly, 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.

## Statement of governing body's responsibilities (Continued)

Members of the corporation are responsible for ensuring that expenditure and income are applied for the purposes intended and that the financial transactions conform to the authorities that govern them. In addition, they are responsible for ensuring that funds from ESFA, and any other public funds, are used only in accordance with ESFA's grant funding agreements and contracts and any other conditions, that may be prescribed from time to time by ESFA, or any other public funder. Members of the corporation must ensure that there are appropriate financial and management controls in place to safeguard public and other funds and ensure they are used properly. In addition, members of the corporation are responsible for securing economic, efficient and effective management of the corporation's resources and expenditure so that the benefits that should be derived from the application of public funds from ESFA and other public bodies are not put at risk.

Approved by order of the members of the corporation on 29th March 2023 and signed on its behalf by:

A handwritten signature in black ink that reads "M. Sanders". The signature is written in a cursive style with a horizontal line underneath the name.

**Mark Sanders**  
**Chair of governors**



# Independent auditors report to the members of The Northern College for Residential Adult Education Limited

## Opinion

We have audited the financial statements of The Northern College for Residential Adult Education Limited (the "College") for the year ended 31 July 2022 which comprise the statement of comprehensive income, balance sheet, statement of changes in reserves, statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice) and the Accounts Direction 2021 to 2022 issued by the Education and Skills Funding Agency.

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2022 and of the College's deficit of income over expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the Accounts Direction 2021 to 2022 issued by the Education and Skills Funding Agency.

## Basis for opinion

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

## Material uncertainty related to going concern

We draw attention to note 1 in the financial statements, which indicates that the College's recruitment of learners has not returned to pre-pandemic levels and post 2024 uplift residential funding is under consultation. As stated in note 1, these events or conditions, along with the other matters as set out in note 1, indicate that a material uncertainty exists which may cast significant doubt about the College's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the governors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our responsibilities and the responsibilities of the governors with respect to going concern are described in the relevant sections of this report.

## Other information

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



## Independent auditors report to the members of The Northern College for Residential Adult Education Limited (Continued)

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

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Report of the Corporation which includes the Directors' Report and the Strategic Report prepared for the purposes of company law for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report and the Strategic Report included within the Report of the Corporation have been prepared in accordance with applicable legal requirements.

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

In the light of the knowledge and understanding of the College and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report or the Strategic Report included within the Report of the Corporation.

We have nothing to report in respect of the following matters where the Companies Act 2006 or the Post-16 Audit Code of Practice 2021 to 2022 issued by the Education and Skills Funding Agency require us to report to you if, in our opinion:

- adequate accounting records have not been kept by the College, or returns adequate for our audit have not been received from branches not visited by us; or
- the College financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of the governors' remuneration specified by law are not made; or
- we have not received all the information and explanations required for our audit.

### **Responsibilities of the Trustees of The Northern College for Residential Adult Education Limited**

As explained more fully in the Statement of the Member's Responsibilities set out on pages 27 and 28, the Trustees (who are also the directors and members of the college for the purposes of company law) are responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

## Independent auditors report to the members of The Northern College for Residential Adult Education Limited (Continued)

### **The extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the sector, including the legal and regulatory frameworks that the College operates in and how the college is complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are Companies Act 2006, FRS 102, Further and Higher Education SORP, Charities Act, and the College Accounts Direction published by the Education and Skills Funding Agency. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures.

The most significant laws and regulations that have an indirect impact on the financial statements are those which are in relation to the Education Inspection Framework under the Education and Inspections Act 2006, Keeping Children Safe in Education under the Education Act 2002 and data protection legislation. We performed audit procedures to inquire of management and those charged with governance whether the college is in compliance with these law and regulations and inspected correspondence and inspected correspondence with licensing or regulatory authorities in order to draw a conclusion.

The audit engagement team identified the risk of management override of controls and revenue recognition as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business and challenging judgments and estimates and performing tests of detail on a sample of revenue transactions together with performing a review of the appropriate application of the College's revenue recognition policy.

## Independent auditors report to the members of The Northern College for Residential Adult Education Limited (Continued)

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

### Use of our report

This report is made solely to the company's members, as a body the Governing Body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Governing Body, 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 charitable company and the Governing Body, as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

Richard Lewis (Senior Statutory Auditor)  
For and on behalf of RSM UK Audit LLP, Statutory Auditor  
Chartered Accountants  
Two Humber Quays  
Wellington Street West  
Hull  
HU1 2BN

29/3/ 2023

## Statement of comprehensive income

		2022	2021 as restated
	Note	£'000	£'000
<b>Income</b>			
Funding body grants	3	2,873	4,204
Tuition fees and education contracts	4	255	325
Research grants and contracts	5	3	4
Other income	6	174	67
Investment income	7	7	6
<b>Total income</b>		<b>3,312</b>	<b>4,606</b>
<b>Expenditure</b>			
Staff costs (inc restructuring)	8	3,188	3,042
Other operating expenses	9	1,576	1,466
Depreciation	12/13	207	218
Interest and other finance costs	10	85	102
<b>Total expenditure</b>		<b>5,056</b>	<b>4,828</b>
<b>(Deficit) for the year</b>		<b>(1,744)</b>	<b>(222)</b>
Re-measurement of net defined benefit pension liability		4,334	905
<b>Other comprehensive income for the year</b>		<b>4,334</b>	<b>905</b>
<b>Total comprehensive income for the year attributable to the Corporation of the College</b>		<b>2,590</b>	<b>683</b>


The statement of comprehensive income is in respect of continuing activities.

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

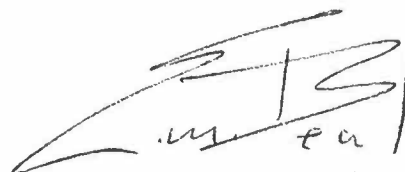
## Balance Sheet

	Note	2022 £'000	2021 as restated £'000
<b>Fixed assets</b>			
Tangible fixed assets	12	3,786	3,841
Intangible fixed assets	13	32	25
		<b>3,818</b>	3,866
<b>Current assets</b>			
Debtors	14	242	125
Investments		2,116	2,616
Cash at bank and in hand	20	1,005	2,184
		<b>3,363</b>	4,925
<b>Less: Creditors: amounts falling due within one year</b>	15	<b>(1,887)</b>	(2,220)
<b>Net current assets</b>		<b>1,476</b>	2,705
<b>Total assets less current liabilities</b>		<b>5,294</b>	6,571
<b>Creditors: amounts falling due after more than one year</b>	16	<b>(689)</b>	(769)
<b>Provisions</b>			
Defined benefit obligations	17/19	(1,101)	(5,253)
Other provisions	17/19	(791)	(426)
<b>Total net assets</b>		<b>2,713</b>	123
<b>Unrestricted reserves</b>			
Income and expenditure reserve		2,713	123
<b>Total funds</b>		<b>2,713</b>	123

The financial statements on pages 33 to 60 were approved and authorised for issue by the Board of Governors on 29<sup>th</sup> March 2023 and were signed on its behalf by:



Mr Mark Sanders - Chair



E Beal - Interim Principal and Chief  
Executive / Accounting Officer



## Statement of changes in reserves

	<b>Income and expenditure reserve £'000</b>
Balance at 1 August 2020 (as restated)	(560)
Deficit from the income and expenditure account	(222)
Other comprehensive income	905
Total comprehensive income for the year	<u>683</u>
<b>Balance at 31 July 2021 (as restated)</b>	<b>123</b>
Deficit from the income and expenditure account	(1,744)
Other comprehensive income	4,334
Total comprehensive income for the year	<u>2,590</u>
<b>Balance at 31 July 2022</b>	<b><u>2,713</u></b>

The College had previously recognised a designated capital reserve on the balance sheet, in line with the F & HE SORP institutions are not permitted to recognise designated funds in the primary statements and so this has been combined with the income and expenditure reserve in the current year.

## Statement of cash flows

	<b>Note</b>	<b>2022</b> <b>£'000</b>	2021 as restated £'000
<b>Cash from operating activities</b>			
(Deficit) for the year		<b>(1,744)</b>	(222)
<b>Adjustment for non-cash items</b>			
Depreciation		<b>204</b>	196
Amortisation		<b>3</b>	22
(Increase)/Decrease in debtors		<b>(116)</b>	117
(Decrease)/Increase in creditors due within one year		<b>(333)</b>	618
(Decrease)/Increase in creditors due after one year		<b>(80)</b>	141
Increase in provisions		<b>361</b>	49
Pension cost		<b>370</b>	596
Pension contributions paid		<b>(273)</b>	(401)
<b>Adjustments for investing activities</b>			
Investment income		<b>(7)</b>	(6)
Interest payable		<b>85</b>	102
<b>Net cash from operating activities</b>		<b>(1,530)</b>	1,212
<b>Cash flows from investing activities</b>			
Investment income		<b>7</b>	6
Payments made to acquire fixed assets		<b>(156)</b>	(380)
		<b>(149)</b>	(374)
<b>(Decrease)/increase in cash and cash equivalents in the year</b>		<b>(1,679)</b>	838
<b>Cash and cash equivalents beginning of the year</b>		<b>4,800</b>	3,962
<b>Cash and cash equivalents at end of the year</b>	<b>20</b>	<b>3,121</b>	4,800

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

## Notes to the financial statements

### 1 Statement of accounting policies and estimation techniques

The following accounting policies have been applied consistently, other than in respect of the prior period error detailed below, in dealing with items which are considered material in relation to the financial statements.

#### Basis of preparation

These financial statements are prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2019 (the 2019 F & HE SORP), The College Accounts Direction for 2021 to 2022 and in accordance with Financial Reporting Standard 102 - "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the College's accounting policies.

The financial statements are presented in Sterling (£).

#### Correction of prior period error

In the financial statements for the year ended 31 July 2021, the college showed a balance of £2,072k (2020: £1,951k) in relation to tangible fixed assets, £463k (2020: £476k) of which related to the net book value of freehold land and buildings and £1,409 (2020: £1,327k) relating to improvements to property. It has subsequently been determined that the substance of the nature of the arrangements in respect of other freehold land and buildings in use by the College should be included in fixed assets in line with FRS 102 and the F & HE SORP. Therefore, a prior period adjustment is required to correct the error and this has been processed retrospectively to the earliest period presented in these financial statements.

As a result, in respect of the prior year ended 31 July 2021, an adjustment of £1,769k has been made to account for the substance of land and buildings not previously included within fixed assets including a reduction in depreciation charges of £36k.

In the financial statements for the year ended 31 July 2021, cash deposits included in current investments with a maturity of 3 months or less from the date of acquisition amounting to £2.6m had previously been excluded from cash and cash equivalents in the statement of cashflows. The statement of cashflows has been restated to include these cash deposits as cash and cash equivalents.

The details of the prior period errors are shown in note 2 together with the corrections made.

#### Going concern

The College is reporting net assets, after the pension provisions, of £2,713k; and net assets of £3,814k prior to defined benefit pension provisions. The College has achieved strong surpluses for a number of years which has resulted in cash balances and short-term investments of £3,121k, with nil borrowings, however the College repaid funds of £1,476k in year to the ESFA in relation to ALLB clawback for 2020/21 and audit clawback for previous years.

The College has prepared these financial statements on the assumption that it is a going concern and will be able to for a period of at least 12 months from the date of approving these financial statements. Informing this opinion, the Board of Governors have taken into account reports presented to it including current reforecast, 3 year budgets and cash flow forecasts to July 2025, as well as an independent financial review prepared by BDO LLP; the scope had included a high-level review of the College's historical trading performance in FY21 and FY22, a review of the College's integrated Income and Expenditure ('I&E'), balance sheet and cash flow forecasts for FY23 and FY24, and conclusions in relation to the financial forecasts and a high-level overview of the options available to the College.

## Notes to the financial statements

### Going concern (continued)

The Board has ensured that future surplus and cash flow projections have been prepared on a prudent basis, including a contingency for unforeseen costs. Although the Board is satisfied that there is sufficient headroom within these cash flow projections to ensure the College has adequate resources to continue in operational existence for a period of at least 12 months, there are continuing challenges which are facing all Colleges within the Further Education sector, as well as some issues that impact specifically on Northern College.

The College currently receives an additional funding uplift for students who attend on a residential basis, the long-term future of this uplift has been uncertain, with an ongoing review by the DfE which commenced in November 2019 and subsequent to that date, all three funders are engaged in a review of residential funding. Following discussions with the Colleges all three funders (SYMCA, WYCA and DfE), have all agreed that this uplift will continue to be paid at the current rate for a further year (2023/24) as a transition year whilst an alternative funding model is agreed. Whilst there is uncertainty around the funding model from August 2024, the current agreement provides some certainty in terms of funding rates for the next 12-month period.

Whilst recruitment is improving, numbers have not yet returned to pre-pandemic levels as anticipated. Recruitment continues to be a key risk to the College and the financial performance for 2022/23 is likely to result in a deficit position with reduced cash reserves. Cash flow projections are based on increasing numbers over the next 2 years. The cashflow includes a number of sensitivities in relation to key risks, including recruitment as there remains an uncertainty in the post pandemic period and during the current cost of living crisis over enrolment numbers.

The high rate of inflation is not being met by increases in funding rates. In February 2023 WYCA confirmed an increase in AEB funding rates of 10% for courses at level 2 and below, this has been back dated to August 2022. SYMCA, which provide the majority of the College's income has not agreed an overall funding increase, however they have introduced a number of flexibilities to provide additional funding for priority provision. DfE have not indicated any increase in funding rates for AEB provision. Funding has not increased for Community Learning provision. Overall funding increases are significantly lower than CPI inflation of 10.1 % in January 2023.

The limited increases in funding, alongside the current recruitment position means that the College has limited ability to provide competitive pay awards and salary levels. In 2022/23 the College took the decision to implement a £500 flat rate consolidated pay award.

In addition, volatility in gas and electricity prices continues to pose a risk, albeit the price per term of gas fell in January 2023 back to pre-February 2022 levels. The College currently has a fixed term contract for gas until April 2023 and electricity until October 2023. The cost of maintenance given the nature of the property is also a potential risk.

The College finance team continue to carefully evaluate the potential impact of these challenges and these are reported to the Board monthly.

Accordingly, after making appropriate enquiries, the Board of Governors have concluded that there is a reasonable expectation that the College has adequate resources to continue in operational existence for a period of at least 12 months from the date of approving these financial statements. acknowledging there is evidence that a material uncertainty exists which requires careful oversight in relation to the College's ability to continue as a going concern. For this reason, it continues to adopt a going concern basis in preparing the financial statements and will continue to regularly review financial performance and key milestone dates.



## Notes to the financial statements

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

#### Recognition of income

Income for tuition fees is recognised in the period in which delivery has taken place 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 ESFA represent the funding allocations attributable 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 ESFA 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. The deferred element is recognised as deferred income within creditors and allocated between creditors due within one year and creditors due after more than one year as appropriate.

#### Capital grant funding - government grants

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

#### Accounting for post-employment benefits

Post-employment benefits to employees of the College are provided by the Universities' Superannuation Scheme (USS) and the South Yorkshire Pensions Authority (SYPA). These are defined benefit schemes which are externally funded and contracted out of the State Second Pension.

Contributions to the Universities' Superannuation Scheme are charged to the income and expenditure account so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. Contributions to the scheme are determined by qualified actuaries on the basis of triennial valuations, using the projected unit method.

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. A liability is recorded within provisions for any contractual commitment to fund past deficits within the USS scheme.



## Notes to the financial statements

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

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred.

Net interest on the net defined benefit liability/asset is also recognised in the Income Statement and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets and the defined benefit obligation at the beginning of the period by the rate used to discount the benefit obligations.

The difference between the interest income on the scheme assets and the actual return on the scheme assets together with other actuarial gains and losses are recognised immediately in other comprehensive income.

Actuarial gains and losses are recognised immediately in actuarial gains and losses.

#### Short term Employment benefits

Short term employment benefits such as salaries and compensated absences (holiday pay) are recognised as an expense in the year in which the employees render service to the College. Any unused benefits are accrued and measured as the additional amount the College expects to pay as a result of the unused entitlement.

#### Enhanced pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by the College annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to the College's income and expenditure account in the year that the member of staff retires. In subsequent years a charge is made to provisions in the balance sheet using the enhanced pension spreadsheet provided by the funding bodies.

#### Tangible fixed assets

Land and buildings are stated at deemed cost less accumulated depreciation and accumulated impairment losses, these assets are depreciated over their estimated useful life of between 28 and 48 years. Land and buildings inherited from the Local Education Authority are stated in the balance sheet at valuation based on depreciated replacement costs, as the open market value for existing use is not readily obtainable. Freehold land is not depreciated.

Improvements made to the property and buildings built by the college are included at cost less accumulated depreciation.

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 income account within creditors 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. The deferred income is allocated between creditors due within one year and those due after more than one year.

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

## Notes to the financial statements

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

#### Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets after initial purchase it is charged to the income and expenditure account in the period it is incurred, unless it increases the future benefits to the College, in which case it is capitalised and depreciated on the relevant basis.

#### 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%-33% per annum
Improvements to property	2%-20% per annum
Motor vehicles	14%-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 income account within creditors and released to the income and expenditure account over the expected useful economic life of the related equipment.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the Statement of Comprehensive Income and Expenditure.

#### Intangible Fixed Assets

Intangible assets costing £2,000 or more are capitalised and recognised when future economic benefits are probable, and the cost or value of the asset can be measured reliably. Intangible assets are initially recognised at cost and are subsequently measured at cost, net of amortisation and any provision for impairment.

Amortisation is provided on intangible fixed assets at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful life, as follows:

Purchased computer software - 5 Years  
Branding/Website - 10 Years

#### Impairments of fixed assets

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

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

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

## Notes to the financial statements

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

#### Investments

Investments that are not listed on a recognised stock exchange are held as current asset instruments and are carried at historical cost less any provision for impairment in their value.

#### Cash and cash equivalents

Cash includes cash in hand and deposits repayable on demand. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value. An investment qualifies as a cash equivalent when it has a maturity of 3 months or less from the date of acquisition.

#### Taxation

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and as such is a charitable company within the meaning of Finance Act 2010.

Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by Sections 478-488 of the Corporation Tax Act 2010 or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied 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 finance leases.

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

#### Financial Instruments

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

## Notes to the financial statements

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

#### Financial assets and liabilities

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

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets measured at fair value through the profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless arrangement constitutes a financing transaction. A financial asset or financial liability that is payable or receivable within one year is measured at the undiscounted amount expected to be received or paid net of impairment, unless it is a financing transaction.

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

#### Derecognition of financial assets and liabilities

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

#### Agency arrangements

The College acts as an agent in the collection and payment of discretionary learner support funds. Related payments received from the Education and Skills Funding Agency and subsequent disbursements to students are excluded from the income and expenditure of the College where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

#### Judgements

Judgements in applying accounting policies and key sources of estimation uncertainty

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

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

#### Critical accounting estimates and assumptions

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



## Notes to the financial statements

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

#### Critical accounting estimates and assumptions

- Local Government Pension Scheme  
The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 19, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 has been used by the actuary in valuing the pensions liability at 31 July 2022. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount on the pension liability.

### 2. Prior period adjustment

The freehold land and buildings in use by the College had previously not been included as fixed assets of the College on the basis that no consideration was paid for the main property and the College only has a right to use the property whilst it continues to provide education such that the property will revert to the local authority should the College cease to provide education. This basis has been reviewed and the College has concluded that this treatment was not in line with FRS 102 and the F & HE SORP.

The College has now assessed that the agreements in place in respect of the College's continued rights relating to the use the property substantially transferred the risks and rewards of ownership of the property to the College and as such the property should have been recognised at its fair value as a gift in kind within donation income in the statement of comprehensive income. After detailed consideration, given the time period when the property should have been initially recognised, it was determined that under FRS 102 it should be recognised at fair value at the date of transition to FRS 102 and under the transitional provision the fair value determined as its deemed cost.

This has resulted in a significant error in respect of the amounts recognised for land and buildings including building improvements and the consequential impact on reserves and depreciation that has required a prior period adjustment to restate the financial statements for the years ended 31 July 2020 and 31 July 2021. A valuation on depreciated replacement cost basis has been produced as at 1 September 2014 by Sanderson Weatherall which has been treated as deemed costs from that point onwards. The deemed cost of the properties, and a calculation of the useful economic life (UEL) from that point of the various buildings transferred, has meant that the net book value of land and buildings including building improvements has been restated at 1 August 2020 and 31 July 2021, along with the depreciation charge for 31 July 2021.

In the financial statements for the year ended 31 July 2021, cash deposits included in current investments with a maturity of 3 months or less from the date of acquisition amounting to £2.6m had previously been excluded from cash and cash equivalents in the statement of cashflows. The statement of cashflows has been restated to include these cash deposits as cash and cash equivalents.



## Notes to the financial statements

### 2. Prior period adjustment (continued)

	2021 As previously reported £'000	2021 Adjustment £'000	2021 As restated £'000
<b>Changes to the Balance Sheet</b>			
Tangible fixed assets	2,072	1,769	3,841
Net (liabilities)/assets	(1,646)	1,769	123
Unrestricted reserves			
Income and expenditure reserve	(1,646)	1,769	123
	(1,646)	1,769	123
	2020 As previously reported £'000	2020 Adjustment £'000	2020 As restated £'000
<b>Changes to the Balance Sheet</b>			
Tangible fixed assets	1,951	1,733	3,684
Net assets	(2,293)	1,733	(560)
Unrestricted reserves			
Income and expenditure reserve	(2,293)	1,733	(560)
	(2,293)	1,733	(560)

## Notes to the financial statements

### 2. Prior period adjustment (continued)

	2021 As previously reported £'000	2021 Adjustment £'000	2021 As restated £'000
<b>Changes to the Statement of comprehensive income</b>			
Depreciation	254	(36)	218
Total expenditure	4,864	(36)	4,828
Deficit for the year	(258)	36	(222)
Total comprehensive income for the year attributable to the corporation of the college	647	36	683
<b>Changes to the Statement of changes in equity</b>			
Balance at 1 August 2020	(2,293)	1,829	(464)
Deficit from the income and expenditure account	(258)	36	(222)
Total comprehensive income for the year	647	36	683
Balance at 31 July 2021	(1,646)	1,769	123

## Notes to the financial statements

<b>3. Funding body grants</b>	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Adult Skills Budget		
ESFA	<b>136</b>	3,869
SYMCA	<b>1,855</b>	
WYCA	<b>639</b>	
Adult Learner Loan Bursary	<b>98</b>	191
Advanced Learner Loans	<b>61</b>	71
Release of deferred capital grants	<b>84</b>	73
	<b>2,873</b>	4,204
<b>4. Tuition fees and Education contracts</b>	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Tuition Fees:		
Home fees and charges	<b>255</b>	325
<b>5. Research grants and contracts</b>	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Release from Government capital grants	<b>3</b>	4
<b>6. Other income</b>	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Catering and residence operations	<b>110</b>	46
Other income generating activities	<b>56</b>	13
Other	<b>8</b>	8
	<b>174</b>	67
<b>7. Investment income</b>	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Interest receivable	<b>7</b>	6

## Notes to the financial statements

### 8. Staff costs

Staff costs during the year were as follows:

	<b>2022</b>	2021
	<b>£'000</b>	£'000
Wages and salaries	<b>1,977</b>	2,088
Social security costs	<b>185</b>	200
Pension costs	<b>953</b>	660
	<b>3,115</b>	2,948
Restructuring costs		
Contractual	<b>73</b>	87
Non-contractual	<b>-</b>	7
	<b>3,188</b>	3,042

The average monthly number of persons; including key management personnel but excluding sessional teaching staff; expressed as average headcount and calculated monthly basis, was:

	<b>2022</b>	2021
	<b>Number</b>	Number As restated
Teaching staff:		
Teaching departments - teaching staff	<b>28</b>	38
Total Teaching support services	<b>14</b>	12
Total teaching staff	<b>42</b>	50
Non teaching staff:		
Other support services	<b>8</b>	3
Administration and central services	<b>20</b>	23
Premises	<b>25</b>	17
Total non teaching staff	<b>53</b>	43
Total staff	<b>95</b>	93

The above amount includes £97,000 (2021: £197,000) in relation to the LGPS FRS 102 net current and past service pension cost, £368,000 (2021: £53,000) in relation to the USS FRS 102 net current and past service pension cost.

The staff numbers for 2021 have been restated, these were previously expressed on the full-time equivalent basis and have now been included correctly as average headcount.

All restructuring costs are approved by the Colleges Policy and Finance Committee.

## Notes to the financial statements

### 8. Staff costs (continued)

The number of staff, including key management personnel and the principal, who received emoluments in the following ranges was:

	<b>2022 Number Key management personnel</b>	<b>2021 Number Key management personnel</b>
£60,001 to £65,000	-	-
£65,001 to £70,000	3	2
£70,001 to £75,000	-	-
£75,001 to £80,000	-	-
£80,001 to £85,000	-	-
£85,001 to £90,000	-	-
£90,001 to £95,000	-	-
£95,001 to £100,000	-	-
£100,001 to £105,000	-	-
£105,001 to £100,000	1	1
	<b>4</b>	<b>3</b>

#### Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the Executive Leadership Team.

:

	<b>2022 Number</b>	<b>2021 Number As restated</b>
The number of key management personnel including the accounting officer was:	<b>4</b>	<b>4</b>

The number of key management personnel for 2021 have been restated. This previously omitted two Assistant Principals who should be included within this number.

Key management personnel's emoluments are made up as follows:

	<b>2022 £'000</b>	<b>2021 £'000</b>
Salaries	<b>312</b>	309
Pension contributions	<b>57</b>	56
Total key management personnel emoluments	<b>369</b>	365

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



## Notes to the financial statements

### 8. Staff costs (continued)

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

	2022 £'000	2021 £'000
Salary	107	107
Pension contribution	23	22
	<b>130</b>	<b>129</b>

The governing body has adopted and complied with the Association of Colleges Senior Post Holder Remuneration Code and pay in line with its principles and this has been followed.

The remuneration package of Senior Post Holders (key management personnel), including the Principal and Clerk, is subject to annual review by the Remuneration Committee of the governing body who use benchmarking information, linked to the value and performance delivered to provide objective guidance.

The Principal and Clerk report to the Chair of the Board of Governors, who undertakes an annual review of her performance against the College's overall objectives using both qualitative and quantitative measures of performance.

Other key management personnel salaries are based on an agreed scale which is reviewed annually.

	2021/22	2020/21
Pay multiple of the Principal/Chief Executive/Accounting Officer basic pay and the median earnings of the College's whole workforce	3.68	3.79
Pay multiple of the Principal/Chief Executive/Accounting Officer total emoluments and the median earnings of the College's whole workforce	3.79	3.79

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.

#### Directors' remuneration

The members of the College's governing body are also the directors of the company, for the purposes of company law. Directors do not receive remuneration for their role as a member of the College's governing body, but may be remunerated for other positions held at the College. Remuneration paid to directors during the year was:

	2022 £'000	2021 £'000
Emoluments	151	163
Pension contribution	32	34
	<b>183</b>	<b>197</b>

Post-employment benefits are accruing for two directors (2021: three) under a defined benefit scheme. No directors (2021: none) were members of defined contribution schemes.

## Notes to the financial statements

### 9. Other operating expenses

	2022 £'000	2021 £'000
Teaching costs	384	274
Non-teaching costs	245	298
Premises costs	947	894
	<b>1,576</b>	<b>1,466</b>
Other operating expenses include:	2022 £'000	2021 £'000
Auditors' remuneration (excluding VAT)		
- Financial statements audit	46	37
Internal audit	4	2

### 10. Interest and other finance costs

	2022 £'000	2021 £'000
Net interest and defined benefit pension liability	<b>85</b>	<b>102</b>

### 11. Taxation

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

## Notes to the financial statements

### 12. Tangible fixed assets

	Freehold land and buildings £'000	Improve- ments to property £'000	Equipment £'000	Vehicles £'000	Total £'000
Cost					
At 1 August 2021 (as restated)	3,715	712	1,785	9	6,221
Additions	-	65	84	-	149
Disposals	-	-	-	-	-
At 31 July 2022	3,715	777	1,869	9	6,370
Depreciation					
At 1 August 2021 (as restated)	662	124	1,585	9	2,380
Charge for the year	95	50	59	-	204
Disposals	-	-	-	-	-
At 31 July 2022	757	174	1,644	9	2,584
<b>Carrying amount at 31 July 2022</b>	<b>2,958</b>	<b>603</b>	<b>225</b>	<b>-</b>	<b>3,786</b>
Net book amount at 31 July 2021	3,053	588	200	-	3,841

### 13. Intangible fixed assets

	Software, Website & Branding £'000
Cost	
At 1 August 2021	54
Additions	9
At 31 July 2022	63
Amortisation	
At 1 August 2021	29
Charge for the year	2
At 31 July 2022	31
<b>Net book value at 31 July 2022</b>	<b>32</b>
Net book amount at 31 July 2021	25

## Notes to the financial statements

### 14. Debtors

	2022 £'000	2021 £'000
Amounts falling due within one year:		
Trade receivables	154	33
Prepayments and accrued income	88	92
	<u>242</u>	<u>125</u>

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

	2022 £'000	2021 £'000
Trade payables	130	350
Other taxation and social security	51	46
Other creditors	2	3
Accruals and deferred income	322	256
Government capital grants	82	89
Amounts owed to the ESFA	395	1,476
Amounts owed to SYMCA	905	
	<u>1,887</u>	<u>2,220</u>

The prior year balances have been disaggregated in order to present amounts owed to the ESFA separately and remove reference to payments received in advance as required by the F & HE SORP.

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

	2022 £'000	2021 £'000
Government capital grants	<u>689</u>	<u>769</u>

## Notes to the financial statements

### 17. Provisions

	Defined benefit obligations £'000	Obligation to fund deficit on USS Pension £'000	Enhanced pension £'000	Total £'000
At 1 August 2021	5,253	374	52	5,679
Additional provision made/(released) in the year	(3,879)	393	(3)	(3,489)
Utilised in the year	(273)	(21)	(4)	(298)
At 31 July 2022	<b>1,101</b>	<b>746</b>	<b>45</b>	<b>1,892</b>

The enhanced pension provision relates to the cost of staff who have already left the College's employment, and commitments for costs from which the College cannot reasonably withdraw from at the balance sheet date. This provision has been recalculated in accordance with the guidance issued by the Funding Body. The assumptions for calculating the provision for pension enhancements on termination under FRS 102, are as follows:

	2022	2021
Price inflation	<b>2.9%</b>	2.6%
Net interest rate	<b>3.3%</b>	1.6%

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government Pension Scheme and Universities Superannuation Scheme. Further details are given in note 19.

The obligation to fund the past deficit on the Universities Superannuation Scheme (USS) arises from the contractual obligation with the pension scheme for total payments relating to benefits arising from past performance. Management has made an assessment of future employees within the USS scheme, salary payment and the likely yield from a mid-range corporate bond over the period of the contracted obligation in assessing the value of this provision.



## Notes to the financial statements

### 18. Capital commitments

Capital commitments in 2022 amounted to £nil, (2021: £59,000).

### 19. Pension and similar obligations

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

The pension charge for the year including the movement in the USS provision (see note 18) is as follows:

	2022 £'000	2021 £'000
Universities' Superannuation Scheme contributions paid	193	186
USS additional provisions	393	(177)
	<b>586</b>	<b>9</b>
South Yorkshire Pensions Authority contributions paid	273	401
FRS 102(28) charge	97	197
	<b>370</b>	<b>598</b>
Enhanced pension provision	(3)	-
	<b>953</b>	<b>607</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 three 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 2020
Actuarial method	Projected Unit
Discount Rate	0.89%
Pensionable Salary Growth	n/a
Price Inflation (CPI)	2.1%
Market value of assets at date of last valuation	£66.5 Billion
Proportion of members' accrued benefits covered by the actuarial value of the assets	79%

Under the definitions set out in FRS 102(28.11), 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 102 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. The College has set out above the information available on the scheme and the implications for the College in terms of the anticipated contribution rates.

## Notes to the financial statements

### 19. Pension and similar obligations (continued)

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 2022 was £332,000 (2021: £458,000) of which employer's contributions totalled £273,000 (2021: £401,000) and employees' contributions totalled £59,000 (2021: £57,000). The agreed contribution rates for future years (pending the results of the April 2022 scheme revaluation) are 16.9% for employers and from 5.5% to 12.5% for employees, depending on salary.

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2019 updated to 31 July 2022 carried out by a qualified independent actuary. In prior years, the policy has been to recognise the impact of pension increases on pension obligations in line with the Pension Increase Order (PI Order) laid during the relevant accounting period as that is when the PI Order is known with certainty. However, due to the levels of high inflation in place during this financial year end an allowance has been made within the valuation of the pension obligations for the expected CPI inflation to the year ended 31 August 2022 in order to reflect the PI Order that is expected to be set in 2023. The change in CPI for the twelve months to September 2022 was 10.1% and the effect of recognising the expected 2023 PI Order has been to increase the value of the pension obligations at 31 August 2022 by £731,000.

	<b>At 31 July 2022</b>	At 31 July 2021
	<b>%</b>	<b>%</b>
Future rate of increase in salaries	<b>3.75</b>	3.85
Future pension Increase rate (CPI)	<b>2.75</b>	2.70
Discount rate for scheme liabilities	<b>3.50</b>	1.60

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

	<b>At 31 July 2022</b>	At 31 July 2021
Retiring today		
Males	<b>22.6</b>	22.5
Females	<b>25.4</b>	25.3
Retiring in 20 years		
Males	<b>24.1</b>	24
Females	<b>27.3</b>	27.2

## Notes to the financial statements

### 19. Pension and similar obligations (continued)

The assets of the scheme relating to the College at the balance sheet date and the expected rate of return were:

	Value at 31 July 2022 £'000	Value at 31 July 2021 £'000
Equity instruments	8,103	5,515
Government bonds	2,622	1,608
Other bonds	-	873
Property	1,073	1,011
Cash/liquidity	119	207
Other	-	2,275
<b>Total fair value of assets</b>	<b>11,917</b>	<b>11,489</b>
<b>Actual return on plan assets</b>	<b>486</b>	<b>1,757</b>

## Notes to the financial statements

### 19. Pension and similar obligations (continued)

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

	2022 £'000	2021 £'000
Fair value of plan assets	11,917	11,489
Present value of plan liabilities	(13,018)	(16,742)
<b>Net pensions liability</b>	<b>(1,101)</b>	<b>(5,253)</b>

Amounts recognised in the Statement of comprehensive income in respect of the plan are as follows:

	2022 £'000	2021 £'000
<b>Amounts included in staff costs</b>		
Current service cost	(364)	(347)
Past service cost	(6)	-
<b>Total</b>	<b>(370)</b>	<b>(347)</b>

	2022 £'000	2021 £'000
<b>Amounts included in interest and other finance costs</b>		
Net interest cost	(85)	(95)

Amount recognised in Other comprehensive income

	2022 £'000	2021 £'000
Return on pension plan assets	303	1,445
Experience gain/losses arising on defined benefit obligations	(51)	(538)
Change in financial assumptions underlying the scheme liabilities	4,082	-
<b>Amount recognised in Other comprehensive income</b>	<b>4,334</b>	<b>907</b>

Movement in net defined benefit liability during year

	2022 £'000	2021 £'000
Net defined benefit liability in scheme at 1 August	(5,253)	(5,868)
Movement in year:		
Current service charge	(364)	(347)
Past service cost	(6)	-
	<b>(370)</b>	<b>(347)</b>
Employer contributions	273	401
Curtailments	-	(251)
Interest cost	(85)	(95)
Actuarial gain	4,334	907
<b>Net defined benefit liability at 31 July</b>	<b>(1,101)</b>	<b>(5,253)</b>



## Notes to the financial statements

### 19. Pension and similar obligations (continued)

#### Asset and Liability Reconciliation

	2022 £'000	2021 £'000
<b>Changes in the present value of defined benefit obligations</b>		
<b>Defined benefit obligations at start of period</b>	<b>16,742</b>	15,773
Current service cost	364	347
Interest cost	268	249
Contributions by scheme participants	59	57
Actuarial (gains) / losses	(4,031)	538
Curtailments	-	251
Benefits paid	(390)	(473)
Past Service Cost	6	-
<b>Defined benefit obligations at end of period</b>	<b>13,018</b>	16,742

#### Changes in fair value of plan assets

	2022 £'000	2021 £'000
<b>Fair value of plan assets at start of period</b>	<b>11,489</b>	9,905
Interest income	183	158
Return on plan assets (excluding net interest on the defined benefit pension liability)	303	1,441
Employer contributions	273	401
Contributions by scheme participants	59	57
Benefits paid	(390)	(473)
<b>Fair value of plan assets at the end of the period</b>	<b>11,917</b>	11,489

### 20. Changes in net funds

	At 1 August 2021 £'000	Cash flows £'000	At 31 July 2022 £'000
Cash at bank and in hand	2,184	(1,179)	1,005
Investments	2,616	(500)	2,116
Net funds, cash and cash equivalents	4,800	(1,679)	3,121

### 21. 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 2022 there were 14 members (2021: 14 members).

## Notes to the financial statements

### 22. Related party transactions

There have been no related party transactions during the year.

The total expenses paid to or on behalf of the Governors during the year was £599.65 to two governors (2021: £Nil; No governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

No governor received any remuneration or waived payments from the College during the year (2021 nil)

### 23. Events after the end of the reporting period

On 29<sup>th</sup> November the ONS (Office for National Statistics) confirmed that FE Colleges had been reclassified from Private to Public sector and this was retrospective to 1993.

The most significant impact for Colleges is around Debt, however the College does not currently have any loans or long term credit facilities.

There are a range of measures that will be introduced as a result of the reclassification but these are not expected to have any material impact on the College.