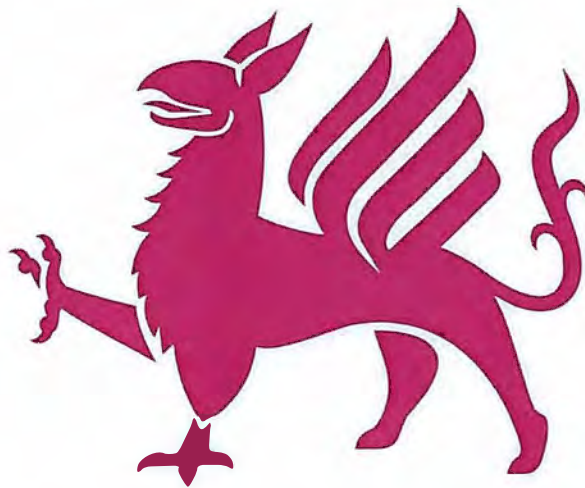


# **The Northern College for Residential Adult Education Limited**

Annual report and financial statements  
For the year ended 31 July 2023



# **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, with the exception of 6 October 2022 – 1 January 2023 when the role was undertaken by E Longley)
<b>Members:</b>	A full list of governors is on page 20-22 of these financial statements
<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>	None

## 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

## Index to the financial statements

<b>Report of the members of the Board of Governors incorporating the Operating and Financial Review and Strategic Report</b>	<b>2 - 18</b>
<b>Corporate governance statement incorporating the statement of internal control</b>	<b>19 - 26</b>
<b>Statement of Regularity, Propriety and Compliance</b>	<b>27</b>
<b>Statement of governing body's responsibilities</b>	<b>28-29</b>
<b>Independent auditor's report to the members of The Northern College for Residential Adult Education Limited</b>	<b>30-33</b>
<b>Statement of comprehensive income</b>	<b>34</b>
<b>Balance sheet</b>	<b>35</b>
<b>Statement of changes in reserves</b>	<b>36</b>
<b>Statement of cash flows</b>	<b>37</b>
<b>Notes to the financial statements</b>	<b>38-58</b>
<b>Reporting accountant's assurance report on regularity</b>	

# **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 2023.

### **The College**

Northern College for Residential Adult Education is a Specialist Designated Institution based at Wentworth Castle, Barnsley, South Yorkshire. Founded in 1978, the College offers a range of provision for adults on a residential and non-residential basis. Northern College is the only adult residential College in the North of England. Through our residential environment we offer a transformative learning experience, we accelerate personal growth, facilitate networking, and provide opportunities for specialised and immersive learning.

It is a 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. On 29<sup>th</sup> November 2022 Colleges were reclassified by Office of National Statistics (ONS) into the central government sector, as a result the regularity framework for colleges has expanded to take into account the requirements of His Majesty's Treasury Managing Public Money (MPM). This sets out requirements for everyone working in central government to manage and deploy public resources responsibly in the public interest.

Northern College is a unique regional asset being the only residential adult education college in the North of England. We have a proud and distinguished history of providing life changing opportunities to hundreds of adult learners every year, attracting students from South Yorkshire, West Yorkshire and beyond. We are extremely fortunate to be set in acres of National Trust gardens and parkland that students are able to access during their time at Northern College. Serving the skills agenda in South Yorkshire and West Yorkshire is key to the College strategy. The curriculum is shaped by local and regional economic and skills priorities which include health and social care, business and management, English, maths, digital skills and inclusive growth are a priority for the College. A range of courses are offered from entry to higher level programmes enabling adults to succeed regardless of starting point.

The College provides a platform for reengagement with education and prides itself on designing bespoke pathways in partnership with its stakeholders. These partnerships allow the College to reach out to adults who may not have had the opportunity to fulfil their potential and unlock their ambitions. The curriculum is driven by local/regional economic and underpinning skills priorities which include health and social care, business and management, English, maths, digital skills and inclusive growth. The College offers a range of courses from entry to higher level programmes enabling adults to succeed regardless of starting point.

### **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 and Values**

The College's mission was reviewed in 2023 alongside the development of a new Strategic Plan 2023-26, and this was approved by the Board of Governors in July 2023. The Colleges mission remains Inspiring positive change through adult education.

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

### Mission and Values (continued)

The College's values are:

- o **Always be ambitious** - we have high aspirations and expectations; we balance support and challenge, and we seek to improve in everything we do.
- o **Have people at our heart** - we share, innovate and collaborate, we value every individual, we are inclusive, and we celebrate diversity.
- o **Make things happen** - we are clear and straightforward; we take personal responsibility, and we listen so we can understand and take action

### Implementation of Our 2023-2026 Strategic Plan

The College has developed a new Strategic Plan for 2023-2026, which builds on a long and celebrated history of changing lives through education. It clearly states our ambition to ensure Northern College meets the needs of its students. Communities and the economy in future years. The College's future is one of collaboration with our partners, where we reach out to others to maximise the impact of our work, ensuring our vision and values guide us.

The strategy was approved by the Board at its meeting in July 2023. The Strategy has 3 key strategic themes:

- Be sustainable - we will future proof the College by flexing our offer, ensuring maximum impact is gained from our unique assets.
- Elevate our profile - we will be recognised nationally and regionally as a leader in adult education.
- High quality - we will realise a clear and ambitious vision for high-quality, inclusive education and training building on our successful Ofsted inspection in 2023

### Strategic Context

In February 2021, the FE Commissioner set out a 'perfect storm' of circumstances which meant the College's financial future was uncertain. The College was placed in formal intervention and a Structure and Prospects Appraisal was triggered. Since then, working in collaboration with the FEC team, ESFA and South Yorkshire (SYMCA) and West Yorkshire Mayoral Combined Authorities (WYMCA), and within the intervention framework, the College has made significant headway in addressing the challenges it faced and successfully retained its independence in July 2022

As identified by the FEC the Principal has made several important and well-judged changes, including a substantial restructure in 2020, alongside a number of other efficiency savings which resulted in reducing the cost base by over £1m (over 20% of costs).

At the end of February 2023, the previous Principal/CEO left the College, the Assistant Principal (Curriculum & Quality) was appointed as Interim Principal/CEO and the Assistant Principal (Finance & Business Services) role was changed to Interim Deputy Principal/CFO. This has resulted in a reduction in the Executive Leadership Team from 4 FTE to 3 FTE. A Director of Curriculum and Quality had also been appointed on a 12-month fixed term contract to cover a combination of the duties of the Assistant Principal (Curriculum & Quality) and a Curriculum Manager who resigned.

The College received a positive Ofsted visit in March 2023, securing Good for all judgement areas and 'reasonable' contribution to Skills.



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

### **Strategic Context (continued)**

The FE Commissioner and Deputy FE Commissioner last visited the College in June 2023 for a Stocktake visit, whilst the College continues to face significant challenges they acknowledged a number of positive recent changes, including the material improvement on the previous year's deficit, a positive well managed transition to a new leadership team (new Principal/CEO and Director of Curriculum and Quality), development of the new strategic plan, the Estates review and contingency planning.

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

#### **Curriculum Developments**

The appointment of the new Director of Curriculum and Quality and the Curriculum Manager of Essential Skills has had a positive impact with the introduction, development and delivery of new provision which is driven by local/regional economic and underpinning skills priorities.

The College has successfully delivered its first Sector-Based Work Academy Programme (SWAP) in partnership with DWP and has established community based ESOL provision.

The College continues to work with key community groups and stakeholders across both mayoral combined authorities to support the most socially and economically inactive learners and those with complex barriers to access and engage with education through our community learning provision.

The College embeds the key features within curriculum design:

- o Adult Focus - An environment and experience crafted to support adult learning considering social and demographic changes in society
- o Residential Uniqueness - An immersive experience that allows for an intensity of learning
- o Blended Delivery - A residential experience enhanced by online independent study
- o Underpinning Skills - Learning and support underpinned by our 6 Northern College Skills
- o 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 2 key areas which is underpinned by the Northern College Skills Framework which focuses on resilience, adaptability, evaluation, innovation, problem solving and decision making

Following robust career advice and guidance, learners will have individualised learning pathways which focus on supporting and developing purposeful progression towards further study or work aligned to the key local and national priorities.

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

### Curriculum content (continued)

Society, Health & Development	Essential Skills
Health & Social Care	English, Maths & ESOL
Counselling	Community & Social Action
Social Studies	Personal Wellbeing
Access to HE	Outdoor Learning
Higher Education	Employability
	Business & Enterprise
	Digital & IT
	Trade Union Studies

### Our Curriculum priorities for 2023-24 are to:

- o Realise a clear and ambitious vision for high quality, inclusive education and training building on our successful Ofsted Inspection in 2023.
- o Grow our curriculum range, developing new and expanding existing income streams to meet local and regional priorities.

#### Key developments include:

- o New courses include Functional Digital Skills, Sector- Based Work Academy Programmes, SIA Licence to Practice qualifications, Assessors qualifications, and Horticulture.
- o Supporting the TUC and affiliated unions to train and upskill their workforce through relevant accredited qualifications to help them progress in their careers and support colleagues.
- o Growing our deliver of community & employability provision which enable social inclusion.
- o Developing the essential skills our students need to progress in life and work - new developments include project learning focused on developing English and maths skills.
- o Offering a range of programmes that enable entry to higher level study - priorities include opening recruitment to a new Foundation Degree in Health and Social Care.
- o Develop 'programme packages' that offer learners a suite of qualifications to enrich their learning experience.



## **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.

The College has secured capital funding through the FE Transformation Fund and other smaller grants to support and improve the condition of the estate.

#### **People**

The College employed an average of 70 people (2021-22; 95), which includes teaching staff, learning support staff and business support staff.

#### **Students**

The College had 1,769 enrolments funded through South Yorkshire Mayoral Combined Authority/West Yorkshire Combined Authority and ESFA and 23 HE enrolments.

#### **Reputation**

The College has a good reputation, locally, regionally and nationally. It was rated as Good in the last inspection by OFSTED in March 2023 with a 'reasonable' contribution to meeting skills needs. The College receives significant support from a wide range of stakeholders, who recognise the importance of the College's unique provision to the local area. In October 2023 the College launched its new 2023-2026 Strategic Plan, which was attended by a wide range of Stakeholders including the Rt Hon Lord Blunkett, MP's, Council officials, employers, community groups and other Colleges and HE institutions across South and West Yorkshire.

#### **Stakeholders**

The College has a wide range of stakeholders, including:

- Students
- Education Sector Funding bodies (ESFA/SYMCA/WYCA)
- 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 £3,209k, and no borrowings. The College has net current assets of £1,850k, (2021: £1,476k) including £511k, pension liability (2021 £1,892k liability) with no long term debt.

The value of the college's share of net assets for the LGPS pension scheme was £751k, however this has been restricted due to the effect of the asset ceiling being the maximum value of the present of the economic benefits available in the form of the unconditional right to reduced contributions from the plan. A corresponding charge has been made to other comprehensive income in the period.

Following the ONS reclassification any borrowings now require DfE consent.

### **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 20-22. 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.

As a result of the ONS reclassification on 29<sup>th</sup> November 2022, whilst continuing to be a self-governing charity regulated by the Secretary of State for Education, the College is now subject to the framework for financial management set out under Managing Public Money (MPM). The College submitted a return to confirm compliance with MPM up to 31<sup>st</sup> March 2023 and has updated its financial regulations and policies accordingly to ensure compliance with the new requirements.

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;

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

### **Charitable status and public benefit (continued)**

- 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 (from March 2023 the Policy and Finance Committee was combined with more regular Board of Governor meetings), 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:

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 £370k, before pension adjustments (2022 (£1,744k deficit)). After pension adjustments a surplus of £788k, (2022 surplus of £2,590k). The College has accumulated income and expenditure reserves, excluding the pension reserves, of £1,929k and cash/cash equivalent balances of £ 3,209k, (2022: £3,121k). Tangible fixed asset additions during the year amounted to £171k, all of which related to improvements and equipment purchases. Net assets at the year-end were £3,423k, (2022 net assets £2,635k restated). This is mainly due to the change in defined benefit pension obligation at the year-end of £511k, deficit (2022: £1,101k deficit).

### **Cash Flows and liquidity**

At £196k, (2021: £1,530k) a positive cash flow from operating activities was due to the receipt of capital grants in advance from DfE, of which £967k, was unspent at the year end. Creditors due within one year have reduced due to repayment of clawback funding to funders relating to under recruitment in the previous year, partly offset with a lower provision for clawback relating to 2022/23. The

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

### Cash Flows and liquidity continued

College's treasury management policy to diversify and invest surplus funds means the College continues to invest £3,005k, of liquid resources.

The College has updated its financial regulations and policies to ensure compliance with ONS reclassification and MPM requirements, this includes borrowings.

### 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.

### Performance Indicators

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

Key performance indicator	Measure/Target	Actual for 2022/23
Surplus as % of income - Exc FRS 102 Pension	(8.1%)	(17.2%)
Surplus as % of income - Inc FRS 102 Pension		(9.6%)
EBITDA % - Education Specific	(3.8%)	(15.9%)
Pay as % of income (Exc restructuring and FRS102)	62.1%	70.8%
% of ESFA/SYMCA/WYCA recurrent grant income	83%	87.4%
Adjusted Current Ratio	>1.6	2.59
Cash Days	>40	275
Borrowing as % of turnover	0%	0%
Enrolments	4,171	1,882
Achievement rate%	94%	86%
Financial Health	Requires Improvement	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 and following ONS reclassification now requires DfE consent.

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

### **Reserves policy required**

The College has historically had high level of reserves, these have reduced over recent years due to lower recruitment levels and changes to funding. Cash reserves currently include £967k of capital grants received which have not yet been spent.

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 2022/23, the three funding bodies combined provided 87.4% of the College's total income.

### **Quality Assurance**

The College carries out 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, governor dashboard and annual reports are considered by the Curriculum, Quality and Student Experience Committee and the Board of Governors.

### **Student Achievements**

Overall achievements at the College remain high at 86 % (2021/22: 93%).

### **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.

In March 2023, the College appointed a new Principal/CEO, since their appointment they have developed and expanded the Colleges external stakeholder engagement.

The College also appointed a new Director of Curriculum and Quality who commenced their role in May 2023, the appointment has brought new perspectives and new opportunities to develop the curriculum offer, including developing new areas of provision and new opportunities.

The Colleges financial performance has improved significantly from the previous year and student numbers have improved. The College is in a period of rapid change and recovery, and this is reflected within the 3-year financial plan which has been set.

The College has developed a new Strategic Plan for 2023-2026, which builds on a long and celebrated history of changing lives through education. It clearly states our ambition to ensure Northern College meets the needs of its students, communities, and the economy in future years.



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

### Student numbers

Pre Covid, the College has a strong track record of over delivering against its funding targets, however in recent years student recruitment was severely impacted by Covid restrictions. In 2022/23 student numbers have begun to recover and there have been significant recent developments in the curriculum offer to meet a wider range of needs and ensure sustainability.

In 2022/23 the College delivered activity, under its AEB/FCFJ/Loans, to a value of £3,236k against an allocation of £4,049k.

### Risk factors

The College has considerable reliance on continued government funding through the further education sector funding bodies, including MCA's. In 2022-23, 87.4 % of the College's revenue was ultimately publicly funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms, this includes the residential uplift which is being reviewed.

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:

### 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, after being significantly impacted by Covid during 2020/21 and 2021/22, there has been some improvement to numbers and funding levels in 2022/23. The curriculum has been redeveloped for 2023/24 and initial recruitment is positive.
- C The residential funding model has been under review since 2019, ESFA have confirmed funding will move to a learner support model from 2024/25 and SYMCA/WYCA will move to a nightly rate methodology, the details of these changes are still to be agreed. There is a commitment from SYMCA / WYCA that the College will not be financially disadvantaged by the changes in 2024/25 subject to improved recruitment of learners and improved financial performance. 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.

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

### Funding (continued)

- 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 the College and the wider economy. The College did benefit from the government support scheme up to April 2023 and has invested in energy efficient lighting to help reduce cost as well as carbon footprint. The Colleges recently developed Estates Strategy includes accelerating the Colleges progress to net zero by 2045 which will reduce utility costs.
- F Cost of living, high levels of inflation, pay awards and increased costs continue to be a key risk. The College will not benefit from recent DfE announcement aimed at supporting pay increases as this funding is only being channelled via 16-18 funding.
- G In February 2023, the DfE asked schools, Colleges and Sixth form Colleges to complete a survey regarding the potential risk of reinforced autoclaved aerated concrete (RAAC) in buildings due to recent building component failure. The College identified buildings of potential risk and instructed RICS architects to carry out a survey in June 2023 which concluded no incidence or likelihood of RAAC in any buildings. Post year end, the DfE requested some further clarification from the College and architects, in November 2023 the College received confirmation from DfE that they had reviewed the information provided and the presence of RAAC related construction in the Colleges buildings is unlikely.

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, SYMCA and WYCA by payments made through the funding.

### Energy and Carbon Reporting

The College is committed to working towards a sustainable environment, in October 2022 the Board of Governors approved the College's Sustainability policy which outlines the Colleges intention and commitment to a net zero carbon footprint by 2045.

After the success of the participation in Leading the Change to Net Zero; Net Zero Accelerator programme, the College will be continuing its partnership with Barnsley BIC by participating in the Net Zero Barnsley programme to further develop the Colleges decarbonisation programme which is aligned to the College Estate Strategy.

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

### **Energy and Carbon Reporting (continued)**

The College is working within an Action Change Roadmap which identifies the key areas for the decarbonisation programme. The key areas fall within Leadership and Governance, teaching and learning, estates and operations, partnerships and data collection. Each area is allocated initiatives which feed into the Sustainability Committee for monitoring progression and sustainability value.

The Sustainability Committee includes students, staff and sustainability champions who meet once every half term to push forward the sustainability agenda and road map.

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 DfE has allocated the College £2 million from the Capital Transformation Allocation to support upgrades to mechanical & electrical infrastructure and services to improve utility use and carbon reduction initiatives in line with Net Zero aspirations. Through this work the College has identified that the fabric heat loss through the windows forms a large part of the energy consumption alongside a scheme to increase heating system control to better deploy the energy needed to ensure the College only deploys heat, light and power where it is needed. 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 recommendations within the PEPGB report have been considered and where appropriate have been pursue.

In 2022-23 electricity consumption was 8.1% lower than the previous year, this equates to a reduction in CO<sub>2</sub> of 2,823kg. In June/July 2023 the College replaced 265 light fittings/bulbs with more energy efficient LED fittings which was funded via a grant from the DfE, this is expected to see further reductions in CO<sub>2</sub> of 1,540kg.

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 September 2023, the Board of Governors approved the College's Estates Strategy, one of the four aims within this is to accelerate the Colleges progress to net zero by 2045, this will include Established status on the Climate Action Roadmap for FE Colleges, pledge to the Race to Net Zero campaign and subscribe to the expectations of the local Positive Change Partnerships. Carbon literacy will be embedded into the curriculum to support students to understand climate change, its impact and how they can take individual action through social responsibility.

In September 2023, the College was shortlisted as one of the finalists for the Net Zero Medium Business of the Year Award in the South Yorkshire Sustainability Awards 2023.

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

### **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. Student feedback is enabled via surveys and Student Council.

### **Taxation**

The College was not liable for any corporation tax arising out of its activities during 2022/23.

### **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.

The College ensures this with respect to employment through adherence to a range of policies including: Equality, Diversity and Inclusion, Recruitment and Selection, and Dignity at Work. The College also publishes its Equality 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 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 Good in all areas in its last OFSTED inspection (March 2023) and was commended for promoting a culture of care and empathy in an inclusive environment where students feel valued, supported and respected.

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.

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

### 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 ensures 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.
- 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 (Estates).
- 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 ensures its accommodation is fit for purpose and is monitored via Health and Safety and Equality Objectives.



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

### 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	£2,696,206
The total cost of Facility time during this period	£911.02
Percentage of the total pay bill spent on facility time	0.00034%
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%

### 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, as at 31<sup>st</sup> July 2023, after the pension provisions, of £3,423k; and net assets of £3,934k prior to defined benefit pension provisions. Pre pandemic the College previously achieved strong surpluses for a number of years which resulted in strong cash balances and short-term investments. These surpluses have declined in recent years as the College has been in a deficit position due to lower enrolment numbers since the start of the pandemic and amendments to the application of residential funding uplifts to the College's funding. The cash balance as at 31<sup>st</sup> July 2023 still remained strong with £3,209k of cash reserves, with nil borrowings, (£2,179k excluding unspent capital grants). The College has made a provision of £804k for clawback of unspent funding relating to 2022/23 which will reduce cash reserves excluding unspent capital grants to £1,375k.

The forecast financial position for 2023/24, whilst still a deficit position, has significantly improved from a deficit of £1,187k in 2021/22 to £663k deficit in 2022/23 (excluding pension adjustments). The 3-year budget is set to continue on its recovery plan with a deficit of £268k planned for 2023/24 and break even by 2024/25. The 3-year financial recovery plan shows a cash low point of £817k / 57 cash days, giving sufficient funds/headroom to settle debts as they fall due.

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

### **Going concern (continued)**

The College has prepared these financial statements on the assumption that it is a going concern and will be for a period of at least 12 months from the date of approving these financial statements. In forming this opinion, the Board of Governors have taken into account reports presented to it including 3-year budgets/latest forecast and cash flow forecasts to July 2026 and latest recruitment reports.

The Board has ensured that future surplus and cash flow projections have been prepared on a prudent basis, including a contingency for unforeseen costs. 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 from the signature of the 2022/23 financial statements. 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 which has now concluded. The College's regional funders, SYMCA and WYMCA have yet to conclude their reviews of residential funding.

Following discussions with the Colleges all three funders (SYMCA, WYCA and DfE), have agreed that the residential uplift methodology will continue to be paid at the current rate for the duration of the 2023/24 academic year but a new funding model will be introduced for 2024/25.

SYMCA which account for approx. 67% of the Colleges funding and WYCA which accounts for approx. 23% of the Colleges funding, have been working together to review the model for residential funding. This work has been led by SYMCA. The South Yorkshire Mayor has confirmed in writing that from 2024/25 the current residential uplift will be replaced with a nightly rate, and whilst the rate is yet to be agreed, there is a commitment that the College will not be financially disadvantaged through changes to the funding regime in 2023/24 and 2024/25 subject to improved recruitment and improved financial performance. WYCA have confirmed in writing they will follow the same residential funding model as SYMCA. Whilst there is uncertainty around the funding model from August 2025, the current agreement provides some certainty in terms of funding levels for the next 12-month period.

The ESFA which only accounts for a very small proportion of the College funding will move to a model whereby residential costs will be claimed through Learner Support funding.

Both SYMCA and WYCA have increased their AEB funding rates for level 2 and below by 10% to provide some mitigation to inflation. Inflation levels have decreased significantly over recent months, in October the CPI had reduced to 4.6% which is in line with future budget modelling.

Volatility in utility costs was a key risk, market rates are now significantly lower than 12-18 months ago. The Colleges electricity contract was renewed in October with a reduction of 36%, the gas contract is due for renewal in April 24 with market rates suggesting a reduction of around 43%.

The pay award offer for 2023/24 has been accepted by Unions. Limited increases in funding alongside the College's financial performance have limited the level of pay award.

Learner recruitment is improving, although still a key risk and not back to pre-pandemic levels, it has improved compared to the same point last year with the exception of HE numbers. The curriculum offer has been redesigned with a number of new areas of provision being introduced to support growth.

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

### Going concern (continued)

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 and has a reasonable expectation that funding conditions will be met, acknowledging there is evidence that a material uncertainty exists in relation to funding rates for residential provision and recruitment levels 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 20th December 2023 and signed on its behalf by:

*Mark Sanders*

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 2022 to 31 July 2023 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")

The College is committed to exhibiting best practice in all aspects of corporate governance and 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, (and updated in 2021) 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 2023.

This opinion is based on an internal review of compliance with the Code/Governance evaluation reported to the board in December 2023.

The governing body has considered DfE guidance on board reviews and will commission an external review to be conducted in 2023/24, no formal external review was conducted in 2022/23.

### The Corporation

#### Members of the Board of Governors

	Date of appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance % (Board) 2022/23
Mrs E Beal	01.03.2023	Ex-officio		Principal/Chief Executive	Member - Policy and Finance, CQSE	100%
Ms M Bowie	15.09.2022	4 years	27.01.2023	Staff - Academic	Member - CQSE	75%
Ms C Clifton	01.09.21		23.02.2023	Interest or expertise relevant to the College	Member - Policy and Finance; Remuneration	25%
Mr N Copley	11.04.2022	4 years		Interest or expertise relevant to the College	Member - Policy and Finance; Remuneration	56%

## 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) 2022/23</b>
Ms E Bell	29.11.2023	To 31 May 2024		Student		n/a
Ms A Corrigan	First Appointed 01.08.2018 Reappointed 01.08.2022	4 years		Interest or expertise relevant to the College	Member -Audit, Remuneration	78%
Mr B Craig	11.04.2022	4 years		Interest or expertise relevant to the College	Member - Curriculum, Quality and Student Experience	78%
Dr C Forrest	First Appointed 01.08.2018 Reappointed 01.08.2022	4 years		Interest or expertise relevant to the College	Chair - CQSE), Lead Governor Safeguarding	89%
Dr S Horner	01.09.21	4 years		Interest or expertise relevant to the College	Member - Curriculum, Quality and Student Experience	67%
Mr N James	13.07.17 Reappointed 15.07.21 10.03.2022	4 years		Staff - Business Support	Member - Policy and Finance	78%
Mr R Low	29.11.2023	4 years		Interest or expertise relevant to the College		n/a
Ms E Norton	16.03.2022	4 years	15.06.2023	Interest or expertise relevant to the College	Member - Audit	63%
Ms Y Mellor	20.08.18	Ex-officio	28.02.2023	Principal	Member - Policy & Finance, CQSE,	100%



## Corporate Governance Statement incorporating the Statement of Internal Control

Members of the Board of Governors (continued)						
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%
Mr S Schmoller	01.04.21	4 years		Interest and expertise relevant to the College	Member - Audit, Vice -Chair - Board	89%
Mr M Stephens	29.11.2023	4years		Interest and expertise relevant to the College		n/a
Ms E Stanley	First Appointed 16.07.15 Reappointed 16.07.19	to 31/12/2023		Interest and expertise relevant to the College	Chair - Audit	78%
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	78%

### 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, 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.

## Corporate Governance Statement incorporating the Statement of Internal Control

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

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.

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 carried out a self-assessment of its own performance for the year ended 31 July 2023 which will be considered by the Board of Governors at its meeting in December 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.

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

The Corporation is committed to training and development and governors participated in the following development activities during 2022/23:

- Ofsted Inspection Framework
- Safeguarding and Prevent Mandatory Training
- Curriculum and Quality
- Audit Masterclass
- New Governor Induction
- Insolvency
- Curriculum Walks

The Clerk to the Governors participated in the following training and development activities during 2022/23:

- Cross College CPD Days
- Insolvency
- ICT
- Equality & Diversity
- Governance Professional Network
- Health and Safety

## Corporate Governance Statement incorporating the Statement of Internal Control

### **Remuneration Committee**

Throughout the year ended 31 July 2023 the College's Remuneration Committee comprised of 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 15 September 2022 and 8 March 2023.

Details of remuneration for the year ended 31 July 2023 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 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.

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 assurance requirements in relation to internal audit and financial statements auditors and their remuneration for both audit and non-audit work as well as reporting annually to the Board of Governors.

The revised ACOP published in March 2014 removed the requirement for colleges to appoint internal auditors. In light of this the Corporation periodically reviews how appropriate assurance can best be gained and whether this should include the retention of an internal audit service. In July 2022, the Board of Governors approved a recommendation from the Audit Committee that assurance work for 2022/23 would be commissioned on a project-by-project basis from suitable specialist providers. The Audit Committee prepared a risk based internal audit plan for 2022/23. The plan was prepared in conjunction with the Executive Leadership Team and was approved by the Board of Governors at its meeting on 15 December 2022.

A number of external assurances across a wide range of areas have been obtained during the year and the Audit Committee considered these provided adequate and effective assurance arrangements at the Audit Committee meeting in December 2023.

During 2022/23 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 three times in the year to 31 July 2023. The members of the committee and their attendance records are shown below:

Member	Attendance (meetings attended)
Liz Stanley (chair)	100% (3)
Seb Schmöller	100% (3)
Emma Norton	100% (2)
Colin Forrest (8 March 2023 only)	100% (1)
Ann Corrigan (from 12 June 2023)	100% (1)

### 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 2023 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 2023, 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 2022/23 the College commissioned internal audit services on an assignment by assignment basis. This work 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. An assurance review of all internal audit activity for 2022/23 and up to the point of signing the accounts was considered by the Audit Committee in December 2023 to ensure adequacy and effectiveness controls and assurance. This included:

- o Overall effectiveness
- o Teaching, Learning and Assessment
- o Financial Reporting and Controls
- o Funding data / claims
- o Health, Safety and Welfare
- o Estates
- o Governance
- o Safeguarding and Prevent
- o Risk Management
- o Human Resources

### **Responsibilities under funding agreements**

The Department for Education and Education and Skills Funding Agency introduced new controls for the College on 29 November 2022 on the day that the Office for National Statistics reclassified colleges as public sector organisations in the national accounts. The ESFA chief executive communicated these changes to all college accounting officers and explained plans to introduce a college financial handbook in 2024. The College has reviewed its policies, procedures and approval processes in line with these new requirements to ensure there are systems in place to identify and handle any transactions for which DfE approval is required.

### **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 an independent financial review.



## 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:

- internal audit assignments
- 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 internal audit plan. A risk based internal audit 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 reports from various external bodies, 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 December 2023 the Audit Committee carried out the annual assessment for the year ended 31 July 2023 by considering documentation from the Executive Leadership Team and an internal audit assurance review, taking account of events since 31 July 2023.

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 20<sup>th</sup> December 2023 and signed on its behalf by:

*Mark Sanders*

Mr M Sanders - Chair, Board of Governors

*E M Beal*

E Beal - Interim Principal & Chief Executive /  
Accounting Officer

## Statement of Regularity, Propriety and Compliance

As accounting officer I confirm that the corporation has had due regard to the framework of authorities governing regularity, propriety and compliance, and 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 those authorities and 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 framework of authorities and the terms and conditions of funding under the corporation's grant funding agreements and contracts with ESFA, or any other public funder. This includes the elements outlined in the "Dear accounting officer" letter of 29 November 2022 and ESFA's bite size guides.

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



Emma Beal

Accounting officer

20<sup>th</sup> December 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.



Mark Sanders

Chair of governors

20<sup>th</sup> December 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.

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. including that any transactions entered into by the corporation are within the delegated authorities set out in the "Dear accounting officer" letter of 29 November 2022 and ESFA's bite size guides. 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

## Statement of governing body's responsibilities

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 20<sup>th</sup> December 2023 and signed on its behalf by:

A handwritten signature in black ink that reads "Mark Sanders". The script is cursive and fluid.

**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 2023 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 issued by the Education and Skills Funding Agency and the Accounts Direction 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 2023 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 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 review. 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.



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

### 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.

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 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.

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

### **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 28 and 29, 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.

### **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.

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

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

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.

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.

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

*RSM UK Audit LLP*

21/12/23

## Statement of comprehensive income

	Note	2023 £'000	2022 £'000
<b>Income</b>			
Funding body grants	3	<b>3,317</b>	2,873
Tuition fees and education contracts	4	<b>164</b>	255
Research grants and contracts	5	<b>4</b>	3
Other income	6	<b>302</b>	174
Investment income	7	<b>62</b>	7
<b>Total income</b>		<b>3,849</b>	3,312
<b>Expenditure</b>			
Staff costs (inc restructuring)	8	<b>2,302</b>	3,188
Other operating expenses	9	<b>1,631</b>	1,576
Depreciation	12/13	<b>223</b>	207
Interest and other finance costs	10	<b>63</b>	85
<b>Total expenditure</b>		<b>4,219</b>	5,056
<b>(Deficit) for the year</b>		<b>(370)</b>	(1,744)
Re-measurement of net defined benefit pension liability		<b>1,158</b>	4,334
<b>Other comprehensive income for the year</b>		<b>1,158</b>	4,334
<b>Total comprehensive income for the year attributable to the Corporation of the College</b>		<b>788</b>	2,590

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	2023 £'000	2022 as restated £'000
<b>Fixed assets</b>			
Tangible fixed assets	12	3,661	3,708
Intangible fixed assets	13	27	32
		<u>3,688</u>	<u>3,740</u>
<b>Current assets</b>			
Debtors	14	200	242
Investments	20	3,005	2,116
Cash at bank and in hand	20	204	1,005
		<u>3,409</u>	<u>3,363</u>
<b>Less: Creditors: amounts falling due within one year</b>	15	<u>(1,559)</u>	<u>(1,887)</u>
<b>Net current assets</b>		<u>1,850</u>	<u>1,476</u>
<b>Total assets less current liabilities</b>		<b>5,538</b>	<b>5,216</b>
<b>Creditors: amounts falling due after more than one year</b>	16	<b>(1,604)</b>	<b>(689)</b>
<b>Provisions</b>			
Defined benefit pension scheme asset / (liability)	17/19	-	(1,101)
Other provisions	17/19	(511)	(791)
		<u>3,423</u>	<u>2,635</u>
<b>Total net assets</b>		<b>3,423</b>	<b>2,635</b>
<b>Unrestricted reserves</b>			
Income and expenditure reserve		<u>3,423</u>	<u>2,635</u>
<b>Total funds</b>		<u>3,423</u>	<u>2,635</u>

The financial statements on pages 34 to 58 were approved and authorised for issue by the Board of Governors on 20<sup>th</sup> December 2023 and were signed on its behalf by:

*Mark Sanders*

Mr Mark Sanders - Chair

*E M Beal*

E Beal - Interim Principal and Chief  
Executive / Accounting Officer



## Statement of changes in reserves

	Income and expenditure reserve £'000
Balance at 1 August 2021 (as restated)	45
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 (as restated)</b>	<b>2,635</b>
Deficit from the income and expenditure account	(370)
Other comprehensive income	1,158
Total comprehensive income for the year	<u>788</u>
<b>Balance at 31 July 2023</b>	<b><u>3,423</u></b>

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

## Statement of cash flows

	Note	2023 £'000	2022 £'000
<b>Cash from operating activities</b>			
(Deficit) for the year		(370)	(1,744)
<b>Adjustment for non-cash items</b>			
Depreciation		218	204
Amortisation		5	3
Decrease/(Increase) in debtors		42	(116)
(Decrease) in creditors due within one year		(329)	(333)
Increase/(Decrease) in creditors due after one year		914	(80)
(Decrease)/Increase in provisions		(279)	361
Pension cost		291	370
Pension contributions paid		(273)	(273)
<b>Adjustments for investing activities</b>			
Investment income		(62)	(7)
Interest payable		39	85
<b>Net cash from operating activities</b>		<u>196</u>	<u>(1,530)</u>
<b>Cash flows from investing activities</b>			
Investment income		62	7
Payments made to acquire fixed assets		(170)	(156)
		<u>(108)</u>	<u>(149)</u>
<b>Increase/(Decrease) in cash and cash equivalents in the year</b>		<b>88</b>	<b>(1,679)</b>
<b>Cash and cash equivalents beginning of the year</b>		<b>3,121</b>	<b>4,800</b>
<b>Cash and cash equivalents at end of the year</b>	<b>20</b>	<b><u>3,209</u></b>	<b><u>3,121</u></b>

## 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 2022 to 2023 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 (£).

#### Going concern

The College is reporting net assets, at 31<sup>st</sup> July 2023, after the pension provisions, of £3,423k; and net assets of £3,934k prior to defined benefit pension provisions. Pre pandemic the College previously achieved strong surpluses for a number of years which resulted in strong cash balances and short-term investments. These surpluses have declined in recent years as the College has been in a deficit position due to lower enrolment numbers since the start of the pandemic and amendments to the application of residential funding uplifts to the College's funding. The cash balance as at 31<sup>st</sup> July 2023 still remained strong with £3,209k of cash reserves, with nil borrowings, (£2,179k excluding unspent capital grants). The College has made a provision of £804k for clawback of unspent funding relating to 2022/23 which will reduce cash reserves excluding unspent capital grants to £1,375k.

The forecast financial position for 2023/24, whilst still a deficit position, has significantly improved from a deficit of £1,187k in 2021/22 to £663k deficit in 2022/23 (excluding pension adjustments). The 3-year budget set is to continue on its recovery plan with a deficit of £268k planned for 2023/24 and breakeven by 2024/25. The 3-year financial recovery plan shows a cash low point of £817k / 57 cash days, giving sufficient funds/headroom to settle debts as they fall due.

The College has prepared these financial statements on the assumption that it is a going concern and will be 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 3-year budgets/latest forecast and cash flow forecasts to July 2026 and latest recruitment reports.

The Board has ensured that future surplus and cash flow projections have been prepared on a prudent basis, including a contingency for unforeseen costs. 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 from the signature of the 2022/23 financial statements. 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 which has now concluded. The College's regional funders, SYMCA and WYMCA have yet to conclude their reviews of residential funding.

Following discussions with the Colleges all three funders (SYMCA, WYCA and DfE), have agreed that the residential uplift methodology will continue to be paid at the current rate for the duration of the 2023/24 academic year but a new funding model will be introduced for 2024/25.

## Notes to the financial statements

### **1 Statement of accounting policies and estimation techniques**

#### **Going concern (continued)**

SYMCA which account for approx. 67% of the Colleges funding and WYCA which accounts for approx. 23% of the Colleges funding, have been working together to review the model for residential funding. This work has been led by SYMCA. The South Yorkshire Mayor has confirmed in writing that from 2024/25 the current residential uplift will be replaced with a nightly rate, and whilst the rate is yet to be agreed, there is a commitment that the College will not be financially disadvantaged through changes to the funding regime in 2023/24 and 2024/25 subject to improved recruitment and improved financial performance. WYCA have confirmed in writing they will follow the same residential funding model as SYMCA. Whilst there is uncertainty around the funding model from August 2025, the current agreement provides some certainty in terms of funding levels for the next 12-month period.

The ESFA which only accounts for a very small proportion of the College funding will move to a model whereby residential costs will be claimed through Learner Support funding.

Both SYMCA and WYCA have increased their AEB funding rates for level 2 and below by 10% to provide some mitigation to inflation. Inflation levels have decreased significantly over recent months, in October the CPI had reduced to 4.6% which is in line with future budget modelling.

Volatility in utility costs was a key risk, market rates are now significantly lower than 12-18 months ago. The Colleges electricity contract was renewed in October with a reduction of 36%, the gas contract is due for renewal in April 24 with market rates suggesting a reduction of around 43%.

The pay award offer for 2023/24 has been accepted by Unions. Limited increases in funding alongside the College's financial performance have limited the level of pay award.

Learner recruitment is improving, although still a key risk and not back to pre-pandemic levels, has improved compared to the same point last year with the exception of HE numbers. The curriculum offer has been redesigned with a number of new areas of provision being introduced to support growth.

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 and has a reasonable expectation that funding conditions will be met, acknowledging there is evidence that a material uncertainty exists in relation to funding rates for residential provision and recruitment levels 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.

Re-measurement comprising actuarial gains and losses, the effect of the asset ceiling and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in other comprehensive income.

The LGPS assets are managed by the scheme trustees at scheme level, and the determination / allocation of assets to each individual employer in the scheme is managed by the scheme actuary. The assets are allocated to each employer for accounting purposes based on the valuation of the assets at the latest triennial valuation as adjusted for subsequent contributions received from the employer, asset returns, and benefit payments made (either on a cash basis or actuarial basis).

The retirement benefit obligation recognised represents the deficit or surplus in the defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

#### 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.

## Notes to the financial statements

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

#### Tangible fixed assets (continued)

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.

#### 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

## Notes to the financial statements

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

#### Impairments of fixed assets

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

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use, are recognised as impairment losses. Impairment of revalued assets 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.

#### 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.

## Notes to the financial statements

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

#### 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.

#### 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, South Yorkshire Mayoral Combined Authority or West Yorkshire Combined Authority 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.

## Notes to the financial statements

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

#### 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.
- Determining the existence of a minimum funding requirement for the Local Government Pension Scheme to including in the asset ceiling in measuring and recognising a surplus in the scheme. This judgement is based on an assessment of the nature of the scheme as a statutory scheme and is the inherent implied continuance and the operation of the primary and secondary contributions.

#### 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.

#### Critical accounting estimates and assumptions

- Local Government Pension Scheme

The present value of the Local Government Pension Scheme defined benefit obligation 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 2022 has been used by the actuary in valuing the pensions obligation at 31 July 2023. 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

An error in the calculation of the prior period adjustment made in the Financial Statements for the year ending 31 July 2022 resulted in the depreciation charge relating to building improvements being understated for the years ended 31 July 2020 and 31 July 2021. The net book value of improvements to property and the consequential impact on reserves has been restated at 1 August 2021 and 31 July 2022.



## Notes to the financial statements

### 2. Prior period adjustment (continued)

	2022 As previously reported £'000	2022 Adjustment £'000	2022 As restated £'000
<b>Changes to the Balance Sheet</b>			
Tangible fixed assets	3,786	(78)	3,708
Net assets	2,713	(78)	2,635
Unrestricted reserves			
Income and expenditure reserve	(2,713)	78	(2,635)
	(2,713)	78	(2,635)

	2021 As previously reported £'000	2021 Adjustment £'000	2021 As restated £'000
<b>Changes to the Balance Sheet</b>			
Tangible fixed assets	3,841	(78)	3,763
Net assets	123	(78)	45
Unrestricted reserves			
Income and expenditure reserve	(123)	78	(45)
	(123)	78	(45)

### 3. Funding body grants

	2023 £'000	2022 £'000
Adult Skills Budget		
ESFA	261	136
SYMCA	1,932	1,855
WYCA	737	639
Adult Learner Loan Bursary	218	98
Advanced Learner Loans	88	61
Release of deferred capital grants	81	84
	<b>3,317</b>	<b>2,873</b>

### 4. Tuition fees and Education contracts

	2023 £'000	2021 £'000
Tuition Fees:		
Home fees and charges	<b>164</b>	<b>255</b>

## Notes to the financial statements

<b>5. Research grants and contracts</b>	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Release from Government capital grants	<u>4</u>	<u>3</u>

<b>6. Other income</b>	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Catering and residence operations	147	110
Other income generating activities	147	56
Other	8	8
	<u>302</u>	<u>174</u>

<b>7. Investment income</b>	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Interest receivable	<u>62</u>	<u>7</u>

<b>8. Staff costs</b>	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Staff costs during the year were as follows:		
Wages and salaries	1,854	1,977
Social security costs	183	185
Pension costs	228	953
	<u>2,265</u>	<u>3,115</u>
Restructuring costs		
Contractual	37	73
Non-contractual	-	-
	<u>2,302</u>	<u>3,188</u>

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>2023</b>	<b>2022</b>
	<b>Number</b>	<b>Number</b>
Teaching staff:		
Teaching departments - teaching staff	18	28
Total Teaching support services	14	14
Total teaching staff	<u>32</u>	<u>42</u>
Non teaching staff:		
Other support services	7	8
Administration and central services	18	20
Premises	13	25
Total non teaching staff	<u>38</u>	<u>53</u>
Total staff	<u>70</u>	<u>95</u>

## Notes to the financial statements

### 8. Staff costs (continued)

The College paid 1 severance payment in the year, disclosed in the following bands:

0- £25,000	-
£25,0001 - £50,000	1
£50,001 - £100,000	-
£100,001 - £150,000	-
£150,000+	-

There were no special severance payments (2022 - £nil).

The above amount includes £18,000 (2022: £97,000) in relation to the LGPS FRS 102 net current and past service pension cost, (£300,000) (2022: £368,000) in relation to the USS FRS 102 net current and past service pension cost.

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

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

	2023 Number Staff	2022 Number Staff
£60,001 to £65,000	-	-
£65,001 to £70,000	1	3
£70,001 to £75,000	1	-
£75,001 to £80,000	1	-
£80,001 to £85,000	1	-
£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
	<b>4</b>	<b>4</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.

	2023 Number	2022 Number
The number of key management personnel including the accounting officer was:	<b>4</b>	<b>4</b>

## Notes to the financial statements

### 8. Staff costs (continued)

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

	2023 £'000	2022 £'000
Salaries	300	312
Pension contributions	58	57
Total key management personnel emoluments	358	369

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

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

	2023 £'000	2022 £'000
Salary	110	107
Pension contribution	21	23
	131	130

The above stated amounts for 2023 are split between the two post-holders in-year as follows:

Yultan Mellor in post as Accounting Officer until 28<sup>th</sup> February 2023 - Salary £69k; Pension contribution £11k.

Emma Beal in post as Accounting Officer from 1<sup>st</sup> March 2023 - Salary £41k; Pension contribution £10k.

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.

	2022/23	2021/22
Pay multiple of the Principal/Chief Executive/Accounting Officer basic pay and the median earnings of the College's whole workforce	3.79	3.68
Pay multiple of the Principal/Chief Executive/Accounting Officer total emoluments and the median earnings of the College's whole workforce	4.09	3.79

## Notes to the financial statements

### 8. Staff costs (continued)

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:

	2023 £'000	2022 £'000
Emoluments	177	151
Pension contribution	34	32
	<u>211</u>	<u>183</u>

Post-employment benefits are accruing for 3 directors (2022: 3) under a defined benefit scheme. No directors (2022: none) were members of defined contribution schemes.

### 9. Other operating expenses

	2023 £'000	2022 £'000
Teaching costs	295	384
Non-teaching costs	370	245
Premises costs	966	947
	<u>1,631</u>	<u>1,576</u>

#### Other operating expenses include:

	2023 £'000	2022 £'000
Auditors' remuneration (excluding VAT)		
- Financial statements audit	46	46
Internal audit	-	4

Write offs and losses - There were no write offs or losses over £5,000

Guarantees, letters of comfort and indemnities - there were no guarantees, letters of comfort or indemnities entered outside the normal course of business.

Compensation payments and ex-gratia payments - there were no compensation payments or ex-gratia payments during the year.



## Notes to the financial statements

### 10. Interest and other finance costs

	2023 £'000	2022 £'000
Net interest and defined benefit pension liability	63	85

### 11. Taxation

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

### 12. Tangible fixed assets

	Freehold land and buildings £'000	Improve- ments to property £'000	Equipment £'000	Vehicles £'000	Total £'000
Cost					
At 1 August 2022	3,715	777	1,869	9	6,370
Additions	-	118	53	-	171
Disposals	-	-	-	(9)	(9)
At 31 July 2023	3,715	895	1,922	-	6,532
Depreciation					
At 1 August 2022 (restated)	757	252	1,644	9	2,662
Charge for the year	94	52	72	-	218
Disposals	-	-	-	(9)	(9)
At 31 July 2023	851	304	1,716	-	2,871
<b>Carrying amount at 31 July 2023</b>	<b>2,864</b>	<b>591</b>	<b>206</b>	<b>-</b>	<b>3,661</b>
Net book amount at 31 July 2022 (restated)	2,958	525	225	-	3,708

### 13. Intangible fixed assets

	Software, Website & Branding £'000
Cost	
At 1 August 2022	63
Additions	-
At 31 July 2023	63
Amortisation	
At 1 August 2022	31
Charge for the year	5
At 31 July 2023	36
<b>Net book value at 31 July 2023</b>	<b>27</b>
Net book amount at 31 July 2022	32

## Notes to the financial statements

### 14. Debtors

	2023 £'000	2022 £'000
Amounts falling due within one year:		
Trade receivables	62	154
Prepayments and accrued income	138	88
	<b>200</b>	<b>242</b>

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

	2023 £'000	2022 £'000
Trade payables	299	130
Other taxation and social security	47	51
Other creditors	-	2
Accruals and deferred income	277	322
Government capital grants	120	82
Amounts owed to the ESFA	219	395
Amounts owed to SYMCA	555	905
Amounts owed to WYMCA	42	-
	<b>1,559</b>	<b>1,887</b>

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

	2023 £'000	2022 £'000
Government capital grants	<b>1,604</b>	689

### 17. Provisions

	Defined benefit obligations £'000	Obligation to fund deficit on USS Pension £'000	Enhanced pension £'000	Total £'000
At 1 August 2022	1,101	746	45	1,892
Additional provision made/(released) in the year	(1,579)	(244)	-	(1,823)
Utilised in the year	(273)	(32)	(4)	(309)
At 31 July 2023	<b>(751)</b>	<b>470</b>	<b>41</b>	<b>(240)</b>

## Notes to the financial statements

### 17. Provisions (continued)

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:

	2023	2022
Price inflation	3.15%	2.9%
Net interest rate	5.05%	3.3%

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.

### 18. Capital commitments

Capital commitments in 2023 amounted to £nil, (2022: £nil).

### 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 17) is as follows:

	2023 £'000	2022 £'000
Universities' Superannuation Scheme contributions paid	181	193
USS additional provisions	(244)	393
	<u>(63)</u>	<u>586</u>
South Yorkshire Pensions Authority contributions paid	273	273
FRS 102(28) charge	18	97
	<u>291</u>	<u>370</u>
Enhanced pension provision	-	(3)
	<u>228</u>	<u>953</u>

## Notes to the financial statements

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

#### 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.

#### 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 2023 was £358,000 (2022: £332,000) of which employer's contributions totalled £273,000 (2022: £273,000) and employees' contributions totalled £85,000 (2022: £59,000). The agreed contribution rates for future years range from 26.8% to 30.9% 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 2022 updated to 31 July 2023 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.

The value of the college's share of net assets was £751k, however this has been restricted due to the effect of the asset ceiling being the maximum value of the present of the economic benefits available in the form of the unconditional right to reduced contributions from the plan. A corresponding charge has been made to other comprehensive income in the period.

## Notes to the financial statements

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

	At 31 July 2023 %	At 31 July 2022 %
Future rate of increase in salaries	3.60	3.75
Future pension increase rate (CPI)	3.00	2.75
Discount rate for scheme liabilities	5.05	3.50

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

	At 31 July 2023	At 31 July 2022
Retiring today		
Males	20.6	22.6
Females	23.6	25.4
Retiring in 20 years		
Males	21.4	24.1
Females	25.0	27.3

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 2023 £'000	Value at 31 July 2022 £'000
Equity instruments	8,255	8,103
Government bonds	2,632	2,622
Other bonds	-	-
Property	957	1,073
Cash/liquidity	120	119
Other	-	-
<b>Total fair value of assets</b>	<b>11,964</b>	<b>11,917</b>
<b>Actual return on plan assets</b>	<b>(201)</b>	<b>486</b>

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

	2023 £'000	2022 £'000
Fair value of plan assets	11,964	11,917
Present value of plan liabilities	(11,213)	(13,018)
<b>Net pensions asset/(liability)</b>	<b>751</b>	<b>(1,101)</b>



## Notes to the financial statements

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

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

	2023 £'000	2022 £'000
<b>Amounts included in staff costs</b>		
Current service cost	(291)	(364)
Past service cost	-	(6)
<b>Total</b>	<b>(291)</b>	<b>(370)</b>

	2023 £'000	2022 £'000
<b>Amounts included in interest and other finance costs</b>		
Net interest cost	(39)	(85)

	2023 £'000	2022 £'000
<b>Amount recognised in Other comprehensive income</b>		
Return on pension plan assets	(617)	303
Experience gain/losses arising on defined benefit obligations	(403)	(51)
Change in financial assumptions underlying the scheme liabilities	2,929	4,082
<b>Amount recognised in Other comprehensive income</b>	<b>1,909</b>	<b>4,334</b>

### Movement in net defined benefit asset/(liability) during year

	2023 £'000	2022 £'000
Net defined benefit liability in scheme at 1 August	(1,101)	(5,253)
Movement in year:		
Current service charge	(291)	(364)
Past service cost	-	(6)
	<b>(291)</b>	<b>(370)</b>
Employer contributions	273	273
Curtailments	-	-
Interest cost	(39)	(85)
Actuarial gain	1,909	4,334
<b>Net defined benefit asset/(liability) at 31 July</b>	<b>751</b>	<b>(1,101)</b>

## Notes to the financial statements

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

#### Asset and Liability Reconciliation

	2023 £'000	2022 £'000
<b>Changes in the present value of defined benefit obligations</b>		
<b>Defined benefit obligations at start of period</b>	<b>13,018</b>	16,742
Current service cost	291	364
Interest cost	455	268
Contributions by scheme participants	85	59
Actuarial (gains) / losses	(2,225)	(4,031)
Benefits paid	(411)	(390)
Past Service Cost	-	6
<b>Defined benefit obligations at end of period</b>	<b>11,213</b>	13,018

#### Changes in fair value of plan assets

	2023 £'000	2022 £'000
<b>Fair value of plan assets at start of period</b>	<b>11,917</b>	11,489
Interest income	416	183
Return on plan assets (excluding net interest on the defined benefit pension (asset)/liability)	(316)	303
Employer contributions	273	273
Contributions by scheme participants	85	59
Benefits paid	(411)	(390)
<b>Fair value of plan assets at the end of the period</b>	<b>11,964</b>	11,917

	2023 £'000
<b>Present value of defined benefit obligations</b>	
Fair value of plan assets	11,964
Net asset	751
Restriction to level of asset ceiling	(751)
Net asset recognised in the balance sheet	-

The value of the college's share of net assets has been restricted due to the effect of the asset ceiling being the maximum value of the present of the economic benefits available in the form of the unconditional right to reduced contributions from the plan. A corresponding charge has been made to other comprehensive income in the period.

## Notes to the financial statements

### 20. Changes in net funds

	At 1 August 2022 £'000	Cash flows £'000	At 31 July 2023 £'000
Cash at bank and in hand	1,005	(801)	204
Investments	2,116	889	3,005
Net funds, cash and cash equivalents	3,121	88	3,209

### 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 2023 there were 12 members (2022: 14 members).

### 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 £444.97 to 2 governors (2022: £599.65; two 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 (2022 nil).

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

In February 2023 the DfE asked schools, Colleges and Sixth form Colleges to complete a survey regarding the potential risk of reinforced autoclaved aerated concrete (RAAC) in buildings due to recent building component failure. The College identified buildings of potential risk and instructed RICS architects to carry out a survey in June 2023 which concluded no incidence or likelihood of RAAC in any buildings.

Post year end, the DfE requested some further clarification from the College and architects, in November 2023 the College received confirmation from DfE that they had reviewed the information provided and the presence of RAAC related construction in the Colleges buildings is unlikely.

# Independent reporting accountant's report on regularity to the corporation of The Northern College for Residential Adult Education Limited and the Secretary of State for Education acting through the Education and Skills Funding Agency

## Conclusion

We have carried out an engagement, in accordance with the terms of our engagement letter dated 7 November 2022 and further to the requirements of the grant funding agreements and contracts with the Education and Skills Funding Agency (the "ESFA") or those of any other public funder, to obtain limited assurance about whether the expenditure disbursed and income received by The Northern College for Residential Adult Education Limited during the period 1 August 2022 to 31 July 2023 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2022 to 31 July 2023 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

## Basis for conclusion

The framework that has been applied is set out in the Post-16 Audit Code of Practice (the Code) issued by the ESFA and in any relevant conditions of funding concerning adult education notified by a relevant funder.

We have complied with the independence and other ethical requirements of the FRC's Ethical Standard and the ethical pronouncements of the ICAEW. We also apply International Standard on Quality Management (UK) 1 Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements and accordingly maintain comprehensive systems of continuing quality management.

## Responsibilities of Corporation of The Northern College for Residential Adult Education Limited for regularity

The Corporation of The Northern College for Residential Adult Education Limited is responsible, under the grant funding agreements and contracts with the ESFA and the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed and income received are applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. The Corporation of The Northern College for Residential Adult Education Limited is also responsible for preparing the Governing Body's Statement of Regularity, Propriety and Compliance.

## Reporting accountant's responsibilities for reporting on regularity

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code.

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity. A limited assurance engagement is more limited in scope than a reasonable assurance engagement and the procedures performed vary in nature and timing from, and are less in extent than for a reasonable assurance engagement; consequently a limited assurance engagement does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

# Independent reporting accountant's report on regularity to the corporation of The Northern College for Residential Adult Education Limited and the Secretary of State for Education acting through the Education and Skills Funding Agency (Continued)

## Reporting accountant's responsibilities for reporting on regularity (continued)

We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2022 to 31 July 2023 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Our work included identification and assessment of the design and operational effectiveness of the controls, policies and procedures that have been implemented to ensure compliance with the framework of authorities including the specific requirements of the grant funding agreements and contracts with the ESFA and those of any other public funder and high level financial control areas where we identified a material irregularity is likely to arise. We undertook detailed testing, on a sample basis, on the identified areas where a material irregularity is likely to arise where such areas are in respect of controls, policies and procedures that apply to classes of transactions.

This work was integrated with our audit of the financial statements and evidence was also derived from the conduct of that audit to the extent it supports the regularity conclusion.

## Use of our report

This report is made solely to the Corporation of The Northern College for Residential Adult Education Limited and the Secretary of State for Education acting through the ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the Corporation of The Northern College for Residential Adult Education Limited and the Secretary of State for Education acting through the ESFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation of The Northern College for Residential Adult Education Limited and the Secretary of State for Education acting through the ESFA for our work, for this report, or for the conclusion we have formed.

**RSM UK AUDIT LLP** *RSM UK Audit LLP*

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*21/12/2023*