

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

Financial statements

For the year ended 31 July 2016

**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 BARNSLEY South Yorkshire S75 3ET																
<b>Principal:</b>	J Westerman																
<b>Vice Principal:</b>	D Pozorski																
<b>Company Secretary:</b>	S Johnson (acted as Clerk to the Corporation throughout the year)																
<b>Members:</b>	<table><tr><td>Ms E H Anderson</td><td>Cllr K Richardson</td></tr><tr><td>Prof M Bramhall</td><td>Mr S Schmoller</td></tr><tr><td>Mr J Edwards</td><td>Ms A Shiels</td></tr><tr><td>Ms K Fleming</td><td>Ms E Stanley</td></tr><tr><td>Mr R Harrison</td><td>Prof T Thornton</td></tr><tr><td>Mr F Lord</td><td>Ms S Tyler</td></tr><tr><td>Mr C Macdonald</td><td>Mr I West</td></tr><tr><td>Mr R McKenzie</td><td>Ms J Westerman</td></tr></table>	Ms E H Anderson	Cllr K Richardson	Prof M Bramhall	Mr S Schmoller	Mr J Edwards	Ms A Shiels	Ms K Fleming	Ms E Stanley	Mr R Harrison	Prof T Thornton	Mr F Lord	Ms S Tyler	Mr C Macdonald	Mr I West	Mr R McKenzie	Ms J Westerman
Ms E H Anderson	Cllr K Richardson																
Prof M Bramhall	Mr S Schmoller																
Mr J Edwards	Ms A Shiels																
Ms K Fleming	Ms E Stanley																
Mr R Harrison	Prof T Thornton																
Mr F Lord	Ms S Tyler																
Mr C Macdonald	Mr I West																
Mr R McKenzie	Ms J Westerman																
<b>Bankers:</b>	Lloyds Bank plc 14 Church Street SHEFFIELD S1 1HP																
<b>Solicitors:</b>	Eversheds LLP Cloth Hall Court Infirmery Street LEEDS LS1 2JB																
<b>Internal auditors:</b>	Wylie & Bisset Chartered Accountants 168 Bath Street GLASGOW G2 4TP																
<b>Financial statements auditor:</b>	Grant Thornton UK LLP Statutory Auditor Chartered Accountants 2 Broadfield Court SHEFFIELD S8 0XF																

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

## **The College**

The Northern College for Residential Adult Education was set up in 1978, by a consortium of local authorities and trade unions to provide long-term residential education for adults. It is one of four residential colleges in England, designated under section 28 of the Further and Higher Education Act 1992, as eligible to receive funding from the Skills Funding Agency (SFA). The College is a charity for the purposes of the Charities Act 1993 as amended by the Charities Act 2011.

## **The Company**

The Northern College Company previously comprised six full members; the local authorities of Barnsley, Doncaster, Rotherham, Sheffield and Leeds and the trade union UNISON. Bradford City Council and Kirklees MDC were associate members, while the City of Wakefield Metropolitan District Council also purchased educational programmes from the College. The Northern College Company operated under an exemption from the Local Government and Housing Act 1989: Directions under section 68(1). The exemption ceased on 31 March 2001. The College Company was reconstructed and from 1 April 2001 all members of the Board of Governors of the College constitute the Company. The Company is limited by guarantee and has no share capital, the liability of its members is limited to an amount not exceeding £1. The members of the company resolved on the 16 July 2015 to amend its Articles to bring them up to date with the latest Companies Act.

## **Mission**

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

To provide outstanding residential and community education for the empowerment and transformation of individuals and communities.

## **Implementation of the Strategic Plan**

The College developed a Strategic Plan for the period 2014/15 to 2016/17.

The College's mission, values and strategic themes were approved by the Board at its meeting on 2 October 2014. Detailed strategic objectives are reviewed and updated annually; the objectives for 2015/16 were approved by the Board of Governors meeting on 8 October 2015.

The strategic plan has been developed following extensive consultation with both staff and governors and has four key strategic themes.

- Being outstanding: Teaching, learning and student experience
- Making a difference: Impact
- Celebrating our identity and distinctiveness
- Securing the future: Sustainability

These are achieved within the framework of the following values:

- To inspire through learning
- To foster mutual respect and integrity
- To promote social inclusion through social purpose education
- To promote equality and celebrate diversity
- To have a positive, caring and can do attitude

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

## **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 9-10. 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 Northern College for Adult Residential Education is committed to demonstrating the benefits its work provides for individuals, communities and the wider public. This statement sets out the aims, mission and strategic objectives of the College, outlines the beneficiaries the College serves and the impact and benefits of the learning opportunities it provides. The statement should be read in conjunction with the College's Strategic Plan and Community Strategy.

### **Our Aims and Objectives**

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 and is to 'provide outstanding adult residential and community education for the empowerment and transformation of individuals and communities'.

The College delivers this mission through its strategic themes which are:

**Theme 1: Being outstanding: Teaching, learning and student experience**

**Theme 2: Celebrating our identity and distinctiveness**

**Theme 3: Making a difference: Impact**

**Theme 4: Securing the future: Sustainability**

Through these activities the College meets its charitable objective of the advancement of education.

### **Our Beneficiaries**

The College is dedicated to the education and training of:

- Men and women who are without formal qualifications and are seeking to return to learning.
- Those who are active in community and voluntary groups and trade unions.
- Adults from disadvantaged groups and communities and professional upskilling for those who work within these groups and communities.

Residential education allows the College to draw its learners from the region and across England based on its specialism.

### **The Public Benefit we provide**

The College is committed to ensuring that the residential and community learning it delivers:

- Improves the qualifications, skills and employability of the groups and individuals it engages in learning.
- Benefits in other areas of public policy, for example in enhancing health and wellbeing, reducing dependency on public services, supporting families and upskilling volunteers.
- Transforms the lives of individuals which in turn contributes to the development of cohesive and resilient communities.
- Supports the regions 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.

### **How we measure the benefit we provide**

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 and by the measurement of social value of adult learning.

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

## **Transparency arrangements**

The College 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, Quality, Search and Remuneration. The Audit Committee meets at least three times per year, the Policy and Finance Committee at least four times per year, the Quality Committee at least once per year, the Search Committee meets as and when required and 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.

## **Quality Assurance**

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

## **Strategic Report**

### **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 following shows the performance indicator targets and achievement for the College:

	<b>Target</b>	<b>Actual</b>
✓ Target Surplus	>2.5%	2.94%
✓ Cash days in hand	>90	196
✓ Payroll costs of income	<60%	58.4%
✓ Cash inflow from operating activities	>0	£207,000
✓ Current ratio	>1:1	4.37
✓ Borrowing	nil	0.9%

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

## **Financial results**

The College generated an operating surplus for the year of £60,000 after pension adjustments (2015: £350,000 after pension adjustments). This is the first year that the college has adopted the new FRS102 accounting standard. Therefore, the college's prior year (2015) has been restated under the new standard for ease of comparison.

The College has accumulated income and expenditure reserves, excluding the pension reserve, of £2,303,000 and cash balances of £2,850,000. Tangible fixed asset additions during the year amounted to £212,000, of which £26,000 related to equipment purchases and £186,000 to improvements to property.

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

The Governors, Principal and Senior Leadership Team ["SLT"] 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. An additional concern in 2015/16 was the transition to FRS102 which resulted in a net liability, after the pension provision, of (£295,000).

To date the college's strategies have been successful and have resulted in a substantial increase in college's cash reserves and the achievement of an outstanding financial health rating.

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

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

## **Cash Flow**

At £207,000 (2015: £1,064,000) a positive operating cash inflow position has been maintained. The overall net cash outflow was as a result of the College's new treasury management policy to diversify and invest surplus funds; resulting in the investment of liquid resources of £1,911,000.

## **Liquidity**

In 2014/15 the College accepted a small interest free loan from SALIX. This was part of a larger capital scheme to renew and decentralise the campus heating system.

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

### **Curriculum Developments**

The College, because of its size, specificity and heritage, has always worked closely with other organisations, in particular local authorities, the voluntary and community sector, local employers and trade unions. Over recent years it has worked to align its curriculum more closely with regional and national priorities. The programmes within the College are listed below with a brief description.

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

### **Current and future development and performance (continued)**

#### **Access to HE and Higher Level Programmes**

This programme area includes a full-time Access to HE Diploma which runs from September to May. This course can be accessed on a non-residential and residential full-time basis. This programme is fundable via Level 3 student loan for students aged 24+ and via the Skills Funding Agency for those under the age of 24. This is a modular programme of study which provides opportunities for adults returning to education to develop appropriate skills and knowledge to enable them to realise their potential as individuals and progress to higher education, or employment. This full-time course runs from September to May each year. Students follow a common 'Learning for Life' programme for the first three weeks of the course which aims to develop a broad range of academic skills, and also introduces students to a range of global issues such as citizenship and equality and diversity; prior to embarking on their main curriculum area. The programme offers three main curriculum pathways in Humanities and Social Sciences and Computing.

The College also offers a full teacher training route from level 3, including a PGCE and BA offered in partnership with the University of Huddersfield. These courses have a focus on teaching for a social purpose and attract many people working in the Third sector.

The College offers a Working with Parents qualification for local authority and voluntary sector partners and employers. The qualifications offered comprise of Level 3 and Level 4 Awards in Working with Parents. The courses are completed in 10 week blocks and are used to upskill volunteers and managers working in a variety of settings and some are commissioned by local authorities and third sector employers.

#### **Community and Partnership Learning Programmes**

The main feature of these programmes is that courses are designed for specific communities and groups and recruitment is supported by partner organisations.

One element of this programme is courses that are developed on a bespoke basis to meet the needs of specific groups identified through the College partnerships with the voluntary and community sector and/or statutory agencies supporting disadvantaged and excluded people. Some of this work is commissioned by Local Authorities or attracts project funding. Provision may be delivered on an outreach basis, through day visits and short non-accredited residential courses. The groups that participate are chosen in conjunction with partner organisations in response to locally defined priorities – thus the character and focus of activity varies from partner to partner. This learning is generally, although not exclusively, non-accredited.

A second and very significant element of this programme is a series of courses delivered to accredited trade union representatives. These courses equip trade unionists for their representative roles in the workplace. Trade Union courses are undertaken in conjunction with UNISON, USDAW, the GFTU, BAFWU, RMT and the regional/national TUC. This is an increasingly challenging area for the college as recent changes to government policy have reduced funding for trade union courses to 50% in the 16/17 academic year and this is expected to disappear completely in 17/18.

The third element of this programme is provision in the area of leadership and management. These courses are offered to community organisations to support their capacity development as well as to employers in the private and public sectors.

Finally, in the 15/16 and 16/17 academic years, we have attracted significant additional SFA funding for a mental health research project, with over 500 learners expected to benefit from the project over two years.

#### **Foundation for Learning and Life Programmes**

This programme area provides courses in study skills, IT, Maths, English and functional skills as well as a varied range of courses in the humanities, social sciences and care related areas. The course offer is now organised so that students can progress from non-accredited learning to level two and gain progression, functional skills and ITQ qualifications. GCSE Maths and English also form part of the programme offer.



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

## **Payment Performance**

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

## **Stakeholder relationships**

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

- Students;
- Funding agencies;
- Staff;
- Local employers;
- Local Authorities;
- City Region Local Enterprise Partnerships;
- The local community;
- Other FE institutions;
- HE institutions;
- Trade unions;
- Professional bodies.
- Voluntary and Community Sector Organisations.
- Social Enterprises and CCIs.
- Big Local Areas.
- The Local Trust.

The College recognises the importance of these relationships and engages in regular communication with them through the College Internet site and by meetings. The College holds an annual stakeholder conference at which it both reports on past work and consults on future activity. The most recent stakeholder conference took place in June 2016.

## **Resources**

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

### **Physical**

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

### **People**

The College employed an average of 84 people, expressed as full time equivalents, which includes lecturing staff, learner support workers and College support staff.

### **Reputation**

The College has a good reputation, both locally and nationally, and was rated as outstanding by OFSTED in 2013/14.

## **Student numbers**

In 2015/16 the College delivered activity, under its adult skills budget, to a value of £2,468,244 against an allocation of £2,033,187. This represents 1,076 part-time and 69 full-time SFA funded learners (48 were funded through the adult learning loans facility). In addition, the College delivered provision to approximately 982 learners funded through partnership arrangements.

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

## **Student Achievements**

Overall success rates at the College remain very high at 97% (2015: 97%).

## **Risk factors**

In common with other public sector organisations the key factor impacting on provision in 2015/16 was the need to plan for significant budget cuts.

The government has expressed on-going support for Community Learning and the work of the Specialist Designated Institutions (which include the residential colleges).

A risk register is maintained at the College level which is reviewed termly by the Audit Committee and the Board of Governors. 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 risk factors to the College and their mitigating actions are listed below:

## **Funding**

- a In order to continue to draw down the core SFA funding which forms the basis of a majority of the College's income, it is crucial that recruitment targets are hit, especially for the over 24 level 3 learners.
- b Recruitment to SFA targets is therefore closely monitored through the production of monthly returns to the SFA, regular monitoring by the Senior Management Team and Academic Management Team and reports to each Policy and Finance Committee.
- c The College aims to increase its income diversity through the development of additional funding streams via alternative provision (e.g. HE, project funded) and via the use of its buildings and facilities for conferences.

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

## **Accommodation**

- a The age and nature of some of the College's existing accommodation is such that there is an increased health and safety risk in terms of residential provision particularly within the Grade 1 listed Main House. As part of the on-going Property Strategy implementation, in the summer of 2015 office accommodation within the Wollstonecraft Block has been decanted into the converted vacant space on the top floor of the Main House where there used to be student bedrooms. The reduction of residential occupation of the Main House has reduced the risk of fire from night-time occupancy of the building and this has enabled the close down and mothballing of the Wollstonecraft Block to be carried out in the past year.
- b Also in the past year the ancillary facilities that were housed in the Wollstonecraft block of a student's launderette, housekeeping linen and supplies store rooms and the ICT Network support team office have been relocated to other buildings. The launderette was relocated to the Home farm former Old Dairy building, the linen and supplies store to the Old Coach House and the ICT Support Team office to the 1st floor of the Owen Block. In the past year the Old Coach House has undergone an external refurbishment and partial internal refurbishment to provide the decant spaces needed for the relocation of facilities from the Wollstonecraft block.

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

- c One of the three Annexe prefabricated buildings which used to house the Children's Centre was demolished in August 2014 and the Centre was relocated in September 2014 into the modified and refurbished ground floor of the Owen Block. This provides much improved childcare facilities. The remaining two other Annexe blocks are dilapidated and remain not in use pending their demolition.
- d The previously centralised heating boiler plant and below ground heating mains that served most of the College campus was replaced during the summer 2014 with new high efficiency decentralised gas boilers in three buildings to reduce energy consumption and provide a more reliable and effective heating system.
- e To accomplish these capital projects the College was successful in bidding for a grant from the Skills Funding Agency in 2013-14 with match funding from College reserves.

### **Financial risk**

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

### **Staff and Student Involvement**

The College considers good communication with its staff to be very important and to this end publishes a Principal's Update that is available to all staff. The College continues to encourage staff and student involvement through the membership of formal committees and has a student involvement strategy which is regularly updated.

### **Taxation**

The College was not liable for any corporation tax arising out of its activities during 2015/16.

### **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.

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

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

## Equality and Diversity

Northern College is committed to ensuring equality of opportunity for everyone who learns, lives and works at the College. We expect every member of the College community to promote equality of opportunity and achievement, to challenge conditions that place anyone at a disadvantage and help to create an inclusive community in which diversity is celebrated and valued. The College was judged to be outstanding in all areas in its last OFSTED inspection (June 2014) and was commended for its approach to equality and diversity. Inspectors said that the College's "promotion of equality and diversity in lessons was exceptional" and praised tutors for taking "every opportunity to promote, reinforce and further develop students' understanding of equality and diversity". They said that this, "prepares them well for living and working in diverse communities". During 2014/15 the College continued to work on its equality and diversity objectives. It produced an annual report on equality and diversity and published this on the College website. The College's specific commitments to students with disabilities are set out in a student guide that is updated annually. Its commitments to all protected groups are set out in its Single Equality Scheme which was last updated in 2015.

## Safeguarding

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

## Auditor

The College has subjected the External Audit service provision to a competitive tender process for the period ending 31 July 2016 and Grant Thornton UK LLP were the successful applicants. Grant Thornton UK LLP have expressed their willingness to continue in office.

## Members of the Board of Governors

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

	Date of Appointment	Term of Office	Date of Resignation	Status of Appointment	Committees Served	Attendance % (Board) 2015/16
Ms E H Anderson	Reappointed 01.08.13	4 years		Academic Staff	Member - Audit	100
Prof M Bramhall	19.07.13	4 years		Higher or adult education with appropriate interest or experience relevant to the college	Chair - Quality	100
Mr J Edwards	Reappointed 01.08.13	4 years		Interest or expertise relevant to the college	Member - Policy & Finance, Remuneration	40
Ms K Fleming	Reappointed 17.03.16	4 years		Local authorities with an interest or experience in adult education	Member – Quality, Policy & Finance, Remuneration	89
Mr R Gant	19.03.16	4 years	29.09.16	Residential, Administrative and Support Team staff	Member – Quality	100

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

Mr R Harrison	Reappointed 19.03.15	4 years		Interest or expertise relevant to the college	Co-chair; Chair - Search	71
Mr F Lord	Reappointed 17.12.15	4 years		Interest or expertise relevant to the college	Member - Remuneration	50
Mr C Macdonald	Reappointed 19.03.15	4 years		Interest or expertise relevant to the college	Co-chair: Chair – Policy & Finance, Remuneration	100
Mr R McKenzie	17.03.16	4 years		Employment with appropriate interest or experience in trade union education		100
Ms F Parr	01.09.12	4 years	07.10.15	Interest or expertise relevant to the college	Member - Quality	0
Cllr K Richardson	Reappointed 19.03.15	4 years		Local authorities with an interest or experience in adult education	Vice-Chair Member – Audit	86
Mr S Schmoller	14.07.16	4 years		Interest or expertise relevant to the college		100
Ms A Shiels	14.07.16	4 years		Interest or expertise relevant to the college	Member – Policy & Finance	100
Ms E Stanley	16.07.15	4 years		Interest and Experience Relevant to the College	Chair – Audit	100
Prof T Thornton	Reappointed 01.08.13	4 years		Higher or adult education with appropriate interest or experience relevant to the college	Member – Quality, Policy & Finance, Remuneration	67
Ms S Tyler	14.07.16	4 years		Interest or expertise relevant to the college	Member – Policy & Finance	100
Mr I West	19.07.13	4 years		Employment with appropriate interest or experience in trade union education	Member – Audit	57

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

Ms J Westerman (Principal)	19.03.15	Ex- officio		Principal	Member – Policy & Finance, Quality, Search	100
Mr P Winter	Reappointed 01.08.13	4 years	31.12.15	Residential, Administrative and Support Team staff	Member – Quality, Search	100

At 31 July 2016 there were 17 members.

ON BEHALF OF THE BOARD



Co-Chair, Board of Governors  
15 December 2016

## Corporate governance statement incorporating the statement of internal control

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure.

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"); and
- iii. having due regard to the UK Corporate Governance Code ("the Code") insofar as it is applicable to the further education sector.

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

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 2016. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times.

### **The Corporation**

The composition of the Board of Governors is set out on pages 9 and 11. It is the Board of Governors' responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

The Board of Governors is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety and environmental issues. The Board of Governors meets four times per year.

The Board of Governors conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Board of Governors. These committees are: Policy and Finance, Remuneration, Search, Quality and Audit.

All governors are able to obtain independent professional advice in furtherance of their duties at the College's expense and have access to the Clerk to the Governors, who is responsible to the Board for ensuring compliance with all applicable procedures and regulations. The appointment, evaluation and removal of the Clerk are matters for the Board of Governors as a whole.

Formal agendas, papers and reports are supplied to governors in a timely manner, prior to meetings. Briefings are also provided on an ad hoc basis. Minutes of the meetings are available from the Clerk to the Governors at the College address, except those deemed to be confidential by the Board of Governors.

The Board of Governors has a strong and independent non-executive element and no individual or group dominates its decision-making process. The Board of Governors considers that each of its non-executive members is independent of management, and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

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

## Corporate governance statement incorporating the statement of internal control

### **Appointments to the Board of Governors**

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

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

### **Remuneration Committee**

Throughout the year ended 31 July 2016 the College's Remuneration Committee comprised five members. The committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Principal and other senior postholders and the pay awards of all staff annually. The Committee met on 19 May 2016. Recommendations regarding pay awards were made to the Board of Governors at its meeting on 14 July 2016.

Details of remuneration for the year ended 31 July 2016 are set out in note 8 to the financial statements.

### **Audit Committee**

The Audit Committee comprises four members of the Board of Governors (who exclude the Principal and Chair) and two other co-opted members: Ms Ann Corrigan and Mr Glen Sheppard. The Committee operates in accordance with written terms of reference approved by the Board of Governors. Its purpose is to advise the Board of Governors on the adequacy and effectiveness of the College's systems of internal control and its arrangements for risk management, control and governance processes.

The Audit Committee meets on a termly basis and provides a forum for reporting by the College's internal and financial statement auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the Skills Funding Agency as they affect the College's business.

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

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

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

### **Internal Control**

#### **Scope of Responsibility**

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

The Board of Governors has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which she is personally responsible, in accordance with the responsibilities assigned to her in the Financial Memorandum between the College and the Skills Funding



## Corporate governance statement incorporating the statement of internal control

Agency. 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 2016 and up to the date of approval of the annual report and accounts.

### **Capacity to handle risk**

The Board of Governors has reviewed the key risks to which the College is exposed, together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Board of Governors is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ended 31 July 2016 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Board of Governors.

### **The risk and control framework**

The system of internal control is based on a framework of regular management information, administrative procedures including the segregation of duties, and a system of delegation and accountability. In particular, it includes:

- comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the governing body
- regular review by the governing body of periodic and annual financial reports which indicate financial performance against forecasts
- setting targets to measure financial and other performance
- clearly defined capital investment control guidelines
- the adoption of formal project management disciplines, where appropriate.

The College has an internal audit service, which operates in accordance with the requirements of the EFA and SFA's Joint Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Board of Governors on the recommendation of the Audit Committee. As a minimum, annually, the Head of Internal Audit (HIA) provides the governing body with a report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

### **Review of effectiveness**

As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. The Principal's review of the effectiveness of the system of internal control is informed by:

- the work of the internal auditors
- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework
- comments made by the College's financial statements auditors and the reporting accountant for regularity assurance in their management letters and other reports.

## Corporate governance statement incorporating the statement of internal control

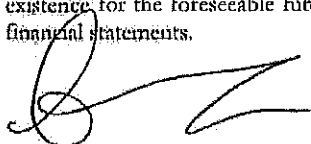
The Principal has been advised on the implications of the result of her review of the effectiveness of the system of internal control by the Audit Committee which oversees the work of the internal auditor. A plan to address weaknesses and ensure continuous improvement of the system has been put in place.

The Senior Management Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Senior Management Team and the Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Board of Governor's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Senior Management Team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2016 meeting, the Board of Governors will carry out the annual assessment for the year ended 31 July 2016 by considering documentation from the Senior Management Team and internal audit.

### Going concern

The College is reporting a net liability, after the pension provision of (£295,000); and a net asset of £3,627,000 prior to the pension provision. The College has achieved strong surpluses for a number of years which has resulted in cash balances of £2,850,000, borrowings of less than 1% and an SFA financial health rating of good or outstanding.

Therefore, the Board of Governors considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.



Co-Chair, Board of Governors  
15 December 2016



J Westerman  
Principal  
15 December 2016

### Governing Body's statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding

The Corporation has considered its responsibility to notify the Skills Funding Agency of material irregularity, impropriety and non-compliance with Skills Funding Agency terms and conditions of funding, under the financial memorandum in place between the College and the Skills Funding Agency. As part of its consideration the Corporation has had due regard to the requirements of the financial memorandum.

We confirm on behalf of the Corporation, that to the best of its knowledge, the Corporation believes it is able to identify any material irregular or improper use of funds by the College, or material non-compliance with the Skills Funding Agency's terms and conditions of funding under the College's financial memorandum. We further confirm that any instances of material irregularity, impropriety or funding non-compliance discovered to date have been notified to the Skills Funding Agency.



Co-Chair, Board of Governors  
15 December 2016



J Westerman  
Principal  
15 December 2016

## Statement of governing body's responsibilities

### Members' responsibilities for the financial statements

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

Under Company Law and within the terms and conditions of the Financial Memorandum agreed between the SFA and the Corporation of the College, the Corporation, through its Principal, is required to prepare financial statements for each financial year in accordance with the 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education*, the Accounts Direction 2015 to 2016 issued jointly by the SFA/EFA and with the Companies Act 2006, and which give a true and fair view of the state of affairs of the College and the result for that year.

In preparing the financial statements, the Corporation is required to:

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

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

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

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

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

Approved by order of the members of the Corporation on 15 December 2016 and signed on its behalf by:

Signed on behalf of the Board of Governors



Co-Chair, Board of Governors



# Report of the independent auditor to the Governing Body of The Northern College for Residential Adult Education Limited

We have audited the financial statements of The Northern College for Residential Adult Education Limited for the year ended 31 July 2016 which comprise the statement of comprehensive income, the statement of changes in reserves, the balance sheet, the statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the College's Governing Body, as a 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 College's members 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 College and the College's members, as a body, for our audit work, for this report, or for the opinions we have formed.

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

As explained more fully in the Statement Responsibilities of the Members of the College's Governing Body set out on page 16, the members of the Governing Body (who are also the directors of the charitable company for the purpose for company law) are responsible for the preparation of financial statements and for being satisfied that they give a true and fair view.

We have been appointed as auditor under the Companies Act 2006 and report in accordance with regulations made under that Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

## **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2016 and of its surplus of income over expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the Statement of Recommended Practice on Accounting for Further and Higher Education as issued in March 2014 and any subsequent amendments; and
- have been prepared in accordance with the requirements of the Companies Act 2006.



# Report of the independent auditor to the Governing Body of The Northern College for Residential Adult Education Limited

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

In our opinion the information given in the Report of the members of the Board of Governors, incorporating the Strategic report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

We have nothing to report in respect of the following matters where the Companies Act 2006 and the Joint Audit Code of Practice issued by the Skills Funding Agency and Education Funding Agency requires 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 had 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 members of the governing body's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

A handwritten signature in black ink, appearing to read "MR" followed by a checkmark.

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

20 December 2016



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

In accordance with the terms of our engagement letter dated 20 October 2016 and further to the requirements of the financial memorandum with Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that, in all material respects, the expenditure disbursed and income received by The Northern College for Residential Adult Education Limited during the period 1 August 2015 to 31 July 2016 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Joint Audit Code of Practice issued jointly by Skills Funding Agency and Education Funding Agency in June 2016. In accordance with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record (ILR) returns, for which the Skills Funding Agency has other assurance arrangements in place.

This report is made solely to the corporation of The Northern College for Residential Adult Education Limited, as a body, and the Skills Funding Agency, as a body, 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 Skills Funding Agency those matters we are required to state in a limited assurance 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, as a body, and Skills Funding Agency, as a body, for our work, for this report, or for the conclusion we have formed.

### **Respective responsibilities of The Northern College for Residential Adult Education Limited and the reporting accountant**

The corporation of The Northern College for Residential Adult Education Limited is responsible, under the requirements of the Further and Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom as imposed by the law, professional standards and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Joint Audit Code of Practice. 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 2015 to 31 July 2016 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.



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

## Approach

We conducted our engagement in accordance with the Joint Audit Code of Practice issued jointly by Skills Funding Agency and Education Funding Agency. We performed a limited assurance engagement as defined in that framework.

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 consequently 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.

Our engagement includes examination, on a test basis, of evidence relevant to the regularity of the college's income and expenditure.

The work undertaken to draw our conclusion includes:

- an assessment of the risk of material irregularity and impropriety across the college's activities;
- evaluation of the processes and controls established and maintained in respect of regularity and propriety for the use of public funds through observation of the arrangements in place and enquiries of management;
- consideration and corroboration of the evidence supporting the Accounting Officer's statement on regularity, propriety and compliance and that included in the self-assessment questionnaire (SAQ); and
- limited testing, on a sample basis, of income and expenditure for the areas identified as high risk and included on the SAQ.

## Conclusion

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 2015 to 31 July 2016 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

A handwritten signature in black ink, appearing to be "A. N. U. W.", written in a cursive style.

Grant Thornton UK LLP  
Chartered Accountants  
Sheffield  
26 December 2016

## Statement of comprehensive income

	Note	2016 £'000	2015 £'000
<b>Income</b>			
Funding body grants	2	4,376	4,940
Tuition fees and education contracts	3	561	493
Research grants and contracts	4	41	45
Other income	5	298	337
Investment income	6	16	13
Donations	7	29	-
<b>Total income</b>		<b>5,321</b>	<b>5,828</b>
<b>Expenditure</b>			
Staff costs	8	3,093	3,131
Exceptional restructuring costs	12	75	28
Other operating expenses	9	1,641	1,688
Depreciation	14	335	524
Interest payable	11	117	107
<b>Total expenditure</b>		<b>5,261</b>	<b>5,478</b>
<b>Surplus for the year retained within general reserves</b>		<b>60</b>	<b>350</b>
Actuarial loss in respect of pension schemes		(1,105)	(381)
<b>Total comprehensive income for the year</b>		<b>(1,045)</b>	<b>(31)</b>

The income and expenditure account is in respect of continuing activities.

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



## Statement of changes in reserves

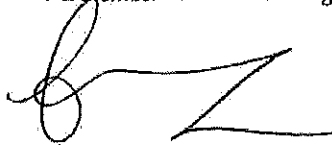
	Income and expenditure account £'000	Capital account £'000	Total £'000
Restated balance at 1 August 2014	(429)	1,210	781
Surplus/(deficit) from the Income and expenditure account	350	-	350
Other comprehensive income	(381)	-	(381)
Transfers between Capital account and Income and expenditure account	(375)	375	-
	(406)	375	(31)
<b>Balance at 31 July 2015</b>	<b>(835)</b>	<b>1,585</b>	<b>750</b>
Surplus/(deficit) from the Income and expenditure account	60	-	60
Other comprehensive income	(1,105)	-	(1,105)
Transfers between Capital account and Income and expenditure account	(7)	7	-
<b>Total comprehensive income for the year</b>	<b>(1,052)</b>	<b>7</b>	<b>(1,045)</b>
<b>Balance at 31 July 2016</b>	<b>(1,887)</b>	<b>1,592</b>	<b>(295)</b>

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

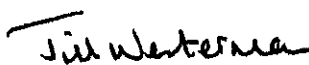
## Balance sheet

	Note	2016 £'000	2015 £'000
<b>Non-current assets</b>			
Tangible assets	14	<u>2,664</u>	<u>2,787</u>
<b>Current assets</b>			
Debtors	15	286	261
Investments	16	1,911	2,303
Cash and cash equivalents	24	<u>939</u>	<u>559</u>
		3,136	3,123
<b>Less: Creditors: amounts falling due within one year</b>	17	<u>(858)</u>	<u>(1,003)</u>
<b>Net current assets</b>		<u>2,278</u>	<u>2,120</u>
<b>Total assets less current liabilities</b>		4,942	4,907
<b>Creditors: amounts falling due after more than one year</b>	18	(995)	(1,117)
<b>Provisions</b>			
Defined benefit obligations	23	(3,922)	(2,725)
Other provisions	20	(320)	(315)
		<u>(295)</u>	<u>750</u>
<b>Total net (liabilities)/assets</b>		<u>(295)</u>	<u>750</u>
<b>Unrestricted reserves</b>			
Income and expenditure account		(1,887)	(835)
Capital account		<u>1,592</u>	<u>1,585</u>
		<u>(295)</u>	<u>750</u>
<b>Total funds</b>		<u>(295)</u>	<u>750</u>

The financial statements on pages 21 to 43 were approved and authorised for issue by the Board of Governors on 15 December 2016 and were signed on its behalf by:



Co-Chair



J Westerman  
 Principal

Company number: 01339524

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

## Statement of cash flows

	Note	2016 £'000	2015 £'000
<b>Cash inflow from operating activities</b>			
Surplus for the year		60	350
<b>Adjustment for non-cash items</b>			
Depreciation		335	524
Increase in debtors		(25)	(72)
(Decrease)/increase in creditors due within one year		(145)	247
Decrease in creditors due after one year		(104)	(131)
Increase in provisions		5	94
Pension cost less contributions payable		92	62
<b>Adjustments for investing or financing activities</b>			
Investment income		(16)	(13)
Interest payable		5	3
<b>Net cash inflow from operating activities</b>		<u>207</u>	<u>1,064</u>
<b>Cash flows from investing activities</b>			
Investment income		16	13
New deposits		(108)	(803)
Withdrawal of deposits		500	-
Payments made to acquire fixed assets		(212)	(791)
Receipt of capital grants		-	83
		<u>196</u>	<u>(1,498)</u>
<b>Cash flows from financing activities</b>			
Interest Paid		(5)	(3)
New unsecured loans		-	73
Repayments of amounts borrowed		(18)	(9)
		<u>(23)</u>	<u>61</u>
<b>Increase/(decrease) in cash and cash equivalents in the year</b>		<u>380</u>	<u>(373)</u>
<b>Cash and cash equivalents beginning of the year</b>		<u>559</u>	<u>932</u>
<b>Cash and cash equivalents at end of the year</b>		<u>939</u>	<u>559</u>

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

## Notes to the financial statements

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

The following accounting policies have been applied consistently 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 2015 (the 2015 FE HE SORP), The College Accounts Direction for 2015 to 2016 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 (£).

#### **Transition to the 2015 FE HE SORP**

The College is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policies choices differ from previous UK GAAP. Consequently, the College has amended certain accounting policies to comply with FRS 102 and the 2015 FE HE SORP. The trustees have also taken advantage of certain exemptions from the requirements of FRS 102 permitted by FRS 102 Chapter 35 'Transition to the FRS'.

An explanation of how the transition to the 2015 FE HE SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the College is provided in note 28.

The 2015 FE HE SORP requires colleges to prepare a single statement of comprehensive income, and not the alternative presentation of a separate income statement and a statement of other comprehensive income. This represents a change in accounting policy from the previous period where separate statements for the Income and Expenditure account and for the Statement of Total Recognised Gains and Losses were presented.

The application of first time adoption allows certain exemptions from the full requirements of the FRS 102 and the 2015 FE HE SORP in the transition period. The following exemptions have been taken in these financial statements:

- Revaluation as deemed cost – at 1<sup>st</sup> August 2014, the College has retained the carrying values of freehold properties as being deemed cost and measured at fair value

#### **Going concern**

The College is reporting a net liability, after the pension provision of (£295,000); and a net asset of £3,627,000 prior to the pension provision. The College has achieved strong surpluses for a number of years which has resulted in cash balances of £2,850,000, borrowings of less than 1% and an SFA financial health rating of good or outstanding.

Therefore, the Board of Governors considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

## 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 which it is received and includes all fees chargeable to students or their sponsors.

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

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

The recurrent grants from the SFA 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 Funding Council (currently the SFA), 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.

#### **Maintenance of premises**

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

#### **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 is 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 Statement of comprehensive income 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 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 is recognised in other recognised gains and losses.

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

#### **Short term Employment benefits**

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

#### **Enhanced pensions**

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

#### **Tangible fixed assets**

##### **Freehold land and buildings**

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

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

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

Where land and buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are credited to a deferred income account within creditors and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy. The deferred income is allocated between creditors due within one year and those due after more than one year.

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

## Notes to the financial statements

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

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

#### **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.

#### **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 liabilities and equity**

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 loans, investments and short term deposits held by the Group are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historic cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however the College has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instruments are stated on the balance sheet at historical cost. Loans and investments that are payable or receivable within one year are not discounted.

#### **Agency arrangements**

The College acts as an agent in the collection and payment of learner support funds. Related payments received from the Skills Funding Agency and subsequent disbursements to students are excluded from the income and expenditure of the College where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction. This is shown separately in note 10.

#### **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.
- Determine whether there are indicators of impairment of the group's tangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty:

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



## Notes to the financial statements

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

- Local Government Pension Scheme  
 The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 23, 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 2013 has been used by the actuary in valuing the pensions liability at 31 July 2016. 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.
- Universities Superannuation Scheme  
 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.
- Provisions  
 Provision is made for asset retirement obligations. These provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements. In addition, the timing of the cash flows and the discount rates used to establish net present value of the obligations require management's judgement.

### 2 Funding body grants

	2016 £'000	2015 £'000
SFA Recurrent grant	4,258	4,795
Release of deferred capital grants	118	145
	<u>4,376</u>	<u>4,940</u>

### 3 Tuition fees and Education contracts

	2016 £'000	2015 £'000
Home fees and charges	561	493
	<u>561</u>	<u>493</u>

### 4 Research grants and contracts

	2016 £'000	2015 £'000
Release from deferred capital grants (non funding council)	12	19
Other funds	29	26
	<u>41</u>	<u>45</u>

## Notes to the financial statements

### 5 Other income

	2016 £'000	2015 £'000
Catering and residence operations	221	222
Other income generating activities	77	115
	<u>298</u>	<u>337</u>

### 6 Investment income

	2016 £'000	2015 £'000
Interest received	16	13
	<u>16</u>	<u>13</u>

### 7 Donations

	2016 £'000	2015 £'000
Unrestricted donations	29	-
	<u>29</u>	<u>-</u>

### 8 Staff costs

Staff costs during the year were as follows:	2016 £'000	2015 £'000
Wages and salaries	2,481	2,495
Social security costs	178	162
Movement on USS provision	(8)	86
Other pension costs	442	388
	<u>3,093</u>	<u>3,131</u>

The average monthly number of persons (including key management personnel) employed by the College during the year, described as full time equivalents, was:

	2016 Number	2015 Number
Teaching departments - teaching staff	24	21
Teaching support services	12	9
Other support services	7	7
Administration and central services	24	23
Premises	17	17
	<u>84</u>	<u>77</u>

## Notes to the financial statements

### 8 Staff costs (continued)

Staff costs for the above persons:

	2016 £'000	2015 £'000
Teaching departments - teaching staff	1,221	1,127
Teaching support services	409	383
Other support services	238	229
Administration and central services	848	929
Premises	394	411
Movement on USS provision	(8)	86
FRS 102(28) Retirement benefit (income)/charge	(9)	(34)
	<u>3,093</u>	<u>3,131</u>

Total staff costs analysed by type of contract were:

	2016 £'000	2015 £'000
Employment costs for staff on permanent contracts	2,719	2,699
Employment costs for staff on short-term and temporary contracts	391	380
Movement on USS provision	(8)	86
FRS 102(28) Retirement benefit (income)/charge	(9)	(34)
	<u>3,093</u>	<u>3,131</u>

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

	2016 Number Key management personnel	2016 Number Other	2015 Number Key management personnel	2015 Number Other
£60,001 to £70,000	-	1	-	1
£70,001 to £80,000	-	1	-	1
£80,000 to £90,000	1	-	2	-
£90,000 to £100,000	-	-	-	-
£100,000 to £110,000	1	-	1	-
£110,000 to £120,000	-	-	-	-
	<u>2</u>	<u>2</u>	<u>3</u>	<u>2</u>

Staff costs include compensation paid to key management personnel for loss of office.

A consolidated pay award of 1% was made in 2015/16 for academic and academic related staff. Admin and clerical staff received, on average, a 1% pay award from April 2016.

## Notes to the financial statements

### 8 Staff costs (continued)

#### Key management personnel's emoluments

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by principal and holders of the other senior posts whom the governing body has selected for the purposes of the articles of government of the college relating to the appointment and promotion of staff who are appointed by the governing body.

The number of key management personnel including the principal was:

	2016 Number	2015 Number
Key management personnel	<u>2</u>	<u>3</u>

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

	2016 £'000	2015 £'000
Salaries	165	237
Pension contributions	<u>26</u>	<u>35</u>
Total emoluments	<u>191</u>	<u>272</u>

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 principal (who is also the highest paid officer) of:

	2016 £'000	2015 £'000
Salary	92	92
Pension contribution	<u>15</u>	<u>15</u>
	<u>107</u>	<u>107</u>

Key management personnel, including the principal, received a 1% pay award in 2015/16. This pay award was approved by the Board of Governors. This increase was in line with the increase awarded to all academic and academic related staff.

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

## Notes to the financial statements

### 9 Other operating expenses

	2016 £'000	2015 £'000
Teaching departments	141	94
Teaching support services	33	29
Other support services	101	118
Administration and central services	214	239
Examination costs	64	62
Premises costs – Running costs	365	349
Premises costs – Maintenance	153	202
Premises costs – Rents and leases	41	41
Catering and residence operations	529	554
	<u>1,641</u>	<u>1,688</u>
Other operating expenses include:	2016 £'000	2015 £'000
Auditors' remuneration		
- Financial statements audit	18	15
- Internal audit	7	8
	<u>7</u>	<u>8</u>

### 10 Adult Learning Loan Bursary / Discretionary Learner Support Funds

	2016 £'000	2015 £'000
Balance brought forward	21	21
Receipts	1,591	1,815
Payments	(174)	(172)
Amount consolidated in financial statements	<u>(1,417)</u>	<u>(1,643)</u>
Balance unspent at 31 July included in creditors	<u>21</u>	<u>21</u>

The Adult Learning Loan Bursary and Discretionary Learner Support Fund is available for eligible students. In some instances, the College only acts as a paying agent. In these circumstances, the related disbursements are excluded from the Income and Expenditure Account. The related funding body grants are included within Note 2.

### 11 Interest and other finance costs

	2016 £'000	2015 £'000
Pension finance costs	117	107
	<u>117</u>	<u>107</u>

The above amount includes £113,000 (2015: £104,000) in relation to the FRS 102 net pension finance cost and £4,000 (2015: £3,000) in relation to the interest cost for the enhanced pension.

### 12 Exceptional item

There were exceptional restructuring costs in 2015/16 these amounted to £75,000 and related to two staff members' redundancy costs.

## Notes to the financial statements

### 13 Taxation

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

### 14 Tangible fixed assets

	Freehold land and buildings £'000	Improvements to property £'000	Equipment £'000	Vehicles £'000	Total £'000
Cost					
At 1 August 2015	748	5,619	1,468	16	7,851
Additions	-	186	26	-	212
At 31 July 2016	748	5,805	1,494	16	8,063
Depreciation					
At 1 August 2015	207	3,624	1,222	11	5,064
Charge for the year	13	243	78	1	335
At 31 July 2016	220	3,867	1,300	12	5,399
<b>Net book amount at 31 July 2016</b>	<b>528</b>	<b>1,938</b>	<b>194</b>	<b>4</b>	<b>2,664</b>
Net book amount at 31 July 2015	541	1,995	246	5	2,787
Financed by capital grant	180	849	41	1	1,071
Other	348	1089	153	3	1,593
	528	1,938	194	4	2,664

Freehold land and buildings and improvements to property with a net book value of £1,029,000 have been financed in full or in part by exchequer funds. Should these assets be sold, the College may be liable, under the terms of the Finance memorandum with the Council, to surrender the proceeds.

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

### 15 Debtors

	2016 £'000	2015 £'000
Amounts falling due within one year:		
Trade receivables	264	236
Prepayments and accrued income	22	25
	<b>286</b>	<b>261</b>

## Notes to the financial statements

### 16 Current asset investments

	2016 £'000	2015 £'000
Short term deposits	1,911	2,303
	<u>1,911</u>	<u>2,303</u>

Deposits are held with banks and building societies operating in the London market and licensed by the Financial Conduct Authority with more than three months' maturity at the balance sheet date.

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

	2016 £'000	2015 £'000
Loan	18	18
Payments received in advance	90	148
Trade payables	290	308
Other creditors	27	24
Other taxation and social security	76	80
Accruals and deferred income	252	295
Deferred income – capital grants	105	130
	<u>858</u>	<u>1,003</u>

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

	2016 £'000	2015 £'000
Loan	28	46
Deferred income – capital grants	967	1,071
	<u>995</u>	<u>1,117</u>

### 19 Maturity of debt

Loans are payable as follows:	2016 £'000	2015 £'000
Within one year	18	18
Between one and two years	18	18
Between two and five years	10	28
	<u>46</u>	<u>64</u>

The above consists of one borrowing which is an interest free SALIX loan repayable over four years. The loan was given to improve energy efficiency. There is no discounting as this would be minimal and effectively market rate.

## Notes to the financial statements

### 20 Provisions

	Defined benefit obligations £'000	Obligation to fund deficit on USS Pension £'000	Enhanced pension £'000	Total £'000
At 1 August 2015	2,725	264	51	3,040
Provision made in the year	1,644	-	4	1,648
Expenditure in the year	(447)	4	(3)	(446)
At 31 July 2016	<u>3,922</u>	<u>268</u>	<u>52</u>	<u>4,242</u>

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 LSC and its successor organisations. The assumptions for calculating the provision for pension enhancements on termination under FRS 102, are as follows:

	2016	2015
Price inflation	1.30%	1.71%
Net interest rate	1.00%	1.75%

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 23.

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.

### 21 Deferred income – capital grants

	Funding council £'000	Other grants £'000	Total £'000
At 1 August 2015			
Land and buildings and improvements to property	1,045	91	1,136
Equipment	55	-	55
Vehicles	2	-	2
Unallocated – now allocated to equipment	9	-	9
	<u>1,111</u>	<u>91</u>	<u>1,202</u>
Released to income and expenditure			
Land and buildings and improvements to property	104	12	116
Equipment	13	-	13
Vehicles	1	-	1
	<u>118</u>	<u>12</u>	<u>130</u>
At 31 July 2016			
Land and buildings and improvements to property	941	79	1,020
Equipment	51	-	51
Vehicles	1	-	1
	<u>993</u>	<u>79</u>	<u>1,072</u>



## Notes to the financial statements

### 21 Deferred income – capital grants (continued)

Deferred grants are written down to revenue over the life of the asset to offset the depreciation charged on the asset to which they relate. The deferred income - capital grants balance included in creditors represents the remaining capital grant still to be written down to revenue.

### 22 Capital commitments

Capital commitments in 2016 amounted to £nil (2015: £91,000).

### 23 Pension and similar obligations

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

	2016 £'000	2015 £'000
Universities' Superannuation Scheme contributions paid	187	173
South Yorkshire Pensions Authority contributions paid	249	214
Movement on USS provision	(8)	86
FRS 102(28) (income)/charge	(9)	(34)
Timing differences	16	36
	<u>435</u>	<u>475</u>

#### 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 2014
Actuarial method	Projected Unit
Discount Rate	4.5%
Pensionable Salary Growth	4.4%
Price Inflation (CPI)	2.6%
Market value of assets at date of last valuation	£41.6 Billion
Proportion of members' accrued benefits covered by the actuarial value of the assets	89%

Under the definitions set out in FRS 102(28.11), the USS is a multi-employer pension scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the College has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. The College has set out above the information available on the scheme and the implications for the College in terms of the anticipated contribution rates.

## Notes to the financial statements

### 23 Pension and similar obligations (continued)

#### South Yorkshire Pensions Authority

The SYPA is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The total contribution paid for the year ended 31 July 2016 was £332,000 (2015: £318,000) of which employer's contributions totalled £265,000 (2015: £250,000) and employees' contributions totalled £68,000 (2015: £68,000). The agreed contribution rates for future years are 15.7% 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.

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

Latest actuarial valuation	31 March 2013
Actuarial method	Projected Unit
Investment returns per annum	5.60% per annum
Pension increases per annum	2.60% per annum
Salary scale increases per annum	4.35% per annum
Market value of assets at date of last valuation	£5.3 Billion
Proportion of members' accrued benefits covered by the actuarial value of the assets	73%

#### Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2013 updated to 31 July 2016 carried out by a qualified independent actuary.

	At 31 July 2016	At 31 July 2015
	%	%
Rate of increase in salaries	3.45	3.95
Rate of increase in pensions	1.8	2.2
Discount rate for scheme liabilities	2.5	3.8
Inflation assumptions (CPI)	1.7	2.2

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 2016	At 31 July 2015
Retiring today		
Males	23.0	23.0
Females	25.7	25.6
Retiring in 20 years		
Males	25.4	25.3
Females	28.5	28.4

## Notes to the financial statements

### 23 Pension and similar obligations (continued)

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

	% of total plan assets as at 31 July 2016	Value at 31 July 2016 £'000	% of total plan assets as at 31 July 2015	Value at 31 July 2015 £'000
Equity instruments	58.4%	4,569	59.4%	4,047
Government bonds	15.0%	1,174	14.3%	974
Other bonds	6.2%	485	5.9%	402
Property	11.0%	861	11.5%	783
Cash/liquidity	1.7%	133	1.8%	123
Other	7.7%	603	7.1%	484
<b>Total fair value of assets</b>		<u>7,825</u>		<u>6,813</u>

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

	2016 £'000	2015 £'000
Fair value of plan assets	7,825	6,813
Present value of plan liabilities	<u>(11,747)</u>	<u>(9,538)</u>
<b>Net pensions liability</b>	<u>(3,922)</u>	<u>(2,725)</u>

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

	2016 £'000	2015 £'000
<b>Amounts included in staff costs</b>		
Current service cost	(249)	(214)
Past service cost	-	-
<b>Total</b>	<u>(249)</u>	<u>(214)</u>

	2016 £'000	2015 £'000
<b>Amounts included in interest and other finance costs</b>		

Net interest cost	<u>(101)</u>	<u>(96)</u>
	<u>(101)</u>	<u>(96)</u>

Amount recognised in Other comprehensive income

	2016 £'000	2015 £'000
Return on pension plan assets	711	325
Experience losses arising on defined benefit obligations	<u>(1,816)</u>	<u>(706)</u>
<b>Amount recognised in Other comprehensive income</b>	<u>(1,105)</u>	<u>(381)</u>

## Notes to the financial statements

### 23 Pension and similar obligations (continued)

#### Movement in net defined benefit liability during year

	2016 £'000	2015 £'000
Net defined benefit liability in scheme at 1 August	(2,725)	(2,282)
Movement in year:		
Current service charge	(249)	(214)
Employer contributions	258	261
Curtailments	-	(13)
Net interest on the defined liability	(101)	(96)
Actuarial (loss)/gain	(1,105)	(381)
<b>Net defined benefit liability at 31 July</b>	<b>(3,922)</b>	<b>(2,725)</b>

#### Asset and Liability Reconciliation

	2016 £'000	2015 £'000
<b>Changes in the present value of defined benefit obligations</b>		
<b>Defined benefit obligations at start of period</b>	<b>9,538</b>	<b>8,467</b>
Current service cost	249	214
Interest cost	357	359
Contributions by scheme participants	69	68
Experience gains and losses on defined benefit obligations	1,816	706
Estimated benefits paid	(282)	(289)
Curtailments and settlements	-	13
<b>Defined benefit obligations at end of period</b>	<b>11,747</b>	<b>9,538</b>

#### Changes in fair value of plan assets

	2016 £'000	2015 £'000
<b>Fair value of plan assets at start of period</b>	<b>6,813</b>	<b>6,185</b>
Interest on plan assets	260	267
Return on assets	707	321
Employer contributions	258	261
Contributions by scheme participants	69	68
Estimated benefits paid	(282)	(289)
<b>Fair value of plan assets at the end of the period</b>	<b>7,825</b>	<b>6,813</b>

### 24 Cash and cash equivalents

	At 1 August 2015 £'000	Cash flows £'000	At 31 July 2016 £'000
Cash in at bank and in hand	559	380	939
<b>Total</b>	<b>559</b>	<b>380</b>	<b>939</b>

## Notes to the financial statements

### **25 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 2016 there were 17 members (2015: 15 members).

### **26 Contingent liabilities**

The College has received grant income over many years. The funding bodies have claw back arrangements in place for many of the grants and the College may have to pay monies back in the event of an unsatisfactory audit. There were no contingent liabilities at 31 July 2016 or 31 July 2015.

### **27 Related party transactions**

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

The Wentworth Castle and Stainborough Park Heritage Trust is a related party as a result of the College Principal's position as a director for the Trust and the level of planned property transactions which will be undertaken in the future. It is also considered that there is a level of common influence at the management level. Two of the College Governors, Mr John Edwards and Mr Clive Macdonald are also Trustees of the Wentworth Castle and Stainborough Park Heritage Trust. During the year the College made payments of £28,000 (2015: £33,000) to the Trust for grounds maintenance and £43,000 (2015: £43,000) for the leasing of property. The College received payments of £28,000 (2015: £35,000) from the Trust for various administrative services. At the year end there was a debtor balance outstanding of £6,000 (2015: £9,000).

The financial arrangements between the College and the Wentworth Castle and Stainborough Park Heritage Trust (the Trust) are governed by a series of agreements. The major agreements being the contract for grant funding with the Trustees of the National Heritage Lottery Fund and the Funding Body capital funding agreement.

A series of service and sale of goods agreements are in place for services and items necessary for the annual operation of the Trust's operations which are provided by the College and another set of agreements are in place for rentals and grounds maintenance charges in respect of buildings and services provided by the Trust to the College.

## Notes to the financial statements

### 28 Transition to FRS 102 and the 2015 FE HE SORP

The year ended 31 July 2016 is the first year that the College has presented its financial statements under FRS 102 and the 2015 FE HE SORP. The following disclosures are required in the year of transition. The last financial statements prepared under previous UK GAAP were for the year ended 31 July 2015 and the date of transition to FRS 102 and the 2015 FE HE SORP was therefore 1 August 2014. As a consequence of adopting FRS 102 and the 2015 FE HE SORP, a number of accounting policies have changed to comply with those standards.

An explanation of how the transition to FRS 102 and the 2015 FE HE SORP has affected the College's financial position, financial performance and cash flows, is set out below.

<b>Financial position</b>	<b>Note</b>	1 August 2014 £'000	31 July 2015 £'000
<b>Total reserves under previous SORP</b>		950	1,013
USS pension provision	(a)	(169)	(264)
Changes to measurement of net finance cost on defined benefit plans	(b)	-	-
<b>Total effect of transition to FRS 102 and 2015 FE HE SORP</b>		<u>(169)</u>	<u>(264)</u>
<b>Total reserves under 2015 FE HE SORP</b>		<u>781</u>	<u>750</u>
<b>Financial performance</b>	<b>Note</b>	31 July 2015 £'000	
<b>Surplus for the year after tax under previous SORP</b>		553	
USS pension provision	(a)	(94)	
Changes to measurement of net finance cost on defined benefit plans	(b)	(109)	
Pensions provision -- actuarial loss	(c)	(381)	
<b>Total effect of transition to FRS 102 and 2015 FE HE SORP</b>		<u>(584)</u>	
<b>Total comprehensive income for the year under 2015 FE HE SORP</b>		<u>(31)</u>	

a) Provision for the obligation to fund deficit on USS Pension  
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. This requires the recognition of a liability for the College's obligation to fund the deficit of £169,000 on transition to FRS 102. Previously provisions were not recognised. The liability at 31 July 2016 was £268,000.

b) Change in recognition of defined benefit plan finance costs  
The net pension finance cost recognised in the Income and Expenditure account for the year ended 31 July 2015 under the previous UK GAAP was the net of the expected return on pension plan assets and the interest on pension liabilities. FRS 102 requires the recognition in the Statement of Comprehensive Income, of a net interest cost, calculated by multiplying the net plan obligations by the market yield on high quality corporate bonds (the discount rate applied). The change has had no effect on net assets as the measurement of the net defined benefit plan obligation has not changed. Instead, the decrease in the surplus for the year has been mirrored by a reduction in the actuarial losses presented within Other Comprehensive Income.

c) Presentation of actuarial gains and losses within Total comprehensive income  
Actuarial gains and losses on the College's defined benefit plans were previously presented in the Statement of Total Recognised Gains and Losses (STRGL), a separate statement to the Income and Expenditure account. All such gains and losses are now required under FRS 102 to be presented within the Statement of Comprehensive Income, as movements in Other Comprehensive Income.