

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

Financial statements

For the year ended 31 July 2015

Company registration number: 01339524
Charity registration number: 0507245

Company information

| | |
|---|---|
| Company registration number: | 01339524 |
| Charity registration number: | 0507245 |
| Principal address and registered office: | Wentworth Castle Lowe Lane Stainborough BARNSLEY South Yorkshire S75 3ET |
| Principal: | J Westerman |
| Company Secretary: | S Johnson |
| Members: | Ms E H Anderson Dr M Ball Prof M Bramhall Ms J Cain Mr J Edwards Ms K Fleming Mr R Harrison Mr N Houston Mr F Lord Mr C Macdonald Cllr J McKenna Ms F Parr Mr R Quick Cllr K Richardson Ms E Stanley Prof T Thornton Mr I West Ms J Westerman Mr P Winter |
| Bankers: | The Co-operative Bank PO Box 250 SKELMERSDALE WN8 6WT |
| Solicitors: | Eversheds LLP Cloth Hall Court Infirmery Street LEEDS LS1 2JB |
| Internal auditors: | Wylie & Bisset Chartered Accountants 168 Bath Street GLASGOW G2 4TP |
| Financial statements auditor: | Grant Thornton UK LLP Statutory Auditor Chartered Accountants 2 Broadfield Court SHEFFIELD S8 0XF |

Index to the financial statements

| | |
|---|---------|
| Report of the members of the Board of Governors incorporating the Operating and Financial Review and Strategic Report | 1 – 10 |
| Corporate governance statement incorporating the statement of internal control | 11 – 14 |
| Statement of governing body's responsibilities | 15 |
| Report of the independent auditor to the governing body | 16 – 17 |
| Reporting accountant's assurance report on regularity to the corporation of The Northern College for Residential Adult Education Limited and Skills Funding Agency | 18 – 19 |
| Principal accounting policies | 20 – 23 |
| Income and expenditure account | 24 |
| Statement of total recognised gains and losses | 25 |
| Balance sheet | 26 |
| Cash flow statement | 27 |
| Notes to the financial statements | 28 – 40 |

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; objectives for 2015/16 were approved by the Board at its 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 up skilling 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 up skilling volunteers.
- Transforms the lives of individuals which in turn contributes to the development of cohesive and resilient communities.
- Supports the regions need to up-skill 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:

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 Governing Body.

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.

Performance Indicators

The following shows the performance indicator targets and achievement for the College :

| | Target | Actual |
|---|---------------|---------------|
| ✓ Target Surplus | >2.5% | 8.68% |
| ✓ Cash days in hand | >10 | 179 |
| ✓ Payroll costs of income | <60% | 52.8% |
| ✓ Cash inflow from operating activities | >0 | £1,064,000 |
| ✓ I & E reserve % of income | >5% | 37% |
| ✓ Current ratio | >1:1 | 3.74 |
| ✓ Borrowing | nil | 1.1% |

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 £553,000 after pension adjustments (2014: £236,000 after pension adjustments).

The College has accumulated income and expenditure reserves, excluding the pension reserve, of £2,153,000 and cash balances of £2,862,000. Tangible fixed asset additions during the year amounted to £791,000, of which £70,000 related to equipment purchases and £721,000 to improvements to property.

Future Developments and going concern considerations

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

To date this strategy has been successful and has resulted in a substantial increase in College reserves and the achievement of an outstanding financial health rating. However it is likely that further cuts will be implemented over the coming years under the terms of a new comprehensive spending review and the SMT has budgeted for an 11% cut in adult skills funding for the next two years.

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 four investment accounts: one fixed term on a fixed rate of return, two notice accounts on fixed terms and one deposit account which pays variable interest depending on the level of deposit, for use when the College has generated surplus funds.

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

Cash Flow

At £1,064,000 (2014: £672,000) 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 £2,303,000.

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

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.

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 also offers qualifications in Working with Parents for people who deliver frontline services to parents and families. Some courses 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, the GFTU, UNITE, GMBU, RMT and the regional TUC.

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.

Foundation for Learning and Life Programmes

This programme area provides courses in study skills, 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 and functional skills qualifications. GCSE Maths and English also form part of the programme offer.

ICT

This programme area provides courses in basic IT skills. The course offer is organised so that students can progress from non-accredited learning to level two and gain progression and ITQ qualifications.

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.

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

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.

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 2015.

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 77 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 2014/15 the College delivered activity, under its adult skills budget, to a value of £2,912,300 against an allocation of £2,466,093. This represents 1,914 part-time and 70 full-time SFA funded learners (49 were funded through the adult learning loans facility). In addition the College delivered provision to approximately 653 non-SFA funded learners.

Student Achievements

Overall success rates at the College remain very high at 96% (2014: 97%).

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

Risk factors

In common with other public sector organisations the key factor impacting on provision in 2014/15 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, during the past year the 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 will enable the close down and mothballing of the Wollstonecraft Block to be carried out in 2015-16.
- b 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.
- c 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.
- d To accomplish these capital projects the College was successful in bidding for a grant from the Skills Funding Agency with match funding from College reserves.

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

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 2014/15.

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.

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, last updated in 2012 and due for update by the end of 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.

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

Auditor

The College has subjected the External Audit service provision to a competitive tender process for the period ending 31 July 2015 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) 2014/15 |
|---|----------------------|----------------|---------------------|-----------------------------|--|------------------------------|
| Ms E H Anderson | Reappointed 01.08.13 | 4 years | | Academic Staff | Member - Audit | 100 |
| Dr M Ball (Chair to 18.12.14) | Reappointed 17.07.14 | 4 years | 18.12.14 | Co-opted | Chair - Quality, Search Member - Policy & Finance, Remuneration | 71 |
| Prof M Bramhall | 19.07.13 | 4 years | | Nominated by HE Institution | Chair - Quality | 71 |
| Ms J Cain | 20.03.14 | 4 years | 16.07.15 | UNISON | | 67 |
| Mr J Edwards | Reappointed 01.08.13 | 4 years | | Co-opted | Member - Policy & Finance, Remuneration | 100 |
| Ms K Fleming | 16.03.12 | 4 years | | Local Authority | Member – Quality Committee | 100 |
| Mr R Harrison (from 19.03.15 Co-Chair) | Reappointed 13.07.12 | 4 years | | Representing Employers | Member - Search | 57 |
| Mr F Lord | Reappointed 01.08.13 | 2 years | | Employers | Member - Remuneration | 50 |
| Mr C Macdonald (from 19.03.15 Co-Chair) | Reappointed 13.07.12 | 4 years | | Co-opted | Chair – Policy & Finance, Remuneration | 100 |
| Cllr J McKenna | Reappointed 01.08.13 | 2 years | | Local Authority | Member – Policy & Finance | 0 |
| Ms F Parr | 01.09.12 | 4 years | | WEA | Member - Quality | 14 |
| Mr R Quick | Reappointed 01.08.13 | 2 years | 16.07.15 | Co-opted | Member – Policy & Finance, Remuneration | 71 |

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

| | | | | | | |
|---|-------------------------|----------------|----------|--|--|-----|
| Cllr K Richardson (Vice Chair – from 19.03.15) | Reappointed 19.03.15 | 4 years | | Local Authority | Member – Audit | 100 |
| Mr N Houston | 18.12.14 | To 31.07.15 | 28.04.15 | Student | Member – Quality | 0 |
| Ms E Stanley | 16.07.15 | 4 years | | Interest and Experience Relevant to the College | Member – Audit | 100 |
| Prof T Thornton | Reappointed 01.08.13 | 4 years | | Nominated from another education institution | Member - Quality | 60 |
| Mr I West | 19.07.13 | 4 years | | TUC | Chair – Audit | 63 |
| 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 | | Non-Academic Staff | Member – Quality, Search | 0 |

At 31 July 2015 there were 15 members.

ON BEHALF OF THE BOARD



Co-Chair, Board of Governors
 17 December 2015

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 English Colleges' Foundation Code of Governance ("the Foundation 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 Foundation Code. 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 Foundation Code, and it has complied throughout the year ended 31 July 2015. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The English Colleges' Foundation Code of Governance issued by the Association of Colleges in December 2011, which it formally adopted in December 2012.

The Corporation

The composition of the Board of Governors is set out on pages 9 and 10. It is the Board of Governors' responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

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

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

All governors are able to obtain independent professional advice in furtherance of their duties at the College's expense and have access to the Clerk to the 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 Board 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 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 2015 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 2 October 2014, 26 February 2015 and 16 July 2015. Recommendations regarding pay awards were made to the Board of Governors at its meetings on 2 October 2014, 19 March 2015 and 16 July 2015.

Details of remuneration for the year ended 31 July 2015 are set out in notes 6 and 7 to the financial statements.

Audit Committee

The Audit Committee comprises four members of the Board of Governors (who exclude the Principal and Chair) and three other co-opted members: Ms Ann Corrigan, Mr David Fisher 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.

Corporate governance statement incorporating the statement of internal control

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 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 2015 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 2015 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 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.

Corporate governance statement incorporating the statement of internal control

Review of effectiveness

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

- the work of the internal auditors
- the work of the executive 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 regularity auditors in their management letters and other reports.

The Principal has been advised on the implications of the result of her review of the effectiveness of the system of internal control by the Audit Committee which oversees the work of the internal auditor. 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 2015 meeting, the Board of Governors will carry out the annual assessment for the year ended 31 July 2015 by considering documentation from the Senior Management Team and internal audit.

Going concern

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



Co-Chair, Board of Governors
17 December 2015



J Westerman
Principal
17 December 2015

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 2007 *Statement of Recommended Practice – Accounting for Further and Higher Education Institutions*, the Accounts Direction issued jointly by the SFA/EFA and the Companies Act 2006, and which give a true and fair view of the state of affairs of the College and the result for that year.

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

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

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

The Corporation is responsible for keeping 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.

In so far as each of the directors is aware:

- there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Approved by order of the members of the Corporation on 17 December 2015 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 2015 which comprise the income and expenditure account, the statement of total recognised gains and losses, the balance sheet, the cash flow statement 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).

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 Governing Body, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the College and the College's Governing Body, 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 Governing Body set out on page 15, the College's Governing Body is responsible for the preparation of financial statements which give a true and fair view.

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the College's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Governing Body and the overall presentation of the financial statements. In addition we read all the financial and non-financial information in the Report of the Members of the Board of Governors to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

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 2015 and of its surplus of income over expenditure for the year then ended in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education Institutions.

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 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 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 financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of the governing body member's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Michael Redfern
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Sheffield
17 December 2015

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

In accordance with the terms of our engagement letter dated 13 October 2015 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 2014 to 31 July 2015 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 August 2015. 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 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 by are imposed by law and 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 2014 to 31 July 2015 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 Business, Innovation and Skills 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:

- making enquiries of management;
- analytical procedures;
- evaluation of controls and walkthroughs on a sample of material items;
- review of completed and signed self-assessment questionnaire (SAQ);
- review of Board and Committee meeting minutes;
- review of internal audit papers (where relevant); and
- limited testing, on a selective basis, on a number of areas which are considered within 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 2014 to 31 July 2015 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Celia Norton UK LLP

Principal accounting policies

Basis of preparation

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2007 and in accordance with applicable Accounting Standards. They conform to guidance published by the Skills Funding Agency in the 2014/15 accounts direction handbook.

Basis of accounting

The financial statements have been prepared under the historical cost convention, modified by the revaluation of certain fixed assets and in accordance with applicable United Kingdom Accounting Standards.

Going concern

The College has achieved strong surpluses for a number of years which has resulted in funds of £2,215,000 and an SFA financial health rating of outstanding. This means that it is in a good position to respond to, and manage future cuts. The SMT is expecting further cutbacks from the Government's Comprehensive Spending Review and has budgeted for a reduction of 18% during the 2015-17 period.

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.

Stocks

Stocks are stated at the lower of cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Maintenance of premises

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

Principal accounting policies

Pension schemes

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

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

As stated in note 24, the USS is a multi-employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the Scheme on a consistent and reasonable basis. The USS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

For SYPA the scheme assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the project unit method on the basis of quinquennial valuations, and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit, adjusted for deferred tax, is presented separately from other net assets on the balance sheet. A net surplus is recognised only to the extent that it is recoverable by the group.

The current service cost and costs from settlements and curtailments are charged against operating profit. Past service costs are spread over the period until the benefit increases vest. Interest on the scheme liabilities and the expected return on scheme assets are included in interest payable. Actuarial gains and losses are reported in the consolidated statement of total recognised gains and losses.

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.

Principal accounting policies

Where land and buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

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

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

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets it is charged to the income and expenditure account in the period it is incurred, unless it meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis:

- Market value of the fixed asset has subsequently improved
- Asset capacity increases
- Substantial improvement in the quality of output or reduction in operating costs
- Significant extension of the asset's life beyond that conferred by repairs and maintenance

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 capital grant account and released to the income and expenditure account over the expected useful economic life of the related equipment.

Taxation

The College is 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 Chapter 3 Part 11 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.

Principal accounting policies

Leased assets

Leasing agreements that transfer to the College substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitment is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged to the income and expenditure account in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease term or the useful economic lives of equivalent owned assets.

Assets which are held under hire purchase contracts which have the characteristics of finance leases are depreciated over their useful lives.

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 account and are shown separately in note 9.

Income and expenditure account

| | Note | 2015 £'000 | 2014 £'000 |
|--|------|---------------|---------------|
| Income | | | |
| Funding body grants | 1 | 4,940 | 4,804 |
| Tuition fees and education contracts | 2 | 493 | 446 |
| Research grants and contracts | 3 | 45 | 42 |
| Other income | 4 | 337 | 544 |
| Investment income | 5 | 21 | 18 |
| Total income | | <u>5,836</u> | <u>5,854</u> |
| Expenditure | | | |
| Staff costs | 6 | 3,040 | 3,269 |
| Exceptional restructuring costs | 11 | 28 | 212 |
| Other operating expenses | 8 | 1,688 | 1,766 |
| Depreciation | 13 | 524 | 352 |
| Interest payable | 10 | 3 | 19 |
| Total expenditure | | <u>5,283</u> | <u>5,618</u> |
| Surplus for the year retained within general reserves | 22 | <u>553</u> | <u>236</u> |

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

Statement of total recognised gains and losses

| | Note | 2015 £'000 | 2014 £'000 |
|--|------|---------------------|--------------------|
| Surplus on continuing operations after depreciation of assets at valuation and tax | | <u>553</u> | <u>236</u> |
| Actual return less expected return on pension scheme assets | | 216 | (101) |
| Experience gains/(losses) | | (706) | (59) |
| | | <u> </u> | <u> </u> |
| Actuarial gains/(losses) on pension scheme | 24 | <u>(490)</u> | <u>(160)</u> |
| Transfer of capital grants | | <u>-</u> | <u>(94)</u> |
| Total recognised gains/(losses) relating to the year | | <u><u>63</u></u> | <u><u>(18)</u></u> |
| Reconciliation | | | |
| Opening reserves | 22 | 950 | 968 |
| Total recognised gains/(losses) for the year | | 63 | (18) |
| Closing reserves | | <u><u>1,013</u></u> | <u><u>950</u></u> |

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

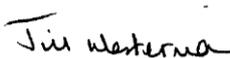
Balance sheet

| | Note | 2015 £'000 | 2014 £'000 |
|--|------|----------------------------|---------------------|
| Fixed assets | | | |
| Tangible assets | 13 | <u>2,787</u> | <u>2,520</u> |
| Current assets | | | |
| Debtors | 14 | 261 | 188 |
| Investments | 26 | 2,303 | 1,500 |
| Cash at bank and in hand | 26 | <u>559</u> | <u>932</u> |
| | | 3,123 | 2,620 |
| Less: Creditors: amounts falling due within one year | 15 | <u>(873)</u> | <u>(547)</u> |
| Net current assets | | <u>2,250</u> | <u>2,073</u> |
| Total assets less current liabilities | | 5,037 | 4,593 |
| Creditors: amounts falling due after more than one year | 16 | (46) | - |
| Provision for liabilities | 18 | (51) | (51) |
| Net pension liability | 24 | (2,725) | (2,282) |
| Net assets including pension liability | | <u><u>2,215</u></u> | <u><u>2,260</u></u> |
| | | | |
| Deferred capital grants | 19 | <u>1,202</u> | <u>1,310</u> |
| Reserves | | | |
| Income and expenditure account excluding pension reserve | | 2,153 | 2,022 |
| Pension reserve | 24 | (2,725) | (2,282) |
| Income and expenditure account including pension reserve | 21 | (572) | (260) |
| Capital reserve | 20 | 1,585 | 1,210 |
| Total reserves | 22 | <u>1,013</u> | <u>950</u> |
| Total funds | | <u><u>2,215</u></u> | <u><u>2,260</u></u> |

The financial statements on pages 24 to 40 were approved and authorised for issue by the Board of Governors on 17 December 2015 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.

Cash flow statement

| | Note | 2015 £'000 | 2014 £'000 |
|---|------|---------------|---------------|
| Cash inflow from operating activities | 25 | 1,064 | 672 |
| Returns on investments and servicing of finance | | | |
| Interest received | 5 | 13 | 18 |
| Interest paid | 10 | (3) | (4) |
| Net cash inflow from returns on investments and servicing of finance | | <u>10</u> | <u>14</u> |
| Capital expenditure and financial investment | | | |
| Purchase of tangible fixed assets | 13 | (791) | (373) |
| Receipt of capital grant | 19 | 83 | 299 |
| Net cash outflow from capital expenditure and financial investment | | <u>(708)</u> | <u>(74)</u> |
| Management of liquid resources | | | |
| Purchase of investments | | - | (500) |
| Placing of deposits | | (803) | - |
| Net cash outflow from management of liquid resources | | <u>(803)</u> | <u>(500)</u> |
| Financing | | | |
| New unsecured loan | | 73 | - |
| Repayments | | (9) | - |
| Net cash inflow from financing | 17 | <u>64</u> | <u>-</u> |
| (Decrease)/increase in cash | | <u>(373)</u> | <u>112</u> |
| Reconciliation of net cash flow to movement in net funds | | | |
| (Decrease)/increase in cash in the year | | (373) | 112 |
| Cash inflow from new unsecured loan | | (73) | - |
| Cash outflow from management of liquid resources | | 803 | 500 |
| Cash outflow from repayment of amounts borrowed | | 9 | - |
| | 26 | <u>366</u> | <u>612</u> |
| Movement in net funds in the year | 26 | 366 | 612 |
| Net funds at 1 August 2014 | | <u>2,432</u> | <u>1,820</u> |
| Net funds at 31 July 2015 | 26 | <u>2,798</u> | <u>2,432</u> |

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

Notes to the financial statements

1 Funding body grants

| | 2015 £'000 | 2014 £'000 |
|------------------------------------|---------------|---------------|
| SFA Recurrent grant | 4,795 | 4,661 |
| Release of deferred capital grants | 145 | 137 |
| SFA non recurrent grants | - | 6 |
| | <u>4,940</u> | <u>4,804</u> |

2 Tuition fees and Education contracts

| | 2015 £'000 | 2014 £'000 |
|-----------------------|---------------|---------------|
| Home fees and charges | <u>493</u> | <u>446</u> |

3 Research grants and contracts

| | 2015 £'000 | 2014 £'000 |
|--|---------------|---------------|
| Release from deferred capital grants (non funding council) | 19 | 28 |
| Other funds | 26 | 14 |
| | <u>45</u> | <u>42</u> |

4 Other income

| | 2015 £'000 | 2014 £'000 |
|------------------------------------|---------------|---------------|
| Catering and residence operations | 222 | 273 |
| Other income generating activities | 115 | 271 |
| | <u>337</u> | <u>544</u> |

5 Investment income

| | 2015 £'000 | 2014 £'000 |
|-----------------------|---------------|---------------|
| Interest received | 13 | 18 |
| FRS 17 Pension income | 8 | - |
| | <u>21</u> | <u>18</u> |

Notes to the financial statements

6 Staff costs

Staff costs during the year were as follows:

| | 2015 £'000 | 2014 £'000 |
|-----------------------|---------------|---------------|
| Wages and salaries | 2,495 | 2,689 |
| Social security costs | 162 | 183 |
| Other pension costs | 383 | 397 |
| | <u>3,040</u> | <u>3,269</u> |

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

| | 2015 Number | 2014 Number |
|---------------------------------------|----------------|----------------|
| Teaching departments - teaching staff | 21 | 24 |
| Teaching support services | 9 | 9 |
| Other support services | 7 | 8 |
| Administration and central services | 23 | 23 |
| Premises | 17 | 18 |
| | <u>77</u> | <u>82</u> |

Staff costs for the above persons:

| | 2015 £'000 | 2014 £'000 |
|---------------------------------------|---------------|---------------|
| Teaching departments - teaching staff | 1,127 | 1,339 |
| Teaching support services | 383 | 354 |
| Other support services | 229 | 260 |
| Administration and central services | 929 | 926 |
| Premises | 411 | 401 |
| FRS 17 retirement benefit income | (39) | (11) |
| | <u>3,040</u> | <u>3,269</u> |

Total staff costs analysed by type of contract were:

| | 2015 £'000 | 2014 £'000 |
|--|---------------|---------------|
| Employment costs for staff on permanent contracts | 2,699 | 2,912 |
| Employment costs for staff on short-term and temporary contracts | 380 | 368 |
| FRS 17 retirement benefit charge | (39) | (11) |
| | <u>3,040</u> | <u>3,269</u> |

Notes to the financial statements

6 Staff costs (continued)

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

| | 2015 Number Senior Postholders | 2015 Number Other | 2014 Number Senior Postholders | 2014 Number Other |
|----------------------|---|-------------------------|---|-------------------------|
| £60,001 to £70,000 | - | 1 | - | 3 |
| £70,001 to £80,000 | - | 1 | - | 1 |
| £80,000 to £90,000 | 2 | - | 2 | - |
| £90,000 to £100,000 | - | - | - | - |
| £100,000 to £110,000 | 1 | - | 1 | - |
| £110,000 to £120,000 | - | - | - | - |
| | <u>3</u> | <u>2</u> | <u>3</u> | <u>4</u> |

A consolidated pay award of 1% was made in 2014/15 for academic and academic related staff. Admin and clerical staff received a 2.20% pay award from January 2015.

7 Senior postholders' emoluments

Senior post-holders are defined as the 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.

| | 2015 Number | 2014 Number |
|---|----------------------|----------------|
| The number of senior postholders including the principal was: | <u>3</u> | <u>3</u> |
| Senior postholders' emoluments are made up as follows: | 2015 £'000 | 2014 £'000 |
| Salaries | 237 | 231 |
| Pension contributions | 35 | 33 |
| Total emoluments | <u>272</u> | <u>264</u> |

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

| | 2015 £'000 | 2014 £'000 |
|----------------------|---------------|---------------|
| Salary | 92 | 91 |
| Pension contribution | 15 | 14 |
| | <u>107</u> | <u>105</u> |

Senior postholders, including the principal, received a 1% pay award in 2014/15. This pay award was approved by the Board of Governors. This increase was in line with the increase awarded to all academic and academic related staff.

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

Notes to the financial statements

8 Other operating expenses

| | 2015 £'000 | 2014 £'000 |
|-------------------------------------|---------------|---------------|
| Teaching departments | 94 | 93 |
| Teaching support services | 29 | 29 |
| Other support services | 60 | 112 |
| Administration and central services | 297 | 228 |
| General education | 62 | 83 |
| Premises costs – Running costs | 349 | 357 |
| Premises costs – Maintenance | 202 | 222 |
| Premises costs – Rents and leases | 41 | 43 |
| Catering and residence operations | 554 | 599 |
| | <u>1,688</u> | <u>1,766</u> |
| Other operating expenses include: | 2015 £'000 | 2014 £'000 |
| Auditors' remuneration | | |
| - Financial statements audit | 15 | 14 |
| - Internal audit | 8 | 9 |
| | <u>8</u> | <u>23</u> |

9 Adult Learning Loan Bursary / Discretionary Learner Support Funds

| | 2015 £'000 | 2014 £'000 |
|--|----------------|----------------|
| Balance brought forward | 21 | 21 |
| Receipts | 1,815 | 1,679 |
| Payments | (172) | (202) |
| Amount consolidated in financial statements | <u>(1,643)</u> | <u>(1,477)</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 1.

10 Interest payable

| | 2015 £'000 | 2014 £'000 |
|-----------------------|---------------|---------------|
| Pension finance costs | <u>3</u> | <u>19</u> |

The above amount includes £nil (2014: £15,000) in relation to the FRS 17 net pension finance cost and £3,000 (2014: £4,000) in relation to the interest cost for the enhanced pension.

11 Exceptional item

There were exceptional restructuring costs in 2014/15 these amounted to £28,000 and related to four staff members' redundancy costs.

Notes to the financial statements

12 Taxation

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

13 Tangible fixed assets

| | Freehold land and buildings £'000 | Improvements to property £'000 | Equipment £'000 | Vehicles £'000 | Total £'000 |
|--|--|--------------------------------------|---------------------|-------------------|---------------------|
| Cost | | | | | |
| At 1 August 2014 | 782 | 5,402 | 1,318 | - | 7,502 |
| Transfers | (34) | (83) | 101 | 16 | - |
| Additions | - | 721 | 70 | - | 791 |
| Disposals | - | (421) | (21) | - | (442) |
| At 31 July 2015 | <u>748</u> | <u>5,619</u> | <u>1,468</u> | <u>16</u> | <u>7,851</u> |
| Depreciation | | | | | |
| At 1 August 2014 | 236 | 3,663 | 1,083 | - | 4,982 |
| Transfers | (41) | (38) | 70 | 9 | - |
| Charge for the year | 12 | 420 | 90 | 2 | 524 |
| Disposals | - | (421) | (21) | - | (442) |
| At 31 July 2015 | <u>207</u> | <u>3,624</u> | <u>1,222</u> | <u>11</u> | <u>5,064</u> |
| Net book amount at 31 July 2015 | <u>541</u> | <u>1,995</u> | <u>246</u> | <u>5</u> | <u>2,787</u> |
| Net book amount at 31 July 2014 | <u>546</u> | <u>1,739</u> | <u>235</u> | <u>-</u> | <u>2,520</u> |
| Financed by capital grant | 273 | 2,421 | 876 | 9 | 3,579 |
| Other | 475 | 3,198 | 592 | 7 | 4,272 |
| | <u>748</u> | <u>5,619</u> | <u>1,468</u> | <u>16</u> | <u>7,851</u> |

Freehold land and buildings and improvements to property with a net book value of £1,400,000 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.

14 Debtors

| | 2015 £'000 | 2014 £'000 |
|--------------------------------------|---------------|---------------|
| Amounts falling due within one year: | | |
| Trade debtors | 236 | 157 |
| Prepayments and accrued income | 25 | 31 |
| | <u>261</u> | <u>188</u> |

Notes to the financial statements

15 Creditors: amounts falling due within one year

| | 2015 £'000 | 2014 £'000 |
|------------------------------------|---------------|---------------|
| Loan | 18 | - |
| Payments received in advance | 148 | 84 |
| Trade creditors | 308 | 165 |
| Other creditors | 24 | 20 |
| Other taxation and social security | 80 | 10 |
| Accruals and deferred income | 295 | 268 |
| | <u>873</u> | <u>547</u> |

16 Creditors: amounts falling due after more than one year

| | 2015 £'000 | 2014 £'000 |
|------|---------------|---------------|
| Loan | 46 | - |
| | <u>46</u> | <u>-</u> |

17 Borrowings

| Loans are payable as follows: | 2015 £'000 | 2014 £'000 |
|-------------------------------|---------------|---------------|
| Within one year | 18 | - |
| Between one and two years | 18 | - |
| Between two and five years | 28 | - |
| | <u>64</u> | <u>-</u> |

The above consists of one borrowing which is an interest free SALIX loan repayable over four years.

18 Provision for liabilities

| Enhanced pension provision | Total £'000 |
|----------------------------|----------------|
| At 1 August 2014 | 51 |
| Provision made in the year | 3 |
| Expenditure in the year | (3) |
| At 31 July 2015 | <u>51</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.

Notes to the financial statements

19 Deferred capital grants

| | Funding council £'000 | Other grants £'000 | Total £'000 |
|---|-----------------------------|--------------------------|---------------------|
| At 1 August 2014 | | | |
| Land and buildings and improvements to property | 1,125 | 108 | 1,233 |
| Equipment | 65 | 2 | 67 |
| Vehicles | 2 | - | 2 |
| Unallocated – now allocated to equipment | 8 | - | 8 |
| | <u>1,200</u> | <u>110</u> | <u>1,310</u> |
| Cash receivable | | | |
| Land and buildings and improvements to property | 66 | - | 66 |
| Equipment | 8 | - | 8 |
| Unallocated | 9 | - | 9 |
| | <u>83</u> | <u>-</u> | <u>83</u> |
| Released to income and expenditure | | | |
| Land and buildings and improvements to property | 146 | 17 | 163 |
| Equipment | 26 | 2 | 28 |
| Vehicles | - | - | - |
| | <u>172</u> | <u>19</u> | <u>191</u> |
| At 31 July 2015 | | | |
| Land and buildings and improvements to property | 1,045 | 91 | 1,136 |
| Equipment | 55 | - | 55 |
| Vehicles | 2 | - | 2 |
| Unallocated | 9 | - | 9 |
| | <u>1,111</u> | <u>91</u> | <u>1,202</u> |

Analysis of capital grants received from the Funding Council during 2014/15

| | £'000 |
|------------------------------------|-----------|
| SFA – College Condition Fund Grant | <u>83</u> |

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

20 Capital reserve

| | 2015 £'000 | 2014 £'000 |
|--|---------------|---------------|
| At 1 August 2014 | 1,210 | 1,419 |
| Transfer of capital grants | - | (94) |
| Transfer from income and expenditure account | 708 | 73 |
| Transfer to income and expenditure account | (333) | (188) |
| At 31 July 2015 | <u>1,585</u> | <u>1,210</u> |

Notes to the financial statements

21 Income and expenditure account

| | 2015 £'000 | 2014 £'000 |
|--|---------------|---------------|
| At 31 July | (260) | (451) |
| Surplus on continuing operations | 553 | 236 |
| Transfer to capital reserve | 333 | 188 |
| Transfer from capital reserve | (708) | (73) |
| Actuarial loss | (490) | (160) |
| | <u>(572)</u> | <u>(260)</u> |
| Balance represented by: | | |
| Pension reserve | (2,725) | (2,282) |
| Income and expenditure account excluding pension reserve | <u>2,153</u> | <u>2,022</u> |
| | <u>(572)</u> | <u>(260)</u> |

22 Reconciliation of movement in members' funds

| | 2015 £'000 | 2014 £'000 |
|--------------------------------|---------------|---------------|
| Surplus for the financial year | 553 | 236 |
| Actuarial loss | (490) | (160) |
| Transfer of capital grants | - | (94) |
| Opening members' funds | <u>950</u> | <u>968</u> |
| Closing members' funds | <u>1,013</u> | <u>950</u> |

23 Capital commitments

Capital commitments in 2015 amounted to £91,000 (2014: £607,000). The 2015 commitments relate to improvements to property.

24 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).

| | 2015 £'000 | 2014 £'000 |
|--|---------------|---------------|
| Universities' Superannuation Scheme contributions | 173 | 179 |
| South Yorkshire Pension Authority contributions paid | 209 | 207 |
| Timing differences | <u>1</u> | <u>11</u> |
| | <u>383</u> | <u>397</u> |

Notes to the financial statements

24 Pension and similar obligations (continued)

Universities' Superannuation Scheme

The Universities' Superannuation Scheme is a multi-employer benefit scheme. Contributions on a pay as you go basis are credited to the exchequer under arrangements governed by the Superannuation Act 1972.

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

| | |
|--|----------------|
| Latest actuarial valuation | 31 March 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 Financial Reporting Standard 17 (Retirement Benefits), the USS is a multi-employer pension scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the College has taken advantage of the exemption in FRS 17 and had accounted for its contributions to the scheme as if it were a defined benefit contribution scheme. The College has set out above the information available on the deficit in the scheme and the implications for the College in terms of the anticipated contribution rates.

South Yorkshire Pensions Authority

The SYPA is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The total contribution paid for the year ended 31 July 2015 was £318,000 (2014: £293,000) of which employer's contributions totalled £250,000 (2014: £228,000) and employees' contributions totalled £68,000 (2014: £65,000). The agreed contribution rates for future years are 14.9% for employers and from 5.5% to 12.5% for employees.

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 | 5.6% 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 | £5,288 million |

Proportion of members' accrued benefits covered by the actuarial value of the assets 73%

Notes to the financial statements

24 Pension and similar obligations (continued)

The following information is based upon a full valuation of the Fund at 31 March 2013 updated to 31 July 2015 by a qualified independent actuary.

| | At 31 July 2015 % | At 31 July 2014 % | At 31 July 2013 % |
|-------------------------------|-------------------------|-------------------------|-------------------------|
| Inflation | 2.20 | 2.30 | 2.40 |
| Rate of increase in salaries | 4.00 | 4.10 | 4.20 |
| Rate of increase in pensions | 2.20 | 2.30 | 2.40 |
| Discount rate for liabilities | 3.80 | 4.30 | 4.50 |

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

| | At 31 July 2015 | At 31 July 2014 |
|-----------------------------|--------------------|--------------------|
| Retiring today | | |
| Males | 23.0 | 22.9 |
| Females | 25.6 | 25.5 |
| Retiring in 20 years | | |
| Males | 25.3 | 25.2 |
| Females | 28.4 | 28.3 |

The estimated value of employer contributions for the year ended 31 July 2015 is £261,000 (2014: £231,000).

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

| | Long-term rate of return expected at 31 July 2015 % | Value at 31 July 2015 £'000 | Long-term rate of return expected at 31 July 2014 % | Value at 31 July 2014 £'000 | Long-term rate of return expected at 31 July 2013 % | Value at 31 July 2013 £'000 |
|--|---|--------------------------------------|---|--------------------------------------|---|--------------------------------------|
| Equities | 6.50 | 4,047 | 7.00 | 3,786 | 7.00 | 3,561 |
| Government bonds | 2.50 | 974 | 3.20 | 810 | 2.50 | 808 |
| Other bonds | 3.60 | 402 | 4.10 | 408 | 3.40 | 386 |
| Property | 6.10 | 783 | 6.20 | 668 | 6.00 | 556 |
| Cash/liquidity | 0.50 | 123 | 0.50 | 111 | 0.50 | 117 |
| Other | 6.50 | 484 | 7.00 | 402 | 7.30 | 427 |
| Total Market Value of assets | | <u>6,813</u> | | <u>6,185</u> | | <u>5,855</u> |
| Present value of scheme liabilities – funded | | <u>(9,538)</u> | | <u>(8,467)</u> | | <u>(7,973)</u> |
| Deficit in the scheme | | <u>(2,725)</u> | | <u>(2,282)</u> | | <u>(2,118)</u> |

Analysis of the amount charged to income and expenditure account

| | 2015 £'000 | 2014 £'000 |
|------------------------|---------------|---------------|
| Service cost | (209) | (207) |
| Total operating charge | <u>(209)</u> | <u>(207)</u> |

Notes to the financial statements

24 Pension and similar obligations (continued)

| | | |
|---|----------------|----------------|
| Analysis of pension finance costs | 2015 £'000 | 2014 £'000 |
| Expected return on pension scheme assets | 372 | 344 |
| Interest on pension liabilities | (364) | (359) |
| Net pension finance income | <u>8</u> | <u>(15)</u> |
| Amount recognised in the statement of total recognised gains and losses (STRGL) | 2015 £'000 | 2014 £'000 |
| Actual return less expected return on pension scheme assets | 216 | (101) |
| Change in financial and demographic assumptions underlying the scheme liabilities | (706) | (59) |
| Actuarial loss recognised in STRGL | <u>(490)</u> | <u>(160)</u> |
| Movement in deficit during year | 2015 £'000 | 2014 £'000 |
| Deficit in scheme at 1 August 2014 | (2,282) | (2,118) |
| Movement in year: | | |
| Current service charge | (209) | (207) |
| Contributions | 261 | 231 |
| Net interest on assets | 8 | (15) |
| Curtailments | (13) | (13) |
| Actuarial loss | (490) | (160) |
| Deficit in scheme at 31 July 2015 | <u>(2,725)</u> | <u>(2,282)</u> |
| | 2015 £'000 | 2014 £'000 |
| Reconciliation of liabilities | | |
| Liabilities at 1 August 2014 | 8,467 | 7,973 |
| Service cost | 209 | 207 |
| Interest cost | 364 | 359 |
| Employee contributions | 68 | 66 |
| Actuarial loss on scheme liabilities | 706 | 59 |
| Benefits paid | (289) | (210) |
| Curtailments | 13 | 13 |
| Liabilities at 31 July 2015 | <u>9,538</u> | <u>8,467</u> |
| | 2015 £'000 | 2014 £'000 |
| Reconciliation of assets | | |
| Assets at 1 August 2014 | 6,185 | 5,855 |
| Expected return on assets | 372 | 344 |
| Actuarial gain/(loss) | 216 | (101) |
| Employer contributions | 261 | 231 |
| Employee contributions | 68 | 66 |
| Benefits paid | (289) | (210) |
| Assets at 31 July 2015 | <u>6,813</u> | <u>6,185</u> |

Notes to the financial statements

24 Pension and similar obligations (continued)

History of experience gains and losses

| | 2015 £'000 | 2014 £'000 | 2013 £'000 | 2012 £'000 | 2011 £'000 |
|--|---------------|---------------|---------------|---------------|---------------|
| Difference between the expected and actual return on assets: Amount | 216 | (101) | 536 | (114) | 299 |
| Experience gains and losses arising on the scheme liabilities | (706) | (59) | (144) | (346) | (238) |
| Total amount recognised in STRGL Amount | (490) | (160) | 392 | (460) | 86 |

25 Net cash inflow from operating activities

| | 2015 £'000 | 2014 £'000 |
|---|---------------|---------------|
| Surplus on continuing operations after depreciation | 553 | 236 |
| Depreciation | 524 | 352 |
| Pensions adjustment | (39) | (10) |
| FRS17 pension finance income | (8) | - |
| Deferred capital grants released to income | (191) | (165) |
| Interest payable | 3 | 19 |
| (Increase)/decrease in debtors | (72) | 255 |
| Increase in creditors | 307 | 3 |
| Interest receivable | (13) | (18) |
| Net cash inflow from operating activities | <u>1,064</u> | <u>672</u> |

26 Analysis of changes in net funds

| | At 1 August 2014 £'000 | Cash flows £'000 | At 31 July 2015 £'000 |
|-----------------------------|------------------------------|---------------------|-----------------------------|
| Cash in at bank and in hand | 932 | (373) | 559 |
| Debt due within 1 year | - | (18) | (18) |
| Debt due after 1 year | - | (46) | (46) |
| Current asset investments | 1,500 | 803 | 2,303 |
| Total | <u>2,432</u> | <u>366</u> | <u>2,798</u> |

27 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 2015 there were 15 members (2014: 18 members).

Notes to the financial statements

28 **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 2015 or 31 July 2014.

29 **Related party transactions**

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

The Wentworth Castle and Stainborough Park Heritage Trust is a related party as a result of the College Principal's position as a director for the Trust and the level of planned property transactions which will be undertaken in the future. It is also considered that there is a level of common influence at the management level. One of the College Governors, Mr John Edwards is also a Trustee of the Wentworth Castle and Stainborough Park Heritage Trust. During the year the College made payments of £33,000 (2014: £33,000) to the Trust for grounds maintenance and £43,000 (2014: £43,000) for the leasing of property. The College received payments of £35,000 (2014: £34,000) from the Trust for various administrative services. At the year end there was a debtor balance outstanding of £9,000 (2014: £7,000).

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.