

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

Grant Thornton 

Financial statements

For the year ended 31 July 2003



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COMPANIES HOUSE

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29/05/04

Company no 1339524

## Company information

**Company registration number:** 1339524

**Charity registration number:** 507245

**Address:** Town Hall  
Barnsley  
South Yorkshire  
S70 2TA

**Principal:** Professor J A Jowitt

**Members:**

Cllr A Sockett	Prof W Hampton
Cllr M Morgan	Prof J A Jowitt
Cllr J McKenna	Mr J Owen
Cllr J Doyle	Mrs B Laird
Cllr M Walton	Mrs J Goodridge
Prof C Hawkes	Ms H A Putman
Prof R K S Taylor	Mr C E Hartley
Dr M Ball	Mr F Lord
Mr R Harrison	Mrs P Farrell
Mr E J Hartley	Mr C Macdonald
Mr W P Adams	Cllr the Rev P Flowers
Mr M Bradley	Ms P Johnson
Ms L G Wilkinson	Ms E Shields
Mr M T Bond	Dr P Macredie
Ms J Stubbs	Mr N Rafiq

**Bankers:** The Co-operative Bank

**Solicitors:** Eversheds

**Internal auditors:** Bentley Jennison, Leeds

**External auditors:** Grant Thornton  
Registered Auditors  
Chartered Accountants

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## Report of the members of the Board of Governors

### The College

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

### 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.

### Mission

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

To provide high quality residential and community-based learning which enables adults to realise their full potential, and which furthers the development of groups and organisations and the regeneration of communities.

### Objectives

In 2000 the College prepared a strategic plan for 1 August 2000 to July 2003. The Board of Governors monitors the performance of the College against the plan. The plan is reviewed and updated each year. The Board of Governors have approved a new set of strategic objectives for the period August 2002 to July 2005:

- To increase student numbers on an annual basis
- To continually improve the College fabric in terms of the learning environment, residential accommodation, disability access and social and recreational facilities
- To remain financially sound
- To be a recognised regional Centre of excellence in Community Regeneration through Learning
- To retain and build on an acknowledged reputation for the quality of provision through increased widening participation, the maintenance of high levels of retention and achievement and continuing improvement of the learning experience for all students.
- To continue with the development of a coherent framework of accredited and non-accredited provision at all levels and in all areas of provision.
- To contribute to the national and local targets for the reduction of adults who have basic skills learning needs by increasing the number of learners on discrete skills courses and by the further integration of basic and key skills across the College curriculum with a particular emphasis on ICT provision.
- To ensure, in conjunction with the Trustees and Barnsley MBC, that the Stainborough Park development reaches the objectives, as set, by 2005.

## Report of the members of the Board of Governors

### Objectives (continued)

The College is on target for achieving these objectives.

The College's specific objectives for 2002/03 and achievement of those objectives is addressed below:

- The College achieved an estimated 203 FTE learner numbers against a target of 192 (see below)
- Improving disability access. A range of minor improvements to the college facilities have been made to commence the process of complying with the Disability Discrimination Act.
- To maintain financial viability of the College; the College received confirmation from the LSC that its financial forecast for the period 2002 to 2005 was assessed as financial health category B
- The development of the Academy for Community Leaders. The Academy for Community Leadership has been established as a first stage in the development of a Regional Centre of Excellence in Community Regeneration.
- To increase the number of students who qualify for the uplift for widening participation. This was achieved. maintain high levels of retention and achievement. This was achieved. In 2002/03 57% of students qualified for the uplift (2002: 56%)
- To maintain high levels of retention and achievement. This was achieved. Student retention for 2002/03 was 98% (2002: 98%) Achievement for 2002/03 was 96% (2002: 96%)
- To increase the number of students with disabilities and/or learning difficulties. 27% of students provided a self declaration of disability and/or learning difficulties (2002: 24%)
- To continue the development of an integrated and coherent framework of accredited and non-accredited provision. Work has continued with the Open Colleges Network (OCN) to develop coherent and flexible qualifications. The Group Learning award will be introduced in 2003/04
- To increase the number of learners on basic skills provision. This was achieved. The number of learners in 2002/03 was 272 learners on 435 enrolments (2002: 133 learners on 212 enrolments) and the introduction of National Basic Skills tests.
- To secure funding from the Heritage Lottery Fund (HLF) and the LSC for the Wentworth Castle and Stainborough Park Project. The project has been awarded £10,357,000 from the HLF and £1,500,000 from the LSC

### Transparency arrangements

The College conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Governing Body. These committees are: The Board of Governors, Policy and Finance, Audit, Quality, Academic Board, Search and Remuneration. All committees meet termly with the exception of the Policy and Finance Committee which meets twice termly and the Remuneration and Search Committees which are convened as necessary. Full minutes of all meetings are available from the Clerk to the Governing Body at:

Northern College for Residential Adult Education Limited  
Wentworth Castle  
Stainborough  
Barnsley

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

## Report of the members of the Board of Governors

### **Performance Indicators/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.

### **Student Numbers**

The College is funded according to the level of activity that it generates each year. In 2002/03, the College achieved an estimated 203 FTE learners against a target of 192. This represents a reduction of 7% over 2001/02.

The College achieved an estimated 7,398 student enrolments (2002: 6,950).

### **Student Achievements**

Students achieved an estimated 96% of their qualification aims (2002: 96%).

### **Curriculum Developments**

Methods of teaching and learning are under continuous review and development to ensure that the curriculum meets the needs of the local population.

- Increased emphasis on basic skills provision as part of the overall College programme
- The achievement of a Centre of Excellence in Community Regeneration
- The development of short course awards and pathways

### **Finances**

The College generated an operating surplus for the year of £134,658 (2002: £95,391) compared with a planned surplus for the year of £98,520.

The College has accumulated reserves of £487,152 and cash balances of £318,645. The College wishes to continue to accumulate reserves and cash balances in order to fund future capital developments.

### **Staff and Student Involvement**

The College considers good communication with its staff to be very important and to this end publishes a regular newsletter that is available to all staff. The College continues to encourage staff and student involvement through the membership of formal committees.

### **Taxation**

The College was not liable for any corporation tax arising out of its activities during 2002/03.

### **Employment of Disabled Persons**

The College considers all applications for employment from disabled persons, bearing in mind the aptitudes of the individuals concerned. Where an existing employee becomes disabled every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion, which are, as far as possible, identical to those for other employees.

## Report of the members of the Board of Governors

### Disability Statement

The College seeks to achieve the objectives set down in the Disability Discrimination Act 1995 and in particular makes the following commitments:

- a The admissions policy for all students is described in the College Charter. Appeals against a decision not to offer a place are dealt with under the complaints policy.
- b Each student is allocated a course tutor or personal tutor to assist in the assessment of the need for any appropriate support.
- c The College has undertaken an accessibility audit and has begun a programme of work to ensure that where possible, given the physical constraints of the Grade 1 listed building, most of the facilities will allow access to people with a disability.
- d There is specialist equipment such as CCTV readers, PC software, magnifying glasses, loop systems, audio books and portable electronic spelling checkers that are available for use by students.
- e The College provides support services for students who have learning difficulties and/or disabilities such as note taking and signing facilities, appropriate learning materials, appropriate individual and workshop tuition and facilities for guide dogs.
- f There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.
- g Counselling and welfare services are described in the College Charter.

### Planned Maintenance Programme

The cost of the College's planned maintenance programme over a period of five years is estimated to be £1,026,900. The programme was developed following a survey of the College's estate that was carried out during 2002/03. The programme is reviewed each year.

The College plans to carry out some of the outstanding works over the next three years and has set aside funds for this purpose.

### Members of the Board of Governors

The members who served the College during the year were as follows:

	Date of appointment	Term of office	Date of resignation	Status of appointment	Committees served
Cllr A Sockett	31.05.2001	3 years		Local Auth Rep	Policy & Finance
Cllr M Morgan	01.08.2000	3 years	Re-appointed 01.08.2003	Local Auth Rep	Policy & Finance
Cllr J Doyle	01.08.2002	3 years		Local Auth Rep	Policy & Finance, Quality
Cllr J McKenna	01.08.2000	3 years	Re-appointed 01.08.2003	Local Auth Rep	Policy & Finance, Search
Cllr M Walton	01.08.2002	3 years		Local Auth Rep	Chair: Policy & Finance, Search
Cllr E McNally	01.08.2000	3 years	31.07.2003	Local Auth Rep	
Mr A B Chandler	01.08.2001	3 years	28.03.2003	UNISON	
Prof C Hawkes	01.08.2002	3 years		Educational Inst Rep	Policy & Finance

## Report of the members of the Board of Governors

### Members of the Board of Governors (continued)

	Date of appointment	Term of office	Date of resignation	Status of appointment	Committees served
Prof R K S Taylor	01.08.2002	3 years		Academic Adviser	
Dr M Ball	01.08.2001	3 years		Academic Adviser	Chair: Board of Governors Quality, Policy & Finance, Search, Advisory Chair: Audit, Search Audit
Mr C Chapman	01.08.2001	3 years	31.12.02	Business Rep	
Mr R Harrison	08.05.2001	3 years		Business Rep	
Mr D Henderson	01.08.2001	3 years	13.09.02	Business Rep	
Mr D Davison	01.08.2001	3 years	31.07.03	Business Rep	Audit, Search
Mr J McBane	01.08.2001	3 years	13.09.2002	Voluntary sector	
Mr R Bennett	01.08.2001	3 years	28.03.2003	Voluntary sector	
Mr E Hartley	01.08.2002	3 years		WEA Rep	Search
Mr W P Adams	01.08.2001	3 years		TUC Regional Ed	
Mr F Lord	13.12.2002	3 years		Business Rep	
Mrs P Farrell	13.12.2002	3 years		Minority ethnic	
Mr M Bradley	01.08.2001	3 years		Trades Union Rep	Policy & Finance
Ms L G Wilkinson	01.08.2001	3 years		Trades Union Rep	Policy & Finance
Mr M T Bond	01.08.2001	3 years		TUC Rep	
Ms J Stubbs	01.08.2002	3 years		Co-opted	
Prof W Hampton	01.08.2001	3 years		Co-opted	Quality
Prof J A Jowitt	01.03.1999	Exofficio		Principal	
Mr J Owen	01.08.2002	3 years		Co-opted	
Mrs B Laird	01.08.2002	3 years		Educational Inst Rep	Quality
Mrs J Goodridge	01.08.2002	3 years		F/t res/ admin staff rep	Quality
Ms H Putman	01.08.2002	3 years		F/t teaching staff rep	Policy & Finance, Quality
Mr C E Hartley	01.08.2002	3 years		NC Students' Assoc	
Mr C Macdonald	01.08.2002	3 years		Co-opted	Chair: Advisory
Ms T Bourne	13.12.2002	1 year	23.05.03	Student representative	

The following members of the Board of Governors have been appointed since the year end:

Cllr the Rev P Flowers	19.09.2003	3 years		Local Auth Rep	
Ms P Johnson	01.08.2003	3 years		UNISON	
Ms E Shields	19.09.2003	3 years		Business Rep	Audit
Dr P Macredie	19.09.2003	3 years		Business Rep	
Mr N Rafiq	19.09.2003	3 years		Minority ethnic organisations	Policy & Finance, Quality

ON BEHALF OF THE BOARD



Dr M Ball  
Chair, Board of Governors  
12 December 2003



## Corporate governance

The College is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the College has applied the principles set out in section 1 of the *Combined Code on Corporate Governance*, which was issued by the London Stock Exchange in June 1998. Its purpose is to help the reader of the accounts to understand how the principles have been applied.

With the exception of the full implementation of the Turnbull guidance as noted below under 'internal control', in the opinion of the Board of Governors the College complies with all the provisions of the Combined Code in so far as they apply to the further education sector, and it has complied throughout the year ended 31 July 2003.

### **The Board of Governors**

The composition of the Board of Governors is set out on pages 5 and 6. 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: finance and general purposes, remuneration, search 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 Governing Body, 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.

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 Chairman and Principal are separate.

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

Any new appointments to the Board of Governors are a matter for consideration of the Board of Governors as a whole. The Board of Governors has a search committee comprised of six members of the Governing Body which is responsible for a 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 3 years.

### **Remuneration Committee**

Throughout the year ending 31 July 2003, the College's remuneration committee comprised seven members of the Board of Governors. The committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Principal and other senior postholders.

Details of remuneration for the year ended 31 July 2003 are set out in note 6 to the financial statements.

## Corporate governance

### Audit Committee

The Audit Committee comprises of six members of the Board of Governors (excluding the Principal and Chair). The Committee operates in accordance with written terms of reference approved by the Board of Governors.

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

The College's internal auditors monitor the systems 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 statement auditors and their remuneration for both audit and non-audit work.

### Internal Control

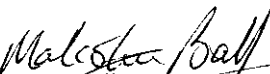
The Board of Governors is ultimately responsible for the College's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can provide only reasonable, not absolute, assurance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

The Board of Governors has delegated to the Principal, as Accounting Officer, the day-to-day responsibility for reviewing the adequacy of the system of internal financial control and making any appropriate amendments. He/she is also responsible for reporting to the Board of Governors any material weaknesses or breakdowns in internal financial control.

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 and operational for the final quarter of the financial year up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Board of Governors. The governors are unable to state that a formalised process has been in place for the previous quarters of the year, as this period was needed to put in place the procedures which the Board of Governors agreed should be established.

### 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 they continue to adopt the going concern basis in preparing the financial statements.



Dr M Ball

Chair, Board of Governors

12 December 2003

## Statement of governing body's responsibilities

### Members' responsibilities for the financial statements

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

Within the terms and conditions of the Financial Memorandum agreed between the Learning and Skills Council (the Council) and the Board of Governors of the College, the Board of Governors, through its Principal, is required to prepare financial statements for each financial year in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education Institutions and which give a true and fair view of the state of affairs of the College and the result for that year.

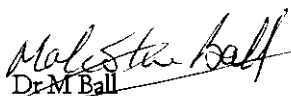
In preparing the financial statements, the Board of Governors is required to:

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

Members of the Board of Governors are responsible for ensuring that funds from the Council are used only in accordance with the Financial Memorandum with the Council and any other conditions that the Council may from time to time prescribe. Members of the Board of Governors must ensure that there are appropriate financial and management controls in place to safeguard public and other funds and ensure they are used properly. In addition, members of the Board of Governors 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 Council are not put at risk.

Signed on behalf of the Board of Governors



Dr M Ball  
Chair, Board of Governors

12 December 2003

## Statement of the system of internal financial control

As accounting officer, I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated by the Northern College.

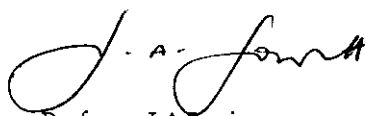
The system can provide only reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or will be detected within a timely period.

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

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

The Northern College has an internal audit service, which operates in accordance with the requirements of the Council's Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the College's Governing Body on the recommendation of the audit committee. At least 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 internal control, including internal financial control.

My review of the effectiveness of the system of internal financial control is informed by the work of the internal auditors, the audit committee which oversees the work of the internal auditor, the executive managers within the College who have responsibility for the development and maintenance of the financial control framework, and comments made by the College's external auditors and the Council appointed auditors of the College's individualised student record and funding claim in their management letter and other reports.



Professor J A Jowitt  
Principal

12 December 2003

# Report of the independent auditors to the members of The Northern College for Residential Adult Education Limited

We have audited the financial statements of The Northern College for Residential Adult Education Limited for the year ended 31 July 2003 which comprise the principal accounting policies, the income and expenditure account, the balance sheet, the cash flow statement and notes 1 to 30. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the College's members as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the College's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the College and the College's members as a body for our audit work, for this report, or for the opinions we have formed.

## **Respective Responsibilities of the Members of the Northern College and Auditors**

The College Board of Governors' responsibility for preparing the Members' Report and the financial statements in accordance with the Statement of Recommended Practice - Accounting for Further and Higher Education Institutions and applicable United Kingdom law and Accounting Standards, is set out in the statement of the Board of Governors members responsibilities on page 8.

Our responsibilities as independent auditors are established in the United Kingdom by applicable statute, relevant legal and regulatory requirements, the Auditing Practices Board and our profession's ethical guidance. We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice - Accounting for Further and Higher Education Institutions. We also report to you whether, in our opinion, in all material respects, monies expended out of funds from whatever source, administered by the College for specific purposes have been properly applied for those purposes and, if appropriate, managed in compliance with relevant legislation and whether in our opinion, in all material respects, monies expended out of funds provided by the Learning and Skills Council have been applied in accordance with the financial memorandum between the Learning and Skills Council and the Board of Governors of the College and any other terms and conditions attached to them.

We also report to you if, in our opinion, the Members' Report is not consistent with the financial statements, if the College has not kept proper accounting records, the accounting records do not agree with the financial statements or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Members' Report (including the corporate governance statement) and consider the implications for our report if we become aware of any apparent misstatements within it.

## **Basis of Audit Opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board and the Audit Code of Practice issued by the Learning and Skills Council. An audit includes examination, on a test basis, of evidence relevant to amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the College's Board of Governors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the College's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give us reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

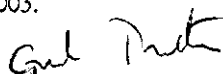
# Report of the independent auditors to the members of The Northern College for Residential Adult Education Limited

## **Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the College as at 31 July 2003 and of the College's surplus of income over expenditure, recognised gains and losses and cash flows for the year then ended and, are properly prepared in accordance with the Statement of Recommended Practice - Accounting for Further and Higher Education Institutions and with the Companies Act 1985.

In our opinion, in all material respects, monies expended out of funds from whatever source administered by the College for specific purposes have been properly applied for those purposes and, if appropriate, managed in compliance with relevant legislation for the year ended 31 July 2003.

In our opinion, in all material respects, monies expended out of funds provided by the Learning and Skills Council have been applied in accordance with the Financial Memorandum between the Learning and Skills Council and the Board of Governors of the College and any other terms and conditions attached to them for the year ended 31 July 2003.



**GRANT THORNTON**  
**REGISTERED AUDITORS**  
**CHARTERED ACCOUNTANTS**

**SHEFFIELD**  
**12 December 2003**

## Principal accounting policies

### **Basis of preparation**

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education Institutions and in accordance with applicable Accounting Standards. They conform to guidance published by the Learning and Skills Council in circular 03/08.

The financial statements have been prepared under the historical cost convention.

### **Recognition of income**

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.

Recurrent grant from the LSC is recognised in line with the latest estimate of grant receivable for the academic year following the LSC's interim funding audit. The College's approach to the recognition within income of any tolerance balances is informed by the Corporation's view of the likelihood of the college achieving the return deadlines set out within LSC Circular 03/11. Following the conclusion of the funding audit, the final recurrent grant allocation is determined in the subsequent February. Any difference between the estimated and final grant allocations are recognised in the following year's financial statements.

Non-recurrent grants from the Funding Council, or other bodies, received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

### **Stocks**

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

### **Maintenance of premises**

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

### **Pension schemes**

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

Contributions to the schemes 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 both schemes are determined by qualified actuaries on the basis of triennial valuations, using the projected unit method.

### **Tangible fixed assets**

#### **Land and buildings**

As the principal building of the College, Wentworth Castle, and the surrounding freehold land is historic, inalienable and reverts to the ownership of Barnsley Metropolitan Borough Council in the event of the College ceasing to occupy the site, the value of this freehold land and buildings has not been included in the balance sheet.

## Principal accounting policies

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

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

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

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

### Equipment and improvements to property

Equipment costing less than £1,500 per individual item is written off to the income and expenditure account in the year of acquisition. All other equipment is capitalised at cost. Capitalised equipment is depreciated over its useful life as follows:

Equipment	5%-20% per annum
Improvements to property	5%-20% per annum

Where equipment is acquired with the aid of specific grants it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related equipment.

### Taxation

The College is an exempt charity within the meaning of schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of section 506(1) of the Income and Corporation Taxes Act (ICTA) 1988.

Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 505 of the ICTA 1988 or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

The College receives no similar exemption in respect of Value Added Tax.

### Provisions

Provisions are recognised when the College has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

### Leased assets

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

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



## Income and expenditure account

	Note	2003 £	2002 £
<b>Income</b>			
Funding Council grants	1	2,862,793	2,568,636
Tuition fees and charges	2	311,949	269,931
Other grant income	3	712,723	539,363
Other operating income	4	901,246	907,269
Investment income	5	7,384	6,460
<b>Total income</b>		<u>4,796,095</u>	<u>4,291,659</u>
<b>Expenditure</b>			
Staff costs	6	3,186,206	2,997,913
Other operating expenses	8	1,210,112	916,180
Depreciation		246,834	259,998
Interest payable	10	18,285	22,177
<b>Total expenditure</b>		<u>4,661,437</u>	<u>4,196,268</u>
<b>Surplus on continuing operations after depreciation of assets</b>	21	<u>134,658</u>	<u>95,391</u>

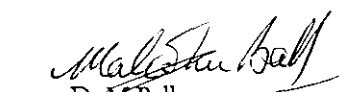
The Income and Expenditure account is in respect of continuing activities.

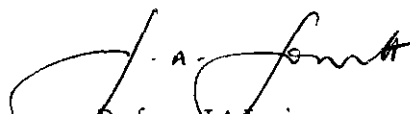
There were no recognised gains or losses other than the surplus for the financial year.

## Balance sheet

	Note	2003 £	2002 £
<b>Fixed assets</b>			
Tangible assets	12	2,050,076	2,129,353
<b>Current assets</b>			
Stock	13	19,780	21,584
Debtors	14	612,793	380,031
Cash at bank and in hand		318,645	265,955
		<u>951,218</u>	<u>667,570</u>
<b>Creditors: amounts falling due within one year</b>	15	<u>(700,870)</u>	<u>(486,986)</u>
<b>Net current assets</b>		<u>250,348</u>	<u>180,584</u>
<b>Total assets less current liabilities</b>		<u>2,300,424</u>	<u>2,309,937</u>
<b>Creditors: amounts falling due after more than one year</b>	16	<u>(127,168)</u>	<u>(163,077)</u>
<b>Provision for liabilities and charges</b>	18	<u>(44,010)</u>	<u>(42,140)</u>
		<u>2,129,246</u>	<u>2,104,720</u>
<b>Deferred capital grants</b>	19	<u>883,465</u>	<u>993,597</u>
<b>Reserves</b>			
Income and expenditure account	21	487,152	436,032
Capital reserve	20	758,629	675,091
		<u>1,245,781</u>	<u>1,111,123</u>
		<u>2,129,246</u>	<u>2,104,720</u>

The financial statements on pages 12 to 29 were approved by the Board of Governors on 12 December 2003 and were signed on its behalf by:

  
Dr M Ball  
Chair

  
Professor J A Jowitt  
Principal

## Cash flow statement

	Note	2003 £	2002 £
Net cash inflow from operating activities	24	244,323	265,580
Returns on investments and servicing of finance			
Interest received		7,384	6,460
Interest paid		(18,285)	(22,177)
Net cash outflow from returns on investments and servicing of finance		(10,901)	(15,717)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(167,557)	(150,855)
Receipt of capital grant		24,000	36,238
Net cash outflow from capital expenditure and financial investment		(143,557)	(114,617)
Net cash inflow before financing		89,865	135,246
Financing			
Net repayment of loans		(37,175)	(34,010)
Net cash outflow from financing		(37,175)	(34,010)
Increase in cash		52,690	101,236
Reconciliation of net cash flow to movement in net funds			
Increase in cash in the period		52,690	101,236
Cash outflow from loans		37,175	34,010
Movement in net funds in period	25	89,865	135,246
Net funds/(debt) at 1 August 2002		55,528	(79,718)
Net funds at 31 July 2003	25	145,393	55,528

## Notes to the financial statements

### 1 Funding council grants

	Learning and Skills Council 2003 £	Learning and Skills Council 2002 £
Recurrent grant	2,209,489	2,142,071
Release of deferred capital grants	96,895	101,900
Child Care	10,965	46,458
Ethnic minority student achievement grant (section 11)	929	-
Local initiative funds	88,834	-
FE Standards Funds	173,319	179,271
Non-schedule 2	-	13,090
Widening participation strategic partnerships	700	46,000
Centres for vocational excellence	2,000	-
Other funds	162,099	39,846
Additional funds in respect of prior years	117,563	-
	<u>2,862,793</u>	<u>2,568,636</u>

### 2 Tuition fees and charges

	2003 £	2002 £
Home fees and charges	<u>311,949</u>	<u>269,931</u>

### 3 Other grant income

	2003 £	2002 £
Release from deferred capital grants (non Funding Council)	37,237	55,124
European funds	129,007	25,217
Other funds	546,479	459,022
	<u>712,723</u>	<u>539,363</u>

### 4 Other operating income

	2003 £	2002 £
Catering and residence operations	780,585	808,578
Other income generating activities	120,661	98,691
	<u>901,246</u>	<u>907,269</u>

## Notes to the financial statements

### 5 Investment income

	2003 £	2002 £
Interest received	<u>7,384</u>	<u>6,460</u>

### 6 Staff costs

Staff costs during the year were as follows:

	2003 £	2002 £
Wages and salaries	2,694,209	2,536,532
Social security costs	210,768	193,973
Other pension costs	281,229	267,408
	<u>3,186,206</u>	<u>2,997,913</u>

The average monthly number of persons (including senior postholders) employed by the company during the year was (analysis of prior year comparatives has been adjusted in order to more accurately reflect allocation between categories):

	2003 Number	2002 Number
Teaching departments - teaching staff	50	46
Teaching support services	9	9
Other support services	16	15
Administration and central services	30	30
Premises	21	21
Catering and residences	18	18
	<u>144</u>	<u>139</u>

Staff costs for the above persons (analysis of prior year comparatives has been adjusted in order to more accurately reflect allocation between categories):

	2003 £	2002 £
Teaching departments - teaching staff	1,425,364	1,343,593
Teaching support services	273,326	212,004
Other support services	164,367	155,518
Administration and central services	806,896	813,987
Premises	251,520	224,097
Catering and residences	264,733	248,714
	<u>3,186,206</u>	<u>2,997,913</u>

Senior postholders are defined as the principal (Chief Executive) and holders of other posts as identified by the Board of Governors. The Board of Governors makes all appointments to senior posts.

## 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:

	2003 Number	2002 Number
£50,001 to £60,000	4	3
£60,001 to £70,000	-	1
£70,001 to £80,000	1	-
	<u>5</u>	<u>4</u>

A pay award of 3.5% was made for non-academic staff with effect from April 2002.

A pay award of 3.5% was made from August 2002 for academic and academic related staff.

### 7 Senior postholders emoluments

	2003 Number	2002 Number
The number of senior postholders including the principal was:	<u>9</u>	<u>9</u>

Senior postholders' emoluments are made up as follows:

	2003 £	2002 £
Salaries	350,273	291,653
Pension contributions	48,318	34,627
Total emoluments	<u>398,591</u>	<u>326,280</u>

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

	2003 £	2002 £
Salary	64,566	58,332
Pension contribution	9,039	8,166
	<u>73,605</u>	<u>66,498</u>

Senior postholders, including the principal, received a pay increase of 3.5% with effect from August 2002 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, vice 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

### 7 Senior postholders emoluments (continued)

#### Overseas activities

The following costs were incurred during 2002/03 in respect of overseas activities, which were carried out in accordance with the strategy approved by the governing body.

	Total cost £	Contributions received £	Net cost to College £
Senior postholders	-	-	-
Other staff	1,893	-	1,893

### 8 Other operating expenses

	2003 £	2002 £
Teaching Departments	246,629	132,111
Teaching support services	67,494	38,155
Other support services	62,190	55,954
Administration and central services	270,205	199,743
General education	118,980	71,181
Premises costs - running costs	131,125	134,946
Premises costs - Maintenance	54,522	52,941
Catering and residence operations	258,967	231,149
	<u>1,210,112</u>	<u>916,180</u>

Analysis of prior year comparatives has been adjusted in order to more accurately reflect actual allocation between categories.

Other operating expenses include:

	£	£
Auditors' remuneration		
- internal audit	11,415	5,576
- external audit	8,212	8,107
- other services	<u>2,996</u>	<u>1,381</u>

### 9 Bursaries

	2003 £	2002 £
Receipts	257,150	265,321
Payments	<u>(257,150)</u>	<u>(265,321)</u>
	<u>-</u>	<u>-</u>

## Notes to the financial statements

### 10 Interest payable

	2003 £	2002 £
On loans		
Repayable within 5 years, by instalments	2,896	4,503
Repayable wholly, or partly in more than five years	15,389	17,674
	<u>18,285</u>	<u>22,177</u>

### 11 Taxation

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

### 12 Tangible fixed assets

	Freehold land and buildings £	Improvements to property £	Equipment £	Total £
Cost				
At 1 August 2002	750,504	2,448,274	1,174,407	4,373,185
Additions	18,221	117,960	31,376	167,557
At 31 July 2003	<u>768,725</u>	<u>2,566,234</u>	<u>1,205,783</u>	<u>4,540,742</u>
Depreciation				
At 1 August 2002	51,653	1,230,677	961,502	2,243,832
Charge for the year	16,887	142,649	87,298	246,834
At 31 July 2003	<u>68,540</u>	<u>1,373,326</u>	<u>1,048,800</u>	<u>2,490,666</u>
Net book amount at 31 July 2003	<u>700,185</u>	<u>1,192,908</u>	<u>156,983</u>	<u>2,050,076</u>
Net book amount at 31 July 2002	<u>698,851</u>	<u>1,217,597</u>	<u>212,905</u>	<u>2,129,353</u>
Financed by capital grant	251,476	582,991	79,119	913,586
Other	448,709	609,917	77,864	1,136,490
	<u>700,185</u>	<u>1,192,908</u>	<u>156,983</u>	<u>2,050,076</u>

Freehold land and buildings and improvements to property with a net book value of £694,294 have been financed by exchequer funds. Should these assets be sold, the College may be liable, under the terms of the Finance memorandum with the Council, to surrender the proceeds.

Freehold land and buildings does not include the value of the main building and land as this is a historic, inalienable asset which would revert to Barnsley Metropolitan Borough Council should Northern College cease to occupy the site.



## Notes to the financial statements

### 13 Stock

	2003 £	2002 £
Goods for resale	<u>19,780</u>	<u>21,584</u>

### 14 Debtors

	2003 £	2002 £
Amounts falling due within one year:		
Trade debtors	592,052	352,692
Other debtors	13,768	17,793
Prepayments and accrued income	6,973	9,546
	<u>612,793</u>	<u>380,031</u>

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

	2003 £	2002 £
Loans	46,084	47,350
Payments received in advance	261,612	158,463
Trade creditors	251,432	190,744
Other taxation and social security	120,481	67,520
Accruals	21,261	22,909
	<u>700,870</u>	<u>486,986</u>

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

	2003 £	2002 £
Loans	<u>127,168</u>	<u>163,077</u>

## Notes to the financial statements

### 17 Borrowings

Borrowings are repayable as follows:

	2003 £	2002 £
Within one year Loans	46,084	47,350
After one and within two years Loans	22,861	35,909
After two and within five years Loans	82,468	75,304
After five years Loans	21,838	51,864
	<u>173,251</u>	<u>210,427</u>

The loans outstanding represent various monies lent to the College through:

	2003 £	2002 £
Council loans	112,183	124,449
Union loans	61,068	85,978
	<u>173,251</u>	<u>210,427</u>

Of the total loans outstanding £117,624 (2002: £139,972) is secured by charges on the company's assets.

The loans are repayable by instalments over differing periods and interest is charged at various rates.

### 18 Provision for liabilities and charges

Enhanced pension provision	Total £
At 1 August 2002	42,140
Provision made in the period	4,310
Expenditure in the period	(2,440)
At 31 July 2003	<u>44,010</u>

## Notes to the financial statements

### 19 Deferred capital grants

	Funding council £	Other grants £	Total £
At 1 August 2002			
Land and buildings and improvements to property	688,128	117,430	805,558
Equipment	104,907	83,132	188,039
	<u>793,035</u>	<u>200,562</u>	<u>993,597</u>
Cash receivable			
Land and buildings and improvements to property	-	-	-
Equipment	24,000	-	24,000
	<u>24,000</u>	<u>-</u>	<u>24,000</u>
Released to income and expenditure			
Land and buildings and improvements to property	61,774	11,992	73,766
Equipment	35,121	25,245	60,366
	<u>96,895</u>	<u>37,237</u>	<u>134,132</u>
At 31 July 2003			
Land and buildings and improvements to property	626,354	105,438	731,792
Equipment	93,786	57,887	151,673
	<u>720,140</u>	<u>163,325</u>	<u>883,465</u>

Analysis of capital grants received from the Learning and Skills Council during 2002/03:

	£
IT Infrastructure	<u>24,000</u>

### 20 Capital reserves

	2003 £	2002 £
At 1 August 2002	675,091	613,400
Transfer from income and expenditure account	152,612	115,942
Transfer to income and expenditure account	(69,074)	(54,251)
At 31 July 2003	<u>758,629</u>	<u>675,091</u>

### 21 Income and expenditure account

	2003 £	2002 £
At 1 August 2002	436,032	402,332
Surplus on continuing operations after depreciation	134,658	95,391
Transfer to capital reserve	(152,612)	(115,942)
Transfer from capital reserve	69,074	54,251
At 31 July 2003	<u>487,152</u>	<u>436,032</u>

## Notes to the financial statements

### 22 Capital commitments

	2003 £	2002 £
Contracted for but not provided in these financial statements	-	14,360

### 23 Pension and similar obligations

The College's employees belong to two principal pension schemes, the Universities Superannuation Scheme (USS) and the South Yorkshire Pensions Authority (SYPA). The total pension cost for the period was £281,229 (2002: £267,408). This includes the increase in the enhanced pension provision of £4,310 (2002: £9,160).

#### 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.

#### SSAP 24

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

Latest actuarial valuation	31 March 1999
Actuarial method	Projected Unit
Investment returns per annum	4.5%
Pension increases per annum	2.6%
Salary scale increases per annum	3.6%
Market value of assets at date of last valuation	£18,815 million
Proportion of members' accrued benefits covered by the actuarial value of the assets	108%

#### FRS 17

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 made for the year ended 31 July 2003 was £210,699 of which employers contributions totalled £148,572 and employees contributions totalled £62,127. The agreed contribution rates for future years are 13.9% for employers and 6% for employees.

## Notes to the financial statements

### 23 Pension and similar obligations (continued)

#### SSAP 24

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 2001
Actuarial method	Projected Unit
Investment returns per annum	6.5% per annum
Pension increases per annum	2.5% per annum
Salary scale increases per annum	4.0% per annum
Market value of assets at date of last valuation	£2,357 million

Proportion of members' accrued benefits covered by the actuarial value of the assets 90%

#### FRS 17

The following information is based upon a full valuation of the Fund at 31 March 2001 updated to 31 July 2003 by a qualified independent actuary.

	At 31 July 2003 %	At 31 July 2002 %
Inflation	2.5	2.5
Rate of increase in salaries	4.0	4.0
Rate of increase in pensions	2.5	2.5
Discount rate for liabilities	5.5	6.0

The assets of the scheme and the expected rate of return were (of which the College's share is estimated at 0.08%):

	Long-term rate of return expected at 31 July 2003 %	Value at 31 July 2003 £000	Long-term rate of return expected at 31 July 2002 %	Value at 31 July 2002 £000
Equities	7.5	1,368,994	8.0	1,290,806
Government bonds	4.7	354,843	6.0	{446,738
Other bonds	5.5	144,566	6.0	{
Property	6.5	236,562	7.0	249,103
Other	3.75	85,426	4.0	72,055
Total Market Value of assets		<u>2,190,391</u>		<u>2,058,702</u>
			2003 £'000	2002 £'000
College's estimated asset share			1,769	1,495
Present value of scheme liabilities			(2,726)	(2,191)
Deficit in the scheme			<u>(957)</u>	<u>(696)</u>

## Notes to the financial statements

### 23 Pension and similar obligations (continued)

Under the transitional arrangements of FRS 17, no provision has been made by the college for the institution's share of the deficit of the scheme. If provision were made, the following entries would be made:

Balance sheet presentation	2003 £'000	2002 £'000
Net assets excluding FRS 17 pension liability	2,129	2,105
Net pension liability	(957)	(696)
Net assets including FRS 17 pension liability	<u>1,172</u>	<u>1,409</u>

Reserves note	2003 £'000	2002 £'000
Income and expenditure account excluding FRS 17 pension liability	487	436
Pension reserve	(957)	(696)
Income and expenditure account including FRS 17 pension liability	<u>(470)</u>	<u>(260)</u>

Under the transitional arrangements for FRS 17, the College's pension charge for the year calculated under FRS 17 assumptions is not included in the financial statements (as this is currently calculated on a SSAP 24 basis). If the charge had been included on an FRS 17 basis, the following entries would be made.

Analysis of the amount charged to income and expenditure account	2003 £'000	2002 £'000
Service cost	118	97
Past service cost	-	-
Total operating charge	<u>118</u>	<u>97</u>

#### Analysis of net return on pension scheme

Expected return on pension scheme assets	117	122
Interest on pension liabilities	(137)	(121)
Net return	<u>(20)</u>	<u>1</u>

#### Amount recognised in the statements of total recognised gains and losses (STRGL)

Actual return less expected return on pension scheme assets	(47)	(337)
Experience gains and losses arising on the scheme liabilities	-	-
Change in financial and demographic assumptions underlying the scheme liabilities	(225)	-
Actuarial loss recognised in STRGL	<u>(272)</u>	<u>(337)</u>

#### Movement in deficit during year

Deficit in scheme at 1 August	(696)	(380)
Movement in year:		
Current service charge	(118)	(97)
Contributions	149	117
Past service costs	-	-
Net interest on assets	(20)	1
Actuarial gain or loss	(272)	(337)
Deficit in scheme at 31 July	<u>(957)</u>	<u>(696)</u>

## Notes to the financial statements

### 23 Pension and similar obligations (continued)

History of experience gains and losses (in practice, from 2005, 5 years must be shown)

	2003 £'000	2002 £'000
Difference between the expected and actual return on assets:		
Amount	(47)	(337)
% of scheme assets	2.7%	22.5%
Total amount recognised in STRGL		
Amount	(272)	(337)
% of scheme liabilities	10%	15.4%

### 24 Net cash inflow from operating activities

	2003 £	2002 £
Surplus on continuing operations after depreciation	134,658	95,391
Depreciation	246,834	259,998
Deferred capital grants released to income	(134,132)	(157,024)
Interest payable	18,285	22,177
Decrease/(increase) in stock	1,804	(3,518)
(Increase)/decrease in debtors	(232,762)	196,982
Increase/(decrease) in creditors	215,150	(148,724)
Increase in provisions	1,870	6,758
Interest receivable	(7,384)	(6,460)
Net cash inflow from operating activities	<u>244,323</u>	<u>265,580</u>

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

	At 1 August 2002 £	Cashflows £	At 31 July 2003 £
Cash in at bank and in hand	<u>265,955</u>	<u>52,690</u>	<u>318,645</u>
Debt due within one year	(47,350)	1,266	(46,084)
Debt due after one year	(163,077)	35,909	(127,168)
	<u>(210,427)</u>	<u>37,175</u>	<u>(173,252)</u>
Total	<u>55,528</u>	<u>89,865</u>	<u>145,393</u>

### 26 Reconciliation of movement in members' funds

	2003 £	2002 £
Surplus for the financial year	134,658	95,391
Opening members funds	<u>1,111,123</u>	<u>1,015,732</u>
Closing members funds	<u>1,245,781</u>	<u>1,111,123</u>

## Notes to the financial statements

### 27 Company limited by guarantee

The 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 2003 there were 27 members (2002: 23).

### 28 Contingent liabilities

There were no contingent liabilities at 31 July 2003 or 31 July 2002.

### 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.

### 30 Access funds

	2003 £'000	2002 £'000
Balance at 1 August 2002	12	1
Funding Council grants	28,692	25,097
Interest earned	21	21
	<u>28,725</u>	<u>25,119</u>
Disbursed to Students	(27,464)	(25,107)
Balance unspent at 31 July	<u>1,261</u>	<u>12</u>

Funding Council grants are available solely for students; the college acts only as paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure Account.