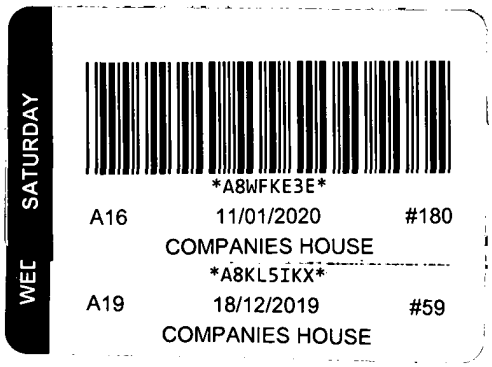
COMPANIES HOUSE

The Northern College for Residential Adult Education Limited

Annual report and financial statements

For the year ended 31 July 2019



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:	Y Mellor
Vice Principal:	D Pozorski
Company Secretary:	S Johnson (acted as Clerk to the Corporation throughout the year)
Members:	Prof M Bramhall Ms A Corrigan Mr J Edwards Ms K Fleming Dr C Forrest Mr R Harrison Mr N James Ms C Lawrence Mr F Lord Mr C Macdonald Ms Y Mellor Cllr K Richardson Ms E Stanley Prof T Thornton
Bankers:	Lloyds Bank plc 14 Church Street SHEFFIELD S1 1HP
Solicitors:	Eversheds LLP Cloth Hall Court Infirmary Street LEEDS LS1 2JB
Internal auditors:	Barnsley MBC – Internal Audit Services Westgate Plaza PO Box 634 BARNSLEY S70 9EY
Financial statements auditor:	Grant Thornton UK LLP Statutory Auditor Chartered Accountants 1 Holly Street SHEFFIELD S1 2GT

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

The Board of Governors present their annual report together with the financial statements and auditor's report for The Northern College for Residential Adult Education for the year ended 31 July 2019.

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

The Company

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

Mission

The College's mission as approved by the Board of Governors 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 2017/18 – 2022/23. The strategy was approved by the Board at its meeting on 14 December 2017. The plan was developed following extensive consultation with both staff and governors and has five key strategic themes:

- Being outstanding
- Transforming lives
- Celebrating and sharing
- Securing the future
- Increasing reach and impact

These are achieved within the framework of the following values:

- To inspire through learning
- To promote equality and celebrate diversity
- To promote social inclusion and resilience
- To nurture mutual respect and integrity
- 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 9-11. In setting and reviewing the College's strategic objectives, the Board of Governors has had due regard for the Charity Commission's guidance on public benefit and particularly its supplementary guidance on the advancement of education.

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

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

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

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

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

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

Transparency arrangements

The Board of Governors conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Board of Governors. These committees are: Policy and Finance, Audit, Quality, Search and Remuneration. The Audit Committee meets at least three times per year, the Policy and Finance Committee at least four times per year, the Quality Committee at least once per year, the Search Committee meets as and when required and at least once per year and the Remuneration Committee is convened at least once per year. Full minutes of all meetings are available from the Clerk to the Governors, except those deemed to be confidential by the Board of Governors, at:

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

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

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

Quality Assurance

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

Strategic Report

Financial Objectives

The College has set the following financial objectives:

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

Performance Indicators

The following shows the management accounting performance indicator targets and achievement for the College in comparison to the financial statements which include the FRS102 pension adjustments:

Management Accounts

		Target	Actual
✓	Target Surplus	>2.5%	3.1%
✓	Cash days in hand	>120	244
✓	Payroll costs of income	<60%	59.4.%
✓	Cash inflow from operating activities	>0	£320,000
✓	Current ratio	>1:1	6.39
✓	Borrowing	nil	nil

Financial Statements

		Actual
✓	Target Surplus	(9.88)%
✓	Cash days in hand	244
✓	Payroll costs of income	71.0%
✓	Cash inflow from operating activities	£202,000
✓	Current ratio	6.02
✓	Borrowing	nil

Financial results

The College generated an operating deficit for the year of £540,000 after pension adjustments (2018: surplus £34,000 after pension adjustments). The College has accumulated income and expenditure reserves, excluding the pension reserves, of £3,188,000 and cash balances of £3,658,000. Tangible fixed asset additions during the year amounted to £58,000, of which all related to equipment purchases.

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

Future Developments and going concern considerations

The Governors, Principal and Senior Leadership Team ["SLT"] recognise that the College is operating in a challenging funding environment and that it will continually need to review the effectiveness of its provision against the funding received; the need to be cost effective and take measures to reduce the cost of provision; as well as to search for new areas of work which are consistent with the mission of the College. To date the College's strategies have been successful and have resulted in a substantial increase in the College's cash reserves and the achievement of an outstanding financial health rating.

Treasury policies and objectives

Treasury management is the management of the College's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

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

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

Cash Flow

At £202,000 (2018: £465,000) a positive operating cash inflow position has been maintained. The overall net cash inflow was as a result of the College's treasury management policy to diversify and invest surplus funds; resulting in the investment of liquid resources of £2,612,000.

Liquidity

In 2014/15 the College accepted a small interest free loan from SALIX, repayable over a four year period. This was part of a larger capital scheme to renew and decentralise the campus heating system. The loan has now been repaid in full during 2018/19.

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. A brief description of the areas of provision is listed below.

Curriculum teams have spent time during planning to review their offer with a view to devolution and the new Ofsted framework, ensuring that all provision is relevant, meets local and national needs and provides value for money.

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

Current and future development and performance (continued)

This has resulted in a renewed focus on the use of a 'day visit' for community groups and individuals. These are to be re-badged as 'First Steps Days' providing tasters in areas of interest and advice & guidance to draw up the route to progression for individuals, further development in the outdoor offer, with the introduction of Forest Families and Forest Confidence courses, a new Pre-Access offer, focusing on Healthcare Professions, planned for January 2020, and the review of IT/Computing provision, working alongside partners in Barnsley, to develop a new Digital curriculum. It is likely that this will impact on the short course offer during the 2019-2020 year.

Access to HE and Higher Level Programmes
This programme area includes a full-time Access to HE Diploma which runs from September to June. This course can be accessed on a residential or non-residential full-time basis. This programme is fundable via a Level 3 Advanced Learner Loan for students aged 24+ and via the Skills Funding Agency for those under the age of 24 who do not hold a full level 3 qualification. This is a modular programme of study which provides opportunities for adults returning to education to develop appropriate skills and knowledge to enable them to realise their potential as individuals and progress to higher education or employment. Students follow a common programme for the five weeks of the course which aims to develop a broad range of academic and study skills; and also introduces students to a range of issues such as equality, values and diversity and inclusion prior to embarking on their main curriculum area. The programme offers two main curriculum pathways in Humanities and Social Sciences and Computing.

The college also delivers a Level 2 Pre-Access Diploma in Social Studies. This is a part-time, modular course and students can be residential or non-residential whilst studying. The programme is designed to enable students to achieve a full Level 2 qualification and progress on into further study or employment. The course focuses on developing key academic skills and a broad range of subjects including Citizenship, Psychology and History.

The College also offers a part time teacher training route which includes a Level 3 Award in Education and Training, a Cert Ed/PGCE/PGDip option and a BA in Education and Professional Development; which are delivered 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.

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.

The mainstay of our work are 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.

The College also offers 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 and the regional/national TUC. However the team are now engaging in conversations with a range of unions, including those above, about the possibility of full cost work for union reps and union members.

The College also has contracts with Leeds, Barnsley and Sheffield Councils for the provision of largely bespoke residential courses to groups and residents. In addition, we also have a range of other externally funded projects. Managers are constantly scanning the funding landscape to identify appropriate sources of external funding that fit with the mission and values of the College.

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

Foundation for Learning and Life Programmes
This programme area provides courses in Study Skills, Digital, Maths and English as well as a varied range of courses in the humanities, social sciences and care related areas. The course offer is designed so that students can progress from community and non-accredited learning to level two GCSE/Functional Skill, Progression and ITQ qualifications. The intention of this area of provision is to develop the skills of our students at a pace that enables them to engage and progress whether onto further courses within the College, to study with other providers or to enter the workplace.

Payment Performance

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

Stakeholder relationships

Northern College has many stakeholders. These include:

- Students;
- Funding agencies;
- Jobcentre Plus
- Local employers;
- Local Authorities;
- City Regions / Local Enterprise Partnerships;
- The local community;
- Other FE institutions;
- HE institutions;
- Trade unions;
- Professional bodies;
- Voluntary and Community Sector Organisations;
- Specific Local Communities;
- Social Enterprises and CCIs.

The College recognises the importance of these relationships and engages in regular communication with them. The College holds an annual stakeholder conference at which it both reports on past work and consults on future activity. The latest stakeholder conference was held on 14 September 2018.

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 Library & Learning Resource Centre, situated in a beautiful grade one listed garden managed by The National Trust to which College students have access.

People
The College employed an average of 81 people, expressed as full time equivalents, which includes lecturing staff, learning support workers and College support staff.

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

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

Student numbers

In 2018/19 the College delivered activity, under its adult education budget, to a value of £3,871,112 against an allocation of £3,506,702. This represents 1,996 part-time learners (3972 part-time enrolments) and 59 full-time ESFA funded learners (42 were funded through the adult learning loans facility). In addition, the College delivered provision to approximately 277 learners (283 enrolments) funded through partnership arrangements.

Student Achievements

Overall achievements at the College remain very high at 97% (2018: 97%).

Risk factors

In common with many other public sector organisations; a key factor impacting in 2018/19 was to increase income generation and diversity. The College is heavily reliant on ESFA income and has an income target to strengthen the commitment to finding additional sources of funding.

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

A risk register is maintained at the College which is reviewed monthly by the College Leadership Team; termly by the College's governor committees 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 ESFA 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 students.

b Recruitment to ESFA targets is therefore closely monitored through the production of monthly returns to the ESFA, regular monitoring by the Senior Leadership Team and the Leadership 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 students and allows for the development of recruitment strategies for new and developing areas of the curriculum. This in turn leads to the identification of potential project funding streams.

Accommodation

The College's Property Strategy, to improve sustainability and fitness for purpose of the estates, concluded in 2017. During 2019 the College engaged Fusion Project Management to prepare the College's next Property Strategy. Consultation with stakeholders has started to take place in late 2018/19 to gauge the College's requirements in relation to student numbers, academic offering and overall strategic aims. This will assist in the preparation of the new Estates Strategy which will look to outline the campus requirements for the next five years.

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

In June 2018, receipt was taken of the Quinquennial Survey report for the main house, prepared by a specialist architectural service and historic building consultancy. The report provided a thorough review of the condition of the main house at the campus and outlines a priority list of maintenance works that should be considered within the next five years. The survey will form the basis of a five year planned maintenance programme running through until 2023. However, there were some high priority works indicated that required remedial works to avoid further damage due to water ingress.

A detailed survey of the condition of the vaulted ceiling within the Long Gallery which houses the College's learning resource centre was undertaken in August 2018. The survey examined the condition of the lath and plaster vaulted centre section which has exhibited signs of damage due to water penetration. The survey indicated that a significant section of the vaulting had become displaced from the supporting timberwork and whilst there was no immediate risk of failure, the potential for collapse in the event of a significant rain event and the associated health and safety risk and the potential impact on learner experience as a result of the closure of the LRC it was felt that it would be prudent to immediately undertake some temporary restraint works. These works were completed early in September 2018.

The installation of an electronic door locking system (Salto) was completed in late summer 2018; with all external access and egress points to buildings now being controlled by the Salto system. This is in line with the College's proposed Lock Down procedure and will allow the College to control and monitor who is within buildings in the event of a fire or other critical incident.

Financial risk

The College uses financial instruments, comprising of cash and other liquid resources and various other items such as trade debtors and creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the College's operations. The main risk arising from the College's financial instruments is liquidity risk. The Senior Leadership Team review and agree policies for managing this risk and this policy has remained unchanged from previous periods. The College seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Main sources of funding are achieved from the ESFA by payments made through the 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 holds regular Principal's Briefings at which key messages are shared and an opportunity is given to all staff to bring points for discussion. The College continues to encourage staff and student involvement through the membership of formal committees and the Student Council 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 2018/19.

Equality in Employment

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

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

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

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

Equality and Diversity

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

Safeguarding

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

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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) 2018/19
Prof M Bramhall	First Appointed 19.07.13 Reappointed 19.07.17	4 years		Interest or expertise relevant to the college	Chair - Quality	100%
Ms A Corrigan	01.08.2018	4 years		Interest or expertise relevant to the college	Member – Audit	100%
Mr J Edwards	First Appointed 01.08.09 Reappointed 28.09.17	4 years		Interest or expertise relevant to the college	Member - Policy & Finance, Remuneration	100%
Ms K Fleming	First Appointed 16.03.12 Reappointed 17.03.16	4 years		Interest or expertise relevant to the college	Member – Quality, Policy & Finance, Remuneration (Quality to November 2018)	100%

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

	Date of appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance % (Board) 2018/19
Dr C Forrest	01.08.2018	4 years		Interest or expertise relevant to the college	Member – Quality, Lead Governor Safeguarding	75%
Ms R Guest/Ms N Goulding	13.12.18	Academic Year	25.05.19	Student		100%
Mr R Harrison	First Appointed 08.05.01 Reappointed 19.03.19	Sept 2020		Interest or expertise relevant to the College	Co-chair - Board of Governors; Chair – Company; Chair – Search	75%
Mr N James	13.07.17	4 years		Residential, Administrative and Support Team staff	Member – Policy and Finance	100%
Ms C Lawrence	12.07.18	4 years		Academic/Academic Related Staff	Member – Quality	100%
Mr F Lord	First Appointed 13.12.02 Reappointed 01.08.19	Sept 2020		Interest or expertise relevant to the College	Member - Remuneration	50%
Mr C Macdonald	First Appointed 13.09.02 Reappointed 19.03.19	Sept 2020		Interest or expertise relevant to the College	Co-chair- Board of Governors; Vice Chair – Company; Chair – Policy & Finance; Member - Remuneration, Search	100%
Ms Y Mellor	20.08.18	Ex-officio		Principal	Member – Policy & Finance, Quality, Search	100%
Cllr K Richardson	First Appointed 18.03.11 Reappointed 19.03.19	Sept 2020		Interest or expertise relevant to the College	Vice-Chair – Board of Governors; Member – Audit	75%
Ms A Shiels	14.07.16	4 years	14.03.19	Interest or expertise relevant to the College	Member – Policy & Finance	50%
Ms E Stanley	First Appointed 16.07.15 Reappointed 16.07.19	4 years		Interest and expertise relevant to the College	Chair – Audit	100%

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

	Date of appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance % (Board) 2018/19
Prof T Thornton	First Appointed 16.07.09 Reappointed 13.07.17	4 years		Interest and expertise relevant to the college	Member – Quality, Policy & Finance, Remuneration	75%
Ms S Tyler	14.07.16	4 years	01.07.19	Interest or expertise relevant to the College	Member – Audit	33%

At 31 July 2019 there were 14 members.

ON BEHALF OF THE BOARD

Co-Chair, Board of Governors
12 December 2019

Corporate governance statement incorporating the statement of internal control

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

The College endeavours to conduct its business:

i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
ii. in full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges and the Senior Staff Remuneration Code; and
iii. having due regard to the UK Corporate Governance Code ("the Code") insofar as it is applicable to the further education sector.

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

In the opinion of the Governors, the College complies with all the provisions of the Code of Good Governance for English Colleges, and it has complied throughout the year ended 31 July 2019. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times.

The Corporation

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

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

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

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

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

The Corporation carried out a self-assessment of its own performance for the year ended 31 July 2019 which was considered by the Board of Governors at its meeting in December 2019, the report assessed the College's governance against the OFSTED common inspection framework (CIF). No areas for concern were identified. A quality improvement plan addressing areas identified for further development will be implemented during 2019/20.

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.

Corporate governance statement incorporating the statement of internal control

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.

Appointments to the Board of Governors

Any new appointments to the Board of Governors are a matter for consideration of the Board of Governors as a whole. The Board of Governors has a Search Committee comprising between three and five members, which is normally responsible for the selection and nomination of any new member for the Board of Governors' consideration. The Board of Governors is responsible for ensuring that appropriate training is provided as required. Members of the Board of Governors are appointed for a term of office not exceeding four years.

Remuneration Committee

Throughout the year ended 31 July 2019 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 post holders and the pay awards of all staff. The Committee met on 7 February 2019. Recommendations regarding pay awards were made to the Board of Governors at its meeting on 12 March 2019.

Details of remuneration for the year ended 31 July 2019 are set out in note 8 to the financial statements.

During the year the Board of Governors adopted the Colleges' Senior Staff Remuneration Code and has been taking steps to ensure that it has achieved full compliance with its requirements by December 2019.

Audit Committee

The purpose of the Audit Committee is to advise the Board of Governors on the adequacy and effectiveness of the College's systems of internal control and its arrangements for risk management, control and governance processes.

The Audit Committee meets on a termly basis and provides a forum for reporting by the College's internal and financial statement auditors, who have access to the committee for independent discussion, without the presence of College management. The committee also receives and considers reports from the Education and 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 Corporation on the appointment of internal and financial statements auditors and their remuneration for both audit and non-audit work.

During 2018/19 the Audit Committee comprised of three members of the Board of Governors and two co-opted members. Membership excluded the Principal, staff governors, Chair of the Board of Governors and members of the Policy and Finance Committee. The Committee operated in accordance with written terms of reference approved by the Board of Governors.

Corporate governance statement incorporating the statement of internal control

Internal Control

Scope of Responsibility

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

The Board of Governors has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which she is personally responsible, in accordance with the responsibilities assigned to her in the Financial Memorandum between the College and the Education and 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 2019 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed, together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ended 31 July 2019 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 ESFA's Post 16 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

Corporate governance statement incorporating the statement of internal control

internal audit plans are endorsed by the Corporation 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.

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

Review of effectiveness

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

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

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 Leadership Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Senior Leadership Team and the Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Board of Governor's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Senior Leadership Team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2018 meeting, the Board of Governors will carry out the annual assessment for the year ended 31 July 2019 by considering documentation from the Senior Management Team and internal audit.

Going concern

The College is reporting net liabilities, after the pension provisions, of £396,000; and net assets of £4,560,000 prior to defined benefit pension provisions. The College has achieved strong surpluses for a number of years which has resulted in cash balances and short term investments of £3,658,000, nil borrowings and an ESFA financial health rating of good or outstanding.

The College's 2019-2020 financial plan forecasts a management accounting surplus of 2.61%.

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

Co-Chair, Board of Governors
12 December 2019

Y Mellor - Principal
12 December 2019

Corporate governance statement incorporating the statement of internal control

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

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

We confirm on behalf of the Corporation that after due enquiry, that to the best of its knowledge, the Corporation believes it is able to identify any material irregular or improper use of funds by the College, or material non-compliance with the Education and Skills Funding Agency's terms and conditions of funding under the College's financial memorandum.

We further confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date. If any instances are identified after the date of this statement, these will be notified to the Education and Skills Funding Agency.

Co-Chair, Board of Governors
12 December 2019

Y Mellor - Principal
12 December 2019

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 in accordance with applicable law and regulations.

Under Company Law and within the terms and conditions of the Financial Memorandum agreed between the ESFA and the Corporation of the College, the Corporation, through its Principal, is required to prepare financial statements for each financial year in accordance with the 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education,* the Accounts Direction 2016 to 2017 issued by the ESFA and with the Companies Act 2006, and which give a true and fair view of the state of affairs of the College and the result for that year.

In preparing the financial statements, the members of the College's governing body are 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 Report of the members of the Board of Governors incorporating the strategic 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. They are 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; 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.

The Corporation is 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 ESFA are used only in accordance with the Financial Memorandum with the ESFA and any other conditions that the ESFA may prescribe from time to time. Members of the College's governing body 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 College's governing body 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 ESFA are not put at risk.

Approved by order of the members of the College's governing body on 12 December 2019 and signed on its behalf by:

Signed on behalf of the Board of Governors



Co-Chair, Board of Governors

Grant Thornton

Independent auditor's report to the members of The Northern College for Residential Adult Education Limited

Opinion

We have audited the financial statements of The Northern College for Residential Adult Education Limited (the 'College') for the year ended 31 July 2019, which comprise the statement of comprehensive income, the statement of changes in reserves, the balance sheet, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2019 and of the College's deficit of income over expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education issued in March 2014 and any subsequent amendments; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We have been appointed as auditor under the Companies Act 2006 and report in accordance with that Act. We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the College in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the members of the College's Governing Body's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the members of the College's Governing Body have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the College's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Grant Thornton

Independent auditor's report to the members of The Northern College for Residential Adult Education Limited

Other information

The members of the College's Governing Body are responsible for the other information. The other information comprises the information included in the annual report and financial statements, set out on pages 1 to 17, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Report of the members of the Board of Governors (the members of the Board of Governors are also the directors of the charitable company for the purpose of company law), incorporating the Strategic report, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the members of the Board of Governors, incorporating the Strategic Report, has been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the College and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the members of the Board of Governors, incorporating the Strategic Report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 and / or the Post-16 Audit Code of Practice 2018 to 2019 issued by the Education & Skills Funding Agency requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have 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 members of the Governing body's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Grant Thornton

Independent auditor's report to the members of The Northern College for Residential Adult Education Limited

Responsibilities of the members of the College's Governing Body for the financial statements

As explained more fully in the Statement of governing body's responsibilities set out on page 17, the members of the College's Governing Body (who are also the directors of the charitable company for the purpose of company law) are responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the members of the College's Governing Body determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the College's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the College's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the College and the College's members as a body, for our audit work, for this report, or for the opinions we have formed.

Michael Redfern
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Sheffield
13 December 2019

Grant Thornton

Reporting accountant's assurance report on regularity to the corporation of The Northern College for Residential Adult Education Limited and Secretary of State for Education acting through the Department for Education ('the Department')

In accordance with the terms of our engagement letter dated 8 October 2019 and further to the requirements of the financial memorandum with the 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 2018 to 31 July 2019 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 Post-16 Audit Code of Practice ('the Code') issued by the Department. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record (ILR) returns, for which the Department 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 Department, 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 the Department 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 the Department, 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 our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. 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 2018 to 31 July 2019 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Grant Thornton

Reporting accountant's assurance report on regularity to the corporation of The Northern College for Residential Adult Education Limited and Secretary of State for Education acting through the Department for Education ('the Department')

Approach

We conducted our engagement in accordance with the Code issued by the Department. We performed a limited assurance engagement as defined in that framework.

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity.

A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

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

The work undertaken to draw our conclusion includes:

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

Conclusion

In the course of our work, nothing has come to our attention which suggests that, in all material respects, the expenditure disbursed and income received during the period 1 August 2018 to 31 July 2019 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Use of our report

This report is made solely to the corporation of The Northern College for Residential Adult Education Limited and the Department in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the corporation of The Northern College for Residential Adult Education Limited and the Department 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 the Department, as a body, for our work, for this report, or for the conclusion we have formed.

Grant Thornton UK LLP
Chartered Accountants
Sheffield
13 December 2019

Statement of comprehensive income

	Note	2019 £'000 Excluding USS provision	2019 £'000 USS provision made in the year (note 8)	2019 £'000	2018 £'000
Income					
Funding body grants	2	**4,741**	-	**4,741**	4,476
Tuition fees and education contracts	3	**391**	-	**391**	348
Research grants and contracts	4	**11**	-	**11**	12
Other income	5	**293**	-	**293**	265
Investment income	6	**27**	-	**27**	15
Donations	7	-	-	-	15
Total income		**5,463**	-	**5,463**	5,131
Expenditure					
Staff costs	8	**3,346**	**530**	**3,876**	3,123
Other operating expenses	9	**1,775**	-	**1,775**	1,603
Depreciation	14	**265**	-	**265**	275
Interest payable and other finance costs	11	**87**	-	**87**	96
Total expenditure		**5,473**	**530**	**6,003**	5,097
Surplus for the year retained within general reserves		**(10)**	**(530)**	**(540)**	34
Actuarial (loss)/gain in respect of pension schemes		**(1,467)**	-	**(1,467)**	1,173
Total comprehensive income for the year		**(1,477)**	**(530)**	**(2,007)**	1,207

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

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

Statement of changes in reserves

	Income and expenditure account £'000	Designated capital reserve £'000	Total £'000
Balance at 1 August 2017	(1,060)	1,511	451
Surplus from the Income and expenditure account	34	-	34
Other comprehensive income	1,173	-	1,173
Total comprehensive income for the year	1,207	-	1,207
Transfers between Capital account and Income and expenditure account	48	(48)	-
Balance at 31 July 2018	195	1,463	1,658
Deficit from the Income and expenditure account	(540)	-	(540)
Other comprehensive income	(1,467)	-	(1,467)
Total comprehensive income for the year	(2,007)	-	(2,007)
Transfers between Capital account and Income and expenditure account	91	(91)	-
Balance at 31 July 2019	**(1,721)**	**1,372**	**(349)**

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

Balance sheet

	Note	2019 £'000	2018 £'000
Non-current assets			
Tangible fixed assets	13	2,131	2,335
Intangible fixed assets	14	25	-
		2,156	2,335
Current assets			
Debtors	15	256	216
Investments	16	2,612	2,284
Cash at bank and in hand	24	1,046	1,240
		3,914	3,740
Less: Creditors: amounts falling due within one year	17	(650)	(806)
Net current assets		3,264	2,934
Total assets less current liabilities		5,420	5,269
Creditors: amounts falling due after more than one year	18	(704)	(783)
Provisions			
Defined benefit obligations	23	(4,158)	(2,504)
Other provisions	20	(907)	(324)
Total net assets		(349)	1,658
Unrestricted reserves			
Income and expenditure account		(1,721)	195
Designated capital reserve		1,372	1,463
Total funds		(349)	1,658

The financial statements on pages 23 to 46 were approved and authorised for issue by the Board of Governors on 12 December 2019 and were signed on its behalf by:

Co-Chair

Principal

Company number: 01339524

MR. ROBERT HARRISON

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

Statement of cash flows

	2019 £'000	2018 £'000
Cash inflow from operating activities		
Deficit for the year	(540)	34
Adjustment for non-cash items		
Depreciation	262	275
Amortisation	3	-
(Increase)/decrease in debtors	(40)	112
Increase/(decrease) in creditors due within one year	(147)	13
Decrease in creditors due after one year	(79)	(89)
(Decrease)/increase in provisions	568	(19)
Pension cost	394	324
Pension contributions paid	(279)	(266)
Adjustments for investing or financing activities		
Investment income	(27)	(15)
Interest payable	87	96
Net cash inflow from operating activities	202	465
Cash flows from investing activities		
Investment income	27	15
New deposits	(328)	(3)
Payments made to acquire fixed assets	(86)	(133)
	(387)	(121)
Cash flows from financing activities		
Repayments of amounts borrowed	(9)	(18)
	(9)	(18)
(Decrease)/increase in cash and cash equivalents in the year	(194)	326
Cash and cash equivalents beginning of the year	1,240	914
Cash and cash equivalents at end of the year	1,046	1,240

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

Notes to the financial statements

1 Statement of accounting policies and estimation techniques

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

Basis of preparation

These financial statements are prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 (the 2015 FE HE SORP), The College Accounts Direction for 2018 to 2019 and in accordance with Financial Reporting Standard 102 – "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

The financial statements are presented in Sterling (£).

Going concern

The College is reporting net liabilities, after the pension provisions, of £396,000; and net assets of £4,560,000 prior to defined benefit pension provisions. The College has achieved strong surpluses for a number of years which has resulted in cash balances and short term investments of £3,658,000, nil borrowings and an ESFA financial health rating of good or outstanding.

The College's 2019-2020 financial plan forecasts a management accounting surplus of 2.61%.

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

Recognition of income

Income for tuition fees is recognised in the period in which delivery has taken place and includes all fees chargeable to students or their sponsors.

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

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

The recurrent grants from the ESFA represent the funding allocations attributable to the current financial year and are credited direct to the income and expenditure account. Recurrent grants are recognised in line with planned activity. Any under-achievement against this planned activity is adjusted in the year and is reflected in the line of the recurrent grant recognised in the income and expenditure account.

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

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.

Notes to the financial statements

1 Statement of accounting policies and estimation techniques (continued)

Accounting for post-employment benefits

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

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

The USS is a multi-employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the Scheme on a consistent and reasonable basis. The USS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year. A liability is recorded within provisions for any contractual commitment to fund past deficits within the USS scheme.

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

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

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

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

Short term Employment benefits

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

Enhanced pensions

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

Tangible fixed assets

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.

Notes to the financial statements

1 Statement of accounting policies and estimation techniques (continued)

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

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

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

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

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

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

Equipment	5%-33% per annum
Improvements to property	2%-20% per annum
Motor vehicles	14%-25% per annum

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

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

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

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

Purchased computer software - 5 Years

Notes to the financial statements

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

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

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

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

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

The College receives no similar exemption in respect of Value Added Tax. For this reason, the College is generally unable to recover input VAT it suffers on goods and services purchased. Non pay expenditure is therefore shown inclusive of VAT with any partial recovery netted off these figures.

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

Leased assets
Leasing agreements that transfer to the College substantially all the benefits and risks of ownership of an asset are treated as finance leases.

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

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

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

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

Notes to the financial statements

1 Statement of accounting policies and estimation techniques (continued)

Agency arrangements

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

Judgements in applying accounting policies and key sources of estimation uncertainty

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

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risk and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the group's tangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty:

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

- Local Government Pension Scheme
  The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 23, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2013 has been used by the actuary in valuing the pensions liability at 31 July 2018. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount on the pension liability.

- Universities Superannuation Scheme
  The USS is a multi-employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the Scheme on a consistent and reasonable basis. The USS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year. A liability is recorded within provisions for any contractual commitment to fund past deficits within the USS scheme.

- Provisions
  Provision is made for asset retirement obligations. These provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements. In addition, the timing of the cash flows and the discount rates used to establish net present value of the obligations require management's judgement.

Notes to the financial statements

2 Funding body grants

	2019 £'000	2018 £'000
ESFA recurrent grant and discretionary learner support funds	4,661	4,391
Release of deferred capital grants	80	85
	4,741	4,476

3 Tuition fees and Education contracts

	2019 £'000	2018 £'000
Home fees and charges	391	348

4 Research grants and contracts

	2019 £'000	2018 £'000
Release from deferred capital grants (non funding council)	9	9
Other funds	2	3
	11	12

5 Other income

	2019 £'000	2018 £'000
Catering and residence operations	206	187
Other income generating activities	87	78
	293	265

6 Investment income

	2019 £'000	2018 £'000
Interest receivable	27	15

7 Donations

	2019 £'000	2018 £'000
Unrestricted donations	-	15

Notes to the financial statements

8 Staff costs

Staff costs during the year were as follows:	2019 £'000	2018 £'000
Wages and salaries	2,553	2,419
Social security costs	211	202
USS provision charge for year	530	7
Other pension costs (note 23)	582	495
	3,876	3,123

The average monthly number of persons; including key management personnel but excluding sessional teaching staff; employed by the College during the year, described as full time equivalents, was:

	2019 Number	2018 Number
Teaching departments - teaching staff	22	22
Teaching support services	15	15
Other support services	6	6
Administration and central services	20	21
Premises	18	17
	81	81

Staff costs for the above persons:

	2019 £'000	2018 £'000
Teaching departments - teaching staff	1,080	1,045
Teaching support services	548	486
Other support services	242	268
Administration and central services	936	865
Premises	441	417
USS payments and provision made	514	(16)
FRS 102(28) Retirement benefit cost	115	58
	3,876	3,123

Total staff costs analysed by type of contract were:

	2019 £'000	2018 £'000
Employment costs for staff on permanent contracts	2,873	2,823
Employment costs for staff on short-term and temporary contracts	374	258
USS payments and provision made	514	(16)
FRS 102(28) Retirement benefit cost	115	58
	3,876	3,123

The above amount includes £115,000 (2018: £58,000) in relation to the LGPS FRS 102 net current and past service pension cost, £514,000 (2018: -£16,000) in relation to the USS FRS 102 net current and past service pension cost.

Notes to the financial statements

8 Staff costs (continued)

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

	2019 Number Key management personnel	**2019 Number Other**	2018 Number Key management personnel	2018 Number Other
£60,001 to £65,000	-	**2**	-	1
£65,001 to £70,000	-	**-**	-	1
£70,001 to £75,000	-	**1**	-	-
£75,001 to £80,000	-	**-**	-	1
£80,001 to £85,00	-	**-**	1	-
£85,001 to £90,000	**1**	-	-	-
£90,001 to £95,000	-	-	-	-
£95,001 to £100,000	-	-	-	-
£100,001 to £105,000	-	-	1	-
£105,001 to £100,000	-	-	-	-
£110,001 to £115,000	-	-	-	-
£115,001 to £120,000	**1**	-	-	-
	2	**3**	2	3

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

A consolidated pay award of 2% was made in 2018/19 for academic and academic related staff. Admin and clerical staff received between a 2% & 6.2% pay award from April 2019.

Key management personnel's emoluments

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

The number of key management personnel including the principal was:

	2019 Number	2018 Number
Key management personnel	**2**	2

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

	2019 £'000	2018 £'000
Salaries	**176**	169
Employer's national insurance	**22**	21
	198	190
Pension contributions	**30**	18
Total key management personnel emoluments	**228**	208

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

Notes to the financial statements

8 Staff costs (continued)

The College's new principal started in post on the 20th August 2018. The above emoluments include amounts payable to the principal (who is also the highest paid officer) of:

	2019 £'000	2018 £'000
Salary	100	95
Pension contribution	19	7
	119	102

Key management personnel, excluding the Principal, received a consolidated pay award of 2% in 2018/19. 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. The Principal did not receive any pay award in 2018/19.

The governing body has adopted the Colleges' Senior Staff Remuneration Code and will assess pay in line with its principles in future.

The remuneration package of key management staff, including the Principal and Chief Executive, is subject to annual review by the Remuneration Committee of the governing body who use benchmarking information, linked to the value and performance delivered to provide objective guidance.

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

	2018/19	2017/18
Pay multiple of the Principal/Chief Executive/Accountable Officer basic pay and the median earnings of the College's whole workforce	4.2	3.78
Pay multiple of the Principal/Chief Executive/Accountable Officer total emoluments and the median earnings of the College's whole workforce	4.33	3.44

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

Directors' remuneration

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

	2019 £'000	2018 £'000
Emoluments	164	130
Pension contribution	29	12
	193	142

Post-employment benefits are accruing for three directors (2018: three) under a defined benefit scheme. No directors (2018: none) were members of defined contribution schemes.

Notes to the financial statements

9 Other operating expenses

	2019 £'000	2018 £'000
Teaching departments	82	69
Teaching support services	40	33
Other support services	138	152
Administration and central services	253	204
Examination costs	32	37
Premises costs – Running costs	385	358
Premises costs – Maintenance	176	179
Premises costs – Rents and leases	49	57
Catering and residence operations	562	514
Other costs	58	-
	1,775	1,603

Other operating expenses include:	2019 £'000	2018 £'000
Auditors' remuneration		
- Financial statements audit	16	16
- Internal audit	4	4

10 Adult Learning Loan Bursary / Discretionary Learner Support Funds

	2019 £'000	2018 £'000
Balance brought forward	-	21
Receipts	1,798	1,687
Payments directly to students	(162)	(112)
Funding body grants	(1,636)	(1,596)
Balance unspent at 31 July included in creditors	-	-

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

11 Interest and other finance costs

	2019 £'000	2018 £'000
Pension finance costs	87	96

The above amount includes £72,000 (2018: £88,000) in relation to the LGPS FRS 102 net pension finance cost, £8,000 (2018: £7,000) in relation to the USS FRS 102 net pension finance cost and £7,000 (2018: £1,000) in relation to the interest cost for the enhanced pension.

12 Taxation

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

Notes to the financial statements

13 Tangible fixed assets

	Freehold land and buildings £'000	Improve-ments to property £'000	Equipment £'000	Vehicles £'000	Total £'000
Cost					
At 1 August 2018	748	5,981	1,567	9	8,305
Additions	-	-	58	-	58
Disposals	-	-	(1)	-	(1)
At 31 July 2019	748	5,981	1,624	9	8,362
Depreciation					
At 1 August 2018	246	4,299	1,418	7	5,970
Charge for the year	13	189	59	1	262
Disposals	-	-	(1)	-	(1)
At 31 July 2019	259	4,488	1,476	8	6,231
Net book amount at 31 July 2019	**489**	**1,493**	**148**	**1**	**2,131**
Net book amount at 31 July 2018	502	1,682	149	2	2,335
Financed by capital grant	164	601	18	-	783
Other	325	892	131	-	1,348
	489	**1,493**	**149**	**-**	**2,131**

Freehold land and buildings and improvements to property with a net book value of £765,000 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 Intangible fixed assets

	Software £'000
Cost	
At 1 August 2018	-
Additions	28
At 31 July 2019	28
Amortisation	
At 1 August 2018	-
Charge for the year	3
At 31 July 2019	3
Net book value at 31 July 2019	25
Net book amount at 31 July 2018	-

Notes to the financial statements

15 Debtors

	2019 £'000	2018 £'000
Amounts falling due within one year:		
Trade receivables	120	178
Prepayments and accrued income	136	38
	256	216

16 Current asset investments

	2019 £'000	2018 £'000
Short term deposits	2,612	2,284

Deposits are held with banks and building societies operating in the London market and licensed by the Financial Conduct Authority with no more than three months' maturity at the balance sheet date.

17 Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Loan	-	9
Payments received in advance	60	70
Trade payables	208	257
Other creditors	6	6
Other taxation and social security	54	73
Accruals and deferred income	243	302
Deferred income – capital grants	79	89
	650	806

18 Creditors: amounts falling due after more than one year

	2019 £'000	2018 £'000
Deferred income – capital grants	704	783
	704	783

Notes to the financial statements

19 Maturity of debt

Loans are payable as follows:	2019 £'000	2018 £'000
Within one year	-	9
Between one and two years	-	-
	-	9

The above SALIX loan was fully repaid in the year.

20 Provisions

	Defined benefit obligations £'000	Obligation to fund deficit on USS Pension £'000	Enhanced pension £'000	Other £'000	Total £'000
At 1 August 2018	2,504	277	47	-	2,828
Provision made/(released) in the year	1,861	529	-	58	2,448
Interest cost	72	8	7	-	87
Payments	(279)	(16)	(3)	-	(298)
At 31 July 2019	**4,158**	**798**	**51**	**58**	**5,065**

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

	2019	2018
Price inflation	**2.2%**	1.3%
Net interest rate	**2.0%**	2.3%

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government Pension Scheme and Universities Superannuation Scheme. Further details are given in note 23.

The obligation to fund the past deficit on the Universities Superannuation Scheme (USS) arises from the contractual obligation with the pension scheme for total payments relating to benefits arising from past performance. Management has made an assessment of future employees within the USS scheme, salary payment and the likely yield from a mid-range corporate bond over the period of the contracted obligation in assessing the value of this provision. Since the year end, following the completion of the 2018 actuarial valuation, a new deficit recovery plan has been agreed of which more detail is given in note 23. As at 31 July 2019 and with all other assumptions used to calculate the provision unchanged, this would have resulted in a revised provision of £486,000, a decrease of £312,000 from the current year end provision.

Other provisions relates to a legal claim settlement.

Notes to the financial statements

21 Deferred income – capital grants

	Funding council £'000	Other grants £'000	Total £'000
At 31 July 2018			
Land and buildings and improvements to property	786	59	845
Equipment	26	-	26
Vehicles	1	-	1
	813	59	872
Released to income and expenditure			
Land and buildings and improvements to property	72	9	81
Equipment	7	-	7
Vehicles	1	-	1
	80	9	89
At 31 July 2019			
Land and buildings and improvements to property	**714**	**50**	**764**
Equipment	**18**	**-**	**18**
Vehicles	**1**	**-**	**1**
	733	**50**	**783**

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

Deferred capital grants are included in creditors as follows:

	2019 £'000	2018 £'000
Amounts falling due within one year	**79**	89
Amounts falling due after more than one year	**704**	783
	783	872

22 Capital commitments

Capital commitments in 2019 amounted to £nil (2018: £nil).

Notes to the financial statements

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 pension charge for the year excluding the movement in the USS provision (see note 20) is as follows:

	2019 £'000	2018 £'000
Universities' Superannuation Scheme contributions paid	212	199
USS payments to fund deficit	(16)	(23)
	196	176
South Yorkshire Pensions Authority contributions paid	279	266
FRS 102(28) charge	115	58
	394	324
Timing differences	(8)	(5)
	582	495

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 2018
Actuarial method	Projected Unit
Discount Rate	2.64%
Pensionable Salary Growth	n/a
Price Inflation (CPI)	2.02%
Market value of assets at date of last valuation	£63.6 Billion
Proportion of members' accrued benefits covered by the actuarial value of the assets	88%

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

South Yorkshire Pensions Authority

The SYPA is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The total contribution paid for the year ended 31 July 2019 was £338,000 (2018: £325,000) of which employer's contributions totalled £271,000 (2018: £260,000) and employees' contributions totalled £67,000 (2018: £65,000). The agreed contribution rates for future years are 14.9% for employers and from 5.5% to 12.5% for employees, depending on salary.

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

Notes to the financial statements

23 Pension and similar obligations (continued)

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 2016
Actuarial method	Projected Unit
Investment returns per annum	2-2.75% per annum
Pension increases per annum	2-2% per annum
Salary scale increases per annum	1.25%
Market value of assets at date of last valuation	£6.3 billion
Proportion of members' accrued benefits covered by the actuarial value of the assets	82%

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2019 carried out by a qualified independent actuary.

	At 31 July 2019 %	At 31 July 2018 %
Rate of increase in salaries	3.45	3.45
Rate of increase in pensions	2.3	2.3
Discount rate for scheme liabilities	2.1	2.9
Inflation assumptions (CPI)	2.2	2.2

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

	At 31 July 2019	At 31 July 2018
Retiring today		
Males	23.1	23.0
Females	25.9	25.8
Retiring in 20 years		
Males	25.3	25.2
Females	28.3	28.1

Notes to the financial statements

23 Pension and similar obligations (continued)

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

	% of total plan assets as at 31 July 2019	**Value at 31 July 2019 £'000**	% of total plan assets as at 31 July 2018	Value at 31 July 2018 £'000
Equity instruments	**52.3%**	**5,420**	53.2%	5,105
Government bonds	**14.3%**	**1,482**	14.3%	1,372
Other bonds	**7.3%**	**757**	7.3%	700
Property	**8.7%**	**902**	9.7%	931
Cash/liquidity	**3.2%**	**332**	4.6%	441
Other	**14.2%**	**1,472**	10.9%	1,046
Total fair value of assets		**10,365**		9,595

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

	2019 £'000	2018 £'000
Fair value of plan assets	**10,365**	9,595
Present value of plan liabilities	**(14,523)**	(12,099)
Net pensions liability	**(4,158)**	(2,504)

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

	2019 £'000	2018 £'000
Amounts included in staff costs		
Current service cost	**(315)**	(324)
Past service cost	**(79)**	-
Total	**(394)**	(324)

	2019 £'000	2018 £'000
Amounts included in interest and other finance costs		
Net interest cost	**(72)**	(88)

Amount recognised in Other comprehensive income

	2019 £'000	2018 £'000
Return on pension plan assets	**474**	431
Experience gain/losses arising on defined benefit obligations	**(1,941)**	742
Amount recognised in Other comprehensive income	**(1,467)**	1,173

Notes to the financial statements

23 Pension and similar obligations (continued)

Movement in net defined benefit liability during year

	2019 £'000	2018 £'000
Net defined benefit liability in scheme at 1 August	(2,504)	(3,531)
Movement in year:		
Current service charge	(315)	(324)
Past service cost	(79)	-
	(394)	(324)
Employer contributions	279	266
Net interest on the defined liability	(72)	(88)
Actuarial (loss)/gain	(1,467)	1,173
Net defined benefit liability at 31 July	(4,158)	(2,504)

Asset and Liability Reconciliation

	2019 £'000	2018 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	12,099	12,438
Current service cost	315	324
Interest cost	347	307
Contributions by scheme participants	68	64
Experience gains and losses on defined benefit obligations	1,941	(742)
Estimated benefits paid	(326)	(292)
Past Service Cost	79	-
Defined benefit obligations at end of period	14,523	12,099

Changes in fair value of plan assets

	2019 £'000	2018 £'000
Fair value of plan assets at start of period	9,595	8,907
Interest on plan assets	275	219
Return on assets	474	431
Employer contributions	279	266
Contributions by scheme participants	68	64
Estimated benefits paid	(326)	(292)
Fair value of plan assets at the end of the period	10,365	9,595

These accounts show a past service cost of £79,000 in respect of the McCloud/Sergeant judgment which ruled that the transitional protection for some members of public service schemes implemented when they were reformed constituted age discrimination. This provision is just under 0.0054% of the total scheme liability as at 31 July 2019.

A recent High Court ruling found Guaranteed Minimum Pensions (GMPs) must be equalised between men and women, and that past underpayments must be corrected. Employers, such as the College, with a defined benefit pension scheme and contracted out of the State Second Pension from 17 May 1990 to 5 April 1997 are covered by the ruling, and will be impacted by increased defined benefit pension obligations. The specific impact on the Trust is unknown.

Notes to the financial statements

24 Cash and cash equivalents

	At 1 August 2018 £'000	Cash flows £'000	At 31 July 2019 £'000
Cash at bank and in hand	1,240	(194)	**1,046**
Total	1,240	(194)	**1,046**

25 Company limited by guarantee

The Northern College Company is limited by guarantee and has no share capital. The liability of its members is limited to an amount not exceeding £1. At 31 July 2019 there were 14 members (2018: 15 members).

26 Contingent liabilities

The College has received grant income over many years. The funding bodies have claw back arrangements in place for many of the grants and the College may have to pay monies back in the event of an unsatisfactory audit. There were no contingent liabilities at 31 July 2019 or 31 July 2018.

27 Related party transactions

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

The Wentworth Castle and Stainborough Park Heritage Trust is a related party as a result of the College Principal's position as a director for the Trust and the level of planned property transactions which will be undertaken in the future. It is also considered that there is a level of common influence at the management level. Two of the College Governors, Mr John Edwards and Mr Clive Macdonald are also Trustees of the Wentworth Castle and Stainborough Park Heritage Trust. During the year the College made payments of £22,000 (2018: £33,000) to the Trust for grounds maintenance and £32,000 (2018: £59,000) for the leasing of property. The College received payments of £39,000 (2018: £52,000) from the Trust for various services. At the year end there was a £8,000 debtor balance outstanding (2018: no).

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.

The total expenses paid to or on behalf of the Governors during the year was £1,200; 3 governors (2018: £1,800; 3 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

Notes to the financial statements

28 Designated capital reserves

The designated capital reserve is a reserve created to maintain a balance equal to the fixed assets not funded by capital grants. The reserve is an unrestricted reserve and part of accumulated funds but maintained separately from the income and expenditure account.

29 Post balance sheet events

As set out in Note 23 in respect of the USS pension scheme, a new Schedule of Contributions based on the 2018 actuarial valuation has been agreed. This results in a decrease of £312,000 in the provision for the Obligation to fund the deficit on the USS pension which would instead be £486,000. This adjustment will be reflected in the College's Financial Statements for the year ended 31 July 2020.