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**THE NORTHERN COLLEGE  
FOR RESIDENTIAL ADULT  
EDUCATION LIMITED**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 JULY 2002



Company no 1339524



THE UNIVERSITY OF CHICAGO

# THE NORTHERN COLLEGE FOR RESIDENTIAL ADULT EDUCATION LIMITED

## FINANCIAL STATEMENTS

For the year ended 31 July 2002

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Company registration number: 1339524

Charity registration number: 507245

Address: Town Hall  
Barnsley  
South Yorkshire  
S70 2TA

Principal: Professor J A Jowitt

Members:	Cllr R Stone	Mr E J Hartley
	Cllr A Sockett	Mr W P Adams
	Cllr M Morgan	Mr M Bradley
	Cllr J McKenna	Ms L G Wilkinson
	Cllr M Walton	Mr M T Bond
	Cllr E McNally	Ms J Stubbs
	Mr A B Chandler	Prof W Hampton
	Prof C Hawkes	Ms J C Gibson
	Prof R K S Taylor	Mr M A Beard
	Dr M Ball	Prof J A Jowitt
	Mr C Chapman	Mr J Owen
	Mr R Harrison	Mrs B Laird
	Mr D G Henderson	Mrs J Goodridge
	Mr D H Davison	Ms H A Putman
	Mr J J McBane	Mr C E Hartley
	Mr R Bennett	

Bankers: The Co-operative Bank

Solicitors: Eversheds

Internal auditors: Bentley Jennison, Leeds

External auditors: Grant Thornton  
Registered Auditors  
Chartered Accountants

# THE NORTHERN COLLEGE FOR RESIDENTIAL ADULT EDUCATION LIMITED

## FINANCIAL STATEMENTS

For the year ended 31 July 2002

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# **THE NORTHERN COLLEGE FOR RESIDENTIAL ADULT EDUCATION LIMITED**

## **REPORT OF THE MEMBERS OF THE BOARD OF GOVERNORS**

For the year ended 31 July 2002

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### **The College**

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

### **The Company**

The Northern College Company previously comprised six full members; the local authorities of Barnsley, Doncaster, Rotherham, Sheffield and Leeds and the trade union UNISON. Bradford City Council and Kirklees MDC were associate members, while the City of Wakefield Metropolitan District Council also purchased educational programmes from the College. The Northern College Company operated under an exemption from the Local Government and Housing Act 1989: Directions under section 68(1). The exemption ceased on 31 March 2001. The College Company was reconstructed and from 1 April 2001 all members of the Board of Governors of the College constitute the Company.

### **Mission**

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

To provide high quality learning experiences for adults who have had little or no opportunity for education and training. To do this in support of lifelong learning, widening participation, partnerships and community regeneration. To offer facilities for study in a residential learning environment and, where appropriate, in a community setting or through distance learning, in order to assist individuals, groups, organisations and communities to realise their full potential.

### **Objectives**

In 2000 the College prepared a strategic plan for 1 August 2000 to July 2003. The Board of Governors monitors the performance of the College against the plan. The plan is reviewed and updated each year. The College's continuing strategic objectives are:

- A continued commitment to the College's mission
- To increase student numbers
- A continued improvement of the College's average retention and achievement levels
- Achieve convergence with the LSC funding methodology over the period 2000-2003
- A continuing commitment to improving the quality of provision
- To improve the quality of accommodation and further improve disabled access
- To maintain the financial viability of the College
- To progress development of the College as a Centre of Vocational Excellence in the field of Community Development and Regeneration

# **THE NORTHERN COLLEGE FOR RESIDENTIAL ADULT EDUCATION LIMITED**

## **REPORT OF THE MEMBERS OF THE BOARD OF GOVERNORS**

For the year ended 31 July 2002

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### **Objectives (continued)**

- To achieve a successful outcome to the Stainborough Park project bid to the Heritage Lottery Fund

The College is on target for achieving these objectives.

The College's specific objectives for 2001/02 and achievement of those objectives is addressed below:

- The College achieved an estimated 112,231 funding units against an allocation of 108,680 (see below)
- To maintain student retention. This was achieved. Student retention for 2001/02 was 98% (2001: 97%)
- To increase student numbers who qualify for the uplift for widening participation. 56% of students qualified for uplift
- To increase the number of students with disabilities and/or learning difficulties. 24% of students provided a self declaration of disability and/or learning difficulties
- To maintain financial viability of the College; the College received confirmation from the LSC that its financial forecast for the period 2001 to 2004 was assessed as financial health category B

### **Transparency arrangements**

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

Northern College for Residential Adult Education Limited  
Wentworth Castle  
Stainborough  
Barnsley

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

### **Performance Indicators/Quality Assurance**

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

### **Student Numbers**

The College is funded according to the units of activity it generates each year. In 2001/02 the College achieved an estimated 112,231 units against an allocation of 108,680. This represents growth of 10% over 2000/01.

The College achieved an estimated 6,950 student enrolments (2001: 7,359).

# **THE NORTHERN COLLEGE FOR RESIDENTIAL ADULT EDUCATION LIMITED**

## **REPORT OF THE MEMBERS OF THE BOARD OF GOVERNORS**

For the year ended 31 July 2002

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### **Student Achievements**

Students achieved an estimated 96% of their qualification aims (2001: 90%).

### **Curriculum Developments**

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

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

### **Finances**

The College generated an operating surplus for the year of £95,391 (2001: £59,082) compared with a planned surplus for the year of £28,120.

The College has accumulated reserves of £436,032 and cash balances of £265,955. The College wishes to continue to accumulate reserves and cash balances in order to fund future capital developments.

### **Staff and Student Involvement**

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

### **Taxation**

The College was not liable for any corporation tax arising out of its activities during 2001/02.

### **Employment of Disabled Persons**

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

# THE NORTHERN COLLEGE FOR RESIDENTIAL ADULT EDUCATION LIMITED

## REPORT OF THE MEMBERS OF THE BOARD OF GOVERNORS

For the year ended 31 July 2002

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### Disability Statement

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

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

### Planned Maintenance Programme

The cost of the College's planned maintenance programme over a period of five years is estimated to be £900,000. The programme was developed following a survey of the College's estate that was carried out during 1997/98. The programme is reviewed each year.

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



# THE NORTHERN COLLEGE FOR RESIDENTIAL ADULT EDUCATION LIMITED

## REPORT OF THE MEMBERS OF THE BOARD OF GOVERNORS

For the year ended 31 July 2002

### Members of the Board of Governors

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

	Date of appointment	Term of office	Date of resignation	Status of appointment	Committees served
Cllr R Stone	13.02.2001	3 years	17.06.2002	Local Auth Rep	Policy & Finance, Quality, Buildings & Dev
Cllr A Sockett	31.05.2001	3 years		Local Auth Rep	Policy & Finance
Cllr M Morgan	01.08.2000	3 years		Local Auth Rep	Policy & Finance, Buildings & Dev
Cllr J McKenna	01.08.2000	3 years		Local Auth Rep	Chair: Policy & Finance, Quality, Advisory, Buildings & Dev, Search
Cllr M Walton	22.01.2002	3 years		Local Auth Rep	Policy & Finance, Search
Cllr E McNally	01.08.2000	3 years		Local Auth Rep	Search
Mr A B Chandler	01.08.2001	3 years		UNISON	
Prof C Hawkes	01.08.2002	3 years		Educational Inst Rep	
Prof R K S Taylor	01.08.2002	3 years		Academic Adviser	
Dr M Ball	01.08.2001	3 years		Academic Adviser	Chair: Quality, Policy & Finance, Search
Mr C Chapman	01.08.2001	3 years		Business Rep	Chair: Audit, Search
Mr R Harrison	08.05.2001	3 years		Business Rep	
Mr D Henderson	01.08.2001	3 years		Business Rep	
Mr D Davison	01.08.2001	3 years		Business Rep	Chair: Buildings & Dev, Audit, Search
Mr J McBane	01.08.2001	3 years		Voluntary sector	
Mr R Bennett	01.08.2001	3 years		Voluntary sector	
Mr E Hartley	01.08.2001	3 years		WEA Rep	Search
Mr C Russell	19.01.2000	3 years	16.10.2001	TUC Regional Ed	
Mr W P Adams	01.08.2001	3 years		TUC Regional Ed	
Mr M Bradley	01.08.2001	3 years		Trades Union Rep	
Ms L G Wilkinson	01.08.2001	3 years		UNISON	Policy & Finance, Quality
Mr M T Bond	01.08.2001	3 years		TUC Rep	
Mr A McKay	01.08.1999	3 years	01.08.2002	Chair of Advisory Cttee	Advisory, Audit
Ms J Stubbs	01.08.2002	3 years		Co-opted	Buildings & Dev
Prof W Hampton	01.08.2001	3 years		Co-opted	Quality

# THE NORTHERN COLLEGE FOR RESIDENTIAL ADULT EDUCATION LIMITED

## REPORT OF THE MEMBERS OF THE BOARD OF GOVERNORS

For the year ended 31 July 2002

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

	Date of appointment	Term of office	Date of resignation	Status of appointment	Committees served
Ms J C Gibson	01.08.1999	3 years	31.07.2002	F/t teaching staff rep	Policy & Finance, Quality
Mr M A Beard	01.08.1999	3 years	31.07.2002	F/t res/admin staff rep	Quality
Prof J A Jowitt	01.03.1999	-		Principal	
Ms S Morton	01.10.1998	-	31.07.2002	Vice-principal	
Mr J Owen	12.03.2002	3 years		UNISON	

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

Mrs B Laird	01.08.2002	3 years	Educational Inst Rep	
Mrs J Goodridge	01.08.2002	3 years	F/t res/admin staff rep	Quality
Ms H A Putman	01.08.2002	3 years	F/t teaching staff rep	Policy & Finance, Quality
Mr C E Hartley	01.08.2002	3 years	NC Students' Assoc	

ON BEHALF OF THE BOARD



Dr M Ball  
Chair, Board of Governors  
24 January 2003

# THE NORTHERN COLLEGE FOR RESIDENTIAL ADULT EDUCATION LIMITED

## CORPORATE GOVERNANCE

For the year ended 31 July 2002

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

With the exception of the full implementation of the Turnbull guidance as noted below under 'internal control', in the opinion of the Board of Governors, the College complies with all the provisions of the Combined Code in so far as they apply to the Further Education Sector, and it has complied throughout the year ended 31 July 2002.

### **The Board of Governors**

The composition of the Board of Governors is set out on pages 5 and 6. It is the Board of Governors' responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

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

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, Buildings and Development, Audit, Quality, Academic Board, Search and Remuneration. All committees meet termly with the exception of the Policy and Finance Committee which meets twice termly and the Remuneration and Search Committees which are convened as necessary.

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

Formal agendas, papers and reports are supplied to governors in a timely manner, prior to Board meetings. Briefings are also provided on an ad-hoc basis.

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

There is a clear division of responsibility in that the roles of the Chairman and Principal are separate.

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

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

### **Remuneration Committee**

Throughout the year ending 31 July 2002, the College's remuneration committee comprised seven members of the Board of Governors. The committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Principal and other senior postholders.

# THE NORTHERN COLLEGE FOR RESIDENTIAL ADULT EDUCATION LIMITED

## CORPORATE GOVERNANCE

For the year ended 31 July 2002

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### Remuneration Committee (continued)

Details of remuneration for the year ended 31 July 2002 are set out in note 6 to the financial statements.

### Audit Committee

The audit committee comprises the Chair and five other members of the Board of Governors (excluding the Principal). The committee operates in accordance with written terms of reference approved by the Board of Governors.

The audit committee meets on a termly basis and provides a forum for reporting by the College's internal and external 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 Funding Council as they affect the College's business.

The College's internal auditors monitor the systems of internal control in accordance with an agreed plan of input and report their findings to management and the audit committee. Management are responsible for the implementation of agreed recommendations and internal audit undertake periodic follow up reviews to ensure such recommendations have been implemented.

The audit committee also advises the Board of Governors on the appointment of internal and external auditors and their remuneration for both audit and non-audit work.

### Internal Control

The Board of Governors is ultimately responsible for the College's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable 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 reviewing the adequacy of the system of internal financial control and making any appropriate amendments. He is also responsible for reporting to the Board of Governors any material weaknesses or breakdowns in internal financial control.

The Board of Governors is unable to state that a formalised process for identifying, evaluating and managing the College's significant risks has been in place and operational during the year ended 31 July 2002. In the period up to 31 July 2002, the College has put in place the procedures the Board of Governors agreed should be established and the Board of Governors is of the view that they have been operational from 1 August 2002.

The Board of Governors expects to be able to make a full statement on their corporate governance policy and their review of risks and the systems put in place to mitigate those risks in their report for the year to 31 July 2003.

### Going concern

The Board of Governors have a reasonable expectation that, subject to the continuation of government funding on the current basis, the College has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the accounts.



Dr M Ball  
Chair, Board of Governors  
24 January 2003

# THE NORTHERN COLLEGE FOR RESIDENTIAL ADULT EDUCATION LIMITED

## STATEMENT OF GOVERNING BODY'S RESPONSIBILITIES

For the year ended 31 July 2002

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### Members' responsibilities for the financial statements

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

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

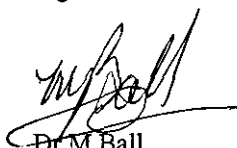
In preparing the financial statements, the Board of Governors is required to:

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

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

Members of the Board of Governors are responsible for ensuring that funds from the Council are used only in accordance with the Financial Memorandum with the Council and any other conditions that the Council may from time to time prescribe. Members of the Board of Governors must ensure that there are appropriate financial and management controls in place to safeguard public and other funds and ensure they are used properly. In addition, members of the Board of Governors are responsible for securing economical, efficient and effective management of the College's resources and expenditure, so that the benefits that should be derived from the application of public funds by the Council are not put at risk.

Signed on behalf of the Board of Governors



Dr M Ball  
Chair, Board of Governors

24 January 2003

# THE NORTHERN COLLEGE FOR RESIDENTIAL ADULT EDUCATION LIMITED

## STATEMENT OF THE SYSTEM OF INTERNAL FINANCIAL CONTROL

For the year ended 31 July 2002

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

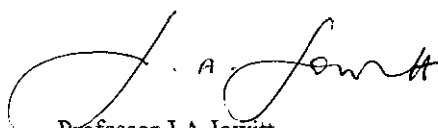
The system can provide only reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or will be detected within a timely period.

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

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

The Northern College has an internal audit service, which operates in accordance with the requirements of the Council's Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the College's Governing Body on the recommendation of the audit committee. At least annually, the Head of Internal Audit (HIA) provides the Governing Body with a report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of internal control, including internal financial control.

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



Professor J A Jowitt  
Principal

24 January 2003

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF  
THE NORTHERN COLLEGE FOR RESIDENTIAL ADULT EDUCATION LIMITED**

We have audited the financial statements of The Northern College for Residential Adult Education Limited for the year ended 31 July 2002 which comprise the principal accounting policies, the income and expenditure account, the balance sheet, the cash flow statement and notes 1 to 30. These financial statements have been prepared under the accounting policies set out therein.

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

The College Board of Governors' responsibility for preparing the Members' Report and the financial statements in accordance with the Statement of Recommended Practice - Accounting for Further and Higher Education Institutions and applicable United Kingdom law and Accounting Standards, is set out in the statement of the Board of Governors members responsibilities on page 9.

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

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

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

**Basis of Audit Opinion**

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

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

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF  
THE NORTHERN COLLEGE FOR RESIDENTIAL ADULT EDUCATION LIMITED**

**Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the College as at 31 July 2002 and of the College's surplus of income over expenditure, recognised gains and losses and cash flows for the year then ended and, are properly prepared in accordance with the Statement of Recommended Practice - Accounting for Further and Higher Education Institutions and with the Companies Act 1985.

In our opinion, in all material respects, monies expended out of funds from whatever source administered by the College for specific purposes have been properly applied for those purposes and, if appropriate, managed in compliance with relevant legislation for the year ended 31 July 2002.

In our opinion, in all material respects, monies expended out of funds provided by the Learning and Skills Council have been applied in accordance with the Financial Memorandum between the Learning and Skills Council and the Board of Governors of the College and any other terms and conditions attached to them for the year ended 31 July 2002.



**GRANT THORNTON  
REGISTERED AUDITORS  
CHARTERED ACCOUNTANTS**

SHEFFIELD  
24 January 2003



# **THE NORTHERN COLLEGE FOR RESIDENTIAL ADULT EDUCATION LIMITED**

## **PRINCIPAL ACCOUNTING POLICIES**

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### **BASIS OF PREPARATION**

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education Institutions and in accordance with applicable Accounting Standards. They conform to guidance published by the Learning and Skills Council in circular 02/07.

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

### **RECOGNITION OF INCOME**

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

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

Recurrent grants from the Funding Council are recognised in the period in which they are receivable.

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

### **STOCKS**

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

### **MAINTENANCE OF PREMISES**

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

### **PENSION SCHEMES**

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

Contributions to the schemes are charged to the income and expenditure account so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll.

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

# THE NORTHERN COLLEGE FOR RESIDENTIAL ADULT EDUCATION LIMITED

## PRINCIPAL ACCOUNTING POLICIES

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### TANGIBLE FIXED ASSETS

#### Land and buildings

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

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

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

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

#### Equipment and improvements to property

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

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

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

### TAXATION

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

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

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

### PROVISIONS

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

# **THE NORTHERN COLLEGE FOR RESIDENTIAL ADULT EDUCATION LIMITED**

## **PRINCIPAL ACCOUNTING POLICIES**

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### **LEASED ASSETS**

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

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

# THE NORTHERN COLLEGE FOR RESIDENTIAL ADULT EDUCATION LIMITED

## INCOME AND EXPENDITURE ACCOUNT

For the year ended 31 July 2002

	Note	2002 £	2001 £
<b>Income</b>			
Funding Council grants	1	2,568,636	2,203,191
Tuition fees and charges	2	269,931	148,816
Other grant income	3	539,363	859,662
Other operating income	4	907,269	1,015,195
Investment income	5	6,460	8,863
<b>Total income</b>		<b>4,291,659</b>	<b>4,235,727</b>
<b>Expenditure</b>			
Staff costs	6	2,997,913	2,950,291
Other operating expenses	8	916,180	910,572
Depreciation		259,998	281,280
Interest payable	10	22,177	34,502
<b>Total expenditure</b>		<b>4,196,268</b>	<b>4,176,645</b>
<b>Surplus on continuing operations after depreciation of assets</b>	21	<b>95,391</b>	<b>59,082</b>

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

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

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

# THE NORTHERN COLLEGE FOR RESIDENTIAL ADULT EDUCATION LIMITED

## BALANCE SHEET AT 31 JULY 2002

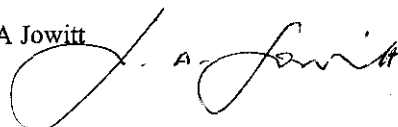
	Note	2002 £	2001 £
<b>Fixed assets</b>			
Tangible assets	12	2,129,353	2,238,496
<b>Current assets</b>			
Stock	13	21,584	18,066
Debtors	14	380,031	577,013
Cash at bank and in hand		265,955	164,719
		<u>667,570</u>	<u>759,798</u>
<b>Creditors: amounts falling due within one year</b>	15	<u>(486,986)</u>	<u>(631,641)</u>
<b>Net current assets</b>		<u>180,584</u>	<u>128,157</u>
<b>Total assets less current liabilities</b>		<u>2,309,937</u>	<u>2,366,653</u>
<b>Creditors: amounts falling due after more than one year</b>	16	<u>(163,077)</u>	<u>(201,156)</u>
<b>Provision for liabilities and charges</b>	18	<u>(42,140)</u>	<u>(35,382)</u>
		<u><u>2,104,720</u></u>	<u><u>2,130,115</u></u>
<b>Deferred capital grants</b>	19	993,597	1,114,383
<b>Reserves</b>			
Income and expenditure account	21	436,032	402,332
Capital reserve	20	675,091	613,400
		<u><u>2,104,720</u></u>	<u><u>2,130,115</u></u>

The financial statements on pages 16 to 31 were approved by the Board of Governors on 24 January 2003 and were signed on its behalf by:

Dr M Ball  
Chair



Professor J A Jowitt  
Principal



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

# THE NORTHERN COLLEGE FOR RESIDENTIAL ADULT EDUCATION LIMITED

## CASH FLOW STATEMENT

For the year ended 31 July 2002

	Note	2002 £	2001 £
<b>Net cash inflow from operating activities</b>	24	265,580	662
<b>Returns on investments and servicing of finance</b>			
Interest received		6,460	8,863
Interest paid		(22,177)	(25,149)
Finance lease interest paid		-	(9,353)
<b>Net cash outflow from returns on investments and servicing of finance</b>		(15,717)	(25,639)
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets		(150,855)	(115,789)
Receipt of capital grant		36,238	51,766
<b>Net cash outflow from capital expenditure and financial investment</b>		(114,617)	(64,023)
<b>Net cash inflow/(outflow) before financing</b>		135,246	(89,000)
<b>Financing</b>			
Capital element of finance lease rentals		-	(10,762)
Net repayment of loans		(34,010)	(42,136)
<b>Net cash outflow from financing</b>		(34,010)	(52,898)
<b>Increase/(decrease) in cash</b>		101,236	(141,898)
<b>Reconciliation of net cash flow to movement in net funds/(debt)</b>			
Increase/(decrease) in cash in the period		101,236	(141,898)
Cash outflow from loans		34,010	52,898
<b>Movement in net funds/(debt) in period</b>	25	135,246	(89,000)
Net (debt)/funds at 1 August 2001		(79,718)	9,282
<b>Net funds/(debt) at 31 July 2002</b>	25	55,528	(79,718)

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

# THE NORTHERN COLLEGE FOR RESIDENTIAL ADULT EDUCATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2002

### 1 FUNDING COUNCIL GRANTS

	Learning and Skills Council 2002 £	Learning and Skills Council 2001 £
Recurrent grant	2,142,071	1,901,545
Release of deferred capital grants	101,900	97,716
Child Care	46,458	-
FE Standards Funds	179,271	72,912
Non-schedule 2	13,090	116,018
Widening participation strategic partnerships	46,000	5,000
Other funds	39,846	10,000
	<u>2,568,636</u>	<u>2,203,191</u>

### 2 TUITION FEES AND CHARGES

	2002 £	2001 £
Home fees and charges	<u>269,931</u>	<u>148,816</u>

### 3 OTHER GRANT INCOME

	2002 £	2001 £
Release from deferred capital grants (non LSC)	55,124	64,052
European funds	25,217	242,237
Other funds	459,022	553,373
	<u>539,363</u>	<u>859,662</u>

### 4 OTHER OPERATING INCOME

	2002 £	2001 £
Catering and residence operations	808,578	571,912
Company membership fees	-	333,333
Other income generating activities	98,691	109,950
	<u>907,269</u>	<u>1,015,195</u>

### 5 INVESTMENT INCOME

	2002 £	2001 £
Interest received	<u>6,460</u>	<u>8,863</u>

# THE NORTHERN COLLEGE FOR RESIDENTIAL ADULT EDUCATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2002

### 6 STAFF COSTS

Staff costs during the year were as follows:

	2002 £	2001 £
Wages and salaries	2,536,532	2,518,078
Social security costs	193,973	191,331
Other pension costs	258,248	240,882
Staff restructuring - SSAP 24 provision	9,160	-
	<u>2,997,913</u>	<u>2,950,291</u>

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

	2002 Number	2001 Number
Teaching/research/special projects	61	62
Administration and central services	36	36
Premises	8	8
Catering and residences	34	34
	<u>139</u>	<u>140</u>

Staff costs for the above persons:

	2002 £	2001 £
Teaching departments	1,687,469	1,608,752
Administration and central services	804,827	886,048
Premises	136,515	116,144
Catering and residences	359,942	339,347
Staff restructuring - SSAP 24 provision	9,160	-
	<u>2,997,913</u>	<u>2,950,291</u>

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

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

	2002 Number	2001 Number
£50,001 to £60,000	3	3
£60,001 to £70,000	1	1
	<u>4</u>	<u>4</u>

A pay award of 3% was made for non-academic staff with effect from April 2002.

A pay award of 1% was made from September 2001 and a further 1% from March 2002 for Academic and Academic related staff.



# THE NORTHERN COLLEGE FOR RESIDENTIAL ADULT EDUCATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2002

### 7 SENIOR POSTHOLDERS EMOLUMENTS

	2002 Number	2001 Number
The number of senior postholders including the principal was:	<u>9</u>	<u>5</u>

Senior postholders' emoluments are made up as follows:

	2002 £	2001 £
Salaries	291,653	250,323
Pension contributions	34,627	34,627
Total emoluments	<u>326,280</u>	<u>284,950</u>

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

	2002 £	2001 £
Salary	58,332	55,332
Pension contribution	8,166	7,746
	<u>66,498</u>	<u>63,078</u>

Senior postholders, including the principal, received a pay increase of 1% with effect from 1 September 2001, and a further 1% from March 2002 approved by the Board of Governors. This increase was in line with the increase awarded to all Academic and Academic related staff.

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

#### Overseas activities

The following costs were incurred during 2001/02 in respect of overseas activities, which were carried out in accordance with the strategy approved by the governing body.

	Total cost £	Contributions received £	Net cost to College £
Senior postholders	14	-	14
Other staff	407	307	100
	<u>421</u>	<u>307</u>	<u>114</u>

# THE NORTHERN COLLEGE FOR RESIDENTIAL ADULT EDUCATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2002

### 8 OTHER OPERATING EXPENSES

	2002 £	2001 £
Teaching departments	132,111	247,699
Support services and supplies	131,451	57,566
Administration and central services	233,582	193,567
Premises costs	187,887	173,194
Other income generating activities	-	5,968
Catering and residence operations	231,149	232,578
	<u>916,180</u>	<u>910,572</u>

Other operating expenses include:

	£	£
Auditors' remuneration		
- internal audit	5,576	8,137
- external audit	8,107	7,638
- other services	1,381	1,510
	<u>14,064</u>	<u>17,285</u>

### 9 BURSARIES

	2002 £	2001 £
Receipts	265,321	200,508
Payments	<u>(265,321)</u>	<u>(200,508)</u>
	<u>-</u>	<u>-</u>

### 10 INTEREST PAYABLE

	2002 £	2001 £
On loans		
Repayable within 5 years, by instalments	4,503	5,969
Repayable wholly, or partly in more than five years	17,674	19,180
	<u>22,177</u>	<u>25,149</u>
On finance leases	-	9,353
	<u>22,177</u>	<u>34,502</u>

### 11 TAXATION

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

# THE NORTHERN COLLEGE FOR RESIDENTIAL ADULT EDUCATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2002

### 12 TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Improvements to property £	Equipment £	Total £
Cost				
At 1 August 2001	746,891	2,359,273	1,116,166	4,222,330
Additions	3,613	89,001	58,241	150,855
At 31 July 2002	<u>750,504</u>	<u>2,448,274</u>	<u>1,174,407</u>	<u>4,373,185</u>
Depreciation				
At 1 August 2001	35,131	1,092,078	856,625	1,983,834
Charge for the year	16,522	138,599	104,877	259,998
At 31 July 2002	<u>51,653</u>	<u>1,230,677</u>	<u>961,502</u>	<u>2,243,832</u>
Net book amount at 31 July 2002	<u>698,851</u>	<u>1,217,597</u>	<u>212,905</u>	<u>2,129,353</u>
Net book amount at 31 July 2001	<u>711,760</u>	<u>1,267,195</u>	<u>259,541</u>	<u>2,238,496</u>
Financed by capital grant	256,944	648,589	124,542	1,030,075
Other	441,907	569,008	88,363	1,099,278
	<u>698,851</u>	<u>1,217,597</u>	<u>212,905</u>	<u>2,129,353</u>

Freehold land and buildings and improvements to property with a net book value of £756,068 have been financed by exchequer funds. Should these assets be sold, the College may be liable, under the terms of the Finance memorandum with the Council, to surrender the proceeds.

### 13 STOCK

	2002 £	2001 £
Goods for resale	<u>21,584</u>	<u>18,066</u>

### 14 DEBTORS

	2002 £	2001 £
Amounts falling due within one year:		
Trade debtors	352,692	542,283
Other debtors	17,793	16,347
Prepayments and accrued income	9,546	18,383
	<u>380,031</u>	<u>577,013</u>

# THE NORTHERN COLLEGE FOR RESIDENTIAL ADULT EDUCATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2002

### 15 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £	2001 £
Loans	47,350	43,281
Payments received in advance	158,463	268,263
Trade creditors	190,744	222,420
Other taxation and social security	67,520	71,022
Accruals	22,909	26,655
	<u>486,986</u>	<u>631,641</u>

### 16 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2002 £	2001 £
Loans	<u>163,077</u>	<u>201,156</u>

### 17 BORROWINGS

Borrowings are repayable as follows:

	2002 £	2001 £
Within one year		
Loans	47,350	43,281
After one and within two years		
Loans	35,909	38,079
After two and within five years		
Loans	75,304	83,801
After five years		
Loans	51,864	79,276
	<u>210,427</u>	<u>244,437</u>

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

	2002 £	2001 £
Council loans	124,449	135,564
Union loans	85,978	108,873
	<u>210,427</u>	<u>244,437</u>

Of the total loans outstanding £139,972 (2001: £160,188) is secured by charges on the company's assets.

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

# THE NORTHERN COLLEGE FOR RESIDENTIAL ADULT EDUCATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2002

### 18 PROVISION FOR LIABILITIES AND CHARGES

Enhanced pension provision	Total £
At 1 August 2001	35,382
Provision made in the period	9,160
Expenditure in the period	(2,402)
At 31 July 2002	<u>42,140</u>

### 19 DEFERRED CAPITAL GRANTS

	LSC £	Other grants £	Total £
At 1 August 2001			
Land and buildings and improvements to property	750,696	119,422	870,118
Equipment	121,001	123,264	244,265
	<u>871,697</u>	<u>242,686</u>	<u>1,114,383</u>
Cash receivable			
Land and buildings and improvements to property	-	10,000	10,000
Equipment	23,238	3,000	26,238
	<u>23,238</u>	<u>13,000</u>	<u>36,238</u>
Released to income and expenditure			
Land and buildings and improvements to property	62,568	11,992	74,560
Equipment	39,332	43,132	82,464
	<u>101,900</u>	<u>55,124</u>	<u>157,024</u>
At 31 July 2002			
Land and buildings and improvements to property	688,128	117,430	805,558
Equipment	104,907	83,132	188,039
	<u>793,035</u>	<u>200,562</u>	<u>993,597</u>

Analysis of capital grants received from the Learning and Skills Council during 2001/02:

	£
IT Infrastructure	<u>23,238</u>

### 20 CAPITAL RESERVES

	2002 £	2001 £
At 1 August 2001	613,400	633,627
Transfer from income and expenditure account	115,942	44,362
Transfer to income and expenditure account	(54,251)	(64,589)
At 31 July 2002	<u>675,091</u>	<u>613,400</u>

# THE NORTHERN COLLEGE FOR RESIDENTIAL ADULT EDUCATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2002

### 21 INCOME AND EXPENDITURE ACCOUNT

	2002 £	2001 £
Balance at 1 August 2001	402,332	323,023
Surplus on continuing operations after depreciation	95,391	59,082
Transfer to capital reserve	(115,942)	(44,362)
Transfer from capital reserve	54,251	64,589
At 31 July 2002	<u>436,032</u>	<u>402,332</u>

### 22 CAPITAL COMMITMENTS

	2002 £	2001 £
Contracted for but not provided in these financial statements	<u>14,360</u>	<u>14,360</u>

### 23 PENSION AND SIMILAR OBLIGATIONS

The College's employees belong to two principal pension schemes, the Universities Superannuation Scheme (USS) and the South Yorkshire Pensions Authority (SYPA). The total pension cost for the period was £258,248 (2001: £240,882).

#### Universities Superannuation Scheme

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

#### SSAP 24

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

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

# THE NORTHERN COLLEGE FOR RESIDENTIAL ADULT EDUCATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2002

### 23 PENSION AND SIMILAR OBLIGATIONS (CONTINUED)

#### *FRS 17*

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

#### **South Yorkshire Pensions Authority**

The SYPA is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The total contribution made for the year ended 31 July 2002 was £164,741 of which employers contributions totalled £114,804 and employees contributions totalled £49,937. The agreed contribution rates for future years are 12.3% for employers and 6% for employees.

#### *SSAP 24*

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

Latest actuarial valuation	31 March 2001
Actuarial method	Projected Unit
Investment returns per annum	6.5% per annum
Pension increases per annum	2.5% per annum
Salary scale increases per annum	4.0% per annum
Market value of assets at date of last valuation	£2,357 million

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

#### *FRS 17*

The following information is based upon a full valuation of the Fund at 31 March 2001 updated to 31 July 2002 by a qualified independent actuary.

	At 31 July 2002 %	At 31 July 2001 %
Inflation	2.5	2.5
Rate of increase in salaries	4.0	4.0
Rate of increase in pensions	2.5	2.5
Discount rate for liabilities	6.0	6.0

# THE NORTHERN COLLEGE FOR RESIDENTIAL ADULT EDUCATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2002

### 23 PENSION AND SIMILAR OBLIGATIONS (CONTINUED)

The College's share of the assets of the scheme and the expected rate of return were:

	Long-term rate of return expected at 31 July 2002 %	Value at 31 July 2002 £000	Long-term rate of return expected at 31 July 2001 %	Value at 31 July 2001 £000
Equities	8.0	937	8.0	1,064
Bonds	6.0	324	6.0	293
Property	7.0	181	7.0	182
Other	4.0	53	4.0	54
Total Market Value of assets		<u>1,495</u>		<u>1,593</u>
			2002 £'000	2001 £'000
College's estimated asset share			1,495	1,593
Present value of scheme liabilities			(2,191)	(1,973)
Deficit in the scheme			<u>(696)</u>	<u>(380)</u>

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

<b>Balance sheet presentation</b>	2002 £'000	2001 £'000
*Net assets excluding FRS 17 pension liability	2,105	2,130
Net pension liability	(696)	(380)
Net assets including FRS 17 pension liability	<u>1,409</u>	<u>1,750</u>
<b>Reserves note</b>	2002 £'000	2001 £'000
*Income and expenditure account excluding FRS 17 pension liability	436	402
Pension reserve	(696)	(380)
Income and expenditure account including FRS 17 pension liability	<u>(260)</u>	<u>22</u>

\* Amounts exclude SSAP 24 provisions for LGPS scheme underfunding included within the College balance sheet.



# THE NORTHERN COLLEGE FOR RESIDENTIAL ADULT EDUCATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2002

### 23 PENSION AND SIMILAR OBLIGATIONS (CONTINUED)

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

#### Analysis of the amount charged to income and expenditure account

	2002 £'000
Service cost	97
Past service cost	-
Total operating charge	<u>97</u>

#### Analysis of net return on pension scheme

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

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

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

#### Movement in surplus during year

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

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

	2002 £'000
Difference between the expected and actual return on assets:	
Amount	(337)
% of scheme assets	22.5%
Experience gains and losses on scheme liabilities:	
Amount	-
% of scheme liabilities	-
Total amount recognised in STRGL	
Amount	(337)
% of scheme liabilities	15.4%

# THE NORTHERN COLLEGE FOR RESIDENTIAL ADULT EDUCATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2002

### 24 NET CASH INFLOW FROM OPERATING ACTIVITIES

	2002 £	2001 £
Surplus on continuing operations after depreciation	95,391	59,082
Depreciation	259,998	281,280
Deferred capital grants released to income	(157,024)	(161,768)
Interest payable	22,177	34,502
Increase in stock	(3,518)	(2,250)
Decrease in debtors	196,982	90,974
Decrease in creditors	(148,724)	(290,439)
Increase/(decrease) in provisions	6,758	(1,856)
Interest receivable	(6,460)	(8,863)
Net cash inflow from operating activities	<u>265,580</u>	<u>662</u>

### 25 ANALYSIS OF CHANGES IN NET (DEBT)/FUNDS

	At 1 August 2001 £	Cashflows £	At 31 July 2002 £
Cash in at bank and in hand	164,719	101,236	265,955
Debt due within one year	(43,281)	(4,069)	(47,350)
Debt due after one year	(201,156)	38,079	(163,077)
Finance Leases	-	-	-
	<u>(244,437)</u>	<u>34,010</u>	<u>(210,427)</u>
Total	<u>(79,718)</u>	<u>135,246</u>	<u>55,528</u>

### 26 RECONCILIATION OF MOVEMENT IN MEMBERS' FUNDS

	2002 £	2001 £
Surplus for the financial year	95,391	59,082
Opening accumulated funds	1,015,732	956,650
Closing accumulated funds	<u>1,111,123</u>	<u>1,015,732</u>

### 27 COMPANY LIMITED BY GUARANTEE

The company is limited by guarantee and has no share capital. The liability of its members is limited to an amount not exceeding £1. At 31 July 2002 there were 23 members (2001: 27).

### 28 CONTINGENT LIABILITIES

There were no contingent liabilities at 31 July 2002 or 31 July 2001.

# THE NORTHERN COLLEGE FOR RESIDENTIAL ADULT EDUCATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2002

### 29 RELATED PARTY TRANSACTIONS

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

### 30 ACCESS FUNDS

	2002 £'000	2001 £'000
Balance at 1 August 2001	1	302
Funding Council grants	25,097	16,182
Interest earned	21	261
	<u>25,119</u>	<u>16,745</u>
Disbursed to Students	(25,107)	(16,245)
Administration fee (5% of grant)	-	(499)
Balance unspent at 31 July	<u>12</u>	<u>1</u>

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

