

# **NORTON RADSTOCK COLLEGE**

**Report and Financial Statements  
For the Year Ended 31 July 2010**

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# Norton Radstock College

## Operating and Financial Review

### 1. Nature, Objectives and Strategies

The members present their report and the audited financial statements for the year ended 31 July 2010.

#### Legal status

The Corporation was established under The Further and Higher Education Act 1992 for the purpose of conducting Norton Radstock College. The College is an exempt charity for the purposes of the Charities Act 1993 as amended by the Charities Act 2006.

#### Mission

The College's mission as approved by its members was:

*Norton Radstock College will be recognised for excellent learning and support, inspiring and nurturing success.*

#### Strategic Development Plan

The College has prepared a strategic development plan supported by an accommodation strategy and financial forecasts. The Corporation monitors the performance of the College against these plans. The College also issues a Strategic Vision document to its stakeholders.

The following have been set out as our strategic priorities:

- Develop provision for learners aged 14-16 in partnership with local schools to offer vocational choice and flexibility, including the new Diploma route.
- Attract young people aged 16-18 wishing to gain nationally recognised vocational training through the provision of full-time and part-time programmes and apprenticeship programmes offering progression into higher level programmes, Higher Education and into employment. The current College/School partnership will be strengthened in this regard alongside the joint opportunities afforded by the introduction of the new Diplomas.
- Increase provision for those seeking to gain key qualifications or upgrade their skills up to and beyond levels 2 and 3. We will prioritise increased full level 2 and 3 achievements.
- Support adult learners to maximise their skills and employability through a range of life long learning, in particular Skills for Life, as a precursor to full level 2.

- Promote effective collaboration with employers in raising the skill levels of their workforce – Train to Gain is providing new leads and opportunities.
- Develop capacity building within the voluntary sector to support learning and skill developments .
- Maintaining the highest quality teaching and learning alongside a modern and creative learning environment.
- Quality Improvement – continue to increase our retention and achievement rates alongside ensuring all learners can realise their potential.
- Investing in staff – maintain Continuous Professional Development opportunities for all staff and ensure all teaching staff have requisite teaching qualifications and up to date vocational and industrial experience
- To continue to extend collaboration and partnership with other stakeholders – including those agencies supporting the skills agenda, learning partnerships, economic development, business development and voluntary community organisations.
- Embed the use of Information Learning Technologies to support teaching and learning.
- Ensure that our curriculum planning meets regional and local sector skills priorities.
- To maintain our position as a Unionlearn Centre that meets both regional priorities as well as the needs of our local customers.
- To continue to support innovation and development through the expansion of our European partnerships and activities.
- Development of FE/HE collaboration to extend our Foundation degree programmes.

## **Financial Policies**

Within the strategic development plan, the College aims to maintain strong financial health in order to:

- Protect itself from unforeseen fluctuations in income levels or planned learner numbers.
- Generate sufficient income to enable the maintenance and improvement of the College.
- Maintain the confidence of funding agencies, suppliers, bankers and auditors.

In order to sustain a strong financial position, the following operational objectives have been set:

- Maintain cash days in hand of at least 25 days
- Maintain a current ratio of at least 1.0

- Generate positive cash from operations each year
- Generate an operating surplus each year, before Financial Reporting Standard (FRS) 17 adjustments, in order to build up the general reserve. This will be used for future capital expenditure and loan repayments.
- Net tangible assets to be no less than £1,890,000.
- Staff costs to be less than 67% of income
- Maintain our high standard of financial management

### **Performance Indicators**

The “Framework for Excellence” has three dimensions:

- Responsiveness
- Effectiveness
- Finance

each of which has two or three Key Performance Areas. These Areas are further broken down into Performance Indicators supported by Performance Measures which are absolute measures of performance such as the outcome from a learner survey or a qualification success rate. In deriving the overall performance rating, the Framework gives equal weighting to each of the three dimensions.

The College is committed to observing the importance of the financial measures and indicators within the Framework and is monitoring these through the completion of the annual Finance Record for the Skills Funding Agency. The current rating is “Good”.

### **Inspection**

In March 2010 the College underwent an Ofsted inspection. Overall it was found to be a satisfactory college where “learners enjoy their studies and feel safe in the friendly and supportive environment”.

Our capacity to improve was rated as good and inspectors reported that “the principal and senior managers provide strong leadership, and governance of the college is good. The college is genuinely committed to providing an inclusive community and works effectively with a range of key partners to provide a good range of programmes, particularly for challenging and hard to reach learners”. Inspectors also commented favourably on the contribution that learners make to the local community through a range of projects and charity events.

As part of the inspection, the college’s financial management and control arrangements were reviewed. Inspectors concurred with our self-assessed grade of good.

## 2. Financial Position

### Financial Performance Indicators

The College generated an operating surplus in the year (before FRS17 adjustment) of £70,000 which increased to £344,000 after FRS17 adjustment. We have a current ratio of 1.98 compared to 1.74 in 2008-09. In 2009-10 the College had cash days in hand of 37.8, which represents a small reduction from the previous year's figure of 40.4, and a cash inflow from operating activities of £178,000 compared to a cash outflow of £252,000 in 2008-09. Staff costs (excluding restructuring and FRS17 adjustments) are 65.4% of income and net tangible assets (income and expenditure reserve plus revaluation reserve) stand at £2,687,000. We are therefore meeting our key financial indicators.

### FRS17 Adjustments

The College has fully implemented the provisions of FRS17, although the Corporation remains extremely concerned about the impact of FRS17 on giving stakeholders a clear understanding of the financial performance of the College.

The Corporation believes that the principle upon which FRS17 is based is fundamentally flawed and is not (nor is ever likely to be) capable of providing an accurate or equitable method to enable determination of the value of a pension scheme. The basis of valuation used by FRS17 relies on an actuarial assessment which is analytically unverifiable and is based on assumptions which in the medium to long term may prove to be unreliable.

The Corporation believes that FRS17 adjustments should be shown in a note to the accounts rather than being included in the accounts themselves, so that the financial performance of the College itself can be clearly understood. If the adjustments must be included in the accounts (as they are at present), then they should be clearly identified as separate items. The issue has been further complicated in the current year by the effect of changing the index-linking for pension entitlements from the Retail Prices Index (RPI) to the Consumer Price Index (CPI). This has given rise to a past service credit of £452,000 which is included in staff costs.

We therefore include two tables which show the effect of FRS17 on the accounts:

Income and Expenditure Account	2009-10 £'000	2008-09 £'000
FRS17 adjustments to pension service costs (included in staff costs)	(55)	(115)
Pension finance costs (included in interest payable)	(123)	(87)
Past service credit (included in staff costs as exceptional item)	452	0
<i>Total effect on operating surplus in income and expenditure account</i>	274	(202)
Operating surplus before FRS17 adjustment	70	44
Operating surplus/(deficit) after FRS17 adjustment	344	(158)

Balance Sheet – Pension Reserve	2009-10 £'000	2008-09 £'000
Opening surplus/(deficit) on Pension Reserve	(1,857)	(1,812)
FRS17 adjustments to pension costs	(55)	(115)
Pension finance costs	(123)	(87)
Past service credit	452	0
Actuarial gain/(loss) in respect of pension scheme	(11)	157
<i>Closing surplus/(deficit) on Pension Reserve</i>	<i>(1,594)</i>	<i>(1,857)</i>

### 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 has a separate treasury management policy in place. Any further borrowing requires the authorisation of the Corporation and must comply with the requirements of the Financial Memorandum previously agreed with the Learning and Skills Council (LSC) and subsequently transferred to the Skills Funding Agency (SFA).

### Taxation

The College is an exempt charity for the purposes of The Charities Act 1993 and is not liable to Corporation tax.

## 3. Current and Future Development and Performance

### Curriculum Developments

The College seeks to widen access and increase participation in high quality, affordable education and training for the economic and social benefit of the people, communities and businesses that it serves. Our strategic curriculum objectives are to develop an inclusive curriculum which provides learning opportunities for all. We focus on personalised learning for all students so they can achieve and enjoy their experience at the College.

Our curriculum strategy reflects the need to respond effectively in meeting the needs of the local community; address regional and local priorities and ensure that the college is positioned to address the key Sector Skills needs of business. We are therefore continuously redesigning and expanding our curriculum – some examples are:

- In 2008/09 we set up the Employer Solutions team to make available a “one-stop” service to provide advice and training to employers, including tailored activities such as Apprenticeships, Train to Gain, Skills for Life as

well as mainstream work-based qualifications. This has proved very successful and has enabled us to meet Employer Responsive targets in 2009/10.

- We have successfully worked with other partners within B&NES to introduce Diplomas from September 2009.
- The college has a national reputation for its work with European partners, and we will continue to use this work to inform our latest curriculum developments.
- We have worked in partnership with Job Centre Plus to deliver training to people who are unemployed and in receipt of job seeker's allowance.
- We refocused our activities in our centre at Broadlands School to provide a range of specialist business related vocational training for young people and renamed it "Keynsham Business & Secretarial Centre". In 2009/10, its first year of operation, we celebrated 100% achievement on most courses.
- We are continually increasing the range of courses on offer in our successful Construction centre.
- We have successfully introduced and integrated our Foundation Learning programme across all areas of our curriculum at Entry Level and Level 1. This provides an individually tailored programme of tutorials, vocational training and Functional Skills.
- We are introducing new full level 2 and 3 programmes with an emphasis on priority sectors such as Care and Retail.
- We are continuing to expand the curriculum and support offer to Learners with Learning Difficulties and Disabilities (LLDD) and the College has been awarded special recognition for its work with learners who have Aspergers syndrome.

### **Future Developments**

In September 2010 we were successful in securing a Renewal Grant of £225,000 from the Skills Funding Agency. We will combine this with our own resources to implement our revised accommodation strategy to remove or renovate all unfit for purpose buildings in order to improve the quality of the learning environment.

The project is being implemented in stages and should be completed by July 2011.

## **4. Principal Risks and Uncertainties**

The College continues to operate an effective system of internal control as set out on pages 13 to 17. 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. We have self assessed our risk management as 'outstanding' and this was endorsed during the inspection process.

Outlined below is a description of the principal risk factors that may affect the College. Not all the factors are within the College's control as many of them relate to funding body and Government policy. Other factors besides those listed below may also adversely affect the College.

*a. Government funding*

The College has considerable reliance on continued government funding through the Skills Funding Agency and the Young People's Learning Agency. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

The College is aware of several issues which may impact on future funding,

- Cuts announced by the government in the recent spending review.
- The outcomes of the review into the FE and Skills Funding system and methodology being undertaken by the Department of Business, Innovation and Skills.

This risk is mitigated in a number of ways:

- By ensuring the College is rigorous in delivering high quality education and training.
- Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies.
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding.

*b. Tuition fee policy*

The fee assumption has increased to 50% in 2010/11. In line with the majority of other colleges, Norton Radstock College is planning to increase tuition fees in accordance with the rising fee assumptions. However, the risk for the College is that demand falls off as fees increase, particularly in a time of recession. This will impact on the growth strategy of the College

This risk is mitigated in a number of ways:

- By ensuring the College is rigorous in delivering high quality education and training, thus ensuring value for money for students.
- Close monitoring of the demand for courses as prices change, so that prices can be flexed if necessary.

## **5. Resources**

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

Tangible resources include the main College site, the Centurion Vocational Centre, Ellsbridge House, and our B6 centre at Broadlands School. We also have three Learning Centres and utilise a wide range of community venues across the area.

### ***Financial***

The College has £4,904,000 of net assets (excluding pension liability) and long term debt of £1,248,000.

### ***People***

The College employs 217 people (expressed as full time equivalents), of whom 113 are teaching staff.

### ***Reputation***

The College has a good reputation locally, nationally and within Europe. Maintaining a quality brand is essential for the College's success at attracting students and external relationships.

## **6. Stakeholder Relationships**

In line with other colleges and with universities, Norton Radstock College has many stakeholders. These include:

- Students;
- Funding Councils;
- Staff;
- local employers (with specific links);
- local Authorities;
- Government Offices/ Regional Development Agencies;
- The local community;
- Local schools
- other FE institutions;
- Trade unions;
- professional bodies.

The College recognises the importance of these relationships and has a history of effective working with stakeholders. Some examples are:

- The College works in partnership with Unionlearn to provide Skills for Life classes in the workplace which can be flexible to fit with shift patterns.
- The College is part of the Local Area Partnership and is the lead on a number of Diplomas in collaboration with secondary schools within Bath & North East Somerset.

- College representatives sit on the Local Authority 14-19 Strategy Board and the Children's Trust.
- We link to all local HE establishments and offer a range of Foundation Degrees.

### **Staff and Student Involvement**

The College considers good communication with its staff to be very important. Regular meetings are held for staff as well as several annual staff development days for the whole College and staff receive regular updates via the intranet. The College has a strong commitment to staff development and being an "Investor in People" ensures continuous improvement. Training on safeguarding has recently been given to all staff.

The College is committed to improving services for learners and constantly reviews services and customer satisfaction. Learners have the opportunity to express their views at the formal Student Forum, a sub-committee of the governing body and through the two student governors. Student representatives also attend Academic Board meetings.

### **Equal opportunities and Employment of Disabled Persons**

Norton Radstock College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, gender, sexual orientation, ability, class and age. We strive vigorously to remove conditions which place people at a disadvantage.

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 that are, as far as possible, identical to those for other employees.

### **Disability Statement**

The College seeks to achieve the objectives set down in the Disability Discrimination Act 1995 as amended by the Special Education Needs and Disability Act 2001 and 2005, and in particular makes the following commitments:

- a) As part of our accommodation strategy, we are working hard to make access to all areas of the College available to all members of the community and have made significant progress towards this objective.
- b) The College is committed to providing additional support for disabled learners to aid their learning programmes. This could include learning support, specialist equipment, dietary needs or special arrangements for examinations. This support is set out in our Disability Statement.

- c) The admissions policy for all learners is described in the College charter. Appeals against a decision not to offer a place are dealt with under the complaints policy.
- d) The College has made a significant investment in the appointment of specialist staff to support learners with learning difficulties and/or disabilities. There are a number of learning support assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for learners who have learning difficulties and/or disabilities.
- e) Specialist programmes are described in College prospectuses, and achievements and destinations are recorded and published in the standard college format. Information is provided on our website which can be accessed with audio browsers and screen readers.
- f) Counselling, Chaplaincy and welfare services are available to learners.

### **Professional Advisers**

The College's professional advisers during the year were:

Financial statement and regularity auditors:

Moore Stephens  
30 Gay Street  
Bath

Internal Auditors:

RSM Tenon  
Third Floor, Howard House  
Queen's Ave, Bristol

Bankers:

Barclays Bank  
Bath Business Centre  
1 Manvers Street  
Bath

Solicitors:

Stone King  
13 Queen Street  
Bath



J Wilkinson

Chairman

8 December 2010

## Statement of Corporate Governance and Internal Control

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 the revised *Combined Code on Corporate Governance* issued by the London Stock Exchange in July 2006. Its purpose is to help the reader of the accounts understand how the principles have been applied. In the opinion of the 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 2010.

### The Corporation

The members who served on the Corporation during the year are shown in the following table:

	<i>Date of Appointment</i>	<i>Term of Office</i>	<i>Date of resignation</i>	<i>Status of appointment</i>	<i>Committees Served</i>
Mrs S Arayan	Re-elected 1 Aug 2008	4 years		Principal	Search, Quality, Management Accounts
Ms S Barter	Re-elected 1 Aug 2008	4 years		External Governor	Audit
Mrs J Clifford	Re-elected 14 Oct 2009	4 years		External Governor	Audit
Mr C Dando	Re-elected 1 Aug 2008	4 years		External Governor	<i>Vice chair:</i> Corporation <i>Chair:</i> Remuneration <i>Chair:</i> Accommodation
Mr D Evans	Re-elected 14 Oct 2010	4 years		External Governor	Student Forum, Quality, Remuneration
Mr M Field	9 Dec 2009	2 years	31/07/10	Student Governor	Student Forum
Mrs L Gillick	Re-elected 15 Oct 2008	2 Years	29/06/10	Support Staff Governor	
Mr N Hartley	10 May 2006	4 years	09/05/10	Community member	Accommodation
Mr P Kendall	9 Dec 2009	4 years		External Governor	
Mr R Newbury	Re-elected 1 Aug 2008	4 years		External Governor	<i>Chair:</i> Quality, Accommodation
Mr M Nduna	9 Dec 2009	2 years	31/07/10	Student Governor	<i>Student Forum</i>
Dr D Protheroe	Re-elected 14 Oct 2010	1 year		External Governor	Quality, Student Forum
Mrs N. Spong	Re-elected 20 May 2009	2 years		Academic Staff Governor	
Mrs J Stiddard	Re-elected 1 June 2007	4 years		Community Member	<i>Chair:</i> Search, Student Forum
Ms L Strawbridge	20 Jul 2010	2 years		Support Staff Governor	
Dr A Thomas	Re-elected 10 Oct 2007	4 years		Co-opted member	Audit, Search
Mr J Wilkinson	Re-elected 1 Aug 2008	4 years		External Governor	<i>Chair:</i> Corporation, Remuneration, Search <i>Chair:</i> Management Accounts
Mr K Willcox	Re-elected 13 Dec 2006	4 years		Community member	Accommodation, Management Accounts
Mr R Wynn Jones	12 March 2008	4 years		External Governor	Audit, Quality
Mr J Holland acted as Clerk to the Corporation to 31 August 2010. Mrs C Bamford was appointed as Clerk from September 2010.					

It is the Corporation's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

The Corporation 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 Corporation meets at least twice a term.

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Quality, Search and Nomination, Schools Partnership, Student Forum, Management Accounts Review Group, Accommodation, Remuneration and Audit. Full minutes of all meetings, except those deemed to be confidential, are available from the Clerk to the Corporation at:

Norton Radstock College  
South Hill Park  
Radstock  
BA3 3RW

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

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 Corporation, who is responsible to the Corporation for ensuring that all applicable procedures and regulations are complied with. The appointment and removal of the Clerk are matters for the Corporation as a whole. Formal agendas, papers and reports are supplied to governors in a timely manner, prior to Corporation meetings. Briefings are also provided on an ad-hoc basis.

The Corporation has a strong and independent non-executive element and no individual or group dominates its decision making process. The Corporation considers that each of its non-executive members is independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. There is a clear division of responsibility in that the roles of the Chair of the Corporation and Principal of the College are separate.

### **Appointments to the Corporation**

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a search and nomination committee which is comprised of three members of the Corporation. It is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required. Members of the Corporation are appointed for a term of office not exceeding four years.

## **Remuneration Committee**

Throughout the year ending 31 July 2010, the College's Remuneration Committee comprised three members of the Corporation. The committee's responsibilities are to make recommendations to the Board on the remuneration of the Principal and other senior post-holders. Details of remuneration for the year ended 31 July 2010 are set out in note 7 to the financial statements.

## **Audit Committee**

The Audit Committee comprises an independent Chairman and four members of the Corporation (excluding the Principal, Chair and staff members). The Committee operates in accordance with written terms of reference approved by the Corporation. The Audit Committee provides a forum for reporting by the College's internal, regularity and financial statement auditors, who can request access to the Committee for independent discussion without the presence of College management. The Committee also receives and considers any relevant reports from main FE funding bodies and outside bodies as they affect the College's business.

The College's internal auditors monitor the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input and report their findings to management and the Audit Committee. Management 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 Corporation on the appointment of internal, regularity and financial statements auditors and their remuneration for both audit and non-audit work.

## **Internal Control**

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 Corporation has delegated to the Principal, as Accounting Officer, the day to day responsibility 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 LSC and its successor organisations. She is also responsible for reporting to the Corporation 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 Norton Radstock College for the year ended 31 July 2010 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 ending 31 July 2010 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

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

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.

Norton Radstock College has an internal audit service, which operates in accordance with the requirements of the Skills Funding Agency'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 risk management, controls and governance processes.

### **Review of effectiveness**

As Accounting Officer, the Principal has responsibility for ensuring that an effective system of internal financial control is maintained and operated by Norton Radstock College. The Principal's review of the effectiveness of the system of internal control is informed by:

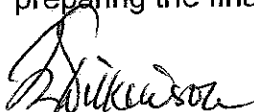
- the work of the internal auditors
- the executive managers within the College who have responsibility for the development and maintenance of the financial control framework
- comments made by the College's financial statements and regularity auditors in their management letters and other reports.

The Principal has been advised on the implications of the result of her review of the effectiveness of the system of internal control by the audit committee which oversees the work of the internal auditor, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Senior Management Team receives reports setting out key performance and risk indicators, and considers possible control issues brought to their attention by early warning mechanisms which are embedded within the departments and reinforced by risk awareness training. The Senior Management Team and the Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high level review of the arrangements for internal control. The Corporation receive regular reports on risk and control according to an annual timetable agreed in advance. The emphasis is on obtaining the relevant degree of assurance, not merely reporting by exception. At its October 2010 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2010 by considering documentation prepared by the Senior Management Team and internal audit and took account of events since 31 July 2010.

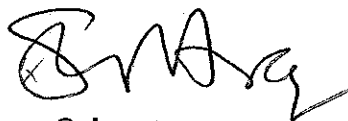
### Going Concern

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



J Wilkinson  
Chairman

8 December 2010



S Arayan  
Principal

8 December 2010

### Statement of the Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the Financial Memorandum agreed between the Skills Funding Agency (the SFA) and the Corporation of the College, the Corporation, through its Principal, is required to prepare financial statements for each financial year in accordance with the 2007 *Statement of Recommended Practice – Accounting for Further and Higher Education Institutions* and with the

Accounts Direction issued jointly by the Skills Funding Agency and the Young Peoples Learning Agency, and which give a true and fair view of the state of affairs of the College and the result for that year. In preparing the financial statements, the Corporation is required to:

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

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

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

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

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

**Signed on behalf of the Corporation**



J Wilkinson

Chairman

8 December 2010

## **Independent Auditors' Report to the Corporation of Norton Radstock College**

We have audited the financial statements of Norton Radstock College for the year ended 31 July 2010 which comprise the income and expenditure account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses and the related notes. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out therein.

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

### **Respective Responsibilities of the Members of the Corporation of Norton Radstock College and Auditors**

As described in the Statement of Responsibilities the College's Corporation is responsible for preparing the financial statements in accordance with the 2009/10 Accounts Direction, the 2007 *Statement of Recommended Practice – Accounting for Further and Higher Education*, applicable law, and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 2007 *Statement of Recommended Practice – Accounting for Further and Higher Education*. 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, or if we have not received all the information and explanations we require for our audit.

We read the Members' Report and consider the implications for our report if we become aware of any apparent misstatement within it.

### **Basis of Audit Opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and the Audit Code of Practice issued by the Skills Funding Agency. 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 Corporation in the preparation of the financial

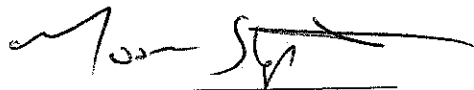
statements, and of whether the accounting policies are appropriate to the College's circumstances, consistently applied and adequately disclosed.

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.

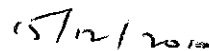
### Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the College as at 31 July 2010 and of the College's surplus of income over expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the 2009/10 Accounts Direction issued jointly by the Skills Funding Agency and the Young Peoples Learning Agency and the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education Institutions.



**Moore Stephens Bath**  
Chartered Accountants  
Registered Auditors



Date

**Norton Radstock College**  
**Income and Expenditure Account for the year ended 31 July 2010**

	Notes	Year ended 31 July 2010	Year ended 31 July 2009
		£000	£000
<b>Income</b>			
Funding body income	2	7,662	7,509
Tuition fees and education contracts	3	755	848
Research grants and contracts	4	237	276
Other income		302	310
Endowment and Investment income	5	1	22
<b>Total Income</b>		<b>8,957</b>	<b>8,965</b>
<b>Expenditure</b>			
Staff costs	6	5,468	6,005
Exceptional restructuring costs	6	0	0
Other operating expenses	8	2,627	2,632
Depreciation	12	378	360
Interest payable	9	140	126
<b>Total Expenditure</b>		<b>8,613</b>	<b>9,123</b>
Surplus/(Deficit) on continuing operations prior to costs relating to the property strategy		344	(158)
Property strategy costs	12	0	(54)
Surplus/(Deficit) on continuing operations after depreciation of tangible fixed assets at valuation and property strategy costs but before tax		344	(212)
Taxation	10	0	0
<b>Surplus/(Deficit) on continuing operations after depreciation of assets at valuation, property strategy costs and tax</b>	11	<b>344</b>	<b>(212)</b>
Transfer from accumulated income within specific endowments		0	0
<b>Surplus/(Deficit) for the year retained within general reserves</b>		<b>344</b>	<b>(212)</b>

The income and expenditure account is in respect of continuing activities

**Norton Radstock College**  
**Statement of Historical Cost Surpluses and Deficits for**  
**the year ended 31 July 2010**

	Notes	Year ended 31 July 2010	Year ended 31 July 2009
		£000	£000
Surplus/(Deficit) on continuing operations before taxation		344	(212)
Difference between historical cost depreciation and the actual charge for the period calculated on the re-valued amount	22	16	16
Realisation of property revaluation gains of previous years	22	0	0
<b>Historical cost surplus/(deficit) for the year before taxation</b>		<b>360</b>	<b>(196)</b>
<b>Historical cost surplus/(deficit) for the year after taxation</b>		<b>360</b>	<b>(196)</b>

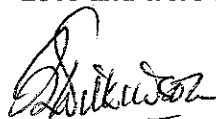
**Statement of the Total Recognised Gains and Losses for the year ended 31 July 2010**

	Notes	Year ended 31 July 2010	Year ended 31 July 2009
		£000	£000
Surplus/(Deficit) on continuing operations after depreciation of assets at valuation and disposal of assets and tax		344	(212)
Unrealised surplus on revaluation of fixed assets	12	0	0
Actuarial gain / (loss) in respect of pension scheme	32	(11)	157
<b>Total recognised gains / (losses) since last report</b>		<b>333</b>	<b>(55)</b>
<b>Reconciliation</b>			
Opening reserves		760	815
Total recognised gains / (losses) for the year		333	(55)
<b>Closing reserves</b>		<b>1,093</b>	<b>760</b>

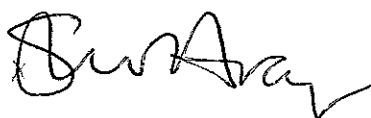
**Norton Radstock College**  
**Balance Sheet as at 31 July 2010**

	Notes	Year ended 31 July 2010	Year ended 31 July 2009
		£000	£000
<b>Fixed assets</b>			
Tangible assets	12	5,552	5,624
Investments	13	0	0
<b>Total fixed assets</b>		<b>5,552</b>	<b>5,624</b>
<b>Current assets</b>			
Stock		2	2
Debtors	15	439	402
Investments		0	0
Cash at bank and in hand		905	897
		1,346	1,301
<b>Creditors: amounts falling due within one year</b>	16	679	715
<b>Net current assets</b>		<b>667</b>	<b>586</b>
<b>Total assets less current liabilities</b>		<b>6,219</b>	<b>6,210</b>
<b>Less: Creditors - amounts falling due after more than one year</b>	17	1,248	1,281
<b>Less: Provisions for liabilities and charges</b>	19	67	68
<b>Net assets excluding pension asset / (liability)</b>		<b>4,904</b>	<b>4,861</b>
Net pension liability	32	(1,594)	(1,857)
<b>NET ASSETS INCLUDING PENSION ASSET / (LIABILITY)</b>		<b>3,310</b>	<b>3,004</b>
<b>Deferred capital grants</b>	20	2,217	2,244
Income and expenditure account excluding pension reserve		1,844	1,758
Pension reserve	32	(1,594)	(1,857)
Income and expenditure account including pension reserve	23	250	(99)
Revaluation reserve	22	843	859
<b>Total reserves</b>		<b>1,093</b>	<b>760</b>
<b>TOTAL</b>		<b>3,310</b>	<b>3,004</b>

The financial statements on pages 21 to 48 were approved by the Corporation on 8 December 2010 and were signed on its behalf on that date by:-



J Wilkinson - Chair



S Arayan - Principal

**Norton Radstock College**  
**Cash Flow Statement for the year ended 31 July 2010**

	Notes	Year ended 31 July 2010 £000	Year ended 31 July 2009 £000
<b>Cash flow from operating activities</b>	24	178	(252)
Returns on investments and servicing of finance	25	(17)	(17)
Taxation	10	0	0
Capital expenditure and financial investment	26	(127)	(194)
Management of liquid resources	27	0	1,000
Financing	28	(26)	37
<b>Increase in cash in the period</b>	29	<u>8</u>	<u>574</u>

**Reconciliation of net cash flow to movement in net funds / (debt)**

Increase/(decrease) in cash in the period		8	574
Cash inflow from liquid resources	27	0	(1,000)
Change in net debt resulting from cash flows	28	<u>26</u>	<u>(37)</u>
Movement in net funds in period		34	(463)
Net funds at 1 August		(457)	6
<b>Net funds at 31 July</b>	29	<u>(423)</u>	<u>(457)</u>

In this statement, figures in brackets refer to cash outflows and all other figures are cash inflows to the College.

Notes to the Financial Statements for the Period from 1 August 2009 to 31 July 2010

1 Accounting Policies

***Statement of accounting policies***

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

***Basis of preparation***

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting in Further and Higher Education Institutions 2007* (the SORP) and in accordance with applicable Accounting Standards. They conform to guidance in the 2009/10 Accounts Direction Handbook.

***Basis of accounting***

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets.

***Recognition of income***

Income from tuition fees is recognised in the period for which it is received and includes all fees payable by students or their sponsors, for example the National Health Service.

Income from grants, contracts and other services rendered is included to the extent of the completion of the contract or service concerned. All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned.

The recurrent grants from funding bodies 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 may be adjusted in-year or in a year-end reconciliation at the discretion of funding bodies and reflected in the level of recurrent grant recognised in the income and expenditure account.

Non-recurrent grants from the LSC and its successor organisations or other bodies received in respect of the acquisition of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned.

### ***Post retirement benefits***

Retirement benefits to employees of the College are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit schemes, which are externally funded and contracted out of the State Earnings Related Pension Scheme (SERPS).

Contributions to the TPS 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. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method.

The assets of the LGPS are measured using closing market values. LGPS liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the operating surplus. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in pension finance costs. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

### ***Enhanced Pensions***

The actual cost of any enhanced ongoing pension to a former member of staff is paid by a 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 LSC and its successor organisations.

### ***Tangible fixed assets***

#### ***Land and buildings***

Land and buildings inherited from the Local Education Authority and buildings acquired since incorporation are stated in the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable. Land and buildings acquired since incorporation 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 with the exception of temporary classrooms which are depreciated over 15 years and improvements which are depreciated over 10 years. Where an addition is made to an existing building, the addition will be depreciated over the remaining life of the existing

building. Leasehold buildings are depreciated over the period of the appropriate lease.

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.

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

On adoption of FRS 15, the College followed the transitional provision to retain the book value of land and buildings but not to adopt a policy of revaluations of these properties in the future. These values are retained subject to the requirement to test assets for impairment in accordance with FRS 11.

#### *Assets under construction*

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs, incurred to 31 July. They are not depreciated until they are brought into use.

#### *Equipment*

Equipment costing less than £500 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost. All assets are depreciated on a straight line basis over their useful economic life as follows:

Motor vehicles	-	5 years
Computer equipment	-	4 years
General equipment and furniture	-	8 years

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.

#### *Leased assets*

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Leasing agreements, which 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 and are capitalised at their fair value at the inception of the lease and depreciated over the shorter of the lease term or the useful economic lives of equivalently owned assets. The capital element outstanding is shown as obligations under finance leases.

The interest element is charged to the income and expenditure account in proportion to the capital element outstanding. Where finance lease payments are funded in full from funding council capital equipment grants, the associated assets are designated as grant-funded assets.

### ***Investments***

Listed investments held as fixed assets are stated at market value. Current asset investments, which may include listed investments, are stated at the lower of their cost and net realisable value.

### ***Stocks***

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

### ***Maintenance of premises***

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

### ***Foreign currency translation***

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the financial year with all resulting exchange differences being taken to the income and expenditure account in the period in which they arise.

### ***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 is exempted from levying VAT on most of the services it provides to learners. For this reason the College is generally unable to recover input VAT it suffers on goods and services purchased.

### ***Liquid resources***

Liquid resources include sums on short-term deposits with recognised banks, building societies and government securities.

### ***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.

### ***Learner Support Fund***

The Learner Support Fund grant from the LSC or its successor organisations is available solely for students; the College acts only as a paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure account.

## 2 Funding Body Income

	Year ended 31 July 2010 £000	Year ended 31 July 2009 £000
Recurrent grant - Learner Responsive	5,739	4,890
Recurrent grant - Employer Responsive	1,352	1,539
Income to support financing of major works	39	39
Releases of deferred capital grants	148	154
LL Difficulties and Disabilities	0	0
Pre E2E (Get Sorted for Life)	(6)	323
Aspergers centre	0	102
OLASS contract	203	285
Pre Apprenticeship Pathways	0	0
Family Learning	76	36
Young Apprenticeships	59	37
Other Funds	52	104
	<u>7,662</u>	<u>7,509</u>

## 3 Tuition Fees and Education Contracts

	Year ended 31 July 2010 £000	Year ended 31 July 2009 £000
UK/EU Further Education students	202	253
Non-EU students	7	19
<b>Total fees paid by or on behalf of individual students</b>	<u>209</u>	<u>272</u>
<b>Education contracts:</b>		
Higher education income	275	326
Release of deferred capital grant from Higher education	19	7
Other Contracts	252	243
<b>Total</b>	<u>755</u>	<u>848</u>

## 4 Research grants and contracts

	Year ended 31 July 2010 £000	Year ended 31 July 2009 £000
Releases from deferred capital grants (non Funding Council)	0	0
European Commission	197	184
Other grants and contracts	40	92
<b>Total</b>	<u>237</u>	<u>276</u>

## 5 Investment Income

	Year ended 31 July 2010 £000	Year ended 31 July 2009 £000
Pension finance income (note 32)	0	0
Other investment income	0	0
Other interest receivable	1	22
	<u>1</u>	<u>22</u>

## 6 Staff Costs

Year ended  
31 July 2010

Year ended  
31 July 2009

The average monthly number of persons (including senior post-holders) employed by the College during the year, expressed as full-time equivalents, was:

	Number	Number
Teaching staff	113	118
Non teaching staff	104	103
	<u>217</u>	<u>221</u>

### Staff costs for the above persons:

	Year ended 31 July 2010	Year ended 31 July 2009
	£000	£000
Wages and salaries	4,977	5,025
Social security costs	328	332
Other pension costs	560	533
FRS17 retirement benefit charge	55	115
FRS17 Exceptional item	(452)	0
<b>Payroll sub total</b>	<u>5,468</u>	<u>6,005</u>
Exceptional restructuring costs	0	0
	<u>5,468</u>	<u>6,005</u>

In its June 2010 budget, the Government announced that it intended for future increases in public sector pension schemes to be linked to changes in the Consumer Prices Index (CPI) rather than, as previously, the Retail Price Index (RPI). The College has considered the LGPS rules and associated members' literature and has concluded that this change is a change in benefits and so has recognised the resulting credit in the Income & Expenditure account. It is shown in the table above as an exceptional item in staff costs.

At the date of these financial statements, the Urgent Issues Task Force (UITF) is in the process of consulting widely on the accounting treatment for this change and is expected to issue a final Abstract towards the end of 2010. Should the Abstract call for a different accounting treatment, it may be necessary to reflect any change as a prior period adjustment in the financial statements for the following year.

The number of senior post-holders and other staff who received emoluments, including pension contributions and benefits in kind, in the following ranges was:

	Senior Post-holders		Other staff	
	2010 No.	2009 No.	2010 No.	2009 No.
£ 60,001 to £ 70,000	0	0	0	1
£ 70,001 to £ 80,000	0	0	1	0
£ 80,001 to £ 90,000	0	0	0	0
£ 90,001 to £ 100,000	1	1	0	0
	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

The Corporation did not make a pay award in 2009-2010.

## 7 Senior Post-holders' Emoluments

Senior postholders are defined as the Principal and holders of the other senior posts whom the Governing Body has selected for the purposes of the articles of government of the College relating to the appointment and promotion of staff who are appointed by the Governing Body

	Number 2010	Number 2009
The number of senior post-holders including the principal was:	1	1

The Principal is the senior post-holder. Emoluments payable to the Principal are made up as follows:

	Year ended 31 July 2010	Year ended 31 July 2009
	£	£
Salary	83,355	82,278
Benefits in kind	4,668	4,880
	<u>88,023</u>	<u>87,158</u>
Pension contributions	<u>11,753</u>	<u>11,601</u>

The pension contributions in respect of the Principal are included within the employer's contributions to the Teachers Pension Scheme and are paid at the same rate as for other employees.

The members of the corporation other than the Principal did not receive any payment from the institution other than for the reimbursement of travel and subsistence expenses incurred in the course of their duties.

The Principal did not receive a pay increase in 2009-10. No bonuses or other salary enhancements were awarded to the Principal.

## 8 Other Operating Expenses

	Year ended 31 July 2010 £000	Year ended 31 July 2009 £000
Teaching costs	1,288	1,324
Non teaching costs	762	761
Premises costs	577	547
<b>Total</b>	<b>2,627</b>	<b>2,632</b>
<b>Other operating expenses include:</b>	<b>Year ended 31 July 2010 £000</b>	<b>Year ended 31 July 2009 £000</b>
Auditors' remuneration:		
financial statements audit	10	9
internal audit	11	10
other services from external audit	0	0
other services from internal audit	0	0
Losses on disposal of tangible fixed assets	0	0
Hire of plant and machinery - operating leases	57	96
Hire of other assets - operating leases (land and buildings)	152	138

## 9 Interest Payable

	Year ended 31 July 2010	Year ended 31 July 2009
	£000	£000
On bank loans, overdrafts and other loans:		
Repayable within 5 years, not by instalments	0	0
Repayable within 5 years, by instalments	0	0
Repayable wholly or partly in more than 5 years	16	38
	<hr/>	<hr/>
	16	38
On finance leases	1	1
Pension finance costs (note 32)	123	87
	<hr/>	<hr/>
<b>Total</b>	<b>140</b>	<b>126</b>

## 10 Taxation

The members do not believe that the college was liable for any corporation tax arising out of its activities during this period.

## 11 Surplus on continuing Operations for the Period

The surplus on continuing operations for the period is made up as follows:

	Year ended 31 July 2010	Year ended 31 July 2009
	£000	£000
College's surplus for the period	344	(212)
Surplus generated by subsidiary undertakings and transferred to the college under gift aid/deed of covenant	0	0
	<hr/>	<hr/>
<b>Total</b>	<b>344</b>	<b>(212)</b>

## 12 Tangible Fixed Assets

	Land and Buildings		Equipment £000	Total £000
	Long Leasehold £000	Freehold £000		
<b>Cost or Valuation</b>				
At 1 August 2009	1,606	5,842	1,708	9,156
Additions	0	18	293	311
Surplus on revaluation	0	0	0	0
Disposals	0	(107)	(377)	(484)
<b>At 31 July 2010</b>	<b>1,606</b>	<b>5,753</b>	<b>1,624</b>	<b>8,983</b>
<b>Depreciation</b>				
At 1 August 2009	495	1,717	1,320	3,532
Charge for year	91	143	144	378
Revaluation	0	0	0	0
Eliminated in respect of disposals	0	(107)	(372)	(479)
<b>At 31 July 2010</b>	<b>586</b>	<b>1,753</b>	<b>1,092</b>	<b>3,431</b>
<b>Net book value At 31 July 2010</b>	<b>1,020</b>	<b>4,000</b>	<b>532</b>	<b>5,552</b>
Net book value At 31 July 2009	1,111	4,125	388	5,624

The transitional rules set out in FRS15 Tangible Fixed Assets have been applied on implementing FRS15. Accordingly the book values at implementation have been retained.

Inherited land and buildings were valued for the purpose of the 1994 financial statements on the basis of open market value for existing use by a firm of independent chartered surveyors. Inherited equipment and computers were introduced at a single global estimated value and have now been fully depreciated.

Freehold land and buildings with a net book value of £1,424,000 have been financed by exchequer funds. Should these assets be sold, the college may be liable, under the terms of the Financial Memorandum with the SFA, to surrender the proceeds.

The net book value of tangible fixed assets includes an amount of £59,856 (2008/09 £65,153) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £15,578 (2008/09 £3,832).

## 13 Investments

The college does not hold any investments in subsidiary companies.

## 14 Endowment Assets

The college does not hold any endowment assets.

## 15 Debtors

	College Year ended 31 July 2010 £000	College Year ended 31 July 2009 £000
<b>Amounts falling due within one year:</b>		
Trade debtors	137	89
Prepayments and accrued income	273	255
Sundry debtors	29	58
<b>Total</b>	<b>439</b>	<b>402</b>

## 16 Creditors: Amounts Falling Due Within One Year

	College Year ended 31 July 2010 £000	College Year ended 31 July 2009 £000
Bank loans and overdrafts	54	49
Obligations under finance leases	26	24
Payments received in advance	78	107
Trade creditors	52	160
Other taxation and social security	166	175
Accruals	193	197
Sundry creditors	4	3
Amounts owed to SFA	106	0
<b>Total</b>	<b>679</b>	<b>715</b>

## 17 Creditors: Amounts Falling Due After More Than One Year

	College Year ended 31 July 2010 £000	College Year ended 31 July 2009 £000
Bank loans	1,221	1,237
Obligations under finance leases	27	44
<b>Total</b>	<b>1,248</b>	<b>1,281</b>

## 18 Borrowings

	College Year ended 31 July 2010 £000	College Year ended 31 July 2009 £000
<b>a) Bank loans and overdrafts</b>		
Bank loans and overdrafts are repayable as follows:		
In one year or less or on demand	54	49
Between one and two years	239	49
Between two and five years	686	670
In five years or more	295	518
<b>Total</b>	<b>1,274</b>	<b>1,286</b>

At 31 July 2010, the college had loans of £892,313 with Barclays Bank at 0.75% over base rate. The loans are secured on the freehold deeds of the College.

In 2003-2004 the college arranged an additional unsecured loan facility with the Allied Irish Bank to fund the Centurion Vocational Centre. This was a term loan for 12 years with interest charged at 0.875% over base rate of which £344,288 is currently outstanding at 31 July 2010.

## b) Finance Leases

The net finance lease obligations to which the institution is committed are:

	College Year ended 31 July 2010 £000	College Year ended 31 July 2009 £000
In one year or less	26	24
Between two and five years	27	44
In five years or more	0	0
<b>Total</b>	<b>53</b>	<b>68</b>

Finance lease obligations are secured on the assets to which they relate.

## 19 Provisions for Liabilities and Charges

	Enhanced Pensions £000
At 1 August 2009	68
Expenditure in the period	0
Transferred from income and expenditure account	(1)
<b>At 31 July 2010</b>	<b>67</b>

The provision at 31st July 2010 relates to enhanced pensions for former college employees who took early retirement.

## 20 Deferred Capital Grants

	LSC/FEFC grants £000	Other grants £000	Total £000
At 1 August 2009	2,224	20	2,244
Cash received	0	179	179
Released to income and expenditure account	(187)	(19)	(206)
Capital grants written off	0	0	0
<b>Total</b>	<b>2,037</b>	<b>180</b>	<b>2,217</b>

## 21 Endowments

The college does not have any endowments.

## 22 Revaluation Reserve

	College Year ended 31 July 2010 £000	College Year ended 31 July 2009 £000
At 1 August	859	875
Revaluations in the period (as per note 12)	0	0
Transfer from revaluation reserve to general reserve in respect of:		
Disposals	0	0
Depreciation on revalued assets	(16)	(16)
<b>At 31 July</b>	<b>843</b>	<b>859</b>

## 23 Movement on General Reserves

	College Year ended 31 July 2010 £000	College Year ended 31 July 2009 £000
<b>Income and Expenditure Account Reserve</b>		
At 1 August	(99)	(60)
Surplus/(deficit) retained for the year	344	(212)
Transfer from revaluation reserve	16	16
Actuarial gain / (loss) in respect of pension scheme	(11)	157
<b>At 31 July</b>	<b>250</b>	<b>(99)</b>
Balance represented by:		
Pension reserve	(1,594)	(1,857)
Income and expenditure reserve excluding pension reserve	1,844	1,758
<b>At 31 July</b>	<b>250</b>	<b>(99)</b>

## 24 Reconciliation of Operating Surplus to Net Cash Inflow from Operating Activities

	Year ended 31 July 2010	Year ended 31 July 2009
	£000	£000
Surplus/(deficit) on continuing operations after depreciation of assets at valuation	344	(212)
Depreciation (note 1 & 12)	378	360
Deferred capital grants released to income (note 2 & 4)	(206)	(200)
Property strategy costs	0	54
FRS17 exceptional item	(452)	0
Interest payable (note 9)	140	126
Pension cost less contributions payable (notes 6,9 & 32)	55	115
(Increase)/decrease in stocks	0	0
(Increase)/decrease in debtors	(37)	(101)
Increase/(decrease) in creditors	(42)	(370)
Increase/(decrease) in provisions	(1)	(2)
Interest receivable (note 5)	(1)	(22)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>178</b>	<b>(252)</b>

## 25 Returns on Investments and Servicing of Finance

	Year ended 31 July 2010	Year ended 31 July 2009
	£000	£000
Other interest received	1	22
Interest paid	(16)	(38)
Interest element of finance lease rental payment	(2)	(1)
<b>Net cash inflow from returns on investment and servicing of finance</b>	<b>(17)</b>	<b>(17)</b>

## 26 Capital Expenditure and Financial Investment

	Year ended 31 July 2010	Year ended 31 July 2009
	£000	£000
Purchase of tangible fixed assets	(311)	(277)
Sales of tangible fixed assets	5	0
Deferred capital grants received	179	83
<b>Net cash outflow from capital expenditure and financial investment</b>	<b>(127)</b>	<b>(194)</b>

## 27 Management of Liquid Resources

	Year ended 31 July 2010	Year ended 31 July 2009
	£000	£000
Sale of investments	0	0
Withdrawals from deposits	0	0
Purchase of investments	0	0
Placing of deposits	0	1,000
<b>Net cash inflow from management of liquid resources</b>	<b>0</b>	<b>1,000</b>

## 28 Financing

	Year ended 31 July 2010 £000	Year ended 31 July 2009 £000
Debt due beyond a year:		
New loan	37	0
Repayment of amounts borrowed	(48)	(31)
New finance lease	9	72
Capital element of finance lease rental payments	(24)	(4)
<b>Net cash inflow/(outflow) from financing</b>	<b>(26)</b>	<b>37</b>

## 29 Analysis of Changes in Net Funds

	At 1 August 2009 £000	Cashflows £000	Other changes £000	At 31 July 2010 £000
Cash in hand, and at bank	897	8	0	905
Overdrafts	0	0	0	0
	<u>897</u>	<u>8</u>	<u>0</u>	<u>905</u>
Debt due within 1 year	(49)	(5)	0	(54)
Debt due after 1 year	(1,237)	16	0	(1,221)
Finance leases due within 1 year	(24)	(2)	0	(26)
Finance leases due after 1 year	(44)	17	0	(27)
			0	
Current Asset Investments	0	0	0	0
<b>Total</b>	<b>(457)</b>	<b>34</b>	<b>0</b>	<b>(423)</b>

## 30 Cash Flow Relating to Exceptional Items

There have been no cash flows relating to exceptional items.

## 31 Major non-cash transactions

There have been no major non-cash transactions.

## 32 Pension and similar obligations

The College's employees belong to two principal pension schemes: the Teachers Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Mercer Limited. Both are defined benefit schemes.

Total pension cost for the year	Year ended 31 July 2010 £000	Year ended 31 July 2009 £000
Teachers Pension Scheme: contributions paid	335	338
Local Government Pension Scheme: Charge to the Income and Expenditure Account (staff costs)	222	194
Enhanced pension charge to Income and Expenditure Account (staff costs)	-1	3
<b>Total Pension Cost for Year</b>	<b>556</b>	<b>535</b>

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuations of the TPS was 31 March 2004 and the LGPS 31 March 2007.

### Teachers' Pension Scheme

The Teachers' Pension Scheme is an unfunded defined benefit scheme. Contributions on a "pay as you go" basis are credited to the exchequer under arrangements governed by the Superannuation Act 1972. A notional asset value is ascribed to the Scheme for the purposes of determining contribution rates.

The pensions cost is normally assessed no less than every four 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 levies are as follows:

Latest actuarial valuation	31 March 2004
Actuarial method	Prospective Benefits
Investment returns per annum	6.5% per annum
Salary scale increases per annum	5.0% per annum
Market value of assets at date of last valuation	£162,650 million
Proportion of members' accrued benefits covered by the actuarial value of the assets	98.88%

Following the implementation of Teachers' Pensions (Employers' Supplementary Contributions) Regulations 2000 the government actuary carried out a further review on the level of employer contributions. For the period from 1 August 2009 to 31 July 2010 the employer contribution was 14.1 per cent. The employee rate was 6.4% for the same period. An appropriate provision in respect of unfunded pensioners' benefits is included in provisions.

### FRS 17

Under the definitions set out in Financial Reporting Standard 17 (FRS17) Retirement Benefits, the TPS 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 FRS17 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 deficit in the scheme and the implications for the College in terms of the anticipated contribution rates.

## 32 Pension and similar obligations (continued)

### Local Government Pension Scheme

The LGPS 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 2010 was £325,000 of which employer's contributions totalled £222,000 and employees contributions totalled £103,000.

FRS 17

The following information is based upon a full actuarial valuation of the Fund at 31 March 2007 updated to 31 July 2009 by a qualified independent actuary.

	At 31 July 2010	At 31 July 2009
Rate of increase in salaries	4.45%	4.95%
Rate of increase in pensions	2.7%	3.7%
Rate of RPI inflation	3.7%	3.2%
Rate of CPI inflation	3.2%	2.7%
Discount rate for liabilities	5.5%	6.3%

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 2010	At 31 July 2009
<i>Retiring today</i>		
Males	21.2	21.2
Females	24.1	24.0
<i>Retiring in 20 years</i>		
Males	22.2	22.2
Females	25.0	25.0

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

	Long-term rate of return expected at 31 July 2010	Value at 31 July 2010 £000	Long-term rate of return expected at 31 July 2009	Value at 31 July 2009 £000
Equities	7.5%	2,636	7.5%	2,175
Government Bonds	4.5%	665	4.5%	479
Other Bonds	5.8%	387	5.8%	297
Property	6.5%	216	6.5%	11
Other	7.5%	401	7.5%	369
Cash	0.5%	97	0.5%	247
<b>Total market value of assets</b>		<b>4,402</b>		<b>3,578</b>
Present value of scheme liabilities		(5,996)		(5,435)
Related deferred tax liability		0		0
<b>Surplus/(deficit) in the scheme</b>		<b>(1,594)</b>		<b>(1,857)</b>

### 32 Pension and similar obligations (continued)

	Year Ended 31 July 2010 £000	Year Ended 31 July 2009 £000
<b>Analysis of the amount charged to income and expenditure account</b>		
Employer service cost (net of employee contributions)	277	309
Past service/curtailment (gain)/loss	<u>(452)</u>	<u>0</u>
<b>Total operating charge</b>	<b>(175)</b>	<b>309</b>
<b>Analysis of pension finance income / (costs)</b>		
Expected return on pension scheme assets	229	241
Interest on pension liabilities	<u>(352)</u>	<u>(328)</u>
<b>Pension finance income / (costs)</b>	<b>(123)</b>	<b>(87)</b>
<b>Amount recognised in the statement of total recognised gains and losses (STRGL)</b>		
Actuarial gains/(losses) on pension scheme assets	(371)	560
Actuarial gains/(losses) on pension scheme liabilities	360	(403)
Change in financial and demographic assumptions underlying the scheme liabilities	<u>0</u>	<u>0</u>
<b>Actuarial gain / (loss) recognised in STRGL</b>	<b><u>(11)</u></b>	<b><u>157</u></b>
<b>Movement in surplus during year</b>		
Surplus / (Deficit) in scheme at 1 August	(1,857)	(1,812)
Movement in year:		
Current employer service cost	175	(309)
Employer Contributions	222	194
Past service costs	0	0
Net interest / return on assets	(123)	(87)
Actuarial gain or loss	<u>(11)</u>	<u>157</u>
<b>Surplus / (Deficit) in scheme at 31 July</b>	<b><u>(1,594)</u></b>	<b><u>(1,857)</u></b>

## 32 Pension and similar obligations (continued)

### Local Government Pension Scheme (continued)

#### Asset and Liability Reconciliation

	2010	2009
	£'000	£'000
<b>Reconciliation of Liabilities</b>		
Liabilities at start of period	5,439	5,457
Service cost	277	309
Interest cost	352	328
Employee contributions	103	95
Experience gains and losses on scheme liabilities	0	0
Actuarial (gain)/loss	371	(560)
Benefits paid	(94)	(194)
Past Service cost/(gain)	(452)	0
Curtailments and settlements	0	0
<b>Liabilities at end of period</b>	<b><u>5,996</u></b>	<b><u>5,435</u></b>

#### Reconciliation of Assets

Assets at start of period	3,578	3,641
Expected return on assets	229	241
Actuarial gain/(loss)	360	(403)
Employer contributions	226	194
Employee contributions	103	95
Benefits paid	(94)	(194)
<b>Assets at end of period</b>	<b><u>4,402</u></b>	<b><u>3,574</u></b>

#### History of experience gains and losses

	2010	2009	2008	2007	2006	2005
Difference between the expected and actual return on assets: amount £'000	(371)	560	(421)	106	147	269
Experience gains and losses on scheme liabilities: amount £'000	360	(403)	226	0	(71)	201
Total amount recognised in STRGL amount £'000	11	157	690	182	(97)	(40)

### 33 Post Balance Sheet Events

There have been no significant post balance sheet events.

### 34 Capital Commitments

	Year ended 31 July 2010 £000	Year ended 31 July 2009 £000
Commitments contracted for at 31 July	0	2
Commitments under finance leases entered into but not yet provided for in the financial statements	0	0
	<u>0</u>	<u>2</u>

### 35 Financial Commitments

At 31 July the College had annual commitments under non-cancellable operating leases as follows:

	Year ended 31 July 2010 £000	Year ended 31 July 2009 £000
Land and Buildings		
Expiring within one year	0	0
Expiring within two and five years inclusive	34	0
Expiring in over five years	124	138
	<u>158</u>	<u>138</u>
Other		
Expiring within one year	0	9
Expiring between two and five year inclusive	57	54
Expiring in over five years	0	0
	<u>57</u>	<u>63</u>

### 36 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. No transactions were identified which should be disclosed under Financial Reporting Standard 8 Related Party Disclosures.

### 37 Learner Support Funds

	Year ended 31 July 2010	Year ended 31 July 2009
<b>Learner Support Fund 16-18</b>		
Funding Council grants	29	31
Interest earned	0	0
	<u>29</u>	<u>31</u>
Disbursed to Students	(24)	(30)
Administration costs	(1)	(1)
	<u>4</u>	<u>0</u>
Balance unspent at 31 July, included in creditors		
	Year ended 31 July 2010	Year ended 31 July 2009
<b>Learner Support Fund 19+</b>		
Funding Council grants	83	87
Interest earned	0	0
	<u>83</u>	<u>87</u>
Disbursed to Students	(79)	(83)
Administration costs	(4)	(4)
	<u>0</u>	<u>0</u>
Balance at 31 July		

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

## **Independent Auditors' Report on Regularity to the Corporation of Norton Radstock College ("the Corporation") and the Skills Funding Agency**

In accordance with the terms of our engagement letter and further to the requirements of the Skills Funding Agency, we have carried out a review to obtain assurance about whether, in all material respects, the expenditure and income of Norton Radstock College ('the College') for the year ended 31 July 2010 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to the Corporation and the Skills Funding Agency. Our review work has been undertaken so that we might state to the Corporation and the Skills Funding Agency those matters we are required to state to it in a 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 and the Skills Funding Agency, for our review work, for this report, or for the opinion we have formed.

### **Respective Responsibilities of the Members of the Corporation of Norton Radstock College and Auditors**

The Collège's Corporation is responsible, under the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations, for ensuring that expenditure and income are applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this review are established in the United Kingdom by our profession's ethical guidance and the audit guidance set out in the Audit Code of Practice and the Regularity Audit Framework issued by the Skills Funding Agency. We report to you whether, in our opinion, in all material respects, the Collège's expenditure and income for the year ended 31 July 2010 have been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

### **Basis of opinion**

We conducted our review in accordance with the Audit Code of Practice and the Regularity Audit Framework issued by the Skills Funding Agency. Our review includes examination, on a test basis, of evidence relevant to the regularity and propriety of the Collège's income and expenditure.

### **Opinion**

In our opinion, in all material respects the expenditure and income for the year ended 31 July 2010 have been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them.



**Moore Stephens Bath**  
Chartered Accountants  
Registered Auditors

15/12/2010

Date