

**THE
FURTHER
EDUCATION
FUNDING
COUNCIL**

**Supplement C to
Circular 00/22**

Casterbridge College
Model Report and Financial
Statements
for the Year Ended 31 July 2000

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Financial Highlights

Institutions may summarise financial highlights at the front of their financial statements if they wish.

This information is entirely optional and the scope, format and presentation are at the discretion of individual institutions.

It is likely to include some indication of the volume of activities covered by the financial statements, e.g. number of students.

Treasurer's (or Members') Report

This report is equivalent to the directors' report in the accounts of a limited company.

It is normally presented by the treasurer (or equivalent) of a higher education institution or the members of a further education institution. The report should comply with the current guidance and requirements established by the funding body to which the institution provides its financial statements. If the institution is a limited company additional disclosures will be necessary, e.g. the names of directors, appointment of auditors.

The common topics that will be covered include:

- *The scope of the financial statements, e.g. the extent of consolidation and the names and trades of the most significant subsidiary undertakings (if appropriate)*
- *In conjunction with the financial highlights, a review of operations and finances, commenting on major sources of income and expenditure and the surplus or deficit for the year, together with reasons for major fluctuations and links to the volume indicators that are relevant*
- *Investment performance (if appropriate)*
- *Cash flow, commenting on significant aspects*
- *Fixed assets and/or capital projects, commenting on significant movements that have taken place or that are in progress*
- *Treasury management, commenting on the financing and liquidity of the group and the management of its exposure to financial risk*
- *Creditors payment policy*
- *Future developments (for further education institutions, including details of planned maintenance)*
- *Disability statement (if desired)*

Corporate Governance Statement

A corporate governance statement should be included in the institution's reports and financial statements in accordance with the latest guidance from the relevant funding council and with relevant best practice in the corporate sector. The HE/FE Board on the SORP wishes to review this Statement in the light of the combined code developments.

The following is an example based upon a large institution and will be redrafted in the light of the above developments:

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

Throughout the year ended 31 July 2000, the College has been in compliance with all the Code provisions set out in Section 1 of the Combined Code on Corporate Governance insofar as they relate to Colleges. The College also complies with the Guide for Members of Governing Bodies of Universities and Colleges in England and Wales that was issued by the Committee of University Chairmen in 1998.

The College's Governing Body comprises lay members, students, graduates and employees appointed under the Statutes of the University, the majority of whom are non-executive. The roles of Chairman and Vice-Chairman of the Governing Body are separated from the role of the College's Chief Executive, the Vice-Chancellor. The matters specially reserved to the Council for decision are set out in the Statutes of the College, by custom and under the Financial Memorandum with the Higher Education Funding Council for England and the Funding Agreement with the Teacher Training Agency. The Governing Body holds to itself the responsibilities for the ongoing strategic direction of the College, approval of major developments and the receipt of regular reports from Executive Officers on the day to day operations of its business and its subsidiary companies.

The Governing Body meets six times a year and has several Committees, including a Strategic Planning Committee, a Resources Committee, a Finance Committee, a Membership Committee, a Remuneration Committee and an Audit Committee. All of these Committees are formally constituted with terms of reference. With the exception of the Strategic Planning and Resources Committee, they comprise mainly lay members of Governing Body, one of whom is the Chair.

In respect of its strategic and development responsibilities, the Governing Body receives recommendations and advice from the Strategic Planning and Resources Committee, a joint committee of the Governing Body and of the Senate, the body responsible for the College's academic affairs. This Committee's membership includes four lay members appointed by the Governing Body from amongst its members.

The Finance Committee inter alia recommends to Governing Body the University's annual revenue and capital budgets and monitors performance in relation to the approved budgets.

The Membership Committee considers nominations for co-opted vacancies in the Governing Body membership under the relevant Statute. A majority of lay members is appointed by external bodies, including the Privy Council. Those lay members are eligible for re-appointment by the relevant bodies when they retire by rotation.

The Remuneration Committee determines the remuneration of the most senior staff, including the Vice-Chancellor.

The Audit Committee meets three times a year, with the College's external and internal auditors in attendance. The Committee considers detailed reports together with recommendations for the improvement of the College's systems of internal control and management's responses and implementation plans. It also receives and considers reports from the Higher Education Funding Council for England as they affect the College's business and monitors adherence to the regulatory requirements. Whilst senior executives attend meetings of the Audit Committee as necessary, they are not members of the Committee and once a year the Committee meets the External Auditors on their own for independent discussions.

Statement of the Governing Body's Responsibilities

In accordance with the College's *[Charter of Incorporation]*, the Governing Body is responsible for the administration and management of the College's affairs, including ensuring an effective system of internal control, and is required to present audited financial statements for each financial year.

The Governing Body 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 University's Charter, the Statement of Recommended Practice on Accounting in Higher Education Institutions and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the *[name of the funding body/bodies]* and the College's Governing Body, the Governing Body, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the College's state of affairs and of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, the Governing Body has ensured that:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Institution will continue in operation. The Governing Body is satisfied that it has adequate resources to continue in operation for the foreseeable future: for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The Governing Body has taken reasonable steps to:

- ensure that funds from the *[name of funding body/bodies]* are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council *[and the Funding Agreement with the Agency]* and any other conditions which the Funding Council *[or Agency]* may from time to time prescribe;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the College and prevent and detect fraud;
- secure the economical, efficient and effective management of the College's resources and expenditure.

The key elements of the College's system of internal financial control, which is designed to discharge the responsibilities set out above, include the following: ¹

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments;
- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- regular reviews of key performance indicators and business risks and quarterly reviews of financial results involving variance reporting and updates of forecast outturns;
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Governing Body;
- comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Audit Committee and Finance Committee;

¹ The particular bullet points will vary to reflect an institution's particular circumstances and guidance from the relevant funding council. This statement describes the system of internal financial control and confirms that it has been reviewed; it does not give an opinion on its effectiveness.

- a professional Internal Audit team whose annual programme is approved by the Audit Committee and endorsed by the Governing Body and whose head provides the Governing Body with a report on internal audit activity within the College and an opinion on the adequacy and effectiveness of the College's system of internal control, including internal financial control.

Any system of internal financial control can, however, only provide reasonable, but not absolute, assurance against material misstatement or loss.

Further education institutions are required by FEFC to include a certificate from the Designated Office Holder (normally the Principal, or equivalent) to the effect that an effective system of internal financial control has been maintained and operated and the basis on which it has been reviewed.

Auditors' Report to the Governing Body of Casterbridge College

This is only an illustration of an Auditors' Report and not a specified format. The exact wording will differ according to specific requirements, including, where appropriate, the Companies Act or individual funding bodies' requirements for the type of institution concerned.

We have audited the financial statements on page 9 to 38, which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and in accordance with the accounting policies set out on pages 9 to 11.

Respective Responsibilities of the College's Governing Body

The College's Governing Body is responsible for preparing the financial statements. Our responsibilities as independent auditors are established by statute, the Auditing Practices Board, the *[name of funding body having prime responsibility for monitoring the finances of the College]* 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 on Accounting in Further and Higher Education Institutions. We also report to you whether, income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the College have been properly applied only for the purposes for which they were received and whether income has been applied in accordance with the Statutes and, where appropriate, with the Financial Memorandum with the *[name of funding body having prime responsibility for monitoring the finances of the College]* and with the *Funding Agreement with the [name of other funding body/bodies]*.

We also report to you if, in our opinion, the Treasurer's *[or 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 also, at the request of the College's Governing Body, review whether the statement on page 4 reflects the College's compliance with the relevant provisions of the Combined Code specified for our review by the Governing Body, and we report if it does not.

We read the other information contained in the Treasurer's *[or Members']* Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of 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 *[name of funding body having prime responsibility for monitoring the finances of the College]*. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the College's Governing Body in the preparation of the financial statements and of whether the accounting policies are appropriate to the institution's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence to give 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:

- a. the financial statements give a true and fair view of the state of affairs of the College at 31 July 2000 and of the surplus of income over expenditure and cash flows for the year then ended and have been properly prepared in accordance with the Statement of Recommended Practice on Accounting in Further and Higher Education Institutions;

- b. income from the *[name of all funding councils/bodies that apply]*, grants and income for specific purposes and from other restricted funds administered by the College have been applied for the purposes for which they were received;
- c. income has been applied in accordance with the College's statutes and, where appropriate, with the financial memorandum dated *[insert date]* with the *[name of funding body/bodies]*

[name of firm]

[address of firm]

Chartered Accountants
and Registered Auditors

7 December 2000

Statement of Principal Accounting Policies

Basis of preparation

These financial statements have been prepared in accordance with the statement of recommended practice (SORP): *Accounting in Further and Higher Education Institutions* and in accordance with applicable Accounting Standards. They conform to guidance published by the funding council².

Basis of accounting

The financial statements are prepared under the historical cost convention modified by the revaluation of certain fixed assets and investments.

Basis of consolidation

The consolidated financial statements include the College and its subsidiary undertakings, ABC Limited and XYZ Limited. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS2, the activities of the student union have not been consolidated because the College does not control those activities³.

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

² Reference should be made to the latest guidance for further education institutions.

³ Reference should be made to the latest guidance, where appropriate.

incurred during the year, together with any related contributions towards overhead costs.

Recurrent grants from the Funding Councils are recognised in the period in which they are receivable.⁴

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

Maintenance of premises

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

Foreign currency translation

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling either at year end rates or, where there are related forward foreign exchange contracts, at contract rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

Pension schemes

Retirement benefits for most employees of the College are provided by The Universities and Teachers' Superannuation Scheme (UTSS) and the Local Government Superannuation Scheme (LGSS). 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 present and future pensionable payroll. Variations from regular costs

⁴ For further education institutions final grant income is normally determined in the subsequent February following an audit of the College's units of activity.

are spread over the expected average remaining working lifetime of members of the schemes after making allowances for further withdrawals. The contributions are determined by qualified actuaries on the basis of triennial valuations, using the projected unit method, for the LGSS and on the basis of quinquennial valuations, using a prospective benefit method, for the UTSS.

A small number of employees are members of defined contribution schemes, where the contributions paid by the College are charged in the year in which are payable.

Tangible fixed assets

a. 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 inherited from the Local Education Authority (LEA) are stated in the balance sheet at valuation on the basis of depreciated replacement cost. Other land and buildings are included in the balance sheet at cost (except for those held as investments). Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the institution of 40 years. Leasehold land and buildings are amortised over 50 years or, if shorter, the period of the 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.

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 circumstances indicate that the carrying amount of the fixed asset may not be recoverable.

Buildings 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.

If the transitional rules allowed under FRS15 have been used, the basis should be disclosed as part of this accounting policy.

b. Equipment

Equipment costing less than [£5000] 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 economic life as follows:

Motor vehicles and general equipment	20% per annum
Computer equipment	25% per annum

Equipment acquired for specific research or other projects project life

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 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 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 commitments 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.

Investments

Fixed asset investments that are not listed on a recognised stock exchange are carried at historical cost less any provision for impairment in their value.

Investments that form part of Endowment Assets are included in the balance sheet at market value.

Current asset investments are included in the balance sheet at the lower of their original 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.

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.

The College's subsidiary companies are subject to corporation tax and VAT in the same way as any commercial organisation.

Deferred taxation

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounting and taxation purposes, which are expected to reverse in the future calculated at the rates at which it is expected that tax will arise.

Liquid resources

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

Provisions

Provisions are recognised when the institution 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

Consolidated Income and Expenditure Account for the year ended 31 July 2000

	<i>Notes</i>	Year Ended 31 July 2000 £000	Year Ended 31 July 1999 £000
Income			
Funding Council Grants	1	36,126	37,560
Tuition fees and education contracts	2	3,609	4,944
Research grants and contracts	3	309	381
Other income	4	2,469	1,797
Endowment and Investment income	5	2,053	1,437
Total income		<u>44,566</u>	<u>46,119</u>
Expenditure			
Staff costs	6	24,327	28,542
Exceptional restructuring costs	6	1,551	–
Other operating expenses	8	14,880	14,196
Depreciation	–	4,038	2,802
Interest payable	9	108	–
Total expenditure		<u>44,904</u>	<u>45,540</u>
(Deficit)/surplus on continuing operations after depreciation of fixed assets at valuation and before tax		(338)	579
(Loss) on disposal of assets	12	(9,420)	–
(Deficit)/surplus on continuing operations after depreciation of tangible fixed assets at valuation and disposal of assets but before tax		(9,758)	579
Taxation	10	(12)	(12)
(Deficit)/surplus on continuing operations after depreciation of assets at valuation, disposal of assets and tax		<u>(9,770)</u>	<u>567</u>

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

There were no operations that were acquired or discontinued by Casterbridge College during the year. Where appropriate, under paragraph 14 of FRS3, the aggregate results of continuing operations, acquisitions (as a component of continuing operations) and discontinued operations should be disclosed separately. The format of the consolidated Income and Expenditure Account under this SORP lends itself more readily to disclosure of the information required by paragraph 14 of FRS3 through the adoption of the general layout of illustrative example 2 included in the text of FRS3. Paragraph 30 of FRS3 requires the comparative figures to include in the continuing category only the results of those operations included in the current period's continuing operations: the necessary details can be given by way of note, as set out in the illustrative examples included in FRS3.

Consolidated Statement of Historical Cost Surpluses and Deficits for the year ended 31 July 2000

	<i>Notes</i>	Year Ended 31 July 2000 £000	Year Ended 31 July 1999 £000
(Deficit)/surplus on continuing operations before taxation		(9,758)	579
Difference between historical cost depreciation and the actual charge for the period calculated on the re-valued amount	22	1,416	1,431
Realisation of property revaluation gains of previous years	22	16,920	–
		<hr/>	<hr/>
Historical cost surplus for the period before taxation		<u>8,578</u>	<u>2,010</u>
Historical cost surplus for the period after taxation		<u>8,566</u>	<u>1,998</u>

Statement of Total Recognised Gains and Losses for the year ended 31 July 2000

	<i>Notes</i>	Year Ended 31 July 2000 £000	Year Ended 31 July 1999 £000
(Deficit)/surplus on continuing operations after depreciation of assets at valuation, disposal of assets and tax		(9,770)	567
Unrealised surplus on revaluation of fixed assets	<i>12</i>	5,100	–
Appreciation of endowment asset investments	<i>21</i>	2,200	–
Endowment income retained for year	<i>21</i>	(50)	–
New endowments	<i>21</i>	100	–
		—	—
Total recognised (losses)/gains relating to the period		<u>(2,420)</u>	<u>567</u>
Reconciliation			
Opening reserves and endowments		92,679	
Total recognised gains and losses for the year		<u>(2,420)</u>	
Closing reserves and endowments		<u>90,259</u>	

Balance Sheets as at 31 July

	<i>Notes</i>	Group 2000 £000	College 2000 £000	Group 1999 £000	College 1999 £000
Fixed Assets					
Tangible assets	12	74,751	74,337	73,974	73,584
Investments	13	–	6	–	6
		<u>74,751</u>	<u>74,343</u>	<u>73,974</u>	<u>73,590</u>
Endowment Assets	14	<u>26,850</u>	<u>26,850</u>	<u>24,600</u>	<u>24,600</u>
Current Assets					
Stock		129	114	129	108
Debtors	15	1,170	1,116	1,290	1,317
Investments		6,000	6,000	7,500	7,500
Cash at bank and in hand		2,512	2,512	585	585
		9,811	9,742	9,504	9,510
Creditors: amounts falling due within one year	16	<u>4,344</u>	<u>3,972</u>	<u>3,951</u>	<u>3,648</u>
Net current assets		<u>5,467</u>	<u>5,770</u>	<u>5,553</u>	<u>5,862</u>
Total assets less current liabilities		107,068	106,963	104,127	104,052
Creditors: amounts falling due after more than one year	17	4,401	4,401	162	162
Provisions for liabilities and charges	19	<u>3,498</u>	<u>3,498</u>	<u>2,124</u>	<u>2,124</u>
NET ASSETS					
		<u>99,169</u>	<u>99,064</u>	<u>101,841</u>	<u>101,766</u>
Deferred capital grants	20	8,910	8,910	9,162	9,162
Endowments					
Specific	21	18,650	18,650	17,100	17,100
General	21	<u>8,200</u>	<u>8,200</u>	<u>7,500</u>	<u>7,500</u>
		<u>26,850</u>	<u>26,850</u>	<u>24,600</u>	<u>24,600</u>
Revaluation reserve	22	46,050	46,050	59,286	59,286
Restricted reserve	23	–	–	–	–
General reserve	23	<u>17,359</u>	<u>17,254</u>	<u>8,793</u>	<u>8,718</u>
Total reserves		<u>63,409</u>	<u>63,304</u>	<u>68,079</u>	<u>68,004</u>
TOTAL		<u>99,169</u>	<u>99,064</u>	<u>101,841</u>	<u>101,766</u>

The financial statements on pages 9 to 38 were approved by the governing body on *[insert date]* and were signed on its behalf by:

[signature]
J Smith – Chairman

[Signature]
R Cratchit – Finance Director

[signature]
T Ross – Principal

Consolidated Cash Flow For ecasts for the year ended 31 July 2000

	<i>Notes</i>	Year Ended 31 July 2000 £000	Year Ended 31 July 1999 £000
Cash flow from operating activities	<i>24</i>	1,411	774
Returns on investments and servicing of finance	<i>25</i>	1,945	1,437
Taxation	<i>10</i>	(12)	(12)
Capital expenditure and financial investment	<i>26</i>	(7,731)	(6,363)
Management of liquid resources	<i>27</i>	1,500	–
Financing	<i>28</i>	<u>4,464</u>	<u>(36)</u>
Increase/(decrease) in cash in the period	<i>29</i>	<u>1,577</u>	<u>(4,200)</u>
Reconciliation of net cash flow to movement in net funds/debt			
Increase in cash in the period		1,577	(4,200)
Cash inflow from new secured loan		(4,500)	–
Cash inflow from liquid resources		(1,500)	–
Change in net debt resulting from cash flows		<u>36</u>	<u>45</u>
Movement in net funds in period		(4,387)	(4,155)
Net funds at 1 August		<u>10,587</u>	<u>14,742</u>
Net funds at 31 July		<u>6,200</u>	<u>10,587</u>

Notes to the Accounts

1 Funding Council Grants	Year Ended 31 July 2000		Year Ended	
	[Funding Body]	[Funding Body]	TOTAL	31 July 1999
	£0000	£0000	£000	£000
Recurrent grant	23,036	8,800	31,836	35,052
Adjustment to recurrent funding relating to previous year	(951)	–	(951)	–
Specific grants*	3,360	–	3,360	726
Releases of deferred capital grants				
Buildings (note 20)	1,476	–	1,476	1,782
Equipment (note 20)	405	–	405	–
TOTAL	<u>27,326</u>	<u>8,800</u>	<u>36,126</u>	<u>37,560</u>

This note should identify the funding bodies from which the grants have been received. Where the grants for this current year are significantly affected by adjustments in respect of the previous year this should be disclosed (only Institutions funded by the Further Education Funding Council or its equivalent are likely to be affected). Specific grants should be analysed in accordance with the relevant funding council guidance. Institutions may wish to distinguish between grants received for teaching, research and other general purposes within the recurrent grant.

2 Tuition Fees and Education Contracts	Year Ended	Year Ended
	31 July 2000	31 July 1999
	£000	£000
UK Higher Education Students	1,530	1,500
European Union (EU) (excluding UK) Students	132	138
Non-EU Students	96	81
UK Further Education Students	657	717
Total fees paid by or on behalf of individual students	<u>2,415</u>	<u>2,436</u>
Education contracts	1,194	2,508
Total	<u>3,609</u>	<u>4,944</u>

This note should provide sufficient information to allow the reader to understand the major sources of fee income upon which the institution is dependent. The above detail is likely to be the minimum necessary but Institutions may provide greater detail if they wish.

Education contracts should be analysed in accordance with relevant funding council guidance.

3 Research Grants and Contracts	Year Ended 31 July 2000 £000	Year Ended 31 July 1999 £000
Research councils	15	12
UK based charities	–	–
European Commission	156	240
Other grants and contracts	57	51
Releases from deferred capital grants (non-FEFC)	81	78
Total	<u>309</u>	<u>381</u>

This note should provide sufficient information to allow the reader to understand the major sources of research project income upon which the Institution is dependent. The above detail is likely to be the minimum necessary for Institutions with significant income from this source but may be excessive for small Institutions having relatively little income of this type. It will be up to individual Institutions to determine the level of disclosure that is appropriate to their particular circumstances.

4 Other income	Year Ended 31 July 2000 £000	Year Ended 31 July 1999 £000
Residences, catering and conferences	717	594
Profit on disposal of tangible fixed assets	–	–
Other income-generating activities	171	96
Other grant income	600	500
Other income	981	607
Total	<u>2,469</u>	<u>1,797</u>

This note should provide sufficient information to allow the reader to understand the major sources of other income upon which the Institution is dependent. It will be up to individual Institutions to determine the level of disclosure that is appropriate to their particular circumstances. Where grants, other than from national funding bodies (see note 1), are received other than for research (see note 3) they should be disclosed as other grant income in this note.

5 Endowment and Investment Income	Year Ended 31 July 2000 £000	Year Ended 31 July 1999 £000
Transferred from specific endowments (note 21)	650	700
Income from general endowment asset investments (note 21)	200	220
Other investment income	50	70
Other interest receivable	1,153	447
Total	<u>2,053</u>	<u>1,437</u>

6 Staff Costs

	Year Ended 31 July 2000	Year Ended 31 July 1999
--	------------------------------------	------------------------------------

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

	Number	Number
Teaching departments	852	1,029
Teaching support services	39	36
Other support services	54	48
Administration and central services	207	186
Premises	60	45
Other	15	9
	<u>1,227</u>	<u>1,353</u>

Staff costs for the above persons:

	Year Ended 31 July 2000	Year Ended 31 July 1999
	£000	£000

Wages and salaries	21,729	25,116
Social security costs	1,431	1,773
Other pension costs	1,167	1,653
Exceptional restructuring costs	1,551	–
Total	<u>25,878</u>	<u>28,542</u>

The following analysis may be combined with a similar objective analysis of other operating expenses in a separate note: (see note 8):

Teaching departments	17,181	21,300
Teaching support services	522	456
Other support services	957	861
Administration and central services	4,767	4,599
Premises	675	495
Other income-generating activities	69	–
Catering and residences	156	144
Staff restructuring	–	687
Sub-total	<u>24,327</u>	<u>28,542</u>
Exceptional restructuring costs	1,551	–
Total	<u>25,878</u>	<u>28,542</u>

The next analysis is required only for further education institutions in England but not currently in Northern Ireland, Scotland and Wales.

6 Staff Costs (continued)

	Year Ended 31 July 2000 £000	Year Ended 31 July 1999 £000
Employment costs for staff on permanent contracts	19,317	22,236
Employment costs for staff on short-term and temporary contracts	5,010	5,619
Restructuring costs	1,551	687
	<u> </u>	<u> </u>
Total	<u>25,878</u>	<u>28,542</u>

The restructuring costs were approved by the institution's remuneration committee.

In the following disclosure the term "senior post holder" refers only to further education institutions. The value of the bands requiring disclosure will vary according to the disclosure requirements of the funding body having prime responsibility for monitoring the finances of the institution.

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

	Year Ended 31 July 2000		Year Ended 31 July 1999	
	Number Senior post- holders	Number Other Staff	Number Senior post- holders	Number Other Staff
£40,001 to £45,000	3	6	9	3
£45,001 to £50,000	—	—	3	—
£50,001 to £55,000	3	—	—	—
£60,001 to £65,000	3	—	—	—
£80,001 to £85,000	3	—	3	—
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	12	6	15	3
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Further Education institutions are required to disclose details of pay awards affecting all significant staff groups.

7 Senior Post-Holders' Emoluments

In this note the term "senior post-holder" refers only to further education institutions. In all other institutions disclosure is required by the relevant funding body only in respect of the Vice-Chancellor, Principal, Chief Executive or equivalent.

Senior post-holders are defined as the principal (or chief executive) and holders of the other senior posts whom the board have selected for the purposes of the articles of government of the institution relating to the appointment and promotion of staff who are appointed by the board of governors.

7 Senior Post-Holders' Emoluments (continued)

	Number	Number
The number of senior post-holders including the principal was:	12	15
Senior post-holders' emoluments are made up as follows:		
	£	£
Salaries	735,000	686,529
Benefits in kind	25,206	23,544
Pension contributions	52,920	49,431
	<u> </u>	<u> </u>
Total emoluments	<u>813,126</u>	<u>759,504</u>

The above emoluments include amounts payable to the Principal (who is also the highest paid senior post-holder) of:

	Year Ended 31 July 2000	Year Ended 31 July 1999
	£	£
Salary	74,280	70,678
Benefits in kind	4,500	4,280
	<u> </u>	<u> </u>
	78,780	74,958
	<u> </u>	<u> </u>
Pension contributions	<u>5,349</u>	<u>5,080</u>

The pension contributions in respect of the Principal and senior post-holders are in respect of employer's contributions to the Universities and Teachers Superannuation Scheme and are paid at the same rate as for other employees.

Compensation for loss of office paid to a former senior post-holder/higher paid employee

	Year Ended 31 July 2000	Year Ended 31 July 1999
	£	£
Compensation paid and payable to the former post-holder	60,369	–
Estimated value of other benefits, including provisions for pension benefits	<u>64,371</u>	<u> </u>

The estimated value of other benefits has been calculated in accordance with Statement of Standard Accounting Practice 24. The severance payment was approved by the college's remuneration committee.

The following disclosure is required only for further education institutions.

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

Further education institutions are required to disclose details of pay awards affecting senior post-holders.

The following disclosure is required only for further education institutions. The format may be directed by the funding body having prime responsibility for monitoring the finances of the college.

7 Senior Post-Holders' Emoluments (continued)

Overseas Activities

The following costs were incurred during 1999-2000 in respect of overseas activities which were carried out in accordance with the strategy approved by the governing body:

	Total Cost £	Contributions Received £	Net Costs to College £
Members	–	–	–
Senior post-holders	10,500	–	10,500
Other staff	15,000	12,000	3,000
	<u>25,500</u>	<u>12,000</u>	<u>13,500</u>

8 Other Operating Expenses

	Year Ended 31 July 2000 £000	Year Ended 31 July 1999 £000
--	---	---

The following objective analysis may be replaced by a subjective analysis, in which case this objective analysis could be shown in a separate note along with a similar analysis of staff costs. For higher education institutions this would result in a summarised version of the expenditure analysis required in the HESA Finance Statistics Return.

Teaching departments	2,520	2,586
Contracted-out lecturing services	1,332	–
Teaching support services	273	306
Other support services	576	612
Administration and central services	2,664	2,373
General education	156	123
Premises costs	687	645
Planned maintenance	1,200	3,327
Payments made under Schedule 6 (5) of the Further and Higher Education Act 1992*	2,130	639
Other income generating activities	99	87
Catering and residence operations	525	411
Franchised provision	1,140	600
Other expenses	1,578	2,487
Total	<u>14,880</u>	<u>14,196</u>

** This item applies only to further education institutions in England & Wales but similar references will apply in Scotland and Northern Ireland.*

Other operating expenses include:

Auditors' remuneration – external audit*	39	36
– internal audit**	30	30
– other services from either external or internal audit	12	12
Losses on disposal of tangible fixed assets (where not material)	6	–
Hire of plant and machinery – operating leases	15	15
Hire of other assets – operating leases	3	3

* includes £32,250 in respect of the parent company (1998-99 £30,000).

** includes £24,000 in respect of the parent company (1998-99 £24,000).

9 Interest Payable	Year Ended 31 July 2000 £000	Year Ended 31 July 1999 £000
On bank loans, overdrafts and other loans:		
Repayable within 5 years, not by instalments	–	–
Repayable within 5 years, by instalments	–	–
Repayable wholly or partly in more than 5 years	78	–
	—	—
	78	–
On finance leases	30	–
	—	—
Total	<u>108</u>	<u>–</u>

10 Taxation	Year Ended 31 July 2000 £000	Year Ended 31 July 1999 £000
United Kingdom corporation tax at 21%	12	12
Provision for deferred corporation tax in the accounts of the subsidiary company	–	–
	—	—
Total	<u>12</u>	<u>12</u>

11 (Deficit)/Surplus on Continuing Operations for the Period

The (deficit)/surplus on continuing operations for the period is made up as follows:

	Year Ended 31 July 2000 £000	Year Ended 31 July 1999 £000
College's (deficit)/surplus for the period	(9,800)	537
Surplus generated by the subsidiary undertaking and transferred to the college under a deed of covenant	30	30
	—	—
Total	<u>(9,770)</u>	<u>567</u>

12 Tangible Fixed Assets (GROUP)

	Land and buildings			
	Freehold	Long leasehold	Equipment	Total
	£000	£000	£000	£000
Cost or valuation				
At 1 August 1999	75,117	150	10,587	85,854
Additions	12,981	–	3,672	16,653
Surplus on revaluation	4,500	–	–	4,500
Disposals	(18,000)	–	(81)	(18,081)
	<u>74,598</u>	<u>150</u>	<u>14,178</u>	<u>88,926</u>
At 31 July 2000	<u>74,598</u>	<u>150</u>	<u>14,178</u>	<u>88,926</u>
Depreciation				
At 1 August 1999	4,311	6	7,563	11,880
Charge for period	1,287	3	2,748	4,038
Revaluation	(600)	–	–	(600)
Eliminated in respect of disposals	(1,080)	–	(63)	(1,143)
	<u>3,918</u>	<u>9</u>	<u>10,248</u>	<u>14,175</u>
At 31 July 2000	<u>3,918</u>	<u>9</u>	<u>10,248</u>	<u>14,175</u>
Net book value				
At 31 July 2000	<u>70,680</u>	<u>141</u>	<u>3,930</u>	<u>74,751</u>
Net book value				
At 1 August 1999	<u>70,806</u>	<u>144</u>	<u>3,024</u>	<u>73,974</u>
Inherited	44,817	–	633	45,450
Financed by capital grant	6,876	–	2,034	8,910
Other	18,987	141	1,263	20,391
	<u>70,680</u>	<u>141</u>	<u>3,930</u>	<u>74,751</u>
Net book value				
At 31 July 2000	<u>70,680</u>	<u>141</u>	<u>3,930</u>	<u>74,751</u>

12 Tangible Fixed Assets (COLLEGE ONLY)

	Land and buildings			
	Freehold £000	Long leasehold £000	Equipment £000	Total £000
Cost or valuation				
At 1 August 1999	75,117	–	10,251	85,368
Additions	12,981	–	3,603	16,584
Surplus on revaluation	4,500	–	–	4,500
Disposals	(18,000)	–	(81)	(18,081)
At 31 July 2000	<u>74,598</u>	<u>–</u>	<u>13,773</u>	<u>88,371</u>
Depreciation				
At 1 August 1999	4,311	–	7,473	11,784
Charge for period	1,287	–	2,706	3,993
Revaluation	(600)	–	–	(600)
Eliminated in respect of disposals	(1,080)	–	(63)	(1,143)
At 31 July 2000	<u>3,918</u>	<u>–</u>	<u>10,116</u>	<u>14,034</u>
Net book value				
At 31 July 2000	<u>70,680</u>	<u>–</u>	<u>3,657</u>	<u>74,337</u>
Net book value				
At 1 August 1999	<u>70,806</u>	<u>–</u>	<u>2,778</u>	<u>73,584</u>
Inherited	44,817	–	633	45,450
Financed by capital grant	6,876	–	2,034	8,910
Other	18,987	–	990	19,977
	<u>70,680</u>	<u>–</u>	<u>3,657</u>	<u>74,337</u>

The transitional rules set out in FRS 15 Tangible Fixed Assets have been applied on implementing FRS 15. Accordingly, the book values at implementation have been retained.

Land and buildings were valued in 1996 at depreciated replacement cost by a firm of independent chartered surveyors. Other tangible fixed assets inherited from the LEA at incorporation have been valued by the College on a depreciated replacement cost basis with the assistance of independent professional advice.

The College disposed of its Church Street annexe and reinvested the proceeds of £7,500,000 in a new building on the main site. The Church Street annexe was revalued prior to disposal by a firm of independent chartered surveyors on an open market valuation basis. A loss of £9,420,000 arose from this disposal.

Land and buildings with a net book value of £6,876,000 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 Council, to surrender the proceeds.

12 Tangible Fixed Assets (COLLEGE ONLY) (continued)

Fixed assets include land and buildings with a net book value of £12,369,000, which will be partially funded by a grant from the Further Education Funding Council. It is anticipated that the Council will provide £6,183,000 over 15 years. The receipt in the current year was £778,629. The Council does not have the power to guarantee future funding streams to institutions and cannot guarantee that this funding will continue after the current year. Provision has not, therefore, been made for anticipated future receipts.

The net book value of tangible fixed assets includes an amount of £204,000 (1998-99 £216,000) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £12,000 (1998-99 £13,500).

The following illustration is given to demonstrate the required disclosure had the circumstances been applicable to Casterbridge College.

If inherited land and buildings had not been valued they would have been included at the following amounts:

	£000
Cost	Nil
Aggregate depreciation based on cost	Nil
	—
Net book value based on cost	Nil
	==

This note should disclose the amount of finance charges capitalised and included in the cost of tangible fixed assets in the cases where the Institution's accounting policies allow such treatment.

13 Investments

	College 2000 £000s	College 1999 £000
Subsidiary company	6	6
Associate company	—	—
	—	—
Total	6	6
	==	==

The College owns 100% of the issued ordinary £1 shares of ABC Limited, a company incorporated in England and Wales and 100% of the issued ordinary £1 shares of XYZ Limited, a company incorporated in England and Wales. The principal business activity of XYZ Limited is carrying out training of employees on behalf of employers. The principal business activity of ABC Limited is the rental of property. The College owns 10% of the issued ordinary shares of PQR Limited, at a cost of £200.

14 Endowment Assets

	Group 2000 £000	College 2000 £000s
Balance at 1 August 1999	24,600	24,600
Additions (note 26)	5,100	5,100
Disposals (note 26)	(4,700)	(4,700)
Appreciation on disposals/revaluation (note 21)	2,200	2,200
Decrease in cash balances held at fund managers	(350)	(350)
Balance at 31 July 2000	<u>26,850</u>	<u>26,850</u>
Represented by:		
Fixed interest stocks (listed)	2,600	2,600
Equities (listed)	15,200	15,200
Land and property	6,700	6,700
Cash balances (note 29)	2,350	2,350
Total	<u>26,850</u>	<u>26,850</u>

Land and property valuations as at 31 July 2000 have been made by senior management on the advice of firms of Chartered Surveyors, the basis of valuation being open market value taking groups of properties together for this purpose.

An analysis between listed and unlisted investments should be provided where relevant. The presentation of endowment asset investments in the balance sheet as a separate heading between fixed and current assets may require a true and fair override to depart from the statutory balance sheet formats if the institution is a limited company.

15 Debtors

	Group 2000 £000	College 2000 £000	Group 1999 £000	College 1999 £000
Amounts falling due within one year				
Debtors	1,089	486	1,197	567
Amounts owed by group undertakings				
Subsidiary undertakings	–	510	–	637
Associate undertakings	–	63	–	50
Prepayments and accrued income	81	57	93	63
Total	<u>1,170</u>	<u>1,116</u>	<u>1,290</u>	<u>1,317</u>

16 Creditors: Amounts Falling Due Within One Year

	Group	College	Group	College
	2000	2000	1999	1999
	£000	£000	£000	£000
Bank loans and overdrafts	225	225	–	–
Obligations under finance leases	36	36	36	36
Payments received in advance**	447	447	414	414
Trade creditors	1,578	1,164	1,425	1,080
Amounts owed to group undertakings:				
Subsidiary undertakings	–	87	–	102
Associate undertakings	–	–	–	–
Corporation tax	12	–	12	–
Other taxation and social security	753	753	687	687
Accruals	687	654	1,071	1,023
Amounts owed to funding councils	606	606	306	306
	—	—	—	—
	<u>4,344</u>	<u>3,972</u>	<u>3,951</u>	<u>3,648</u>

** Includes £90,000 (1999: £nil) capital grant received from the Further Education Funding Council in respect of a rationalisation project.

17 Creditors: Amounts Falling Due After More Than One Year

	Group	College	Group	College
	2000	2000	1999	1999
	£000	£000	£000	£000
Bank loans	4,275	4,275	–	–
Obligations under finance leases	126	126	162	162
loans from subsidiary and associate companies	–	–	–	–
	—	—	—	—
	<u>4,401</u>	<u>4,401</u>	<u>162</u>	<u>162</u>

18 Borrowings**a. Bank loans and overdrafts**

	Group	College	Group	College
	2000	2000	1999	1999
	£000	£000	£000	£000
Bank loans and overdrafts are repayable as follows:				
In one year or less	225	225	-	-
Between one and two years	225	225	-	-
Between two and five years	900	900	-	-
In five years or more	3,150	3,150	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	4,500	4,500	-	-
	<u>=====</u>	<u>=====</u>	<u>==</u>	<u>==</u>

Bank loans and overdrafts at 7.25% repayable by instalments falling due between 1 August 2000 and 31 July 2017 totalling £4,500,000 are secured on a portion of the freehold land and buildings of the College.

b. Finance Leases

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

	Group	College	Group	College
	2000	2000	1999	1999
	£000	£000	£000	£000
In one year or less	36	36	36	36
Between one and five years	126	126	162	162
Over five years	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	162	162	198	198
	<u>===</u>	<u>===</u>	<u>===</u>	<u>===</u>

19 Provisions for Liabilities and Charges

	Group and College		
	Restructuring	Other	Total
	£000	£000	£000
At 1 August 1999	894	1,230	2,124
Expenditure in the period	(90)	(558)	(648)
Transferred from income and expenditure account	2,022	0	2,022
	<u> </u>	<u> </u>	<u> </u>
At 31 July 2000	2,826	672	3,498
	<u>=====</u>	<u>=====</u>	<u>=====</u>

This note shows combined figures for the Group and the College on the basis that all provisions relate solely to the College.

19 Provisions for Liabilities and Charges (continued)

The following disclosure is required only for further education institutions:

The restructuring provision relates to the exceptional restructuring of costs arising from the closure of the Department of Media Studies which was announced in April 2000 and for which redundancy notices were served in June 2000. Other provisions relate to a legal obligation to carry out remedial pipework in the institution's leasehold building. This work will be completed during 1999-2000.

The restructuring provision includes £90,000 (1999: £84,000) in respect of enhanced pension payable to former senior postholders.

20 Deferred capital grants

	Group and College		Total £000
	[FEFC] £000	Other Grants £000	
At 1 August 1999			
Land and buildings	7,446	–	7,446
Equipment	1,566	150	1,716
Cash received			
Land and buildings	906	–	906
Equipment	642	162	804
Released to income and expenditure account			
Land and buildings	1,476	–	1,476
Equipment	405	81	486
At 31 July 2000			
Land and buildings	6,876	–	6,876
Equipment	1,803	231	2,034
	<u> </u>	<u> </u>	<u> </u>

Cash received should be analysed in accordance with the latest guidance issued by the relevant Funding Council. This note shows combined figures for the Group and the College because it is thought unlikely that there will ever be deferred capital grants within a subsidiary.

21 Endowments

	Group and College		
	Specific £000	General £000	Total £000
At 1 August 1999	17,100	7,500	24,600
Additions	100	–	100
Appreciation of endowment asset investments	1,600	600	2,200
Income for year	500	300	800
Transferred to income and expenditure account (note 5)	(650)	(200)	(850)
	—	—	—
At 31 July 2000	<u>18,650</u>	<u>8,200</u>	<u>26,850</u>
Representing			
Fellowships and scholarships funds	3,200	–	3,200
Prizes funds	650	–	650
Chairs and lectureships funds	11,250	–	11,250
Other funds	3,550	8,200	11,750
	—	—	—
Total	<u>18,650</u>	<u>8,200</u>	<u>26,850</u>

This note shows combined figures for the Group and the College because it is thought unlikely that there will ever be endowments within a subsidiary.

22 Revaluation Reserve

	Group	College	Group	College
	2000	2000	1999	1999
	£000	£000	£000	£000
At 1 August	59,286	59,286	60,717	60,717
Revaluations in the period (as per note 12)	5,100	5,100	–	–
Transfer from revaluation reserve to general reserve in respect of:				
Disposals	(16,920)	(16,920)	–	–
Depreciation on revalued assets	(1,416)	(1,416)	(1,431)	(1,431)
	—	—	—	—
At 31 July	<u>46,050</u>	<u>46,050</u>	<u>59,286</u>	<u>59,286</u>

23 Movement on General Reserves

	Group	College	Group	College
	2000	2000	1999	1999
	£000	£000	£000	£000
Income and Expenditure Account Reserve				
At 1 August	8,793	8,718	6,795	6,750
(Deficit)/surplus on continuing operations after transfer from revaluation reserve	(9,770)	(9,800)	567	537
Transfer from revaluation reserve	10,836	10,836	1,431	1,431
Transfer from restricted reserve	7,500	7,500	-	-
At 31 July	<u>17,359</u>	<u>17,254</u>	<u>8,793</u>	<u>8,718</u>
Restricted Reserve				
At 1 August	-	-	-	-
Proceeds from disposal of fixed assets	7,500	7,500	-	-
Net expenditure in period transferred to income and expenditure account	(7,500)	(7,500)	-	-
At 31 July	<u>0</u>	<u>0</u>	<u>-</u>	<u>-</u>

The restricted reserve represented the proceeds from the sale of the College's Church Street annexe. These have been reinvested in a new building on the main site. *Restricted reserves apply only to further education institutions.*

24 Reconciliation of Consolidated Operating Deficit to Net Cash Inflow from Operating Activities

	Year Ended	Year Ended
	31 July 2000	31 July 1999
	£000	£000
(Deficit)/surplus on continuing operations after depreciation of assets at valuation	(9,758)	579
Depreciation	4,038	2,802
Deferred capital grants released to income (note 1 & 3)	(1,962)	(1,860)
(Loss)/profit on disposal of tangible fixed assets	9,426	-
Net donated income retained in specific endowments	(50)	-
Interest payable (note 9)	108	-
(Increase)/decrease in stocks	-	-
(Increase)/decrease in debtors	120	93
Increase/(decrease) in creditors	168	234
Increase/(decrease) in provisions	1,374	363
Interest receivable (note 5)	(2,053)	(1,437)
Net cash inflow from operating activities	<u>1,411</u>	<u>774</u>

25 Returns on Investments and Servicing of Finance

	Year Ended 31 July 2000 £000	Year Ended 31 July 1999 £000
Income from endowments	850	
Other interest received	1,203	1,437
Interest paid	(78)	–
Interest element of finance lease rental payment	(30)	–
	—	—
Net cash inflow from returns on investments and servicing of finance	<u>1,945</u>	<u>1,437</u>

26 Capital Expenditure and Financial Investment

	Year Ended 31 July 2000 £000	Year Ended 31 July 1999 £000
Purchase of tangible fixed assets	(16,653)	(7,476)
Payments to acquire endowment assets	(5,100)	–
Sales of tangible fixed assets (see note 30)	7,512	–
Receipt from sale of endowment assets	4,700	–
Deferred capital grants received	1,710	1,113
Endowments received	100	–
	—	—
Net cash inflow/(outflow) from capital expenditure and financial investment	<u>(7,731)</u>	<u>(6,363)</u>

27 Management of Liquid Resources

	Year Ended 31 July 2000 £000	Year Ended 31 July 1999 £000
Sale of investments	–	–
Withdrawals from deposits	1,500	–
Purchase of investments	–	–
Placing of deposits	–	–
	—	—
Net cash inflow/(outflow) from management of liquid resources	<u>1,500</u>	<u>–</u>

28 Financing

	Year Ended 31 July 2000 £000	Year Ended 31 July 1999 £000
Debt due beyond a year:		
New unsecured loans repayable by 2017	4,500	–
Repayment of amounts borrowed	–	–
Capital element of finance lease rental payments	(36)	(36)
	—	—
Net cash inflow/(outflow) from financing	<u>4,464</u>	<u>(36)</u>

29 Analysis of Changes in Net Funds

	At 1 August 1999 £000	Cashflows £000	Other Changes £000	At 31 July 2000 £000
Cash in hand, and at bank	585	1,927	–	2,512
Endowment asset investments (note 14)	2,700	(350)	–	2,350
Overdrafts	–	–	–	–
	—	—	–	—
	3,285	1,577	–	4,862
Debt due within 1 year	–	(225)	–	(225)
Debt due after 1 year	–	(4,275)	–	(4,275)
Finance leases	(198)	36	–	(162)
Current asset investments	7,500	(1,500)	–	6,000
	—	—	–	—
Total		10,587	(4,387)	–
6,200	=====	=====	=	=====

30 Cash Flow Relating to Exceptional Items

	Year Ended 31 July 2000 £000	Year Ended 31 July 1999 £000
Provision as at 1 August	–	–
Income and expenditure account charge	1,551	
Operating cash outflow	–	–
	—	—
Provision as at 31 July	<u>1,551</u>	<u>–</u>

The operating cash outflows do not include an outflow of £1,551,000 for exceptional restructuring costs as the amount provided was not paid until the following financial year (see also notes 6 and 19). Receipts from the sale of Tangible Fixed Assets include £7,500,000 from the sale of the Church Street annex (see note 12).

31 Major non-cash transactions

During the year the institution made a provision of £2,022,000 for future pension costs.

32 Pension and similar obligations

The two principal pension schemes for the Institution's staff are The Universities and Teachers Superannuation Scheme (UTSS) and the Local Government Superannuation Scheme (LGSS). UTSS provides benefits based on final pensionable salary for academic and related employees of some UK institutions and some other employers. LGSS provides similar benefits for other staff of the institution. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

	LGSS	UTSS
Latest actuarial valuations	31 March 1998	31 March 1999
Actuarial method	Projected Unit	Projected Unit
Investment returns per annum	8.5%	8.5%
Salary scale increases per annum	4.5%	6.5%
Pension increases per annum	4.5%	5.0%
Market value of assets at date of last valuation	£3,450m	£48,192m
Proportion of members' accrued benefits covered by the actuarial value of the assets	108%	97.5%

The total pension cost for the institution and its subsidiaries was:

	Year Ended 31 July 2000 £000s	Year Ended 31 July 1999 £000s
Contributions to UTSS	734	1250
Contributions to LGSS	430	400
Contributions to other pension schemes	2	2
Supplementation of pre-1975 pension schemes	1	1
	—	—
Total pension cost (Note 6)	<u>1,167</u>	<u>1,653</u>

32 Pension and similar obligations (continued)

The contribution for UTSS payable by the College was 18.55% pensionable salaries to December 1999 and 14% thereafter, for LGSS, the contribution rate for the whole period was 7.04% of pensionable salaries. The actuaries to UTSS and LGSS have confirmed that it is appropriate to take the pensions costs in the College's financial statements to be equal to the actual contributions paid during the year. In particular, the LGSS contribution rate recommended following the 1999 valuation has regard to the surplus disclosed, the benefit improvements introduced subsequent to the valuation and the need to spread the surplus in a prudent manner over the future working lifetime of current scheme members.

33 Post balance Sheet Events

On 1 August 2000 the College merged its activities with those of Wessex College of Agriculture. At that date all assets, liabilities and activities of Wessex College transferred to Casterbridge College and Wessex College was dissolved. All activities are continuing within the merged College. Assets valued at £1,300,000 and liabilities (£1,020,000) and an operating surplus on activities of £50,000 were transferred

34 Capital Commitments

	Group and College	
	2000	1999
	£000	£000
Commitments contracted for at 31 July	2,703	2,691
	<u> </u>	<u> </u>
Commitments under finance leases entered into but not yet provided for in the financial statements	Nil	Nil
	<u> </u>	<u> </u>

35 Financial Commitments

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

	Group and College	
	2000	1999
	£000	£000
Land and buildings		
Expiring within one year	–	–
Expiring between two and five years inclusive	–	–
Expiring in over five years	–	–
	–	–
	–	–
	<u>–</u>	<u>–</u>
Other		
Expiring within one year	6	6
Expiring between two and five years inclusive	15	15
Expiring in over five years	3	3
	–	–
	24	24
	<u>24</u>	<u>24</u>

36 Contingent Liability

The College is currently being sued for damages by a foreign institution concerning the validation of its degrees. However, the College has received Counsel's opinion that it should not be liable in view of the specific circumstances of the case. The case is proceeding and, in view of the uncertainty, no financial provision has been made in these accounts in relation to this matter. It is not considered practical to estimate the potential liability at this stage.

Note: wherever possible, such examples should quote the amounts involved

37 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. Transactions totalling £101,000, relating to the purchase of specialist equipment, took place with DEF Limited, a company in which the Dean of Engineering has a majority interest. There were no amounts outstanding.

38 Access Funds

	Year Ended 31 July 2000	Year Ended 31 July 1999
	£000	£000
Funding Council grants	283	274
Interest earned	5	5
	—	—
	288	279
Disbursed to Students	(285)	(277)
Audit fees	(3)	(2)
	—	—
Balance unspent at 31 July	<u>0</u>	<u>0</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.

This note should also cover any successors to Access Funds. The degree of detail given, and the division between types of funding council grant, will depend on the nature of the grants and the institution.

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