

North Devon College

**Annual report
for the year ended 31 July 2009**



North Devon College

Income and expenditure account for the year ended 31 July 2009

	Note	2009 £'000	2008 £'000
Income			
Funding council income	2	30,335	21,985
Education contracts	3	2,206	1,991
Tuition fees and charges		2,472	1,978
Other income	4	2,216	1,951
Investment income	5	31	82
Total income		37,260	27,987
Expenditure			
Staff costs	6	23,779	18,387
Other operating expenses	8	10,136	7,469
Depreciation		2,493	1,788
Interest payable	9	701	162
Total expenditure		37,109	27,806
Surplus on continuing operations prior to costs relating to the property strategy		151	181
Property strategy costs	11	(4,716)	-
Grant support for property strategy costs	11	1,848	-
(Deficit)/surplus on continuing operations after depreciation of assets at valuation and write off of property strategy costs and before tax		(2,717)	181
Profit on disposal of assets		-	13
(Deficit)/surplus on continuing operations after depreciation of assets at valuation, write off of property strategy costs and disposal of assets but before tax		(2,717)	194

All operations are continuing.

The College merged with East Devon College on 1 August 2008. As a result, the 2008/09 income and expenditure account is significantly different to the pre-merger 2007/08 performance.

North Devon College

Statement of historical cost surpluses and deficits for the year ended 31 July 2009

	Note	2009 £'000	2008 £'000
(Loss)/Surplus on continuing operations after depreciation of assets at valuation		(2,717)	194
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amounts	19	274	274
Historical cost (loss)/surplus for the year before and after taxation		(2,443)	468

Statement of the Total Recognised Gains and Losses for the year ended 31 July 2009

	Note	2009 £'000	2008 £'000
(Loss)/Surplus on continuing operations after depreciation of assets at valuation and taxation		(2,717)	194
Actuarial (loss) in respect of pension scheme	21	(5,300)	(1,930)
Total recognised (losses) related to the year		(8,017)	(1,736)

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Balance sheet as at 31 July 2009

	Note	2009 £'000	2008 £'000
Fixed assets			
Tangible fixed assets	12	27,590	18,764
Intangible fixed assets – negative goodwill	30	(3,789)	-
		23,801	18,764
Current assets			
Stock		71	56
Debtors	13	1,700	2,508
Investments		364	1,924
Cash at bank and in hand		186	97
		2,321	4,585
Creditors: amounts falling due within one year	14	(3,502)	(6,431)
Net current (liabilities)		(1,181)	(1,846)
Total assets less current liabilities		22,620	16,918
Creditors: amounts falling due after more than one year	15	(5,063)	-
Provision for liabilities and charges	17	(453)	(310)
Net assets excluding pension liability		17,104	16,608
Net pension liability	21	(12,090)	(4,440)
Net assets including pension liability		5,014	12,168
Deferred capital grants	18	4,855	3,992
Reserves			
Income and expenditure account excluding pension reserve		6,081	6,174
Pension reserve	21	(12,090)	(4,440)
Income and expenditure account including pension reserve	20	(6,009)	1,734
Revaluation reserve	19	6,168	6,442
Total reserves		159	8,176
		5,014	12,168

The financial statements on pages 18 to 46 were approved by the Corporation on
and were signed on its behalf by:

2009

Rosaleen Day
Chair

David Dodd
Principal

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Cash flow statement for the year ended 31 July 2009

	Note	2009 £'000	2008 £'000
Cash inflow from operating activities	22	3,297	2,498
Returns on investments and servicing of finance	23	(272)	(54)
Capital expenditure and financial investment	23	(3,227)	(2,519)
Acquisitions – cash acquired from East Devon College	23	94	-
Management of liquid resources	23	1,560	(992)
Financing	23	(1,363)	1,025
Increase / (Decrease) in cash for the year		89	(42)

Reconciliation of net cash flow to movement in net funds

Increase / (decrease) in cash in the year		89	(42)
Cash outflow regarding secured loans		1,295	(1,025)
Cash outflow regarding finance leases		68	-
Cash (inflow) / outflow from liquid resources		(1,560)	992
Change in net funds resulting from Acquisitions		(3,341)	-
Movement in net funds in year		(3,449)	(75)
Net funds at 1 August 2008		(1,187)	(1,112)
Net funds at 31 July 2009	24	(4,636)	(1,187)

North Devon College

Notes to the financial statements for the year ended 31 July 2009

1 Accounting policies

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 Learning and Skills Council (LSC), in the Accounts Direction handbook.

Deviation from Accounts Direction

The SORP and UK Generally Accepted Accounting Principles (UK GAAP) differ in their requirements for the treatment of negative goodwill from the guidance set out in the LSC's Accounts Direction handbook.

The SORP follows UK GAAP treatment and includes full adoption of FRS 6, FRS 7 and FRS 10. The SORP requires that on acquisition the identifiable assets and liabilities of the institutions or entities acquired should be measured at fair value that reflect the conditions on acquisition and should be included in the acquiring institution's consolidated balance sheet. Negative goodwill up to the fair values of the non-monetary assets acquired should be recognised in the income and expenditure account in the periods in which the non-monetary assets are recovered, whether through depreciation or sale.

The Accounts Direction handbook states that it would be inappropriate to treat the fair value of the dissolved college's net assets acquired as negative goodwill. Instead, the transfer should be accounted for in substance as a gift and recommends that the "gift" should be shown in the statement of recognised gains and losses (STRGL) in the period in which the acquisition occurs.

The College has followed the requirements of the UK GAAP and the SORP in accounting for negative goodwill.

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 research grants, contracts and other services rendered is included to the extent of the completion of the contract or service concerned in the period.

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

Recurrent grant income receivable from the LSC is recognised in line with the latest estimates of grant receivable for an academic year.

Income from tuition fees is recognised in the period for which it is received and includes all fees chargeable to students or their sponsors.

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Pension schemes

Retirement benefits to employees of the College are provided by the Teachers' Pension Scheme ("TPS") and the Devon County Council Superannuation Fund ("DCCSF"). These are defined benefit schemes which are externally funded and contracted out of the State Earnings Related Pension Scheme.

TPS

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

DCCSF

The DCCSF assets are measured using bid values. The scheme liabilities are measured using a 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 College's defined benefit pension scheme expected to arise from employee service in the period is charged to staff costs. 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 investment income / interest payable. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

The pension scheme's surpluses to the extent that they are considered recoverable, or deficits are recognised in full and presented on the face of the balance sheet.

Enhanced Pensions

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

Tangible fixed assets

Land and buildings

Land and buildings inherited from the local education authority 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 25 to 40 years.

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

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

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

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

Generally equipment costing less than £1,000 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost. Equipment inherited from the local education authority is included in the balance sheet at valuation.

Equipment is depreciated over its useful economic life as follows:

Fixtures, fittings and general equipment	10% to 20% per year on a straight line basis
Computer equipment	25% per year on a straight line basis

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.

Intangible Fixed Assets

The College has followed acquisition accounting rules to account for the merger with East Devon College (see note 30), with the resulting negative goodwill treated as an intangible fixed asset. The balance is being released to the income and expenditure account over a period of 35 years, consistent with the lifetime of the non-monetary assets acquired.

Investments

Investments include sums on short-term deposits with recognised banks.

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. 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.

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Stocks

Stocks consist of consumables. 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 cost of routine corrective maintenance is charged to the income and expenditure account in the year in which it is incurred.

Foreign currency translation

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

Taxation

As an Exempt Charity the College benefits by being broadly exempt from Corporation Tax on income it receives from tuition fees, interest and rents.

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

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 obligation.

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2 Funding Council income

	2009 £'000	2008 £'000
Recurrent grant – LSC	21,327	17,151
Non recurrent grant – LSC	8,587	4,657
Releases of deferred capital grants	421	177
	30,335	21,985

3 Education contracts

	2009 £'000	2008 £'000
Higher education (HE) income	1,655	1,668
Other income	551	323
	2,206	1,991

During the year the College provided bursaries of £74,000 (2008: £41,000).

4 Other income

	2009 £'000	2008 £'000
European grant income	110	366
Other grant income	103	58
Other income	2,003	1,527
	2,216	1,951

5 Investment income

	2009 £'000	2008 £'000
Other interest receivable	31	82

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6 Staff costs

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

	2009 Number	2008 Number
Teaching staff	456	361
Non-teaching staff	404	310
	860	671

	2009 £'000	2008 £'000
Staff costs for the above persons:		
Wages and salaries	19,997	15,262
Social security costs	1,347	1,054
Other pension costs (including FRS 17 adjustments of £400,000 (2008: £220,000))	2,318	1,992
Payroll sub total	23,662	18,308
Contracted out staffing services	117	79
	23,779	18,387

The general pay award from 1 October 2008 was 3.2% (2007/08: 2% from 1 August 2007 plus 1% from 1 February 2008).

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

	Year ended 31 July 2009		Year ended 31 July 2008	
	Number senior post-holders	Number other staff	Number senior post-holders	Number other staff
£ 60,001 to £ 70,000	4	-	-	-
£ 70,001 to £ 80,000	-	-	-	-
£ 80,001 to £ 90,000	-	-	-	-
£ 90,001 to £100,000	-	-	2	-
£100,001 to £110,000	1	-	-	-
£110,001 to £120,000	-	-	-	-
£120,001 to £130,000	-	-	1	-
£130,001 to £140,000	-	-	-	-
£140,001 to £150,000	-	-	-	-
£150,001 to £160,000	1	-	-	-
	<u>6</u>	<u>-</u>	<u>3</u>	<u>-</u>

7 Senior post-holders' emoluments

Senior post-holders are defined as the Principal and the two Vice Principals who are appointed by the Corporation in accordance with the articles of government of the College and other members of the Senior Management Team.

	2009 Number	2008 Number
The number of senior post-holders including the Principal	17	13

	2009 £'000	2008 £'000
Senior post-holders' emoluments are made up as follows:		
Salaries	830	727
Pension contributions	118	103
Total emoluments	948	830

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

	2009 £'000	2008 £'000
Salary	135	112
Benefits in kind	-	-
Pension contributions	19	16
Total emoluments	154	128

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

All members of staff received a pay increase in line with the general pay award. The three senior post holders do not automatically receive the general pay award, but are awarded an increase, if so determined by the governor's Remuneration Committee.

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

No costs were incurred during the year ended 31 July 2009 (2008: £nil) in respect of overseas activities.

Severance payments totalling £191,777 were paid to two former East Devon College senior post holders.

8 Other operating expenses

	2009 £'000	2008 £'000
Teaching costs	4,554	3,715
Non-teaching costs	3,578	2,514
Premises costs	2,004	1,240
	10,136	7,469

Other operating expenses include:

Auditors' remuneration:

- external audit	25	16
- internal audit	24	17
- other services from external auditor	110	47
Hire of plant and machinery under operating leases	204	178
Hire of other assets under operating leases	580	431

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9 Interest payable

	2009 £'000	2008 £'000
On bank loans, overdrafts and other loans, repayable wholly or partly in more than 5 years.	297	136
Interest on enhanced pension provision	28	26
On finance leases	6	-
Pension finance costs (note 21)	370	-
	701	162

10 Taxation

The Members do not believe that the College is liable for any Corporation Tax on income arising out of its charitable activities during the year.

11 Property Strategy Costs

The College has been working on a property strategy of a new Barnstaple campus. However the LSC's national capital programme was curtailed due to funding shortages. Consequently, the costs incurred in preparation of the feasibility study and application in principle have been expensed; this includes costs previously capitalised. Associated funding support for the feasibility study has also been released from deferred capital grants.

In line with the LSC 2008/09 Accounts Direction Handbook, the College has disclosed the property strategy costs separately from the remainder of the income and expenditure account of the College. Exceptional items as defined by FRS 3 paragraph 20 continue to be recorded after the operating surplus or deficit of the College. This is not an exceptional item as defined by FRS3. The College has departed from accounting standards and presented these costs separately on the face of the income and expenditure account as management consider that this better presents a true and fair view of the results of the College for the year.

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The College does not consider any further funding towards the costs incurred so far will be received and have therefore written the following back to the income and expenditure account:

	2009	2008
	£'000	£'000
Property strategy costs	4,716	-
Grant support for property strategy costs	(1,848)	-
Write off of aborted relocation project	2,868	-

12 Tangible fixed assets

	Land and buildings freehold	Equipment	Assets in the course of construction	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2008 (NDC)	18,653	8,933	2,780	30,366
Acquired at 1 August 2008 (EDC)	10,973	924	-	11,897
Additions	272	1,704	2,163	4,139
Write off of Relocation project	-	-	(4,716)	(4,716)
Disposals	-	(671)	-	(671)
At 31 July 2009	29,898	10,890	227	41,015
Depreciation				
At 1 August 2008	4,833	6,769	-	11,602
Charge for the year	954	1,539	-	2,493
Disposals	-	(670)	-	(670)
At 31 July 2009	5,787	7,638	-	13,425
Net book value				
At 31 July 2009	24,111	3,252	227	27,590
At 1 August 2008	13,820	2,164	2,780	18,764
Inherited at valuation	9,342	-	-	9,342
Financed by capital grant	4,051	804	-	4,855
Other at cost/valuation	10,718	2,448	227	13,393
	24,111	3,252	227	27,590

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Land and buildings were valued at 25 July 1997 at depreciated replacement cost by King Sturge & Co, chartered surveyors. Other tangible fixed assets inherited from the local education authority at incorporation were valued on incorporation on a depreciated replacement cost basis with the assistance of independent professional advice.

Land and buildings with a net book value of £9,342,000 (2008: £6,442,000) have been funded from local education authority sources. Should these assets be sold, the College would either have to surrender the sale proceeds to the LSC or use them in accordance with the financial memorandum with the LSC.

If inherited assets had not been valued they would have been included at nil cost.

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.

The net book value of tangible fixed assets includes an amount of £108,000 (2008: £190,000) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £82,000 (2008: £88,000).

13 Debtors

	2009 £'000	2008 £'000
Trade debtors	759	442
Prepayments and accrued income	97	207
Amounts owed by the LSC	701	1,854
Other debtors	143	5
	1,700	2,508

14 Creditors: amounts falling due within one year

	2009 £'000	2008 £'000
Bank loans	91	3,208
Trade creditors	1,659	1,796
Other taxation and social security	463	372
Accruals and deferred income	1,035	879
Amounts owed to the LSC	67	86
Finance Leases	32	-
Other creditors	155	90
	3,502	6,431

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15 Creditors: amounts falling due after more than one year

	2009 £'000	2008 £'000
Bank loans	5,058	-
Finance Leases	5	-
	5,063	-

16 Analysis of borrowing of the College

	2009 £'000	2008 £'000
Bank loans		
Repayable as follows:		
- in one year or less	91	3,208
- between one and two years	95	-
- between two and five years	308	-
- in five years or more	4,655	-
	5,149	3,208

The loans are from Barclays Bank PLC and are repayable within the period shown. The balance is made up of four separate facility agreements at fixed interest rates varying from 4.9% to 6.45%.

	2009 £'000	2008 £'000
Finance Leases		
Net finance leases committed as follows:		
- in one year or less	32	-
- between one and two years	5	-
	37	-

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17 Provisions for liabilities and charges

	2009 £'000	2008 £'000
Provision for termination costs.	102	-
Enhanced pension	351	310
	453	310

a) Provision for termination costs.

The College has accrued termination costs (£102,172, 2008: nil) of staff that have been identified for redundancy as a result of funding cuts and the restructure following the merger with EDC. The decisions that led to these redundancies were taken in 2008/9 and therefore it is appropriate to reflect the liability.

b) Enhanced pension provision

	Enhanced pension provision £'000
At 1 August 2008	310
Transferred from EDC	35
Pension payments made in the year	(21)
Net charge to income and expenditure account	27
At 31 July 2009	351

The enhanced pensions provision relates to the entitlements of staff taking early retirement under the reorganisation programme. This amount represents the extent to which the capital cost charged exceeds actual payments made. The provision will be released against the cost to North Devon College of enhanced pension entitlements over the estimated life expectancy of each relevant employee. This provision has been recalculated in accordance with the LSC circular 05/02.

The principal assumptions for this calculation are:

	2009 %	2008 %
Price inflation	2.85	3.92
Discount rate	2.00	2.00

The provision includes £16,312 (2008: £15,687) in respect of former senior post-holders.

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18 Deferred capital grants

	LSC £'000	Other grants £'000	Total £'000
At 1 August 2008 (NDC)	3,326	666	3,992
Acquired at 1 August 2008 (EDC)	2,324	13	2,337
Cash received	536	375	911
Write off of Relocation project	(1,055)	(792)	(1,847)
Released to income and expenditure account	(421)	(117)	(538)
At 31 July 2009	4,710	145	4,855

19 Revaluation reserve

	2009 £'000	2008 £'000
At 1 August 2008	6,442	6,716
Transfer from revaluation reserve to income and expenditure in - depreciation on revalued assets	(274)	(274)
At 31 July 2009	6,168	6,442

20 Income and expenditure account

	2009 £'000	2008 £'000
At 1 August 2008	1,734	3,196
(Deficit)/Surplus on continuing operations after depreciation of assets at valuation and taxation	(2,717)	194
Transfer from revaluation reserve	274	274
Actuarial (loss) gain in respect of pension scheme	(5,300)	(1,930)
At 31 July 2009	(6,009)	1,734

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21 Pensions and similar obligations

The College's employees belong to two principal pension schemes, Devon County Council Superannuation Fund (DCCSF) and the Teachers' Pension Scheme (TPS). Both schemes are defined benefit schemes.

Total pension cost for the year	Year ended 31 July 2009 £'000	Year ended 31 July 2008 £'000
TPS: contributions paid	1,335	1,042
DCCSF:		
Contributions paid	953	730
FRS17 charge	<u>400</u>	<u>220</u>
Charge to the Income and Expenditure Account (staff costs)	1,353	950
Total Pension Cost for Year (note 6)	2,688	1,992

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 DCCSF was valued at 31 March 2007.

Contributions amounting to £283,000 (2008 £217,000) were payable to the scheme at 31 July and are included within creditors.

DCCSF

The College is a member of the Devon County Council Pension Scheme, a defined benefit scheme in the UK. The total contribution made for the year ended 31 July 2009 was £1,368,419 (2008: £1,035,948) of which employer's contributions totalled £953,282 (2008: £730,109) and employees contributions totalled £415,137 (2008: £305,834).

The agreed employers contribution rates for future years are 14.1%.

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. The major assumptions used by the actuary were:

	2009 %	2008 %
Rate of increase in salaries	5.3	5.3
Rate of increase in pension payment	3.8	3.8
Discount rate	6.0	6.5
Inflation	3.8	3.8
Commutation	75	75

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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 2009	At 31 July 2008
<i>Retiring today</i>		
Males	23.1	22.1
Females	25.0	24.1
<i>Retiring in 20 years</i>		
Males	25.4	24.0
Females	27.3	25.3

The College's share of the assets and liabilities in the scheme (which is estimated to be .49%) and the expected rates of return were:

	Long-term rate expected 31 July 2009 %	Value at 31 July 2009 £'000	Long-term rate expected 31 July 2008 %	Value at 31 July 2008 £'000
Equities	8.0	8,850	7.8	6,318
Government Bonds	4.5	1,590	4.8	1,649
Corporate Bonds	5.9	872	6.5	112
Property	7.0	858	6.8	846
Other assets	0.9	1,900	5.9	1,155
Total market value of assets		14,070		10,080
Present market value of schemes liabilities		(26,160)		(14,520)
Net pension liability		(12,090)		(4,440)

The College employs a building block approach in determining the rate of return on fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected rate of return for each asset class over the actual asset allocation for the Fund as at 31 July 2009.

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Analysis of the amount charged to income and expenditure account (staff costs)

	2009 £'000	2008 £'000
Employer service cost (net of employee contributions)	1,070	790
Past service cost	-	210
Total operating charge	1,070	1,000

Analysis of pension finance income / (costs)

	2009 £'000	2008 £'000
Expected return on pension scheme assets	990	710
Interest on pension scheme liabilities	(1,360)	(710)
Pension finance income / (costs)	(370)	-

Actual return on assets

	2009 £'000	2008 £'000
Expected return on assets	990	710
Actuarial (loss) on assets	(2,070)	(1,220)
Actual return on assets	(1,080)	(510)

Analysis of amount recognised in statement of total recognised gains and losses (STRGL)

	2009 £'000	2008 £'000
Actual return less expected return on pension scheme assets	(2,070)	(1,250)
Experience gains and losses arising on the scheme liabilities	(40)	(930)
Changes in the assumptions underlying the present value of the scheme liabilities	(3,190)	250
Actuarial (loss) recognised in STRGL	(5,300)	(1,930)

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Movement in deficit during the year

	2009 £'000	2008 £'000
Deficit in scheme at beginning of the year	(4,440)	(2,290)
Deficit acquired on acquisition	(1,950)	-
Movement in year:		
Current service cost	(1,070)	(840)
Contributions	1,040	760
Past service costs	-	(140)
Other finance costs	(370)	-
Actuarial loss	(5,300)	(1,930)
Deficit in the scheme at the end of the year	(12,090)	(4,440)

Asset and Liability Reconciliation

	2009 £'000	2008 £'000
Reconciliation of liabilities		
Liabilities at start of period	14,520	11,990
Fair value of liabilities acquired	5,800	-
Service cost	1,070	840
Interest cost	1,360	710
Employee contributions	450	320
Actuarial losses on scheme liabilities	3,230	680
Benefits paid	(270)	(160)
Past Service cost	-	140
Liabilities at end of period	26,160	14,520

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	2009 £'000	2008 £'000
Reconciliation of assets		
Assets at start of period	10,080	9,700
Fair value of assets acquired	3,850	-
Expected return on assets	990	710
Actuarial (loss) on assets	(2,070)	(1,250)
Employer contributions	1,040	760
Employee contributions	450	320
Net benefits paid out	(270)	(160)
Assets at end of period	14,070	10,080

History of asset values, present value of liabilities and deficit

	2009 £'000	2008 £'000	2007 £'000	2006 £'000	2005 £'000
Fair value of assets	14,070	10,080	9,700	7,930	6,430
Present value of liabilities	(26,160)	(14,520)	(11,990)	(11,020)	(9,270)
Deficit	(12,090)	(4,440)	(2,290)	(3,090)	(2,840)

History of experiences gains and losses

	2009 £'000	2008 £'000	2007 £'000	2006 £'000	2005 £'000
Experience (losses) / gains on assets	(2,070)	(1,250)	490	410	730
Experience (losses) / gains on liabilities	(40)	(930)	(10)	(20)	(140)

The estimated value of employer contributions for the year ended 31 July 2010 is £974,300.

North Devon College

TPS

The TPS is an unfunded 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 purpose of determining contribution rates.

SSAP24

The pension cost is normally assessed no more 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 levels are as follows:

Latest actuarial valuation	31 March 2004
Actuarial method	Prospective benefits
Investment returns per annum – after retirement	6.5 %
before retirement	5.0 %

Market value of assets at date of last valuation £162,650 million

Proportion of members' accrued benefits covered by the actuarial value of the asset: 98.88%

Following the implementation of the Teachers' Pensions (Employers' Supplementary Contributions) Regulations 2000 the government actuary carried out a further review on the level of employers' contributions.

For the period from 1 August 2008 to 31 July 2009 the employer contribution was 14.1% (2008: 14.1%).

An appropriate SSAP 24 provision in respect of unfunded pensioners' benefits is included in provisions.

FRS 17

Under the definitions set out in Financial Reporting Standard 17 Retirement Benefits, the TPS is a multi-employer pension scheme. The College is unable to identify its share of the underlying (notional) assets and liabilities of the scheme. Accordingly, the College has taken advantage of the exemption in FRS 17 and has accounted for its contribution 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.

North Devon College

22 Reconciliation of surplus to net cash inflow from operating activities

	2009 £'000	2008 £'000
(Deficit)/Surplus on continuing operations after depreciation of assets at valuation and taxation	(2,717)	194
Write off aborted relocation project	2,868	-
Amortisation of negative goodwill	(111)	-
Depreciation (note 12)	2,493	1,788
Deferred capital grants released to income (note 18)	(538)	(235)
(Profit) on disposal	-	(13)
(Increase) in stocks	(7)	(2)
Interest payable (note 9)	303	136
Pension cost less contributions payable (note 21)	400	220
Decrease / (Increase) in debtors	1,215	(616)
Decrease / (Increase) in creditors	(686)	1,101
Increase in provisions	108	7
Interest receivable (note 5)	(31)	(82)
Net cash inflow from operating activities	3,297	2,498

23 Analysis of cash flows for headings netted in the cash flow statement

	2009 £'000	2008 £'000
Returns on investments and servicing of finance		
Interest received	31	82
Interest paid on bank loans and overdrafts	(297)	(136)
Interest element of finance lease rental payment	(6)	-
Net cash (outflow) from returns on investments and servicing of finance	(272)	(54)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(4,139)	(3,525)
Proceeds from sale of tangible fixed assets	1	16
Deferred capital grants received	911	990
Net cash (outflow) for capital expenditure and financial investment	(3,227)	(2,519)

North Devon College

	2009 £'000	2008 £'000
Acquisitions and disposals		
Cash acquired from East Devon College	94	-
Net cash inflow for acquisitions and disposals	94	-
Management of liquid resources		
Placing of deposits	1,560	(992)
Net cash inflow / (outflow) from management of liquid resources	1,560	(992)
Financing		
New secured loans	-	3,208
Repayments of amounts borrowed	(1,295)	(2,183)
Capital element of finance lease rental payments	(68)	-
Net cash (outflow) / inflow from financing	(1,363)	1,025

24 Analysis of changes in net funds

	At 1 August 2008 £'000	Cash flows £'000	Acquisition (excluding cash) £'000	31 July 2009 £'000
Cash at bank and in hand	97	89	-	186
Current asset investments	1,924	(1,560)	-	364
	2,021	(1,471)	-	550
Finance Leases	-	68	(105)	(37)
Bank loans due within one year	(3,208)	3,204	(87)	(91)
Bank loans due after one year	-	(1,909)	(3,149)	(5,058)
Total	(1,187)	(108)	(3,341)	(4,636)

North Devon College

25 Financial commitments

At 31 July 2009 the College had annual commitments under non-cancellable operating leases as follows:

	2009	2008
	£'000	£'000
Land and buildings		
- expiring within one year	77	9
- expiring within two to five years inclusive	541	368
	618	377
Other		
Expiring within the year	86	14
Expiring within two to five years inclusive	101	174
	187	188

26 Capital commitments

	2009	2008
	£'000	£'000
Commitments contracted for at 31 July	985	356

27 Related party transactions

All transactions involving organisations in which a Member of the Corporation 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.

North Devon College

28 Access Funds and Residential Bursaries

	2009 £'000	2008 £'000
Funding Council Grants	372	248
Interest earned	2	2
	374	250
Disbursed to students	(321)	(233)
Staffing	(18)	-
Administration costs	(19)	(12)
Balance unspent and repayable at 31 July	16	5

Funding Council access fund 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.

29 Contingent Liability

We have engaged our lawyers to handle a potential claim relating to employment terms. Our lawyers advise that the claim should not succeed, but if it did the estimated cost would be circa £1.5m.

30 Acquisition of East Devon College

On 1 August 2008, North Devon College merged with East Devon College. The assets and liabilities of East Devon College were transferred to North Devon College at fair value on 1 August 2008. East Devon College was dissolved as a separate entity.

The College has used acquisition accounting to account for the merger, with the negative goodwill treated as an intangible fixed asset, amortised over 35 years.

Fair value impairment adjustments of £101,000 made to fixed assets relates to items that are either no longer in use or whose existence cannot be verified. Adjustments to debtors and creditors of £413,000 relate to

- an agreement reached with HM Revenue and Customs to retrospectively zero VAT rate certain new build expenditure, thereby cancelling the Lennartz creditor and replacing with a refund of VAT paid to the College, and
- LSC funding received during 2008/9 that should have been an EDC debtor.

North Devon College

The operating assets and liabilities of East Devon College were as follows:

	Total Book Value	Fair Value Adjustments	Total Fair Value on Acquisition
	£'000	£'000	£'000
Fixed assets	11,998	(101)	11,897
Stock	8	-	8
Debtors	232	175	407
Cash	94	-	94
Creditors falling due within one year	(4,156)	19	(4,137)
Creditors due after more than one year	(266)	219	(47)
Provision for liabilities and charges	(35)	-	(35)
Pension liability	(1,950)	-	(1,950)
Deferred capital grants	(2,337)	-	(2,337)
Net assets acquired	3,588	312	3,900
Consideration	-		-
Negative goodwill on acquisition			3,900

Negative Goodwill	£'000
Valuation	
At 1 August 2008	-
Acquired on 1 August 2009	3,900
At 31 July 2009	3,900
Amortisation	
At 1 August 2008	-
Written back in year	111
At 31 July 2009	111
Net Book Value	
At 1 August 2008	-
At 31 July 2009	3,789

North Devon College

Independent Auditors' Report on Regularity to the Corporation of North Devon College ('the Corporation') and the Learning and Skills Council ('the LSC')

In accordance with the terms of our engagement letter dated 20 September 2009 and further to the requirements of the LSC, we have carried out a review to obtain assurance about whether, in all material respects, the expenditure and income of North Devon College ('the College') for the year ended 31 July 2009 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 LSC. Our review work has been undertaken so that we might state to the Corporation and the LSC those matters we are required to state to them 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 LSC, for our review work, for this report, or for the opinion we have formed.

Respective responsibilities of the Members of the Corporation of North Devon College and Auditors

The College'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 LSC. We report to you whether, in our opinion, in all material respects, the College's expenditure and income for the year ended 31 July 2009 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 LSC. Our review included examination, on a test basis, of evidence relevant to the regularity and propriety of the College's income and expenditure.

Opinion

In our opinion, in all material respects the expenditure and income for the year ended 31 July 2009 have been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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2009