

**Company Number 3773914**  
**Charity Number 1088839**

**OPEN COLLEGE NETWORK WEST AND NORTH YORKSHIRE**

**REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 JULY 2005**



## **OPEN COLLEGE NETWORK WEST AND NORTH YORKSHIRE**

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## **OPEN COLLEGE NETWORK WEST AND NORTH YORKSHIRE**

### **LEGAL AND ADMINISTRATIVE INFORMATION**

#### **Status:**

The West and North Yorkshire Open College Network (WNYOCN) was incorporated under the Companies Act 1985 on 16 July 1997. On 30 September 2003 the company changed its name to Open College Network West and North Yorkshire.

On 1 August 1999, all the activities, assets and liabilities of West and North Yorkshire Open College Network (a division of Leeds Metropolitan University (LMU)) were transferred from LMU to the company.

On 10 October 2001 the company was registered as a charity by the Charity Commission for England and Wales (Charity Registration No. 1088839). The objects of the charity are the advancement of the education, learning and training of the public.

#### **Directors and Trustees:**

R Saynor  
P Elliott  
S Gregory  
D Murray  
W Pawson (resigned 30 November 2004)  
S Gibbs  
G Layer  
K Bradwell  
A Buckley (resigned 17 June 2005)  
L Ross-Field  
P Rhodes (appointed 17 June 2005)  
C Apps (appointed 3 December 2004)

Company Secretary: R Saynor

Company Number: 3773914

Charity Number: 1088839

Registered Office: Open College Network West and North Yorkshire  
Leeds Metropolitan University  
No 4 College Close  
Beckett Park Campus  
Leeds  
LS6 3QS

Auditors: Ian Pickup & Co  
Chartered Accountants and Registered Auditors  
123 New Road Side  
Horsforth  
Leeds  
LS18 4QD

Bankers: Barclays Bank plc  
24 Otley Road  
Headingley  
Leeds LS6 2AD

## **OPEN COLLEGE NETWORK WEST AND NORTH YORKSHIRE**

### **DIRECTORS' AND TRUSTEES' REPORT FOR THE YEAR ENDED 31 JULY 2005**

The directors and trustees present their report and the audited financial statements for the year ended 31 July 2005.

#### **INTRODUCTION**

In 2004/05, OCNWNY was in the final year of the 2002/05 Business Plan. The budget for that year was set against a background of internal financial difficulties with the departure of the finance manager. There was uncertainty about the actual financial situation with some long term debtors and inefficient financial procedures.

The budget was also set in a climate of uncertainty about the external environment, with the national limitations on 'Other' funding beginning to have an impact and providers anxious to put as much provision as possible into the National Qualification Framework. The NOCN offer of new qualifications and a new approach to credit within a qualification structure, the Credit & Qualification Framework, had been expected for some time and was delayed. A deficit budget was projected, based on 30,000 learners, a reduction from 34,000 achieved in 2003/04.

The OCN has achieved against all its key priorities. Some specific targets, e.g. 10% increase in business with the prisons, have been exceeded. The underlying necessity to improve on a deficit budget has been a significant success for the whole organisation with a turnaround to £32,984 surplus and 35,500 learners registered against a prediction of 30,000. The OCN therefore achieved another increase in learner registration despite the funding context.

The significant turnaround in the financial situation for 2004/05, from deficit to surplus, has been achieved by:

- careful financial monitoring of expenditure and regular review of the monthly accounts
- setting up efficient invoicing and debt collection procedures
- management review of staffing changing and needs; some posts left vacant
- business awareness training for staff and business input to Curriculum & Business Team meetings
- target setting exercise by Development Workers in the summer to ensure the take up of 10 hour credit units
- increased business analysis, with a focus on the top 10 and the top 20 providers, with detailed information supplied through Business Object reports
- the strategy to use electronic registration as widely as possible
- awareness by all staff of the uncertain financial situation and commitment to ensuring the work is taken forward despite staff shortages and losses

#### **Future Developments**

A major factor for the year was the development of the regionalisation agenda, which in September was still an outline possibility. In October, the NOCN interim Chief Executive Karen Green, asked all OCN Directors to support a national restructure for NOCN, to include a move to regional OCNs by August 2005 with one NOCN licence per region. The NOCN AGM voted on this in February 2005 and the process of change towards an OCN for Yorkshire & Humber was set in motion. This will involve OCN WNY working with OCN South Yorkshire & Humber to create a new regional OCN.

The OCN is currently working to the Strategic Aims outlined in the Regional Business Plan 2005'06. The main priorities for the first half of the year are to implement the new national quality assurance system and to promote the new national curriculum offer to all its main providers. The shortfall in funding for adult education also means that the OCN needs to create new business, which is reflected in the Strategic and Operational plan with targets for

## **OPEN COLLEGE NETWORK WEST AND NORTH YORKSHIRE**

### **DIRECTORS' AND TRUSTEES' REPORT FOR THE YEAR ENDED 31 JULY 2005**

#### **FUTURE DEVELOPMENTS (CONTINUED)**

workforce development, in the health sector, with public sector employers and for the first time with commercial employers. This strategy could potentially ensure that the shrinkage in FE business is replaced.

#### **RESULTS**

The surplus for the year amounted to £32,984. At the balance sheet date total funds stood at £131,279 of which £360 were restricted funds. The trustees are satisfied with the financial performance of the charity during the year.

#### **RESERVES POLICY**

The directors and trustees have established a policy whereby the unrestricted funds not committed or invested in tangible fixed assets ('the free reserves') held by the charity should be 3 months of resources expended, which equates to £178,000 in general funds. At this level the directors and trustees feel they would be able to continue the current activities of the charity in the event of a significant drop in funding or unexpected increase in costs. At the present the free reserves (excluding the pension reserve), amount to £201,919. The trustees will review the policy annually.

#### **RISK STATEMENT**

The directors and trustees have conducted their own review of the major risks to which the charity is exposed and systems are being established to mitigate those risks. Internal risks are minimised by the implementation of procedures for authorisation of all transactions and projects. These procedures are reviewed periodically to ensure they still meet the needs of the charity.

#### **DIRECTORS AND TRUSTEES**

The names of the directors of the company who are also trustees of the charity are set out on page 3. In accordance with the Articles of Association one third of the directors will retire by rotation at the next annual general meeting.

#### **AUDITORS**

Ian Pickup & Co., Chartered Accountants, have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting in accordance with s.385 of the Companies Act 1985.

## **OPEN COLLEGE NETWORK WEST AND NORTH YORKSHIRE**

### **DIRECTORS' AND TRUSTEES' REPORT FOR THE YEAR ENDED 31 JULY 2005**

#### **STATEMENT OF RESPONSIBILITIES OF THE TRUSTEES**


Company law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the surplus or deficit of the company for that period.

In preparing those financial statements, the trustees should follow best practice and:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue on that basis.

The trustees are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the charitable company and to enable them to ensure that the financial statements comply with the Companies Act 1985. The trustees are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This report has been prepared in accordance with the Statement of Recommended Practice – Accounting and Reporting by Charities issued October 2000 together with the SORP Update Bulletin 1 issued in December 2002 and was approved by the directors and trustees on 25 November 2005 and signed on its behalf by:



R Saynor  
Director and Trustee

## OPEN COLLEGE NETWORK WEST AND NORTH YORKSHIRE

### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF OPEN COLLEGE NETWORK WEST AND NORTH YORKSHIRE

We have audited the financial statements of Open College Network West and North Yorkshire for the year ended 31 July 2005, which comprise the primary statements such as the Statement of Financial Activities, the Balance Sheet and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.

#### Respective responsibilities of directors and trustees and auditors

As described in the Statement of Responsibilities of the Directors and Trustees the directors and trustees, who are also the directors of the company for the purposes of company law, are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the information contained in the Directors' Report and consider whether it is consistent with the audited financial statements. Our responsibilities do not extend to any other information outside the report.

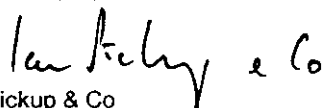
#### Basis of opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. 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 trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charity's circumstances, consistently applied and adequately disclosed.

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

#### Opinion

In our opinion the financial statements give a true and fair view of the state of the charity's affairs as at 31 July 2005 and of its incoming resources and application of resources, including its income and expenditure, in the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
Ian Pickup & Co  
Chartered Accountants & Registered Auditors  
123 New Road Side  
Leeds LS18 4QD

25 November 2005

# OPEN COLLEGE NETWORK WEST AND NORTH YORKSHIRE

## STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31 JULY 2005 (incorporating Income and Expenditure Account)

	NOTE	UNRESTRICTED FUNDS	RESTRICTED FUNDS	TOTAL FUNDS 2005	TOTAL FUNDS 2004 As restated
		£	£	£	£
<b>INCOMING RESOURCES</b>					
Donations and similar incoming resources	2	96238	-	96238	83544
Activities to further the charity's objects:					
Contracts and fees for Accreditation, training and advice, and education projects	3	636048	22077	658125	653831
Investment income		1923	-	1923	534
Total incoming resources		734209	22077	756286	737909
<b>RESOURCES EXPENDED</b>					
Cost of generating funds:					
Fundraising costs	4	3133	-	3133	2104
Charitable expenditure:					
Accreditation	4	486397	-	486397	451778
Training and advice	4	91387	-	91387	129079
Education projects	4	16997	27262	44259	95713
Management & administration	4	88126	-	88126	76559
Total resources expended	4	686040	27262	713302	755233
Net income/ (expenditure) for the year before revaluations	5	48169	(5185)	42984	(17324)
Gains and losses on revaluation of pension assets and liabilities	16	(10000)	-	(10000)	(1000)
Net movement in funds		38169	(5185)	32984	(18324)
Funds b/f at 1 August 2004 as previously reported		306750	5545	312295	-
Prior Year Adjustment	15	(214000)	-	(214000)	-
Funds b/f at 1 August 2004		92750	5545	98295	116619
Funds c/f at 31 July 2005	12	130919	360	131279	98295

The notes on pages 10 to 19 form part of these accounts.

There were no recognised gains and losses for 2005 and 2004 other than those included in the income and expenditure account.



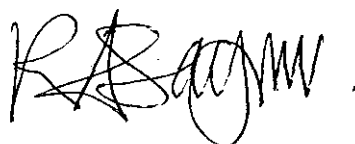
# OPEN COLLEGE NETWORK WEST AND NORTH YORKSHIRE

## BALANCE SHEET AS AT 31 JULY 2005

		2005	2004
			As restated
	Note	£	£
FIXED ASSETS			
Tangible assets	8	2411	5930
CURRENT ASSETS			
Debtors	9	214221	344558
Cash at bank and in hand		<u>207218</u>	<u>43969</u>
		421439	388527
CREDITORS			
AMOUNTS FALLING DUE WITHIN ONE YEAR	10	<u>(55571)</u>	<u>(82162)</u>
NET CURRENT ASSETS		365868	306365
NET ASSETS excluding pension liability		<u>368279</u>	<u>312295</u>
PENSION LIABILITY	16	<u>(237000)</u>	<u>(214000)</u>
NET ASSETS including pension liability		<u>131279</u>	<u>98295</u>
UNRESTRICTED FUNDS			
Designated funds	12	166000	130000
General funds	12	<u>201919</u>	<u>176750</u>
Unrestricted funds excluding pension liability		367919	306750
RESTRICTED FUNDS	12	360	5545
TOTAL CHARITY FUNDS excluding pension liability	12	<u>368279</u>	<u>312295</u>
PENSION RESERVE	16	<u>(237000)</u>	<u>(214000)</u>
TOTAL CHARITY FUNDS		<u>131279</u>	<u>98295</u>

The financial statements were approved by the board of directors on 25 November 2005 and signed on its behalf by:

R Saynor  
Director and Trustee



The notes on pages 10 to 19 form an integral part of these accounts.

## OPEN COLLEGE NETWORK WEST AND NORTH YORKSHIRE

### NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 JULY 2005

#### 1. ACCOUNTING POLICIES

##### a) Basis of preparation of accounts

The financial statements are prepared under the historical cost convention and include the results of the charity's operations which are described in the Directors' and Trustees' Report and all of which are continuing. The accounts have been prepared in accordance with the Companies Act 1985 and follow the recommendations in Accounting and Reporting by Charities: Statement of Recommended Practice issued in October 2000, SORP Update Bulletin 1 issued in December 2002, and applicable accounting standards.

(b) Income - Income comprises contract and fee income received and receivable.

##### (c) Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided to write down the cost of fixed assets, less their estimated residual value over their expected useful economic lives on the following bases:

Equipment - 33.3% straight line basis

Furniture and Fittings - 20% straight line basis

##### (d) Operating Leases

Rentals applicable in respect of operating leases where substantially all the benefits and risks of ownership remain with the lessor are charged to the Income and expenditure account as incurred.

##### (e) Resources expended

Resources expended are recognised in the period in which they are incurred. Resources expended include attributable VAT which cannot be recovered.

Resources expended are allocated to the particular activity where the cost relates directly to that activity. Staff costs are allocated to each activity based on the approximate time spent on each activity. Other overheads after allocating specific costs to education project activities are allocated on the following basis which are an estimate of the amount attributable to each activity:

Accreditation 70%

Training and advice 20%

Management and administration 10%

##### (f) Unrestricted funds

Unrestricted funds are donations and other incoming resources receivable or generated for the objects of the charity without further specified purpose and are available as general funds.

##### (g) Designated funds

Designated funds are unrestricted funds earmarked by the trustees for particular purposes.

##### h) Restricted funds

Restricted funds are to be used for specific purposes as laid down by the donor. Expenditure which meets these criteria is charged to the fund, together with a fair allocation of management and support costs.

##### (g) Pension Costs

The charity contributes to the West Yorkshire Pension Scheme, a defined benefit scheme at rates set by the scheme's actuaries. The charity also contributes in respect of two employees to the Teachers' Pension Scheme, a defined contribution scheme. The charity has accounted for these pension costs in accordance with FRS17.

# OPEN COLLEGE NETWORK WEST AND NORTH YORKSHIRE

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 JULY 2005

### 2. DONATIONS AND SIMILAR INCOMING RESOURCES

	Unrestricted funds £	Restricted funds £	2005 Total £	2004 Total £
Membership subscriptions	94655	-	94655	83333
Other income	1583	-	1583	211
<b>TOTAL</b>	<b>96238</b>	<b>-</b>	<b>96238</b>	<b>83544</b>

### 3. INCOMING RESOURCES FROM ACTIVITIES TO FURTHER THE CHARITY'S OBJECTS

	Unrestricted funds £	Restricted funds £	2005 Total £	2004 Total £
Accreditation:				
Programme recognition fees	21700	-	21700	23825
Learner registration fees	550025	-	550025	507641
	<u>571725</u>	<u>-</u>	<u>571725</u>	<u>531466</u>
Training and advice:				
Contracts and fees	48239	-	48239	40046
Education projects:				
Contracts	16084	22077	38161	82319
<b>TOTAL</b>	<b>636048</b>	<b>22077</b>	<b>658125</b>	<b>653831</b>

# OPEN COLLEGE NETWORK WEST AND NORTH YORKSHIRE

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 JULY 2005

### 4. TOTAL RESOURCES EXPENDED

	Cost of generating funds	Accredit.	Training and advice	Education projects	Management and administration	2005 Total	2004 Total
	£	£	£	£	£	£	£
Staff costs (including current service cost of pensions)	-	368373	60327	36638	56150	521488	547555
Payroll costs	-	2076	593	-	297	2966	1684
Staff travel	-	20254	3558	1725	2842	28379	21497
Software and training	-	590	168	-	85	843	1472
Audit and accountancy	-	-	-	-	3361	3361	3500
Bank charges	-	-	-	-	225	225	528
Depreciation	-	3432	980	787	491	5690	8184
LMU Service agreement	-	12775	3650	-	1825	18250	18250
Room hire	-	574	164	-	82	820	3709
Repairs and sundry equipment	-	-	-	-	1297	1297	333
Insurance	-	-	-	-	1256	1256	1529
Telephone and fax	-	5170	1477	-	739	7386	8187
Postage	-	5708	1631	-	815	8154	11356
Stationery	-	6993	1998	-	999	9990	12894
Reprographics	-	3654	1044	1500	522	6720	8750
Legal and professional	-	9741	2783	-	4892	17416	23332
Subscriptions	-	300	86	299	43	728	233
Recruitment	-	-	-	-	-	-	3994
NOCN Membership & other fees	-	37215	10633	-	5316	53164	27122
Membership – Other	-	93	27	-	13	133	67
Advertising	-	-	-	-	-	-	290
Marketing	3000	375	107	2900	53	6435	16138
Hospitality	-	943	269	-	135	1347	2220
Books	-	-	-	59	-	59	96
Publications	-	-	-	-	-	-	427
Publicity	-	-	-	-	-	-	11647
Staff Development	-	4234	1210	-	605	6049	11949
Website costs	133	-	-	-	-	133	134
Hospitality (external)	-	350	100	-	50	500	1208
Publications (external)	-	15	4	-	2	21	130
Bad & doubtful debts	-	-	-	-	5492	5492	1818
Pension finance cost (Note 16)	-	3532	578	351	539	5000	5000
<b>TOTAL</b>	<b>3133</b>	<b>486397</b>	<b>91387</b>	<b>44259</b>	<b>88126</b>	<b>713302</b>	<b>755233</b>

# OPEN COLLEGE NETWORK WEST AND NORTH YORKSHIRE

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 JULY 2005

### 5. NET INCOME/(EXPENDITURE) FOR THE YEAR

This is stated after charging:

	2005	2004
	£	£
Auditors' remuneration:		
Audit fees	2132	2132
Accountancy	1111	1368
Audit fees – Teachers' pension scheme	118	-
Depreciation of tangible fixed assets	5690	8184
Operating lease rentals	2331	2331

### 6. EMPLOYEE INFORMATION

The average number of employees, calculated on a full-time equivalent (FTE) basis analysed by function was:

	2005	2004
	FTE	FTE
Management and administration	2	2
Accreditation	10	10
Training and advice	3	4
Education projects	1	2
	<u>16</u>	<u>18</u>

Staff costs during the year were as follows:

	2005	2004
	£	£
Wages and salaries	458932	467965
Social security costs	30162	35112
Pension costs	24394	32478
	<u>513488</u>	<u>535555</u>

No employee earned £50,000 or more during the year (2004 – none).

### 7. TRUSTEES' INFORMATION

None of the trustees received remuneration for their services during the year. One trustee received reimbursed expenses of £176 during the year (2004 – nil).

The charity has taken out insurance to indemnify the trustees and officers against the consequences of any neglect or default on their part. The cost in the year was £998.

# OPEN COLLEGE NETWORK WEST AND NORTH YORKSHIRE

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 JULY 2005

### 8. TANGIBLE FIXED ASSETS

	Equipment £	Furniture £	Total £
Cost or valuation:			
At 1 August 2004	18185	10548	28733
Additions	1357	814	2171
At 31 July 2005	<u>19542</u>	<u>11362</u>	<u>30904</u>
Depreciation:			
At 1 August 2004	13061	9742	22803
Charge for the year	5078	612	5690
At 31 July 2005	<u>18139</u>	<u>10354</u>	<u>28493</u>
Net book value			
At 31 July 2005:	<u>1403</u>	<u>1008</u>	<u>2411</u>
Net book value			
At 31 July 2004:	<u>5124</u>	<u>806</u>	<u>5930</u>

### 9. DEBTORS

	2005 £	2004 £
Debtors	168787	227689
Accrued income	43313	110522
Prepayments	2121	6347
	<u>214221</u>	<u>344558</u>

### 10. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005 £	2004 £
Creditors and accruals	45681	71423
Social security and other taxes	9890	10739
	<u>55571</u>	<u>82162</u>

# OPEN COLLEGE NETWORK WEST AND NORTH YORKSHIRE

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 JULY 2005

### 11. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Tangible fixed assets £	Net current assets £	Total £
Restricted funds	-	360	360
Unrestricted funds:			
General funds	2411	199508	201919
Designated funds	-	166000	166000
	<u>2411</u>	<u>365868</u>	<u>368279</u>
Less: Pension Reserve	-	(237000)	(237000)
Total funds	<u>2411</u>	<u>128868</u>	<u>131279</u>

### 12. MOVEMENT IN FUNDS

	Balance 1 August 2004 £	Incoming Resources £	Outgoing Resources £	Transfers, losses and PYA £	Balance 31 July 2005 £
Restricted funds:					
Education projects:					
Local Initiatives Fund (1)	3258	-	(3258)	-	-
Unit Bank Fund	787	-	(787)	-	-
Cubic Fund	-	977	(977)	-	-
Yorkshire & Humberside Gov. Office	1500	-	(1500)	-	-
European Social Fund/Educate Ireland	-	21100	(20740)	-	360
Total restricted funds	<u>5545</u>	<u>22077</u>	<u>(27262)</u>	<u>-</u>	<u>360</u>
Unrestricted funds:					
General funds	176750	734209	(673040)	(36000)	201919
Designated funds					
- working capital fund	130000	-	-	-	130000
- NOCN Licence fee fund 2005/06	-	-	-	36000	36000
Pension reserve	-	-	(13000)	(224000)	(237000)
Total unrestricted funds	<u>306750</u>	<u>734209</u>	<u>(686040)</u>	<u>(224000)</u>	<u>130919</u>
Total funds	<u>312295</u>	<u>756286</u>	<u>(713302)</u>	<u>(224000)</u>	<u>131279</u>

All of the restricted funds relate to grants and similar income received to undertake specific projects. The larger funds are:

#### European Social Fund

Funding is to work with Educate Ireland as part of the Leonardo da Vinci European educational programme, ceasing in 2005/06.

## OPEN COLLEGE NETWORK WEST AND NORTH YORKSHIRE

### NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 JULY 2005

#### 12. MOVEMENTS IN FUNDS (CONTINUED)

Purposes of designated funds:

##### Working Capital Fund

The fund was set up by the trustees to reflect the continued working capital requirement of the charity.

##### NOCN Licence Fee Fund 2005/06

This allocation of reserves will be used as part payment of the Open College Network West and North Yorkshire contribution to the Interim Regional Licence Fee.

#### 13. RELATED PARTIES

The company has been awarded a licence to operate an accreditation service to educational organisations by the National Open College Network (NOCN), which is in itself subject to regulation by the Qualifications and Curriculum (QCA) in England and ACCAC, CCEA in Wales and Northern Ireland. In consideration of this licence to accredit awards the company has paid an annual membership fee of £25209 ( 2004: £22726) to NOCN. The licence is subject to annual inspection/compliance requirements. There was no amount due to NOCN outstanding at the year end.

Katherine Bradwell, a trustee, was employed as a moderator during the year and was paid fees of £250 and expenses of £77. £Nil was payable at 31 July 2005.

#### 14. COMMITMENTS UNDER OPERATING LEASES

At 31 July 2005 the company had annual commitments under non-cancellable operating leases, not related to land and buildings as follows:

	2005	2004
	£	£
Expiry date:		
Between one and five years	2331	2331

#### 15. PRIOR YEAR ADJUSTMENT

The prior year adjustment of £214,000 has arisen as a result of the charity changing its accounting policy on the financial reporting implications of its defined benefit pension scheme with West Yorkshire Pension Fund in order to comply with Financial Reporting Standard 17 – Retirement Benefits.

The prior year adjustment represents the shortfall of the total market value of the pension scheme assets to the present value of the pension scheme liabilities at 31 July 2004.

In restating the financial statements for the year to 31 July 2004 an adjustment has been made to the Statement of Financial activities for that year, being an additional charge of £18,000. This charge is part of the above prior year adjustment of £214,000.



## OPEN COLLEGE NETWORK WEST AND NORTH YORKSHIRE

### NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 JULY 2005

#### 16. PENSION COSTS – WEST YORKSHIRE PENSION FUND

The charity participates in the West Yorkshire Pension Fund (WYPF). WYPF is a multi-employer defined benefit scheme. The scheme is funded and is contracted out of the state scheme. The last full actuarial valuation of the scheme was carried out at 31 March 2004 and updated to 31 July 2004 and 2005 by professionally qualified actuaries, Mercer Human Resource Consulting.

Both employer and employee have contributed at a combined rate of 18.0% of pensionable salaries since 1 April 2002 to 31 March 2005 and from 1 April 2005 at a combined rate of 18.7% in order to bring the value of assets and liabilities into balance.

The charity paid contributions at the average rate of 12.2% during the year. Member contributions for the year were paid at the rate of 6%.

The major assumptions used by the actuaries were:

	31 July 2005	31 July 2004	31 July 2003
Rate of increase in salaries	4.45%	4.3%	4.0%
Rate of increase in pensions in payment	2.7%	2.8%	2.5%
Discount rate	5.0%	5.7%	5.5%
Inflation assumption	2.7%	2.8%	2.5%

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

	Long-term rate of return expected	Value at 31 July 2005	Long-term rate of return expected	Value at 31 July 2004	Long-term rate of return expected	Value at 31 July 2004
Equities	7.5%	569,000	7.5%	454,000	7.5%	366,000
Government bonds	4.4%	75,000	5.0%	68,000	4.7%	61,000
Other bonds	5.0%	21,000	5.7%	13,000	5.5%	15,000
Property	6.5%	41,000	6.5%	32,000	6.5%	26,000
Cash/liquidity	4.75%	55,000	4.5%	43,000	n/a	n/a
Other	7.5%	9,000	n/a	n/a	3.75%	47,000
Total market value of assets		770,000		610,000		515,000
Present value of scheme liabilities		(1,007,000)		(824,000)		(711,000)
Deficit in the scheme		(237,000)		(214,000)		(196,000)
Net pension liability		(237,000)		(214,000)		(196,000)

# **OPEN COLLEGE NETWORK WEST AND NORTH YORKSHIRE**

## **NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 JULY 2005**

### **16. PENSION COSTS – WEST YORKSHIRE PENSION FUND (CONTINUED)**

#### **Analysis of the amounts charged to the statement of financial activities:**

	2005	2004
	£	£
Current service cost	25000	41000

	2005	2004
	£	£
Expected return on pension scheme assets	43000	36000
Interest on pension scheme liabilities	(48000)	(41000)
	<u>(5000)</u>	<u>(5000)</u>

	2005	2004
	£	£
Actual return less expected return on pension scheme assets	92000	16000
Changes in assumptions underlying the present value of the scheme liabilities	(102000)	(17000)
Actuarial loss in Statement of financial activities	<u>(10000)</u>	<u>(1000)</u>

#### **Movement in deficit during the year**

	2005	2004
	£	£
Deficit at beginning of year	(214000)	(196000)
Current service cost	(25000)	(41000)
Employers contributions	17000	29000
Net interest/return on assets	(5000)	(5000)
Actuarial loss	(10000)	(1000)
Deficit at end of year	<u>(237000)</u>	<u>(214000)</u>

## OPEN COLLEGE NETWORK WEST AND NORTH YORKSHIRE

### NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 JULY 2005

#### 16. PENSION COSTS – WEST YORKSHIRE PENSION FUND (CONTINUED)

##### History of experience gains and losses:

	2005	2004
Difference between the expected and actual return on scheme assets:		
amount £	92000	16000
Percentage of scheme assets	11.9%	2.6%
 Total amount recognised in statement of financial activities		
amount £	(10000)	(1000)
percentage of the present value of the scheme liabilities	1.0%	0.1%

#### 17. PENSION COSTS – THE TEACHERS' PENSION SCHEME

THE TEACHERS' PENSION SCHEME - The Teachers' Pension Scheme (TPS) is a statutory, contributory, final salary scheme. The regulations under which the TPS operates are the Teachers' Pensions Regulations 1997, as amended. However, as the Teachers' Pension Scheme is unable to identify the charity's share of the underlying assets and liabilities on a consistent or reasonable basis, in accordance with SORP Update Bulletin 1 issued in December 2002 the charity accounts for its contributions to the scheme as if it were a defined contribution scheme. There are two members of staff in the scheme and contribution rates during the year were paid at a rate of 6% for employees and 13.5% for employers.

At the year end £1795 was unpaid to the West Yorkshire Pension Fund and £936 was unpaid to the Teachers' Pension Scheme.

The cost to the charity for the year in respect of the West Yorkshire Pension Fund was £16928 and in respect of the Teachers' Pension Scheme £7466.

#### 18. LIABILITY OF MEMBERS

Every member of the charity undertakes to contribute such amount as may be required (not exceeding £1) to the charity's assets if it should be wound up while he is a member or within one year after he ceases to be a member, for payment of the charity's debts and liabilities contracted before he ceases to be a member, and of the costs, charges and expenses of winding up, and for the adjustment of the rights of the contributories among themselves.