



Annual Report and Financial Statements
Year ended 31 July 2023

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Reference and Administrative Details

Board of Governors

A full list of Governors is given from pages 16 to 18 of these financial statements.

Head of Governance

Mrs L McLaren

Principalship Team (also key management personnel)

Dr J R M Raby	Principal and CEO; Accounting officer
Mr S D Slorach	Vice Principal (Resources)
Mr M Wheaton	Vice Principal (Strategic Projects)
Mr J Waddington	Vice Principal (Higher Education)
Mr P Chapman	Vice Principal (Employability & External Relations) (Retired 30 Jun 23)
Mrs A Crossland	Vice Principal (People Services)
Mr R Kane	Vice Principal (Further Education)

Principal and Registered Office

The Northern School of Art, Newport Road, Middlesbrough. TS1 1LA

Professional advisors

Financial statements auditors and reporting accountants:

Armstrong Watson Audit Limited, James Watson House, Montgomery Way, Rosehill, Carlisle, Cumbria. CA1 2UU

Bankers:

Barclays Bank plc, Leicester, Leicestershire, LE87 2BB

Legal:

Eversheds LLP, Bridgewater Place, Water Lane, Leeds, LS11 5DR

Jacksons Law Firm, 17 Falcon Ct. Preston Farm Industrial Estate, Stockton-on-Tees TS18 3TU

Strategic report

OBJECTIVES AND STRATEGY

The governing body present their annual report together with the financial statements and auditor's report for The Northern School of Art for the year ended 31 July 2023.

Legal status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting The Northern School of Art. The institution is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

The School renewed its registration with the Office for Students (the OfS) on 1st August 2021 for the delivery of higher education.

The Northern School of Art, whilst a further education college, is referred to by stakeholders as a School, as reflected throughout this document.

Mission, Vision, Strategy and Objectives

The School proudly serves the local communities in the Tees Valley. Through the School mission to enable individuals to receive exceptional education for creative careers, the School not only supplies the talent needed by the rapidly growing creative economy but supports the wider economic and social development of the region and its people. The Northern School of Art will redefine what it means to be an art school, by reference to student outcomes and the teaching and learning environment. Creativity, and its associated skills knowledge and attitudes, is viewed internationally as essential to the development of a stronger civil society and economies with individuals who are capable of driving change and securing personal well-being and fulfilment.

In the Tees Valley, the School is the only specialist provider of FE and HE education in the creative sector and highly performing on many measures – the School is a key part of the skills development pipeline for the sector which is a strategic priority for the devolved Tees Valley Combined Authority. Within local context, the School is making a significant contribution to social and economic development through its Saturday Clubs, free professional development for teachers, the award-winning Festival of Illustration and participation in many other community-based projects.

'Place' is important to the School and will:

- continue efforts, and those of the Tees Valley Combined Authority, to grow the regional economy, develop an arts infrastructure and develop community arts engagement;
- promote location as a special place – an extended studio for students, graduates and staff;
- seek to foster a clustering of creatives around the campuses.

By 2024 the School will have built on its track record and successes. In essence the School wants to have more students on continuously improving courses, studying in high quality, supportive, creative environments. The School will continue to develop the curriculum through increasing product differentiation from competitors and foster innovation. The student experience and the quality of the destinations they move on to, in the North and elsewhere, guides what the School does and aspires to. The Strategic Plan has been adapted by the School's Corporation Board in 2019 who continue to monitor its direction and delivery.

The School will have:

- Degree Awarding Powers and become an HEI enabling the School to become ever more responsive to the needs of students and industry, making the School more visible in direct comparison to competitor universities and opening up new funding opportunities only available to HEIs.
- Grown, out-pacing demographic growth in both FE and HE student numbers as demographic growth kicks in, enabling the School to secure its place in the region, re-invest in, and develop the curriculum offer and become more resilient.
- Established the School as a leader in thinking and practice in the creative sector in the North and beyond - allowing the School to offer current and relevant teaching and industrial experience.

The School has achieved:

- A new FE Campus in the heart of Middlesbrough, a location that is more accessible to the growing catchment area - adjacent to a creative industry hub.

The School will continue to deliver excellent standards of teaching and learning.

This is the Vision for the School and it informs the set of Key Outcomes wanting to be achieved over the remaining 3 years of the 5-year Strategic Plan. This Plan and the Key Outcomes are supported by a range of more detailed strategies, governance structures and performance indicators which allow the School to monitor and constantly improve performance and anticipate or react to the changing environment in which the School operates.

Values

- creativity and excellence
- professional practice, employability and enterprise
- student engagement, support, collaboration and community

Behaviours

- concern for the quality of a holistic student experience
- a positive, collegiate approach
- professionalism

- always seeking improvement; appropriately self-critical
- equality and diversity

Financial objectives

To pursue, refine and maintain a financial strategy as the basis of the sustainable financial health of the School in order to ensure:

1. The long-term reputation and viability of the institution for the benefit of students, staff and the creative industries by aiming to work back to operating surpluses and positive cash generation;
2. The availability of sufficient resources to match its stated strategic objectives; and
3. The financing of developments, capital investments and long-term maintenance expenditure.

Resources

The School employs 270 people (148 FTE), of whom 85 (50.6 FTE) are teaching staff.

The School enrolled approximately 1,450 students. The School's student population includes 599 FE students, 564 higher education students and approximately 300 Saturday club learners.

The group has £5.507 million (2022: £5.235 million) of net assets including long-term debt of £1.124 million (2022: £1.162). The £2.487 million pension asset (2022: liability of £0.568 million) has been capped to a nil value as the asset is not deemed to be recoverable.

Tangible resources include campuses in both Hartlepool and Middlesbrough.

The School has a good reputation locally and nationally. In its last Ofsted inspection in April 2022 it was rated Outstanding and in October 2023 the School was awarded TEF Gold.

Stakeholders

The School has many stakeholders including:

- its current, future and past students;
- its staff and their trade unions including the University and College Union and Unison.
- the employers it works with,
- the local community;
- its local borough council, combined authority and Local Enterprise Partnership;
- other FE and HE institutions.

Public benefit

The Northern School of Art is an exempt charity under the Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on page 14-16. In setting and reviewing the school's strategic objectives, the Governing Body has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education.

In delivering its mission, the school provides identifiable public benefits through the advancement of education:

- High quality teaching and learning
- Widening participation and tackling social exclusion
- Excellent employment record for students
- Strong student support systems
- Educational partners including schools, colleges and higher educational institutions
- Links with creative sector employers, industry and commerce; regionally and nationally
- Links with the Combined Authority

In delivering its mission, the School provides identifiable public benefits through the advancement of education to approximately 1,450 students, including 36 students with high needs. The School provides courses without charge to young people, to those who are unemployed and adults taking educational courses. The School adjusts its courses to meet the needs of creative employers. The School is committed to providing information, advice and guidance to the students it enrolls and to finding suitable courses for as many students as possible regardless of their educational background.

DEVELOPMENT AND PERFORMANCE

Financial Review

The group generated a deficit of £0.630 million in 2022-3, with a total comprehensive income of £0.274 million (2022: £6.895 million) this was caused by a revaluation of School's share of the Local Government Pension Scheme assets and liabilities. Excluding this (and other non-cash items), the School's EBITDA was;

		£'000
As per Statements	Group deficit before other gains and losses	(630)
Add back	FRS102 (28) Charge (Staff Costs)	309
Add back	Net Interest and finance costs	54
Add back	Depreciation	1,159
Minus	Deferred capital grants	(621)
EBITDA		271

The School received 34% of its total income for 2022/3 as grants from funding bodies, with 31.9% (2022: 24.93%) coming from the Education and Skills Funding Agency for 16-18 provision. The increase in performance from the prior year was largely due to increased student numbers in 16-18 provision.

Higher education fee income remains the largest income stream for the group at 49.7% (2022: 54.3%).

At the balance sheet date, the group held net current assets of £0.158 mil and net assets of £5.507 mil.

The negative net cash flow from operating activities was £2.535 mil (2022: positive £1,992 mil). The decrease from the prior year is due to a large reduction in creditors falling due within a year, having reached financial completion of the Middlesbrough new build project. Cash balances remain healthy at the year end.

The School continued to make repayments on the 20-year loan taken out in 2017 to develop its Hartlepool campus. The loan involves a fixed interest rate of 3.85%, providing protection from recent rises.

The group has accumulated reserves of £5.507 mil and cash and short-term investment balances of £2.601 mil. The group wishes to continue to accumulate reserves and cash balances in order to create funds to meet future capital requirements.

The School has three subsidiary companies, Northern School of Art Devco Limited, The Northern Studios (Hartlepool) Limited and The Northern College of Art.

Northern School of Art Devco Limited (Company No. 11574517)

The subsidiary was incorporated under the Companies Act 2006 as a private company on the 18th September 2018, the private company is limited by guarantee. The principal activity of Northern School of Art Devco Limited is the delivery of a property project in Middlesbrough. Northern School of Art Devco Limited has received £14.514 million grant income towards the new build project in Middlesbrough. It is the intention of the Directors to continue to operate the company in a dormant status in the foreseeable future or until another property opportunity arises.

The Northern Studios (Hartlepool) Limited (Company No. 13002646)

The subsidiary was incorporated under the Companies Act 2006 as a private company on the 6th November 2020, the private company is limited by guarantee. The principal activity of The Northern Studios (Hartlepool) Limited is to offer space and resources for hire to the TV and Film industry. The Northern Studios (Hartlepool) Limited holds assets in the course of construction totalling almost £3.612 million and cash balances of £21k. Trading has commenced in 22/23 and it is anticipated bookings will continue to increase in to 23/24 and beyond due to building reputation and an expected end to the writers and actors strike, which has impacted film and TV productions worldwide.

In 22/23 The Northern Studios (Hartlepool) Limited generated losses of £106,000 (2022: £12,000).

The Northern College of Art Limited (Company No. 14986687)

The Northern College of Art was established as a subsidiary in July 2023 as part of the School's strategy of becoming an HEI with a designated FE subsidiary. This subsidiary is dormant at present until Secretary of State approval has been given.

FUTURE PROSPECTS

Future developments

The School is continuing to invest in its facilities. The campus buildings offer high quality teaching and learning spaces and allow the School to develop its course and programme offerings.

The School works with Industrial Liaison Groups to develop courses to ensure students graduate with the skills relevant to their chosen sector. This will increase student recruitment through both the broader range of courses on offer and the higher standard of delivery.

Financial plan

The School governors approved a financial plan in July 2023 which sets the following objectives for the period to 2026.

Treasury policies and objectives

The School has treasury management arrangements in place to manage cash flows, banking arrangements and the risks associated with those activities.

Reserves

The Northern School of Art is dependent on two key sources of income, being ESFA funding for the FE operations and student fees for the HE operations. This means that if there were to be a significant fall in these funding sources it is likely the school would have to review its options and how the school is structured. The risk of either ESFA funding and student fees ceasing to be available is considered unlikely.

The School has a formal Reserves Policy and recognises the importance of reserves in the financial stability of any organisation. This ensures that there are adequate reserves to support the School's core activities. The School may operate at a deficit, drawing on unrestricted funds, on condition that this is a temporary measure and that a credible plan is in place to recover the financial position of the School. The School reserves policy sets a minimum level of cash balances of £500k below which needs to be reviewed with the Corporation Board and a plan to be in place for the reestablishment of cash balances.

PRINCIPAL RISKS AND UNCERTAINTIES

The School has well developed strategies for managing risk and strives to embed risk management in all that it does. Risk management processes are designed to protect its assets, reputation and financial stability. The governing body has overall responsibility for risk management and its approach to managing risks and internal controls is explained in the Statement on Corporate Governance.

A risk register is maintained at the School level which is reviewed at every Audit Committee meeting and regularly by the Corporation Board. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the School and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system. Not all the factors are within the School's control. Other factors may also adversely affect the School.

The School has identified the key risks that might prevent the achievement of its Strategic Plan. These are reviewed by both the Audit Committee and Corporation Board throughout the year.

- Maintaining Ofsted Outstanding and TEF Gold ratings
- Government policy and funding per student at FE and student fees at HE
- ONS reclassification of FE Colleges as public sector organisations
- Student recruitment and retention at both FE and HE operations
- Cybersecurity risks

KEY PERFORMANCE INDICATORS

The Schools key performance indicators, targets and results are set out below.

Key performance indicator	Actual for 2022/3
Adjusted Current Ratio	1.43
EBITDA as a % of adjusted income – education specific	3.05%
Borrowing as a % of adjusted income	15.00%
Financial Health Score	180
Financial Health Grade	GOOD
Ofsted Rating	Outstanding

Student achievements

Students continue to prosper at the School. FE achievement rates remained high in 2022/23, 90.9% a slight decrease from 2022 92.8%. HE success slightly decreased to 96.3 % in 2022/23 from 2022 96.6%. The School had a pass rate of 100% (2022 99.5%) of all HE completers and 99.1% 2022/23 (2022 99.2%) for FE.

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, in the absence of agreement to the contrary, requires organisations to make payments within 30 days. During the accounting period 1 August 2022 to 31 July 2023, the School paid 96.1 per cent of its invoices within 30 days. The School incurred no interest charges in respect of late payment for this period.

Trade union facility time

The Trade Union (Facility Time Publication Requirements) Regulations 2017 require the School to publish information on facility time arrangements for trade union officials at the School.

Numbers of employees who were relevant period	FTE employee number
2	2

Percentage of time	Number of employees
0%	0
1-50%	2
51-99%	0
100%	0

Total cost of facility time	667
Total pay bill	67,481
Percentage of total bill spent on facility time	1%

Time spent on paid trade union activities as a percentage of total paid facility time	1%
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EQUALITY AND DIVERSITY

Equality

Gender pay gap reporting

	Year ending 31 March 2023
Mean gender pay gap	25.0%
Median gender pay gap	29.8%

The proportion of males and females in each quartile of the pay distribution are:

	Males	Females
1 - Lower quartile	1.6%	98.4%
2 - Lower Middle	31.2%	68.8%
3 - Upper Middle	38.1%	61.9%
4 - Upper quartile	48.4%	51.6%

The School publishes its annual gender pay gap report on its website.

Disability statement

The Northern School of Art is committed to the principles of equality and diversity and welcomes applications from students and staff with a disability or learning difficulty. The School aims to support all individual needs wherever possible to enable both staff and students to achieve their full potential.

In accordance with the duties laid out in the Equality Act 2010, the School will not discriminate against a disabled person throughout the whole learning or employment experience within the School and in the delivery of services it provides.

The School will endeavour to make all reasonable adjustments for a disabled person to access any service provided by the Institution. By doing so, the School will not treat a disabled person less favourably (for a reason related to his/her disability) than it treats other learners or staff. The School seeks to achieve the objectives set down in the Equality Act 2010:

- As part of its accommodation strategy the School updates its access audit and the results of this forms the basis of funding capital projects aimed at improving access.
- There is a list of specialist equipment, which the School can make available for use by students and a range of assistive technology is available from student support.
- The admissions policy for all students is described in the School charter. Appeals against a decision not to offer a place are dealt with under the complaints policy.
- The School has made a significant investment in the appointment of specialists to support students with learning difficulties and/or disabilities. There are a number of student support assistants who can provide a variety of support for learning.

- Counselling and welfare services for students are detailed on the School's website and VLE and further information can be obtained from the Student Services department. All students are made aware of the services available and all the relevant policies and procedures at induction.
- The admissions policy for all students is described in the School charter. Appeals against a decision not to offer a place are dealt with under the complaints policy.

GOING CONCERN

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

DISCLOSURE OF INFORMATION TO AUDITORS

The members who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the School's auditors are unaware; and each member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the School's auditors are aware of that information.

Approved by order of the members of the Corporation on 8th December 2023 and signed on its behalf by:



Mr T G Bailey

Chair

Governance Statement

The following statement is provided to enable readers of the annual report and accounts of the School to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2022 to 31 July 2023 and up to the date of approval of the annual report and financial statements.

GOVERNANCE CODE

The School endeavours to conduct its business:

1. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
2. in full accordance with the guidance to Schools from the Association of Schools in The Code of Good Governance for English Schools ("the Code")

In the opinion of the Governors, the School complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2023. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times.

In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Schools issued by the Association of Colleges in 2015, which it formally adopted on 1st May 2015. In the opinion of the Governors, the School complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2023.

In June 2022, The Northern School of Art commissioned Stone King LLP to undertake the required independent, external review of its governance practice. The resulting report was considered and accepted by the Corporation Board on 10th March 2023. The review noted that: 'In summary, taking account of meeting observation, discussions and documentation available, this review recognises that the governance of The Northern School of Art is expert, committed, ambitious and demonstrates many examples of effective practice.'

THE CORPORATION

Members of the Corporation

The members who served on the Corporation during the year and up to the date of signature of this report were as listed in the table below.

Name	Date of Appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance in 2022/3
Dr J R M Raby	01.05.08	Whilst in Post		Principal	Academic Board Governance & Search Committee Finance Committee Academic Committee	5/5 100%
Mrs S Fawcett	12.07.11 Reappointed 31.08.19	4 years	Appointment ended 31.07.23	Independent	Finance Committee Safeguarding Committee	5/5 100%
Mr I Swain	02.10.09 Reappointed 01.07.16 Reappointed 18.09.20 Co-opted 01.12.22	2 years		Independent	Audit Committee	2/2 100%
Professor R Simmons	04.07.14 Reappointed 31.08.18 Reappointed 01.06.22	2 years		Independent	Remuneration Committee Academic Committee	5/5 100%
Professor J Rapley	13.02.15 Reappointed 13.02.19 Reappointed 13.02.23	4 years		Independent	Academic Board Academic Committee	5/5 100%
Mr K Goldsborough	11.11.16 Reappointed 18.09.2020	4 years		Independent	Audit Committee	4/5 80%

Financial Statements for the year ended 31 July 2023

Name	Date of Appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance in 2022/3
					Governance & Search Committee Academic Committee	
Mr D Hughes	11.11.16 Reappointed 18.09.2020	4 years		Independent	Audit Committee Finance Committee Health & Safety Committee	5/5 100%
Mr T G Bailey	09.12.16 Reappointed 18.09.2020	4 years		Independent	Finance Committee	5/5 100%
Ms J Havakin	28.04.17 Reappointed 18.09.2020	3 years	Appointment ended 31.07.23	Academic Staff		5/5 100%
Ms E Hardwick	28.04.17 Reappointed 18.09.2020	3 years	Appointment ended 31.07.23	Academic Staff	Academic Board	5/5 100%
Mr M Blanshard	05.02.21	4 years	31.07.23	Independent	Audit Committee	1/5 20%
Ms G Miller	04.12.20	4 years		Independent	Governance & Search Committee Academic Committee	5/5 100%
Mrs K Baggaley	12.11.21	4 years		Independent	Finance Committee	4/5 80%
Ms N Brett	11.03.22	4 years		Independent	Academic Committee	5/5 100%
Dr E Leonard Cross	11.03.22	4 years		Independent	Governance & Search Committee Remuneration Committee	5/5 100%
Rachel Marsh	11.03.22	18 mths	31.07.23	Student (HE)		2/5 40%

Name	Date of Appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance in 2022/3
Sarah Webber	11.03.22	18 mths	31.07.23	Student (HE)		0/5 0%
Kirsty Binns	10.03.23	18 mths		Student (FE)		1/3 33.3%

The governance framework

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

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

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Academic, Finance, Audit, Remuneration, Governance and Search and Capital Programme Group. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the School's website www.northernart.ac.uk or from the Head of Governance at the School's registered address.

The Head of Governance maintains a register of financial and personal interests of the governors. The register is available for inspection at the above address.

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

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

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

There is a clear division of responsibility in that the roles of the Chair and Accounting Officer are separate.

Appointments to the Corporation

Any new member appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a governance and search committee, consisting of five members of the Corporation, which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

Members of the Corporation are appointed for a term of office not exceeding four years.

Corporation performance

The Corporation carried out a self-assessment of its own performance for the year ended 31 July 2023 and graded itself as effective.

Academic Board

The Academic Board includes three members of the Corporation and meets five times per year and operates in accordance with written terms of reference approved by the Corporation.

The Academic Board holds delegated responsibility for the oversight and evaluation of the student learning experience, including the quality management infrastructure and its alignment to the quality assurance framework of the degree-awarding body (Arts University Bournemouth).

Finance and General Purposes Committee

The Finance and General Purposes Committee comprises of four independent members of the Corporation, the Principal and Vice Principal - Resources and meets six times per year. The Finance and General Purposes Committee has written terms of reference approved by the Corporation.

The Finance and General Purposes Committee main duties are to monitor, consider and recommend on finances, financial reports and measurements to the Corporation Board.

Remuneration Committee

Throughout the year ending 31 July 2023 the School's Remuneration Committee comprised four members of the Corporation. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Accounting Officer and other key management personnel.

The Remuneration Committee adopted the AoC's Senior Staff Remuneration Code in November 2019 and applies the Code in addition to CUC HE Remuneration Code. Details of remuneration for the year ended 31 July 2023 are set out in note 7 to the financial statements.

Audit Committee

The Audit Committee comprises four members of the Corporation (excluding the Accounting Officer and Chair). The Committee operates in accordance with written terms of reference approved by the Corporation.

The Audit Committee meets on a termly basis and provides a forum for reporting by the School's external auditors, who have access to the Committee for independent discussion without the presence of School management. The Committee also receives and considers reports from the main funding bodies as they affect the School's business.

Management is responsible for the implementation of agreed audit recommendations and internal auditors are engaged to periodically conduct follow-up reviews to ensure such recommendations have been implemented.

The Audit Committee also advises the Corporation on the appointment of internal auditors, consultants, reporting accountants and financial statements auditors and their remuneration for audit and non-audit work as well as reporting annually to the Corporation.

The Audit Committee met three times in the year to 31 July 2023. The members of the Committee and their attendance records are shown below:

Committee member	Meetings attended
Mr I Swain	2
Mr K Goldsborough	2
Mr D Hughes	2
Mr M Blanshard	0

Academic Committee

The Academic Committee includes four members of the Corporation and meets three times per year and operates in accordance with written terms of reference approved by the Corporation.

The Academic Committee provides governance oversight, in matters relating to academic standards and quality, and student experience, relating to the School's further and higher education provision.

INTERNAL CONTROL

Scope of responsibility

The Corporation is ultimately responsible for the School's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Corporation has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the School's policies, aims and objectives, whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with the responsibilities assigned to him in the Funding Agreement between The Northern School of Art and the funding bodies. He is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of School policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in The Northern School of Art for the year ended 31 July 2023 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Corporation has reviewed the key risks to which the School is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the School's significant risks that has been in place for the period ending 31 July 2023 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

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

- comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the governing body
- regular reviews by the governing body of periodic and annual financial reports which indicate financial performance against forecasts
- setting targets to measure financial and other performance

- clearly defined capital investment control guidelines
- the adoption of formal project management disciplines, where appropriate.

Further education colleges are not statutorily obliged to have an internal audit service in place but there is a requirement for the Audit Committee and the Corporation Board to be assured that there is a functioning system of controls in place. The Audit Committee has continued to review its options for assessing risks and control. A blend of traditional internal audits and specialist audits has been envisaged going forwards to provide both assurance and intelligence in this area.

The Audit Committee is required to report to the Corporation Board on an annual basis giving its view on controls and the assurance system that supports the governors and management in decision making. Considering the review and challenge that has been conducted during the year by the Audit Committee it is the opinion of the Members of the Audit Committee that the School's assurance arrangements, governance, risk and control mechanisms are adequate and effective for the purpose of conducting the continuing activities of The Northern School of Art.

Risks faced by the Corporation

The Corporation identifies, evaluates and manages risk through the Risk Management Policy and accompanying risk register at each Board meeting.

Identification of risk is carried out at each Corporation and sub-committee meeting, members will consider the risk associated with any items of business during the meeting and this may lead to an amendment of the School's risk register or require a risk assessment to be carried out. This is also carried out at Principalship, Committee and Team meetings.

The evaluation of risks is carried out by the Principalship team assessing the significance of each risk and prioritises them by examining their probability and impact. The combined score of both places each risk in one of three risk categories, Red, Amber or Green. In order to manage and monitor identified risks these are entered on to the risk register which is reviewed regularly.

There have been no significant control weaknesses or failures identified.

Responsibilities under funding agreements

The Department for Education and Education and Skills Funding Agency introduced new controls for the School on 29 November 2022 on the day that the Office for National Statistics reclassified Schools as public sector organisations in the national accounts. The ESFA chief executive communicated these changes to all School accounting officers and explained plans to introduce a School financial handbook in 2024. The School has reviewed its policies, procedures and approval processes in line with these new requirements to ensure there are systems in place to identify and handle any transactions for which DfE approval is required.

Statement from the Audit Committee

The Audit Committee has advised the board of governors that the Corporation has an effective framework for governance and risk management in place. The Audit Committee believes the Corporation has effective internal controls in place, based on assurances provided by, external audit, internal audit and school management.

Review of effectiveness

As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. His / her review of the effectiveness of the system of internal control is informed by:

- the work of the internal auditors has been limited this year, although key processes were reviewed by a firm of internal auditors.
- the work of the executive managers within the School who have responsibility for the development and maintenance of the internal control framework
- comments made by the School's financial statements auditors, the reporting accountant for regularity assurance, the appointed funding auditors (for Schools subject to funding audit) in their management letters and other reports.

The Accounting Officer has been advised on the implications of the result of their review of the effectiveness of the system of internal control by the Audit Committee, which oversees the work of the internal auditor and other sources of assurance, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior management team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement.

The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its November 2023 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2023 by considering documentation from the senior management team and internal audit and taking account of events since 31 July 2023.

Based on the advice of the Audit Committee and the Accounting Officer, the Corporation is of the opinion that the School has an adequate and effective framework for governance, risk management and control, and has fulfilled its statutory responsibility for *"the effective and efficient use of resources, the solvency of the institution and the body and the safeguarding of their assets"*.

Approved by order of the members of the Corporation on 8th December 2023 and signed on its behalf by:



Mr T G Bailey
Chair

Dr J R M Raby
Accounting Officer

Statement of Regularity, Propriety and Compliance

As accounting officer, I confirm that the Corporation has had due regard to the framework of authorities governing regularity, propriety and compliance, and the requirements of grant funding agreements and contracts with ESFA, and has considered its responsibility to notify ESFA of material irregularity, impropriety and non-compliance with those authorities and terms and conditions of funding.

I confirm on behalf of the Corporation that after due enquiry, and to the best of my knowledge, I am able to identify any material irregular or improper use of funds by the Corporation, or material non-compliance with the framework of authorities and the terms and conditions of funding under the Corporation's grant funding agreements and contracts with ESFA, or any other public funder. This includes the elements outlined in the "Dear Accounting Officer" letter of 29 November 2022 and ESFA's bite size guides.

I confirm that no instances of material irregularity, impropriety, funding noncompliance, or non-compliance with the framework of authorities have been discovered to date. If any instances are identified after the date of this statement, these will be notified to ESFA.



Dr J R M Raby
Accounting officer
8th December 2023

Statement of the chair of governors

On behalf of the Corporation, I confirm that the accounting officer has discussed their statement of regularity, propriety and compliance with the board and that I am content that it is materially accurate.



Mr T G Bailey
Chair of governors
8th December 2023

Statement of Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the Corporation's grant funding agreements and contracts with ESFA, the Corporation – through its Accounting Officer – is required to prepare financial statements and an operating and financial review for each financial year in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education, ESFA's School accounts direction and the UK's Generally Accepted Accounting Practice, and which give a true and fair view of the state of affairs of the Corporation and its surplus / deficit of income over expenditure for that period.

In preparing the financial statements, the Corporation is required to:

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- assess whether the Corporation is a going concern, noting the key supporting assumptions qualifications or mitigating actions as appropriate
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the School will continue in operation.

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

The Corporation is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the School and which enable it to ensure that the financial statements are prepared in accordance with relevant legislation including the Further and Higher Education Act 1992 and Charities Act 2011, and relevant accounting standards. It is responsible for taking steps that are reasonably open to it to safeguard its assets and to prevent and detect fraud and other irregularities.

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

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended and that the financial transactions conform to the authorities that govern them. In addition, they are responsible for ensuring that funds

from ESFA, and any other public funds, are used only in accordance with ESFA's grant funding agreements and contracts and any other conditions, that may be prescribed from time to time by ESFA, or any other public funder, including that any transactions entered into by the Corporation are within the delegated authorities set out in the "Dear accounting officer" letter of 29 November 2022 and ESFA's bite size guides. Members of the Corporation must ensure that there are appropriate financial and management controls in place to safeguard public and other funds and ensure they are used properly. In addition, members of the Corporation are responsible for securing economic, efficient and effective management of the Corporation's resources and expenditure so that the benefits that should be derived from the application of public funds from ESFA and other public bodies are not put at risk.

Approved by order of the members of the Corporation on 8th December 2023 and signed on its behalf by:



Mr T G Bailey
Chair of governors

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF THE NORTHERN SCHOOL OF ART

OPINION

We have audited the financial statements of THE NORTHERN SCHOOL OF ART (the "College") and its subsidiaries (the "Group") for the year ended 31 July 2023 which comprise the consolidated and College Statements of comprehensive income, the consolidated Statement of changes in reserves, the consolidated and College Balance sheets, the consolidated Statement of cash flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', the Further Education SORP 2019 and the College Accounts Direction 2022 to 2023 issued by the Education and Skills Funding Agency.

In our opinion the financial statements:

- *give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Group's and the College's affairs as at 31 July 2023 and of the Group's and the College's total comprehensive surplus of income over expenditure for the year then ended; and*
- *have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and*
- *have been prepared in accordance with the requirements of the Further Education SORP 2019 and the College Accounts Direction 2022 to 2023 issued by the Education and Skills Funding Agency.*

BASIS OF OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the college in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

In auditing the financial statements, we have concluded that the Corporation's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Corporation's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Members of the Corporation with respect to going concern are described in the relevant sections of this report.

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF THE NORTHERN SCHOOL OF ART (CONTINUED)

OTHER INFORMATION

The Members of the Corporation are responsible for the other information. The other information comprises the information included in the Annual report, other than the financial statements and our Auditor's report thereon. Our opinion on the financial statements does not cover the information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

OPINION ON OTHER MATTERS PRESCRIBED BY THE OFFICE FOR STUDENTS' ACCOUNTS DIRECTION

In our opinion, in all material respects:

- *funds from whatever source administered by the college for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;*
- *funds provided by the Office for Students, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and Department for Education have been applied in accordance with the relevant terms and conditions; and*
- *the requirements of the Office for Students' accounts direction for the relevant year's financial statements have been met.*

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of our knowledge and understanding of the Group and the College and its environment obtained in the course of the audit, we have not identified material misstatements in the Corporation's report including the Strategic report.

We have nothing to report in respect of the following matters in relation to which the Post 16 Audit Code of Practice issued by the Education and Skills Funding Agency requires us to report to you if, in our opinion:

- *adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or*
- *the College financial statements are not in agreement with the accounting records and returns; or*
- *all the information and explanations required for the audit were not received; or*
- *the going concern basis of accounting and disclosure of material uncertainties is appropriate.*

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF THE NORTHERN SCHOOL OF ART (CONTINUED)

WE HAVE NOTHING TO REPORT IN RESPECT OF THE FOLLOWING MATTERS WHERE THE OFFICE FOR STUDENTS' ACCOUNTS DIRECTION REQUIRES US TO REPORT TO YOU IF:

- the College's grant and fee income, as disclosed in the notes to the accounts, has been materially misstated.
- the College's expenditure on access and participation activities for the financial year has been materially misstated.

RESPONSIBILITIES OF MEMBERS OF THE CORPORATION

As explained more fully in the Statement of responsibilities of the Members of the Corporation, the Corporation is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and for such internal control as the Corporation members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporation is responsible for assessing the Group's and the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Corporation either intend to liquidate the Group or the College or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the responsible individual ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the Corporation through discussions with the Corporation and other management;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operation of the company
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management;

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF THE NORTHERN SCHOOL OF ART (CONTINUED)

- *identified laws and regulations were communicated within the audit team regularly and the team; and*
- *remained alert to instances of non-compliance throughout the audit.*

We assessed the susceptibility of the Corporation's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- *making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and*
- *considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.*

To address the risk of fraud through management bias and override of controls, we:

- *performed analytical procedures as a risk assessment tool to identify any unusual or unexpected relationships;*
- *tested journal entries to identify unusual transactions;*
- *tested the operating effectiveness of key controls over purchase cycles on a sample basis; and*
- *reviewed the application of accounting policies including the application of capitalisation of tangible assets, and timing of recognition of grant income; and*
- *Considered during our work on regularity, propriety and compliance.*

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- *agreeing financial statement disclosures to underlying supporting documentation;*
- *reading the minutes of meetings of those charged with governance; and*
- *enquiring of management as to actual and potential litigation and claims.*

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. The description forms part of our Auditor's report.

USE OF OUR REPORT

This report is made solely to the Corporation, as a body, in accordance with the Funding Agreement published by the Education and Skills Funding Agency and our engagement letter dated 09 June 2022. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are engaged 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 Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

Karen Rae

*Karen Rae FCCA (Senior Statutory Auditor)
for and on behalf of
Armstrong Watson Audit Limited
Chartered Accountants & Statutory Auditors
Carlisle*

Date: 14 December 2023

REPORTING ACCOUNTANTS ASSURANCE REPORT ON REGULARITY TO THE CORPORATION OF INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF THE NORTHERN SCHOOL OF ART AND SECRETARY OF STATE FOR EDUCATION ACTING THROUGH THE EDUCATION AND SKILLS FUNDING AGENCY (the ESFA)

In accordance with the terms of our engagement letter dated 09 June 2022 and further to the requirements and conditions of funding in the ESFA's grant funding agreements and contracts, or those of any other public funder, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects, the expenditure disbursed and income received by The Northern School of Art during the period 1 August 2022 to 31 July 2023 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Post-16 Audit Code of Practice (the Code) issued by the ESFA and in any relevant conditions of funding concerning adult education notified by a relevant funder. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record (ILR) data returns, for which the ESFA has other assurance arrangements in place.

This report is made solely to the Corporation of The Northern School of Art and the ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the Corporation of The Northern School of Art and the ESFA those matters we are required to state 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 of The Northern School of Art and the ESFA for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of THE NORTHERN SCHOOL OF ART and the reporting accountant

The Corporation of The Northern School of Art is responsible, under the requirements of the Further and Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure discussed and income received during the period 1 August 2022 to 31 July 2023 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Code issued by the ESFA. We performed a limited assurance engagement as defined in that framework. The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity.

A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all

significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

Our engagement includes examination, on a test basis, of evidence relevant to the regularity of the Group and College's income and expenditure.

The work undertaken to draw our conclusion includes:

- *A review of the accuracy of the Corporation's self-assessment of compliance with regularity and propriety requirements and review of appropriate evidence and documentation.*
- *Review of expenditure systems for compliance with corporation policy and scheme of delegation.*
- *Consideration of staff expense claims in line with policy*
- *Review of procedures in respect of government procurement cards.*
- *Review of Corporation minutes.*
- *Consideration of advisory matters from internal auditors reports.*

Conclusion

In the course of our work nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2022 to 31 July 2023 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Karen Rae

Karen Rae, FCCA
For and on behalf of
Armstrong Watson Audit Limited
Chartered Accountants & Statutory Auditors
Carlisle

14 December 2023

Statements of Comprehensive Income and Expenditure

	Notes	Year ended 31 July 2023		Year ended 31 July 2022	
		Group £'000	College £'000	Group £'000	College £'000
INCOME					
Funding body grants	2	4,050	4,050	3,581	3,581
Tuition fees and education	3	4,799	4,799	5,013	5,013
Other grants and contracts	4	84	39	109	109
Other income	5	547	523	354	354
Investment income	6	21	21	2	2
Total income		9,501	9,432	9,059	9,059
EXPENDITURE					
Staff costs	7	6,333	6,276	6,150	6,150
Restructuring Costs	7	-	-	3	3
Other operating expenses	8	2,564	2,447	2,358	2,346
Depreciation	11	1,159	1,159	1,148	1,148
Interest and other finance costs	10	75	75	200	200
Total expenditure		10,131	9,957	9,859	9,847
(Deficit)/surplus before other		(630)	(525)	(800)	(788)
Gain on disposal of assets		-	-	246	246
(Deficit)/Surplus before tax		(630)	(525)	(554)	(542)
Taxation		-	-	-	-
(Deficit)/surplus for the year		(630)	(525)	(554)	(542)
Revaluation of defined benefit pension liability	20	902	902	7,449	7,449
Total Comprehensive Income for		272	377	6,895	6,907
Represented by:					
Restricted comprehensive		272	377	6,895	6,907
Unrestricted comprehensive		272	377	6,895	6,907

All items of income and expenditure relate to continuing activities.

Statement of Changes in Reserves

Group	Income and expenditure account £'000	Revaluation reserve £'000	Total £'000
Balance at 1 August 2021	(3,038)	1,378	(1,660)
Deficit from the income and expenditure account	(554)	-	(554)
Other comprehensive income	7,449	-	7,449
Transfers between revaluation and income and expenditure reserves	1,016	(1,016)	-
	7,911	(1,016)	6,895
Balance at 31 July 2022	4,873	362	5,235
Surplus/(deficit) from the income and expenditure account	(630)	-	(630)
Other comprehensive income	902	-	902
Transfers between revaluation and income and expenditure reserves	13	(13)	-
Total comprehensive income	285	(13)	272
Balance at 31 July 2023	5,158	349	5,507
College			
Balance at 1 August 2021	(3,038)	1,378	(1,660)
Surplus/(deficit) from the income and expenditure account	(542)	-	(542)
Other comprehensive income	7,449	-	7,449
Transfers between revaluation and income and expenditure reserves	1,016	(1,016)	-
	7,923	(1,016)	6,907
Balance at 31 July 2022	4,885	362	5,247
Surplus/(deficit) from the income and expenditure account	(525)	-	(525)
Other comprehensive income	902	-	902
Transfers between revaluation and income and expenditure reserves	13	(13)	-
Total comprehensive income	390	(13)	377
Balance at 31 July 2023	5,275	349	5,624

Balance sheets as at 31 July 2023

	Notes	Group 2023 £'000	College 2023 £'000	Group 2022 £'000	College 2022 £'000
Non-current assets					
Tangible Fixed assets	11	29,846	26,229	30,837	27,220
		29,846	26,229	30,837	27,220
Current assets					
Stocks		18	18	18	18
Trade and other receivables	12	345	1,866	183	1,520
Cash and cash equivalents	17	2,601	2,580	4,831	4,830
		2,964	4,464	5,032	6,368
Creditors – amounts falling due within one year	13	(2,806)	(2,724)	(5,435)	(5,294)
Net current (liabilities)/assets		158	1,740	(403)	1,074
Total assets less current liabilities		30,005	27,969	30,434	28,294
Creditors – amounts falling due after more than one year	14	(24,432)	(22,280)	(24,552)	(22,399)
Provisions					
Defined benefit obligations	20	-	-	(568)	(568)
Other provisions	16	(65)	(65)	(80)	(80)
Total net assets		5,507	5,624	5,234	5,247
Unrestricted Reserves					
Income and expenditure account		5,158	5,275	4,873	4,885
Revaluation reserve		349	349	362	362
Total unrestricted reserves		5,507	5,624	5,235	5,247
Total reserves		5,507	5,624	5,235	5,247

The financial statements on pages 29 to 58 were approved and authorised for issue by the Corporation on 8th December 2023 and were signed on its behalf on that date by:



Mr T G Bailey
Chair



Dr J R M Raby
Accounting Officer

Cash Flow Statements

	Notes	2023 £'000	2022 £'000
Cash flow from operating activities			
Surplus/(Deficit) for the year		(630)	(556)
Adjustment for non-cash items			
Depreciation		1,160	1,148
Release of government grant		(621)	(891)
(Increase)/decrease in stocks		-	(1)
(Increase)/decrease in debtors		(161)	23
Increase/(decrease) in creditors due within one year		(2,631)	1,334
Increase/(decrease) in creditors due after one year			
Increase/(decrease) in provisions		(15)	(20)
Pensions costs less contributions payable		309	757
Share of operating surplus in joint venture			
Taxation			
Adjustment for investing or financing activities			
Investment income		(21)	(2)
Interest payable		75	200
Taxation paid			
Loss on sale of fixed assets			
Net cash flow from operating activities		<u>(2,535)</u>	<u>1,992</u>
Cash flows from investing activities			
Proceeds from sale of fixed assets			
Disposal of non-current asset investments			
Investment income		21	2
Withdrawal of deposits			
Capital grants received		587	750
Payments made to acquire fixed assets		(167)	(1,795)
		<u>441</u>	<u>(1,043)</u>
Cash flows from financing activities			
Interest paid		(50)	(73)
Interest element of finance lease rental payments		(48)	149
New unsecured loans			
Repayments of amounts borrowed		(38)	(718)
Capital element of finance lease rental payments			
		<u>(136)</u>	<u>(642)</u>
Increase / (decrease) in cash and cash equivalents in		<u>(2,230)</u>	<u>307</u>
Cash and cash equivalents at beginning of the year	17	4,831	4,524
Cash and cash equivalents at end of the year	17	2,601	4,831

Notes to the Accounts

1. Statement of accounting policies and estimation techniques

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

The Northern School of Art is a Corporation established under the Further and Higher Education Act 1992 as an English general college of further education. The address of the School's principal place of business is given on page 3. The nature of the Group's operations is set out in the strategic report.

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2019 (the 2019 FE HE SORP), the School Accounts Direction for 2022-3 and in accordance with Financial Reporting Standard 102 – "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102). The School is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the School's accounting policies.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

Basis of consolidation

The consolidated financial statements include the School and its subsidiaries, Northern School of Art Devco Limited and The Northern Studios (Hartlepool) Limited which are 100% owned and controlled by the group. Control is achieved where the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Intra-group sales and profits are eliminated fully on consolidation.

Going concern

The activities of the School, together with the factors likely to affect its future development and performance are set out in the Strategic Report. The financial position of the School, its cashflow, liquidity and borrowings are presented in the Financial Statements and accompanying Notes.

The School currently has £1.188m of loans outstanding with Hartlepool Borough Council. The terms of the existing agreement are for 20 years. The School's forecasts and financial projections indicate that it will be able to operate within this existing facility for the foreseeable future.

Consequently, the Corporation is confident that the School will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and have therefore prepared these statements on a going concern basis.

Recognition of income

Revenue grant funding

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved.

The recurrent grant from OFS represents the funding allocations attributable to the current financial year and is credited direct to the Statement of Comprehensive Income.

Where part of a government grant is deferred, the deferred element is recognised as deferred income within creditors and allocated between creditors due within one year and creditors due after more than one year as appropriate.

Grants (including research grants) from non-government sources are recognised in income when the School is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

Capital grant funding

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual model as permitted by FRS 102. Other, non-governmental, capital grants are recognised in income when the School is entitled to the funds subject to any performance related conditions being met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the Balance Sheet and released to income as conditions are met.

Fee income

Income from tuition fees is stated gross of any expenditure which is not a discount and is recognised in the period for which it is received.

Investment income

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

Work in progress

Buildings under construction have been treated as work in progress as at the year-end date they were not yet operational.

The Northern Studios (Hartlepool) Limited income

All income is credited to the income and expenditure account in the period in which it is earned on a receivable basis.

Agency arrangements

The School acts as an agent in the collection and payment of certain discretionary support funds and any other arrangements. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure of the School where the School is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

Accounting for post-employment benefits

Post-employment benefits to employees of the School are principally provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit plans, which are externally funded and contracted out of the State Second Pension.

Teachers' Pension Scheme (TPS)

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the School in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method.

The TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

Teesside Pension Scheme (LGPS)

The Teesside Pension Scheme is a Local Government Pensions Scheme (LGPS) and is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred.

Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the

scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in interest and other finance costs.

Actuarial gains and losses are recognised immediately in actuarial gains and losses.

Short term Employment benefits

Short term employment benefits such as salaries and compensated absences (holiday pay) are recognised as an expense in the year in which the employees render service to the School. Any unused benefits are accrued and measured as the additional amount the School expects to pay as a result of the unused entitlement.

Enhanced Pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by a School 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 School's income in the year that the member of staff retires. In subsequent years a charge is made to provisions in the balance sheet.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

Land and buildings

Freehold land is not depreciated as it is considered to have an infinite useful life.

Freehold buildings are depreciated over their expected useful economic life to the School of 40 years. The School has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 40 years.

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

On adoption of FRS 102, the School followed the transitional provision to retain the book value of land and buildings, which were revalued in 1996, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

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.

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets after initial purchase it is charged to income in the period it is incurred, unless it increases the future benefits to the School, in which case it is capitalised and depreciated on the relevant basis.

Equipment

Equipment costing less than £1,000 per individual item is recognised as expenditure in the period of acquisition. All other equipment is capitalised at cost.

Capitalised equipment is depreciated on a straight-line basis over its remaining useful economic life as follows:

- | | |
|------------------------------------|---------|
| • technical equipment | 5 years |
| • computer equipment | 5 years |
| • furniture, fixtures and fittings | 5 years |

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the Statement of Comprehensive Income and Expenditure.

Borrowing costs

Borrowing costs are recognised as expenditure in the period in which they are incurred.

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term to the Statement of Comprehensive Income and Expenditure. Any lease premiums or incentives relating to leases signed after 1 August 2014 are spread over the minimum lease term.

Leasing agreements which transfer to the School substantially all the benefits and risks of ownership of an asset are treated as finance leases.

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as an obligation under finance leases. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

Investments

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

Other investments

Listed investments held as non-current assets and current asset investments, which may include listed investments, are stated at fair value, with movements recognised in Comprehensive Income. Investments comprising unquoted equity instruments are measured at fair value, estimated using a valuation technique.

Inventories

Inventories are stated at the lower of their cost (using the first in first out method) and net realisable value, being selling price less costs to complete and sell. Where necessary, provision is made for obsolete, slow-moving and defective items.

Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value. An investment qualifies as a cash equivalent when it has maturity of 3 months or less from the date of acquisition.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

All loans, investments and short-term deposits held by the group are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however the School has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instruments are stated on the balance sheet at historical cost. Loans and investments that are payable or receivable within one year are not discounted.

Taxation

The School is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK Corporation tax purposes. Accordingly, the School is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478-488 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The School receives no similar exemption in respect of Value Added Tax, therefore the School cannot recover input VAT it suffers on goods and services. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

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

Provisions and contingent liabilities

Provisions are recognised when

- the School 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.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in the statement of comprehensive income in the period it arises.

A contingent liability arises from a past event that gives the School a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the School. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the balance sheet but are disclosed in the notes to the financial statements.

Judgements in applying accounting policies and key sources of estimation uncertainty

Judgements in applying accounting policies

In preparing these financial statements, management have made the following judgements:

- Determine whether leases entered into by the School either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the group's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

- Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.
- The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 25 will impact the carrying amount of the pension liability. The actuary has used a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 to value the pensions liability at 31 July 2023. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2 Funding body grants

	Y/end 31 July		Y/end 31 July	
	2023	2023	2022	2022
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Recurrent grants				
ESFA – 16-18	3,015	3,015	2,258	2,258
TVCA – adult education budget	20	20	29	29
Office for students	200	200	227	227
Specific grants				
Teacher Pension Scheme contribution grant	178	178	163	163
Releases of government capital grants	621	621	891	891
OfS specific grant	16	16	13	13
Total	4,050	4,050	3,581	3,581

3. Tuition fees and education contracts

	Y/end 31 July		Y/end 31 July	
	2023	2023	2022	2022
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Adult education fees	31	31	25	25
Fees for FE loan supported courses	69	69	67	67
Fees for HE loan supported courses	4,699	4,699	4,921	4,921
Total tuition fees	4,799	4,799	5,013	5,013

4 Other grants and contracts

	Y/end 31 July		Y/end 31 July	
	2023	2023	2022	2022
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other grant income	84	39	109	109
Total	84	39	109	109

5 Other income

	Y/end 31 July		Y/end 31 July	
	2023	2023	2022	2022
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Catering and residences	173	173	136	136
Other income generating activities	24	-	-	-
Miscellaneous income	350	350	218	218
Total	547	523	354	354

6 Investment income

	Y/end 31 July		Y/end 31 July	
	2023	2023	2022	2022
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other interest receivable	21	21	2	2
Total	21	21	2	2

7 Staff costs – Group and College

The average number of persons (including key management personnel) employed by the School during the year was:

	2022/3	2021/2
	No.	No.
Teaching staff	51	46
Non-teaching staff	97	99
	148	145

Staff costs for the above persons

	2023	2022
	£'000	£'000
Wages and salaries	4,748	4,224
Social security costs	428	397
Other pension costs	1,157	1,529
Payroll sub total	6,333	6,150
	6,333	6,150
Restructuring costs – Contractual	-	3
Total Staff costs	6,333	6,153

The Corporation does not have any salary sacrifice arrangements in place.

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the School and are represented by the School leadership team which comprises of the Principal, Vice Principal – Resources, Vice Principal – HE, Vice Principal – Student Experience, Vice Principal – Employability and External Relations, Vice Principal – People Services and Vice Principal – Further Education

Emoluments of key management personnel, Accounting Officer and other higher paid staff

	2023	2022
	No.	No.
The number of key management personnel including the Accounting Officer was:	7	5

The number of key management personnel and other staff who received annual emoluments, excluding employer contributions to national insurance and pensions but including benefits in kind, in the following ranges was:

	KMP		Other staff	
	2023	2022	2023	2022
	No.	No.	No.	No.
£60,001 to £65,000 p.a.	2	-	-	-
£65,001 to £70,000 p.a.	-	-	-	-
£70,001 to £75,000 p.a.	3	3	-	-
£75,001 to £80,000 p.a.	-	-	-	-
£80,001 to £85,000 p.a.	1	1	-	-
£135,001 to £140,000 p.a.	-	1	-	-
£140,001 to £145,000 p.a.	1	-	-	-
	7	5	-	-

Key management personnel compensation is made up as follows:

	2023 £'000	2022 £'000
Basic salary	560	434
Employers National Insurance	70	55
Pension contributions	115	90
Total key management personnel compensation	<u>745</u>	<u>579</u>

The above compensation includes amounts paid to the Principal and Chief Executive who is the Accounting Officer and who is also the highest paid member of staff. Their pay and remuneration is as follows:

	2023 £'000	2022 £'000
Basic salary	142	140
Pension contributions	<u>34</u>	<u>33</u>
	<u>176</u>	<u>173</u>

The remuneration of the accounting officer for 2022/23 was determined on 4 July 2022 by the Corporation Board and approved by the Remuneration Committee. The accounting officer was not involved in setting their remuneration. The factors taken in to account by the Committee in determining the accounting officer's remuneration for the year to 31 July 2023 included: pay increases for other staff; performance against personal objectives; performance of the organisation; sector data on pay of accounting officers and benchmarking or other means of comparison to the broader market.

Relationship of Principal/Chief Executive pay and remuneration expressed as a multiple

	2023 £'000	2022 £'000
Principal's basic salary as a multiple of the median of all staff	5.64	6.08
Principal and CEO's total remuneration as a multiple of the median of all staff	5.38	5.78

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

8 Other operating expenses

	2023 Group £'000	2023 College £'000	2022 Group £'000	2022 College £'000
Teaching costs	645	645	605	605
Non-teaching costs	1,064	1,064	1,096	1,096
Premises costs	855	738	657	645
Total	2,564	2,447	2,358	2,346

Other operating expenses include:

	2023 £'000	2022 £'000
Auditors' remuneration:		
Financial statements audit	30	49
Other services provided by the financial statements' auditor	6	11
Hire of assets under operating leases	44	82

9 Access and participation expenditure

The School is registered with OFS and has an approved access and participation plan. APP spend in 2022/23 included;

	2023	2022
Access investment	£153,000	£158,000
Financial support to students	£35,000	£106,000
Disability support	£45,000	£45,000

10 Interest and other finance costs – Group and School

	2023 £'000	2022 £'000
On bank loans, overdrafts and other loans:	50	73
	50	73
Net interest on defined pension liability (note 20)	25	127
Total	75	200

11 Tangible fixed assets (Group)

	Land and buildings	Equipment	Assets in	Total
	Freehold	£'000	courses of	
	£'000		construction	
Cost or valuation				
At 1 August 2022	28,860	3,912	3,617	36,389
Additions	-	120	45	165
Transfer	35	10	(45)	-
Disposals	-	(980)	-	(980)
At 31 July 2023	28,895	3,062	3,617	35,574
Depreciation				
At 1 August 2022	3,043	2,509	-	5,552
Charge for the year	716	443	-	1,159
Disposals	-	(983)	-	(983)
At 31 July 2023	3,759	1,969	-	5,728
Net book value at	25,136	1,093	3,617	29,846
31 July 2023				
Net book value at 31 July 2022	28,817	1,403	3,617	30,837

11. Tangible fixed assets (College only)

Cost or valuation

At 1 August 2022	28,860	3,912	-	32,772
Additions	-	120	-	120
Transfer	35	10	-	45
Disposals	-	(980)	-	(980)
At 31 July 2023	28,895	3,062	-	31,957

Depreciation

At 1 August 2022	3,043	2,509	-	5,552
Charge for the year	716	443	-	1,159
Elimination in respect of disposals	-	(983)	-	(983)
At 31 July 2023	3,759	1,969	-	5,728

Net book value at 31 July 2023	25,136	1,093	-	26,229
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Net book value at 31 July 2022	25,817	1,403	-	27,220
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Land and buildings were valued in 1996 at depreciated replacement cost at the time of incorporation.

11 Non-current investments

The School owns 100 per cent of the issued ordinary £1 shares of Northern School of Art Devco Limited, a company incorporated in England and Wales, representing a £100 investment. The principal business activity of Northern School of Art Devco Limited is progressing a new build project at the Middlesbrough Campus.

The School owns 100 per cent of the issued ordinary £1 shares of The Northern Studios (Hartlepool) Limited, a company incorporated in England and Wales, representing £100 investment. The principal business activity of The Northern Studios (Hartlepool) Limited is the rental of resources to the television and motion picture industry.

The School owns 100 per cent of the issued ordinary £1 shares of The Northern College of Art, a company incorporated in England and Wales, representing £100 investment.

	Northern School of Art Devco Limited	The Northern Studios (Hartlepool) Limited	The Northern College of Art
Profit (Loss) for the year	-	(106)	-
Net assets (Liabilities) for the year	-	(118)	-

12 Trade and other receivables

	Group 2023 £'000	College 2023 £'000	Group 2022 £'000	College 2022 £'000
Amounts falling due within one year:				
Trade receivables	-	-	1	1
Amounts owed by group undertakings:				
Subsidiary undertakings	-	1,563	-	1,363
Associate undertakings				
Prepayments and accrued income	303	303	156	156
Other receivables	42	-	26	-
Total	345	1,866	183	1,520

13 Creditors: amounts falling due within one year

	Group	College	Group	College
	2023	2023	2022	2022
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	64	64	62	62
Obligations under finance leases	46	46	46	46
Trade payables	188	185	2,658	256
Amounts owed to group undertakings	-	-	-	2,400
Other taxation and social security	194	194	184	184
Accruals and deferred income	152	128	484	400
Deferred income - capital grants	718	663	590	535
Amounts owed to the ESFA	251	251	201	201
Other Creditors	1,144	1,144	1,144	1,144
Amounts owed to other	49	49	66	66
Total	2,806	2,724	5,435	5,294

14 Creditors: amounts falling due after one year

	Group	College	Group	College
	2023	2023	2022	2022
	£'000	£'000	£'000	£'000
Bank loans	1,124	1,124	1,162	1,162
Obligations under finance leases	101	101	149	149
Deferred income - government capital grants	23,207	21,055	23,241	21,088
Total	24,432	22,280	24,552	22,399

15 Maturity of debt

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	Group	College	Group	College
	2023	2023	2022	2022
	£'000	£'000	£'000	£'000
In one year or less	66	66	62	62
Between one and two years	69	69	64	64
Between two and five years	224	224	208	208
In five years or more	829	829	890	890
Total	1,188	1,188	1,224	1,224

The remaining balance of £1,188k is an unsecured loan at 3.85% repayable by instalments to Hartlepool Borough Council

(b) Finance leases

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

	Group	College	Group	College
	2023	2023	2022	2022
	£'000	£'000	£'000	£'000
In one year or less	46	46	46	46
Between two and five years	101	101	149	149
In five years or more				
Total	147	147	195	195

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

16 Defined benefit obligations

	Group and College Enhanced pensions £'000
At 1 August 2022	80
Expenditure in the period	(6)
Movement in period	(9)
At 31 July 2023	65

Defined benefit obligations relate to the liabilities under the School's membership of the Local Government Pension Scheme. Further details are given in note 20.

The enhanced pension provision relates to the cost of staff who have already left the School's employ and commitments for reorganisation costs from which the School cannot reasonably withdraw at the balance sheet date.

The principal assumptions for this calculation are:

	2023	2022
Price inflation	2.80%	2.90%
Discount rate	5.00%	3.30%

17 Cash and cash equivalents

	At 1 August 2022	Cash flows	At 31 July 2023
	£'000	£'000	£'000
Cash and cash equivalents	4,831	(2,230)	2,601
Total	4,831	(2,230)	2,601

18 Capital and other commitments

	Group and College	
	2023	2022
	£'000	£'000
Commitments contracted for at 31 July	-	19

19 Lease obligations

At 31 July the School had minimum lease payments under non-cancellable operating leases as follows:

	Group and College	
	2023	2022
	£'000	£'000
Future minimum lease payments due		
Other		
Not later than one year	29	36
Later than one year and not later than five years	59	36
	<u>88</u>	<u>72</u>

20 Defined benefit obligations

The School's employees belong to two principal post-employment benefit plans: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Teesside Local Government Pension Scheme (LGPS) for non-teaching staff. Both are multi-employer defined-benefit plans.

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was as at 31 March 2016 and of the LGPS 31 March 2019.

Total pension cost for the year	2023 £000	2022 £000
Teachers' Pension Scheme: contributions	511	461
Local Government Pension Scheme:		
Contributions paid	337	311
FRS 102 (28) charge	309	757
Charge to the Statement of Comprehensive Income	669	1,068
Total Pension Cost for Year within staff costs	1,157	1,529

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools, Schools and other educational establishments. Membership is automatic for teachers and lecturers at eligible institutions. Teachers and lecturers are able to opt out of the TPS.

The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act. Retirement and other pension benefits are paid by public funds provided by Parliament.

Under the definitions set out in FRS 102 (28.11), the TPS is a multi-employer pension plan. The School is unable to identify its share of the underlying assets and liabilities of the plan.

Accordingly, the School has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined-contribution plan. The School has set out above the information available on the plan and the implications for the School in terms of the anticipated contribution rates.

The valuation of the TPS is carried out in line with regulations made under the Public Service Pension Act 2013. Valuations credit the teachers' pension account with a real rate of return assuming funds are invested in notional investments that produce that real rate of return.

The latest actuarial review of the TPS was carried out as at 31 March 2016. The valuation report was published by the Department for Education (the Department) in April 2019. The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £198 billion giving a notional past service deficit of £22 billion.

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/9. DfE

has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2022-23 academic year.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website.

The pension costs paid to TPS in the year amounted to £511,000 (2022: £461,000)

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Teesside Local Authority. The total contributions made for the year ended 31 July 2023 were £479,000, of which employer's contributions totalled £337,000 and employees' contributions totalled £142,000. The agreed contribution rates for future years are 17.3% for the School and range from 5.5% to 12.5% for employees, depending on salary according to a national scale.

The following information is based upon a full actuarial valuation of the fund at 31 March 2022 updated to 31 July 2023 by Hymans Robertson LLP.

	At 31 July 2023	At 31 July 2022
Rate of increase in salaries	4.00%	3.75%
Future pensions increases	3.00%	2.75%
Discount rate for scheme liabilities	5.05%	3.5%
Inflation assumption (CPI)	3.00%	2.75%

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 2023 Years	At 31 July 2022 Years
<i>Retiring today</i>		
Males	20.5	21.7
Females	23.5	23.5
<i>Retiring in 20 years</i>		
Males	21.3	22.9
Females	25.0	25.3

The School's share of the assets in the plan at the balance sheet date and the expected rates of return were:

Financial Statements for the year ended 31 July 2023

	Fair Value at 31 July 2023 £'000	Fair Value at 31 July 2022 £'000
Equity instruments	12,158	11,049
Property	3,831	2,925
Cash	666	2,275
	16,655	16,249
Actual return on plan assets	416	1,007

The amount included in the balance sheet in respect of the defined benefit pension plan and enhanced pensions benefits is as follows:

	2023 £'000	2022 £'000
Fair value of plan assets	16,655	16,249
Present value of plan liabilities	(14,154)	(16,810)
Present value of unfunded liabilities	(7)	(7)
Net pensions (liability)/asset	2,494	(568)

Amounts recognised in the Statement of Comprehensive Income in respect of the plan are as follows:

	2023 £'000	2022 £'000
Amounts included in staff costs		
Current service cost	670	1,069
Total	670	1,069
Amounts included in investment income		
Net interest income	25	127
	25	127

Amount recognised in Other Comprehensive Income

Return on pension plan assets	(156)	1,007
Experience losses arising on defined benefit obligations	(1,170)	(94)
Changes in assumptions underlying the present value of plan liabilities	4,722	6,536
Reduction of actuarial gain	(2,494)	-

Amount recognised in Other Comprehensive Income

902 **7,449**

Movement in net defined benefit (liability)/asset during year

	2023	2022
	£'000	£'000
Net defined benefit (liability)/asset in scheme at 1 August	(568)	(7,133)
Movement in year:		
Current service cost	(670)	(1,069)
Employer contributions	360	311
Net interest on the defined (liability)/asset	(25)	(127)
Actuarial gain	3,397	7,449
Reduction of actuarial gain	(2,494)	-
Net defined benefit (liability)/asset at 31 July	-	(568)

The defined benefit asset has been capped to a nil position in the balance sheet, as the asset is not deemed to be recoverable.

Asset and Liability Reconciliation

2023 **2022**
£'000 **£'000**

Changes in the present value of defined benefit obligations

Defined benefit obligations at start of period	16,817	22,121
Current service cost	670	1,069
Interest cost	594	382
Contributions by Scheme participants	142	129
Experience gains and losses on defined benefit obligations	1,123	94
Changes in financial assumptions	(4,722)	(6,536)
Estimated benefits paid	(463)	(442)
Defined benefit obligations at end of period	14,161	16,817

Changes in fair value of plan assets

Fair value of plan assets at start of period	16,249	14,988
Interest on plan assets	569	255
Return on plan assets	(203)	1,007
Employer contributions	360	311
Contributions by Scheme participants	142	129
Estimated benefits paid	(462)	(442)
Fair value of plan assets at end of period	16,655	16,249

21 Related party transactions

Due to the nature of the School'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 such organisations are conducted at arm's length and in accordance with the School's financial regulations and normal procurement procedures.

The total expenses paid to or on behalf of the Governors during the year was £1,296; 4 governors (2022: £1,100; 6 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

No Governor has received any remuneration or waived payments from the School or its subsidiaries during the year (2020: None).

Professor J Rapley, Professor Emerita at University of The Arts London was re-appointed to the board in 2018/2019. University of the Arts London are the School's level 3 awarding body, during the year transactions totalling £66k were conducted at arms length.

22 Amounts disbursed as agent - Learner support funds

	2023	2022
	£000	£000
16-18 bursary grants	213	133
Other Funding body grants	139	120
	<u>352</u>	<u>253</u>
Disbursed to students	(94)	(47)
Administration costs	(7)	(5)
Balance unspent as at 31 July, included in creditors	<u>251</u>	<u>201</u>

Funding body grants are available solely for students. In the majority of instances, the School only acts as a paying agent. In these circumstances, the grants and related disbursements are therefore excluded from the Statement of Comprehensive Income.