



**Southgate College**

**Annual Report 2006 – 2007**





*Southgate College*  
*Annual Report and Financial Statements*  
*2006/07*



## **Chairman's Introduction**

The year 2006/07 was very successful for the College both in academic and financial terms. Ofsted's annual review of the year reported significant improvements in student achievement rates, links with industry and partnership operations with local authorities, schools and other colleges. The re-inspection of Health and Social Care found the provision to be satisfactory with good leadership and management. The College was shortlisted for a Beacon Award for its developments in Young College but was unfortunately 'pipped at the post' by North Lindsey College in Lincolnshire. Students achieved some notable successes and Catering students were again invited to provide hospitality to the House of Lords on the occasion of the State Opening of Parliament.

On the financial front the College continued to strengthen its financial position and posted an operational surplus. College full-time recruitment was buoyant with student enrolments exceeding the targets agreed with the Learning and Skills Council and the targets set for full-cost courses. Part-time recruitment however continues to decline as the impact of fee increases continues to bite and make adults think very carefully before embarking on courses which to many are very expensive.

The new Governors appointed last year are already having a positive effect on the operation of the Governing Body and I am thankful to them and to all my fellow Governors who donate so much of their time and contribute much expertise towards the strategic development of the College.

Finally on behalf of the Governing Body, I wish to thank the management and staff for their on-going dedication and commitment, ensuring that Southgate College remains one of the leading institutions in north London

**Andrew Nicholas**  
**Chairman of Governors**



<b>Contents</b>	<b>Page</b>
Introduction by the Chairman of the Governing Body	1
Members' Report	
The Corporation	5
Mission	5
Strategic Objectives	5
Aims	5
Core Values	6
Curriculum Report	7
Success Rates	7
Financial Report	8
Key Performance Measures	8
Post Balance Sheet Events	8
Members' Appointments and Resignations	9
Professional Advisors	10
Corporate Governance	11
Corporation	11
Remuneration Committee	11
Audit Committee	12
Statement of the Responsibilities of the Members of the Governing Corporation	13
Corporate Governance statement on the System of Internal Financial Control	14
Independent Auditors' Report to the Corporation of Southgate College	15
Income and Expenditure Account	17
Statement of Historical Cost Surpluses and Deficit	18
Statement of Total Recognised Gains and Losses	18
Balance Sheet	19
Cash Flow Statement	20
Reconciliation of Net Cash Flow	20
Notes to the Financial Statements	21
Independent Audit Report on Regularity	38



## **Members' report**

The Members present their report and the audited financial statement for the year ended 31 July 2007.

### **Corporation**

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting Southgate College. The College is an exempt charity for the purposes of the Charities Act 1993.

### **Corporation Name**

The Corporation was incorporated as Southgate College.

### **Mission**

The College's mission as approved by the Governing Body is:

- To maintain Southgate College as a centre of excellence in education and training by providing opportunities for all who wish to benefit, whatever their age and abilities.
- To foster Southgate as a caring college by providing appropriate guidance and counselling for students so all may "Succeed at Southgate".
- To stimulate the economic, intellectual, cultural and social life of the community.

### **Strategic Objectives**

The College reviews its development plans each year. This Development Plan includes a Property Strategy and financial forecasts. The Governing Body monitors the performance of the College against these plans. The College's continuing strategic objectives are:

1. To pursue actively all elements of the Southgate College Mission Statement through staged improvements to the Access, Process and Content phases of the curriculum offer.
2. To continue to develop a high quality and cost-effective education and training service to the community served by Southgate College.
3. To implement, wherever possible, the key findings of the "Priorities for Success" report, as well as other current Government Initiatives.
4. To maintain the financial viability of Southgate College and its ability to operate as an independent body through the Southgate College Governing Corporation.

### **Our Aims**

- To improve completion and achievement rates for all students
- To widen participation in education among under-represented social groups and communities
- To secure continuing, short and long term financial viability
- To increase non-LSC income streams
- To continue to invest in people
- To establish our customer and learning support services as centres of excellence
- To develop performance indicators, benchmarks and targets as key management tools to ensure continuing self-improvement.

## **Members' report** *(continued)*

### **Our Core Values**

- The needs and aspirations of all students, clients and staff
- The continuous commitment to improving quality within all operations in the pursuit of institutional excellence
- Equality of opportunity for all students and staff
- The richness of communities and commerce within north London
- The widening of participation among members of these communities and organisations
- Clear systems of communication to ensure information flows freely and purposefully to the benefit of all
- Planning, monitoring and review as key strategies within all operations and delivery to achieve our Vision and Mission
- The emphasis on and investment in teamwork to ensure that all staff contribute to our success and that this is recognised as crucial to continuous improvement
- Financial stability as the platform on which high staff and student achievement can be based

## Members' report (continued)

### Curriculum Report

The College had a successful Annual Monitoring Visit which identified significant improvements in three key areas of the College's work: Links with industry, Impact of investment in Curriculum Staff Development, Implementation of a SfL Strategy and reasonable progress in a further three areas: Level 1 Success Rates, Planning of Learning to meet Individual Needs, and Quality of Self-Assessment.

The College self-assessment process has identified the following key strengths and areas for improvement:

#### Key Strengths

- Success rates continue to improve overall on both long and short courses
- Improved achievement rates on AS and A level
- Improved high grade passes on GCSEs and AS levels
- Improved achievement rates on vocational programmes
- High standard of practical work in a number of vocational areas
- Good programme of staff development
- Strong Governance with Governors who have a good knowledge of the College
- Good support for students
- Good provision in ESOL, Hospitality, Motor Vehicle Studies and Construction
- Good provision for 14-16 year olds through 'Young College'
- Good range of successful partnership and collaboration with schools and Local Authorities
- Improved and improving financial position

#### Areas for Improvement

- Student retention poor in some areas particularly level 3 programmes
- Need for stronger involvement of the learner voice
- Need for more effective tracking of student progress and further development of ILPs
- Too few opportunities for learners to work with their communities
- Improving but still limited industrial and commercial links in some areas
- Quality of Course Leadership uneven
- Difficulty in recruiting well qualified and experienced lecturers and managers in some vocational areas.

#### Success Rates by length and age

Table 1 - Success Rates

		2004/05			2005/06			2006/07		
			Benchmark - All	Benchmark - High Wp		Benchmark - All	Benchmark - High Wp		Benchmark - All	Benchmark - High Wp
<b>Long</b>	Starts	8436			7551			9126		
	Success Rate	<b>60%</b>	62%	61%	<b>61%</b>	62%	61%	<b>64%</b>	62%	61%
<b>Short</b>	Starts	4479			2600			1840		
	Success Rate	<b>88%</b>	84%	82%	<b>87%</b>	84%	82%	<b>82%</b>	84%	82%
<b>All</b>	Starts	12915			10151			10966		
	Success Rate	<b>70%</b>	74%	72%	<b>68%</b>	74%	72%	<b>67%</b>	74%	72%

\*Benchmarks - July 2006 All-general FE & Tertiary, High WP-General FE & Tertiary with High WP

## Members' report (continued)

### Financial Report

The 2006/07 Financial year has seen considerable improvements in the College's financial health as shown in our income and expenditure account for the year and our end-of-year balance sheet.

### Income and Expenditure Account

The College continues to be mainly funded by the LSC through plan-led funding. Council Grants have increased by £894,000 (5.5% overall) and the LSC recurrent grant has increased by £601,000 (4.5% increase). This is in line with increases in overall student numbers. Council Grants include exceptional LSC funding of £100,000 and also income from the new Train to Gain programme. Tuition fees, including full cost recovery income have increased by £100,000. Other operating income has increased due to income from Citizenship Testing and Learn Direct contracts.

Staff costs have increased by £112,000, broadly in line with staff numbers, and other operating expenses have increased by £652,000. This is mainly due to increased maintenance costs. Overall the College has reported a surplus of £106,000 compared to a deficit of £212,000 in the previous year. The main reasons for the improvement in 2006/07 are prudent control of expenditure and the reduction in expenditure due to the completion of the Post Inspection Action Plan. The College is rated at financial health Category B. This reflects optimism that the College's position is improving significantly and this is supported by improvements in key financial performance measures. (See below)

### Balance Sheet

During the year there have been significant increases in fixed assets. In particular there has been considerable investment in new IT hardware and the College has established an objective to replace all PCs on a 4-year replacement cycle basis.

The College's cash position has increased by £1,247,000. This is partly due to early receipts of 07/08 income and also due to good working capital and cash management. Creditors due within one year have increased by £649,000. This is explained by an increase in accruals and deferred income of £384,000. The College received funds in advance of £250,000 from the LSC and received £99,000 of Young College income relating to the 2007/08 financial year. Trade creditors have increased by £302,000, largely due to timing differences in payments to be made. Net current assets are £68,000 compared to net current liabilities of £538,000 for 2006.

Creditors due in more than one year include the bank loan which is repayable by 2013. The decrease of £84,000 relates to the annual repayment of the loan.

The deferred capital grant balance represents grant funding from the LSC which is allocated to capital expenditure. This is being released to the income and expenditure account in accordance with the depreciation of the associated assets.

The net pension liability has decreased this year by £831,000 in line with the actuarial valuation and report prepared by Hymans Robertson.

### Key Performance Measures

The improvement in the College's financial position is shown in each of the performance indicators below:

Indicator	2005/06	2006/07
Cash days in hand	0.05	24.51
Current ratio	0.34	1.05
Pay expenditure % of income	68%	65%
General reserve % of income	7%	10%

### Post balance sheet events

There are no Post Balance Sheet items.

## Members' report (continued)

### Members' appointments and resignations

The members who served the Corporation during the 2006/07 year were as follows:

Name	Date of appointment	Term of office	Date of Resignation	Status of appointment	Committees served
Michael Blagden	-	-	-	Ex Officio/ Principal	Finance & Staffing, Standards & Performance, Remuneration*, Search
Paul Camp	Reappointed May. '07	1 yr		Co-opted	Finance & Staffing
James Edsberg	Appointed Jan '06	4 yrs		Business	-
Ola Fadoju	Reappointed Jul '07	2 yrs		Staff Governor	Standards & Performance Audit
Marion Ford	Appointed May '05	2 yrs		Staff Governor	Standards & Performance Audit
Chris Gill	Appointed Jan '06	2 yrs		Community	Audit
Usama Ismail	Appointed Sep '06	1 yr		Student Governor	-
Nigel Levey	Appointed Jul '06	4 yrs		Business	Finance & Staffing
Ron Lis	Appointed Jan '06	3 yrs		Community	Finance & Staffing
Mohamed Manjra	Reappointed Oct. '04	4 yrs		Business	Audit
Andrew Nicholas	Reappointed Oct. '04	4 yrs		Business	Finance & Staffing Remuneration. Search
Claude Pehrson	Apr. '05	4 yrs		Business	Standards & Performance
Martin Prescott	Reappointed Dec '06	3 yrs		Co-opted	-
Derrick Southon	Reappointed Nov '02	4 yrs	November 06	Business	Finance & Staffing. Standards & Performance. Remuneration Search
David Williamson	Reappointed Dec '06	3 Yrs		Co-opted	Finance & Staffing, Remuneration Search
Ann Zinkin	Appointed Jul '06	3 yrs		Local Authority	Standards & Performance Committee

\* Not a member of the Remuneration Committee when the remuneration of the Principal is under consideration.

## **Members' report** *(continued)*

Mr J Spindler, Vice Principal, acted as Clerk to the Corporation.  
Mrs M Medien acted as Clerk to the Audit Committee.

The following persons also acted as Directors of the College's wholly owned dormant subsidiary, Minchenden Business Centre Limited:

Mr A Nicholas  
Mr D Williamson  
Mr M Blagden

Registered Address:

Southgate House  
High Street  
Southgate  
London N14 6BS

### **Professional advisors**

External auditors (Financial Statements)      RSM Bentley Jennison, Cedar House, Breckland  
Linford Wood, Milton Keynes, Bucks  
MK14 6EX

Internal auditors:                                      Macintyre Hudson, Greenwood House,  
4-7 Salisbury Court, London,  
EC4Y 8BT

Bankers:    Lloyds TSB Bank Plc, 7 Highland Parade, Cockfosters, Barnet,  
Hertfordshire,  
EN4 0DA

Solicitors:    Breeze & Wyles, 114 Fore Street, Hertford, Hertfordshire, SG14 1AG

## **Corporate Governance**

The College is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the College has applied the principles set out in the revised *Combined Code on Corporate Governance* issued by the London Stock Exchange in July 2003. Its purpose is to help the reader of the accounts understand how the principles have been applied.

In the opinion of the Corporation, the College complies with all the provisions of the Combined Code in so far as they apply to the Further Education Sector, and it has complied throughout the year ended 31 July 2007.

## **The Corporation**

The composition of the Corporation is set out on page 9. It is the Corporation's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel related matters such as health and safety and environmental issues. The full Corporation is scheduled to meet seven times a year.

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 Finance and Staffing, Standards and Performance, Remuneration, Search and Audit.

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

Formal agendas, papers and reports are supplied to governors in a timely manner, prior to Board meetings. Such documents are also posted on the College's website for public scrutiny. Briefings are also provided on an ad-hoc basis.

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

There is a clear division of responsibility in that the roles of the Chairman and Principal are separate.

## **Appointments to the Corporation**

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search Committee which is comprised of five members and 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.

## **Remuneration Committee**

Throughout the year ending 31 July 2007, the College's Remuneration Committee comprised four members. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Principal and other senior postholders.

Details of remuneration for the year ended 31 July 2007 are set out in note 8 to the financial statements.

## **Audit Committee**

The Audit Committee comprises the Chairman and four other members of the Corporation (excluding the Principal). The Committee operates in accordance with written terms of reference approved by the Corporation.

The Audit Committee meets three times a year and provides a forum for reporting by the College's internal and external auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the Learning and Skills Council as they affect the College's business.

The College's internal auditors monitor the systems of internal control in accordance with an agreed plan of input and report their findings to management and the Audit Committee. Management are responsible for the implementation of agreed recommendations and internal audit undertake periodic follow up reviews to ensure such recommendations have been implemented.

The Audit Committee also advises the Corporation on the appointment of internal and external auditors and their remuneration for both audit and non-audit work. The Audit Committee also monitors the College's Risk Management Plan.

## **Internal Control**

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

The Corporation has delegated the day to day responsibility to the Principal, as Accounting Officer, for reviewing the adequacy of the system of internal financial control and making any appropriate amendments. He is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal financial control.

The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place and operational for the period from the beginning of August 2002 up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

## **Going Concern**

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

## **Signed**

**Chairman**

**Date**

## **Statement of the responsibilities of the Members of the Corporation**

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

Within the terms and conditions of the Financial Memorandum agreed between the Learning and Skills Council (the Council) and Southgate College, the Corporation, through its Principal, is required to prepare financial statements for each financial year in accordance with the Statement of Recommended Practice — Accounting for Further and Higher Education Institutions and which give a true and fair view of the state of affairs of the College and the result for that year.

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

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

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

Members of the Corporation are responsible for ensuring that funds from the Council are used only in accordance with the Financial Memorandum with the Council and any other conditions that the Council may from time to time prescribe. 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 economical, efficient and effective management of the College's resources and expenditure, so that the benefits that should be derived from the application of public funds by the Council are not put at risk.

**Signed on behalf of the Corporation**

**Chairman**

**Date**

## **Corporate governance statement on the system of internal financial control**

As accounting officer, I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated by Southgate College.

The system can provide only reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

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

- comprehensive budgeting systems with an annual budget which is reviewed and agreed by the Governing Body;
- regular reviews by the Governing Body of periodic and annual financial reports which indicate financial performance against forecasts;
- setting targets to measure financial and other performance;
- clearly defined capital investment control guidelines;
- the adoption of formal project management disciplines where appropriate.

Southgate College has an internal audit service, which operates in accordance with the requirements of the Council's *Audit Code of Practice*. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the College's Governing Body on the recommendation of the Audit Committee. At least annually, the Head of Internal Audit (HIA) provides the Governing Body with a report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of internal control, including internal financial control.

My review of the effectiveness of the system of internal financial control is informed by the work of the internal auditors, the Audit Committee which oversees the work of the internal auditors, the executive managers within the College who have responsibility for the development and maintenance of the financial control framework, and comments made by the external auditors in their management letter and other reports.

**Signature**

**Date**

**Principal**

## **Independent Auditors' report to the Corporation of Southgate College**

We have audited the financial statements of Southgate College for the year ended 31 July 2007, which comprise the income and expenditure account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses and the related notes. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set therein.

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

### **Respective Responsibilities of the Members of the Corporation of Southgate College and Auditors**

As described in the Statement of Responsibilities the College's Corporation is responsible for preparing the Members Report and financial statements in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education, applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education. We also report to you if, in our opinion, the Members' Report is not consistent with the financial statements, if the College has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

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

### **Basis of Audit Opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and the Audit Code of Practice issued by the Learning and Skills Council. An audit includes examination, on a test basis, of evidence relevant to amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the College's Corporation in the preparation of the financial statements, and of whether the accounting policies are appropriate to the College's circumstances, consistently applied and adequately disclosed.

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

## **Opinion**

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the College as at 31 July 2007 and of the College's surplus of income for the year then ended, and are properly prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education Institutions.

## **RSM Bentley Jennison**

*Chartered Accountants Registered Auditors*

*Cedar House*

*Breckland*

*Linford Wood*

*Milton Keynes, MK14 6EX*

## **Date**

## Income and Expenditure Account

	Notes	Year ended 31 July 2007 £'000	Year ended 31 July 2006 £'000
<b>Income</b>			
Funding Council Grants	2	15,301	14,407
Tuition fees and education contracts	3	1,509	1,438
Research grants and contracts	4	60	105
Other income	5	697	584
Endowment and Investment income	6	111	46
<b>Total Income</b>		<b>17,678</b>	<b>16,580</b>
<b>Expenditure</b>			
Staff costs	7	10,757	10,645
Other operating expenses	9	5,770	5,118
Depreciation	13	984	959
Interest payable	10	62	74
<b>Total Expenditure</b>		<b>17,573</b>	<b>16,796</b>
Surplus/(deficit) on continuing operations after depreciation of tangible fixed assets at valuation and before tax		105	(216)
Gain on disposal of assets	13	1	4
Surplus/(deficit) on continuing operations after depreciation of tangible fixed assets at valuation and disposal of assets but before tax		106	(212)
Taxation	11	-	-
<b>Surplus/(deficit) on continuing operations after depreciation of assets at valuation, disposal of assets and tax</b>	12	<b>106</b>	<b>(212)</b>
Transfer from accumulated income within specific endowments		-	-
<b>Surplus/(deficit) for the year retained within general reserves</b>		<b>106</b>	<b>(212)</b>

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

## Statement of Historical Cost Surpluses and Deficits

	Notes	Year ended 31 July 2007	Year ended 31 July 2006
		£'000	£'000
Surplus/(deficit) on continuing operations before taxation		106	(212)
Difference between historical cost depreciation and the actual charge for the year calculated on the re-valued amount	21	343	346
<b>Historical cost surplus for the year before taxation</b>		<b>449</b>	<b>134</b>
<b>Historical cost surplus for the year after taxation</b>		<b>449</b>	<b>134</b>

## Statement of the Total Recognised Gains and Losses

	Notes	Year ended 31 July 2007	Year ended 31 July 2006
		£'000	£'000
Surplus/(deficit) on continuing operations after depreciation of assets at valuation and disposal of assets and tax		106	(212)
Actuarial gain in respect of pension scheme	27	909	125
<b>Total recognised gains/(losses) relating to the year</b>		<b>1,015</b>	<b>(87)</b>
<b>Total recognised gains/(losses) since last report</b>		<b>1,015</b>	<b>(87)</b>
<b>Reconciliation</b>			
Opening reserves		12,206	12,293
Total recognised gains/(losses) for the year		1,015	(87)
<b>Closing reserves</b>		<b>13,221</b>	<b>12,206</b>

## Balance Sheet

	Notes	Year ended 31 July 2007	Year ended 31 July 2006
		£'000	£'000
<b>Fixed assets</b>			
Tangible assets	13	15,361	15,883
Investments	14	-	-
<b>Total fixed assets</b>		<b>15,361</b>	<b>15,883</b>
<b>Current assets</b>			
Debtors	15	289	281
Cash at bank and in hand		1,249	2
		1,538	283
<b>Creditors: amounts falling due within one year</b>	16	(1,470)	(821)
<b>Net current assets/(liabilities)</b>		<b>68</b>	<b>(538)</b>
<b>Total assets less current liabilities</b>		<b>15,429</b>	<b>15,345</b>
<b>Less: Creditors - amounts falling due after more than one year</b>	17	(593)	(677)
<b>Net assets excluding pension liability</b>		<b>14,836</b>	<b>14,668</b>
Net pension liability	27	(839)	(1,670)
<b>NET ASSETS INCLUDING PENSION LIABILITY</b>		<b>13,997</b>	<b>12,998</b>
<b>Deferred capital grants</b>	19	776	792
Income and expenditure account excluding pension reserve		1,702	1,175
Pension reserve	27	(839)	(1,670)
Income and expenditure account including pension reserve	21	863	(495)
Revaluation reserve	20	12,358	12,701
<b>Total reserves</b>		<b>13,221</b>	<b>12,206</b>
<b>TOTAL</b>		<b>13,997</b>	<b>12,998</b>

The financial statements on pages 17 to 35 were approved by the governing body on 13th December 2007 and were signed on its behalf by:-

.....  
Chairman

.....  
Principal

## Cash Flow Statement

	Notes	Year ended 31 July 2007 £'000	Year ended 31 July 2006 £'000
<b>Cash inflow from operating activities</b>	22	869	596
Returns on investments and servicing of finance	23	(1)	(44)
Capital expenditure and financial investment	24	(214)	(552)
Financing	25	(77)	(77)
<b>Increase/(decrease) in cash in the period</b>	26	<u>577</u>	<u>(77)</u>
<b>Reconciliation of net cash flow to movement in net debt</b>			
Increase/(decrease) in cash in the period		577	(77)
Change in net debt resulting from cash flows	25	<u>77</u>	<u>77</u>
Movement in net debt in period		654	-
Net debt at 1 August		(778)	(778)
<b>Net funds/(debt) at 31 July</b>	26	<u>(124)</u>	<u>(778)</u>

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

## **Notes to the Accounts**

*(forming part of the financial statements)*

### **1 Accounting policies**

#### ***Statement of accounting policies***

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

#### ***Basis of preparation***

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2003 (the SORP) and in accordance with applicable Accounting Standards. They conform to guidance published by the LSC in the Accounts Direction Handbook.

#### ***Basis of accounting***

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

#### ***Basis of consolidation***

The activities of the Student Union have not been consolidated because the College does not control those activities. All financial statements are made up to 31 July 2007.

#### ***Recognition of income***

The recurrent grants from the LSC and HEFCE represent the funding allocations attributable to the current financial year and are credited direct to the income and expenditure account. Recurrent grants are recognised in line with planned activity. Any under-achievement against this planned activity is adjusted in-year and reflected in the level of recurrent grant recognised in the income and expenditure account.

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

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

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

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

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

Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the college in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method. As stated in note 27, the TPS is a multi employer scheme and the college is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

## Notes to the Accounts *(continued)*

### 1 Statement of accounting policies *(continued)*

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

#### *Enhanced Pensions*

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

#### *Tangible fixed assets*

##### *Land and buildings*

Land and buildings inherited from the Local Education Authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable. Land and buildings acquired since incorporation are included in the balance sheet at cost. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College of between 30 and 39 years. Leasehold land and buildings are amortised over the period of the lease.

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

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

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

On adoption of FRS15, the College followed the transitional provision to retain the book value of land and buildings which were revalued in 1994, but not to adopt a policy of revaluations of these properties in the future. These values are retained subject to the requirement to test assets for impairment in accordance with FRS11.

##### *Subsequent expenditure*

Where significant expenditure is incurred on tangible fixed assets it is charged to the income and expenditure account in the period it is incurred, unless it meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis:

- Market value of the fixed asset has subsequently improved
- Asset capacity increases
- Substantial improvement in the quality of output or reduction in operating costs
- Significant extension of the asset's life beyond that conferred by repairs and maintenance

## Notes to the Accounts *(continued)*

### 1 Statement of accounting policies *(continued)*

#### *Equipment*

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

Inherited equipment is depreciated on a reducing balance basis at rates varying between 10%-25% per annum. All other equipment is depreciated on a straight line basis over its useful economic life as follows:

Motor vehicles and general equipment	-	Four to five years
Computer equipment	-	Four years

Where equipment is acquired with the aid of specific grants, it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related equipment.

#### **Leased assets**

Costs in respect of operating leases are charged on a straight line basis over the lease term.

Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright and are capitalised at their fair value at the inception of the lease and depreciated over the shorter of the lease term or the useful economic lives of equivalently owned assets. The capital element outstanding is shown as obligations under finance leases.

The finance charges are allocated over the period of the lease in proportion to the capital element outstanding. Where finance lease payments are funded in full from funding council capital equipment grants, the associated assets are designated as grant-funded assets.

#### *Investments*

Fixed asset investments are carried at historical cost less any provision for impairment in their value.

Current asset investments are included in the balance sheet at the lower of their original cost and net realisable value.

#### *Stocks*

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

#### *Maintenance of premises*

The cost of routine corrective maintenance is charged to the income and expenditure account in the period that it is incurred.

#### *Foreign currency translation*

Transactions denominated in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the financial period with all resulting exchange differences being taken to the income and expenditure account in the period in which they arise.

## **Notes to the Accounts** *(continued)*

### **1 Statement of accounting policies** *(continued)*

#### ***Taxation***

The College is an exempt charity within the meaning of schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of section 506(1) of the Income and Corporation Taxes Act (ICTA) 1988. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 505 of the ICTA 1988 or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

The College receives no similar exemption in respect of Value Added Tax.

#### ***Liquid resources***

Liquid resources include sums on short-term deposits with recognised banks.

#### ***Provisions***

Provisions are recognised when the College has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

#### ***Agency arrangements***

The College acts as an agent in the collection and payment of Learner Support Funds. Related payments received from the LSC and subsequent disbursements to students are excluded from the Income and Expenditure account and are shown separately in Note 31, except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant. The College employs one member of staff dedicated to the administration of Learner Support Fund applications and payments.

**Notes to the Accounts** *(continued)*

**2 Funding Council Grants**

	LSC	HEFCE	Year ended 31 July 2007	Year ended 31 July 2006
	£'000	£'000	£'000	£'000
Recurrent grant	14,091	220	14,311	13,688
Work Based Learning	30	-	30	30
Releases of deferred capital grants	290	-	290	288
Ethnic minority student achievement grant (section 11)	-	-	-	32
Centres for Vocational Excellence	163	-	163	120
Train To Gain	54	-	54	-
Other funds	453	-	453	249
	<b>15,081</b>	<b>220</b>	<b>15,301</b>	<b>14,407</b>

**3 Tuition Fees and Education Contracts**

	Year ended 31 July 2007	Year ended 31 July 2006
	£'000	£'000
UK Higher Education students	12	12
UK Further Education students	749	715
European Union (EU) (excluding UK) students	9	9
Non-EU students	109	117
<b>Total fees paid by or on behalf of individual students</b>	<b>879</b>	<b>853</b>
<b>Education contracts:</b>		
Local Education Authorities	626	554
Higher education income	4	31
	<b>1,509</b>	<b>1,438</b>

**4 Research Grants and Contracts**

	Year ended 31 July 2007	Year ended 31 July 2006
	£'000	£'000
European Commission	60	105
<b>Total</b>	<b>60</b>	<b>105</b>

**Notes to the Accounts** (continued)

**5 Other Income**

	Year ended 31 July 2007 £'000	Year ended 31 July 2006 £'000
Residencies, catering and conferences	47	53
Other income generating activities	198	207
Releases from deferred capital grants (non funding council)	2	3
Other income	450	321
	<b>697</b>	<b>584</b>

**6 Endowment and Investment Income**

	Year ended 31 July 2007 £'000	Year ended 31 July 2006 £'000
Pension finance income (note 27)	50	16
Other interest receivable	61	30
	<b>111</b>	<b>46</b>

**7 Staff Costs**

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

	Year ended 31 July 2007 Number	Year ended 31 July 2006 Number
Teaching departments - teaching staff	219	217
Teaching departments - other staff	78	69
Teaching support services	15	16
Other support services	17	16
Administration and central services	65	65
Premises	13	13
Other	10	7
	<b>417</b>	<b>403</b>

**Staff costs for the above persons:**

	Year ended 31 July 2007 £'000	Year ended 31 July 2006 £'000
Wages and salaries	8,200	8,291
Social security costs	729	691
Other pension costs (including FRS 17 adjustments)	1,168	1,218
<b>Payroll sub-total</b>	<b>10,097</b>	<b>10,200</b>
Contracted out staffing services	660	445
<b>Total</b>	<b>10,757</b>	<b>10,645</b>

**Notes to the Accounts** (continued)

**7 Staff Costs** (continued)

	Year ended 31 July 2007	Year ended 31 July 2006
	£'000	£'000
Teaching departments - staff	6,293	6,329
Teaching departments - other staff	1,435	1,242
Teaching support services	303	263
Other support services	432	421
Administration and central services	1,835	1,861
Premises	309	270
Other income generating activities	107	111
Staff restructuring per schedule	43	148
<b>Total</b>	<b><u>10,757</u></b>	<b><u>10,645</u></b>

**Total staff costs, split by type of contract were:**

Employment costs for staff on permanent contracts	10,054	10,052
Employment costs for staff on short-term and temporary contracts	660	445
Restructuring costs	43	148
	<b><u>10,757</u></b>	<b><u>10,645</u></b>

**Restatement of comparative information**

In order to better present the results of the College, payments for contracted out lecturing services have been included within staff costs in 2007 and the comparative figures restated accordingly.

The restructuring costs were approved by the College's Governing Body.

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

	Senior Post-holders		Other staff	
	2007	2006	2007	2006
	Number	Number	Number	Number
£ 60,001 to £ 70,000	1	-	1	3
£ 70,001 to £ 80,000	-	3	3	-
£ 80,001 to £ 90,000	1	-	1	-
£ 121,001 to £ 140,000	1	-	-	1
	<b><u>3</u></b>	<b><u>3</u></b>	<b><u>5</u></b>	<b><u>4</u></b>

A pay award of 2% was approved by the Corporation with effect from 1 August 2007 and a further 1% from 1 February 2008 to all staff.

**Notes to the Accounts** (continued)

**8 Senior Post-holders' Emoluments**

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

	<b>2007</b>	<b>2006</b>
	<b>Number</b>	<b>Number</b>
The number of senior post-holders including the Principal was:	<u>3</u>	<u>3</u>

Senior post-holders' emoluments are made up as follows:

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Salaries	236,602	240,677
Benefits in kind	23,876	25,587
Pension contributions	31,421	31,818
<b>Total emoluments</b>	<b><u>291,899</u></b>	<b><u>298,082</u></b>

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

	<b>Year ended</b>	<b>Year ended</b>
	<b>31 July 2007</b>	<b>31 July 2006</b>
	<b>£</b>	<b>£</b>
Salary	112,216	102,334
Benefits in kind	<u>13,653</u>	<u>12,243</u>
	<u>125,869</u>	<u>114,577</u>
Pension contributions	<u>14,816</u>	<u>13,815</u>

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

No compensation for loss of office has been paid to any former senior post holder.

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

Senior post-holders, including the Principal and other higher paid staff received a pay increase of 2.5% in line with the general pay award together with performance related pay award of 5%. No bonuses or other salary enhancements were awarded to senior post-holders or other higher paid staff.

**Overseas activities**

There were no overseas activities during the year.

**Notes to the Accounts** *(continued)*

**9 Other Operating Expenses**

	<b>Year ended 31 July 2007 £'000</b>	<b>Year ended 31 July 2006 £'000</b>
Teaching departments	1,419	1,370
Contracted-out lecturing services	661	616
Teaching support services	132	137
Other support services	45	60
Administration and central services	621	603
General education	496	621
Premises costs - running costs	941	893
- maintenance	519	146
- rents & leases	86	82
Planned maintenance	362	151
Other income generating activities	33	25
Catering and residence operations	174	162
Franchised provision	281	252
<b>Total</b>	<b>5,770</b>	<b>5,118</b>

**Other operating expenses include:**

	<b>Year ended 31 July 2007 £'000</b>	<b>Year ended 31 July 2006 £'000</b>
Auditors' remuneration:		
financial statements audit	21	18
internal audit	23	20

**10 Interest Payable**

	<b>Year ended 31 July 2007 £'000</b>	<b>Year ended 31 July 2006 £'000</b>
On bank loans, overdrafts and other loans:		
Repayable within 5 years, not by instalments	-	-
Repayable within 5 years, by instalments	62	74
Repayable wholly or partly in more than 5 years	-	-
	62	74
Pension finance costs (note 27)	-	-
<b>Total</b>	<b>62</b>	<b>74</b>

**Notes to the Accounts** *(continued)*

**11 Taxation**

The members do not believe the College was liable for any corporation tax arising out of its activities during the year.

**12 Surplus/(deficit) on continuing Operations for the Year**

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

	<b>Year ended 31 July 2007</b>	<b>Year ended 31 July 2006</b>
	<b>£'000</b>	<b>£'000</b>
College's surplus/(deficit) for the year	106	(212)
<b>Total</b>	<b><u>106</u></b>	<b><u>(212)</u></b>

**13 Tangible Fixed Assets**

	<b>Freehold land and buildings £'000</b>	<b>Equipment £'000</b>	<b>Total £'000</b>
<b>Cost or Valuation</b>			
At 1 August 2006	19,885	5,035	24,920
Additions	3	487	490
Surplus on revaluation	-	-	-
Disposals	-	(59)	(59)
At 31 July 2007	<u>19,888</u>	<u>5,463</u>	<u>25,351</u>
<b>Depreciation</b>			
At 1 August 2006	5,053	3,984	9,037
Charge for year	428	556	984
Revaluation	-	-	-
Eliminated in respect of disposals	-	(31)	(31)
At 31 July 2007	<u>5,481</u>	<u>4,509</u>	<u>9,990</u>
<b>Net book value At 31 July 2007</b>	<b><u>14,407</u></b>	<b><u>954</u></b>	<b><u>15,361</u></b>
Net book value At 31 July 2006	<u>14,832</u>	<u>1,051</u>	<u>15,883</u>
Inherited	12,335	21	12,356
Financed by capital grant	350	432	782
Other	1,722	501	2,223
<b>Net book value At 31 July 2007</b>	<b><u>14,407</u></b>	<b><u>954</u></b>	<b><u>15,361</u></b>

**Notes to the Accounts** *(continued)*

**13 Tangible Fixed Assets (continued)**

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

Land and buildings were valued for the purpose of the 1994 financial statements at depreciated replacement cost by the London Borough of Enfield in accordance with the RICS Statement of Asset Valuation Practice and Guidance notes. Other tangible fixed assets inherited from the Local Education Authority at incorporation on a depreciated replacement costs basis with the assistance of independent professional advice.

Land and buildings with a net book value of £12,335,000 have been financed by exchequer funds. Should these assets be sold, the College may be liable, under the terms of the Finance Memorandum with the Council, to surrender the proceeds.

Fixed assets include land and buildings with a net book value of £14,407,000, which will be partially funded by a grant from the LSC.

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

	<b>£'000</b>
Cost	2,333
Aggregate depreciation based on cost	(261)
<b>Net book value based on cost</b>	<b>2,072</b>

**14 Investments**

	<b>Year ended 31 July 2007 £</b>	<b>Year ended 31 July 2006 £</b>
Investments in subsidiary companies	3	3
	<b>3</b>	<b>3</b>

The College owns 100% of the issued ordinary shares of Michenden Business Centre Limited (MBC Limited), a company incorporated in Great Britain and registered in England and Wales. The MBC Limited did not trade during the year.

**15 Debtors**

	<b>Year ended 31 July 2007 £'000</b>	<b>Year ended 31 July 2006 £'000</b>
Amounts falling due within one year:		
Trade debtors	273	251
Prepayments and accrued income	16	30
<b>Total</b>	<b>289</b>	<b>281</b>

**Notes to the Accounts** *(continued)*

**16 Creditors: Amounts Falling Due Within One Year**

	<b>Year ended 31 July 2007 £'000</b>	<b>Year ended 31 July 2006 £'000</b>
Bank loans and overdrafts	85	103
Payments received in advance	90	104
Trade creditors	554	252
Other taxation and social security	236	241
Accruals	505	121
<b>Total</b>	<b>1,470</b>	<b>821</b>

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

	<b>Year ended 31 July 2007 £'000</b>	<b>Year ended 31 July 2006 £'000</b>
Bank loans	593	677
<b>Total</b>	<b>593</b>	<b>677</b>

**18 Borrowings**

	<b>Year ended 31 July 2007 £'000</b>	<b>Year ended 31 July 2006 £'000</b>
<b>Bank loans and overdrafts</b>		
Bank loans and overdrafts are repayable as follows:		
In one year or less or on demand	85	103
Between one and two years	91	91
Between two and five years	309	309
In five years or more	193	277
<b>Total</b>	<b>678</b>	<b>780</b>

Bank loans at 8.60% repayable by instalments falling due between September 1998 and May 2013 and are unsecured.

**Notes to the Accounts** (continued)

**19 Deferred Capital Grants**

	LSC/FEFC grants £'000	Other grants £'000	Total £'000
At 1 August 2006			
Land and buildings	363	-	363
Equipment	421	8	429
Cash received			
Land and buildings	-	-	-
Equipment	276	-	276
Released to income and expenditure account			
Land and buildings	(10)	-	(10)
Equipment	(280)	(2)	(282)
<b>Total</b>	<b>770</b>	<b>6</b>	<b>776</b>
At 31 July 2007			
Land and buildings	353	-	353
Equipment	417	6	423
<b>Total</b>	<b>770</b>	<b>6</b>	<b>776</b>

**20 Revaluation Reserve**

	Year ended 31 July 2007 £'000	Year ended 31 July 2006 £'000
At 1 August	12,701	13,047
Transfer from revaluation reserve to general reserve in respect of: Depreciation on revalued assets	(343)	(346)
<b>At 31 July</b>	<b>12,358</b>	<b>12,701</b>

**21 Movement on General Reserves**

	Year ended 31 July 2007 £'000	Year ended 31 July 2006 £'000
<b>Income and expenditure account reserve</b>		
At 1 August	(495)	(754)
Surplus/(deficit) retained for the year	106	(212)
Transfer from revaluation reserve	343	346
Actuarial gain in respect of pension scheme	909	125
<b>At 31 July</b>	<b>863</b>	<b>(495)</b>
Balance represented by:		
Pension reserve	(839)	(1,670)
Income and expenditure reserve excluding pension reserve	1,702	1,175
<b>At 31 July</b>	<b>863</b>	<b>(495)</b>

**Notes to the Accounts** *(continued)*

**22 Reconciliation of Operating Surplus/Deficit to Net Cash Inflow from Operating Activities**

	<b>Year ended 31 July 2007</b>	<b>Year ended 31 July 2006</b>
	<b>£'000</b>	<b>£'000</b>
Surplus/(deficit) on continuing operations after depreciation of assets at valuation	106	(212)
Depreciation (note 13)	984	959
Deferred capital grants released to income (note 2 and 5)	(292)	(291)
Profit on disposal of tangible fixed assets	(1)	(4)
Interest payable (note 10)	62	74
Pension cost less contributions payable (notes 7, 10 and 27)	128	93
(Increase)/decrease in debtors	(8)	189
Increase(decrease) in creditors	1	(166)
Interest receivable (note 6)	(111)	(46)
<b>Net cash inflow from operating activities</b>	<b>869</b>	<b>596</b>

**23 Returns on Investments and Servicing of Finance**

	<b>Year ended 31 July 2007</b>	<b>Year ended 31 July 2006</b>
	<b>£'000</b>	<b>£'000</b>
Other interest received	61	30
Interest paid	(62)	(74)
<b>Net cash outflow from returns on investment and servicing of finance</b>	<b>(1)</b>	<b>(44)</b>

**24 Capital Expenditure and Financial Investment**

	<b>Year ended 31 July 2007</b>	<b>Year ended 31 July 2006</b>
	<b>£'000</b>	<b>£'000</b>
Purchase of tangible fixed assets	(490)	(764)
Sales of tangible fixed assets	-	12
Deferred capital grants received	276	200
<b>Net cash outflow from capital expenditure and financial investment</b>	<b>(214)</b>	<b>(552)</b>

**25 Financing**

	<b>Year ended 31 July 2007</b>	<b>Year ended 31 July 2006</b>
	<b>£'000</b>	<b>£'000</b>
Debt due beyond a year:		
Repayment of amounts borrowed	(77)	(77)
<b>Net cash outflow from financing</b>	<b>(77)</b>	<b>(77)</b>

**Notes to the Accounts** (continued)

**26 Analysis of Changes in Net Funds**

	<b>At 1 August 2006 £'000</b>	<b>Cashflows £'000</b>	<b>Other changes £'000</b>	<b>At 31 July 2007 £'000</b>
Cash in hand, and at bank	2	1,247	-	1,249
Overdrafts	(18)	18	-	-
	<u>(16)</u>	<u>1,265</u>	<u>-</u>	<u>1,249</u>
Debt due within 1 year	(85)	85	(85)	(85)
Debt due after 1 year	(677)	-	85	(592)
<b>Total</b>	<u><b>(778)</b></u>	<u><b>1,350</b></u>	<u><b>-</b></u>	<u><b>572</b></u>

**27 Pension and similar obligations**

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

	<b>Year ended 31 July 2007 £'000</b>	<b>Year ended 31 July 2006 £'000</b>
<b>Total pension cost for the year</b>		
Teachers Pension Scheme: contributions paid	682	644
Local Government Pension Scheme:		
Charge to the Income and Expenditure Account (staff costs)	358	330
<b>Total Pension Cost for Year</b>	<u><b>1,040</b></u>	<u><b>974</b></u>

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

**Teachers' Pension Scheme**

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

The pensions cost is assessed every five years in accordance with the advice of the Government Actuary. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

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

Following the implementation of Teachers' Pensions (Employers' Supplementary Contributions) Regulations 2000 the Government Actuary carried out a further review on the level of employer contributions. For the period from 1 August 2005 to December 2006 the employer contribution was 13.5%. The rate increased to 14.1% from January 2007. The employee rate increased from 6% to 6.4% at the same date. An appropriate provision in respect of unfunded pensioners' benefits is included in provisions.

**FRS 17**

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

Accordingly, the College has taken advantage of the exemption in FRS 17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. The College has set out above the information available on the scheme and the implications for the College in terms of the anticipated contribution rates.

**Notes to the Accounts** (continued)

**27 Pension and similar obligations (continued)**

**Local Government Pension Scheme**

The LGPS is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The total contribution made for the year ended 31 July 2007 was £504,795 of which employer's contributions totalled £357,615 and employees contributions totalled £147,180. The agreed contribution rates for future years are 16.4% for employers and 6% for employees.

**FRS 17**

The following information is based upon a full actuarial valuation of the Fund at 31 March 2005 updated to 31 July 2007 by a qualified independent actuary.

	At 31 July 2007	At 31 July 2006	At 31 July 2005
Rate of increase in salaries	4.8%	4.6%	4.3%
Rate of increase for pensions in payment/inflation	3.3%	3.1%	2.8%
Discount rate for liabilities	5.8%	5.1%	5.0%

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

	Long-term rate of return expected at 31 July 2007	Value at 31 July 2007 £'000	Long-term rate of return expected at 31 July 2006	Value at 31 July 2006 £'000	Long-term rate of return expected at 31 July 2005	Value at 31 July 2005 £'000
Equities	8.0%	4,452	7.7%	5,210	7.3%	4,458
Bonds	5.2%	2,934	4.7%	1,238	4.7%	1,063
Property	6.0%	940	5.7%	852	5.4%	679
Cash	5.1%	136	4.8%	190	4.5%	95
<b>Total market value of assets</b>		<b>8,462</b>		<b>7,490</b>		<b>6,295</b>
Present value of scheme liabilities		(9,301)		(9,160)		(8,013)
Related deferred tax liability		-		-		-
<b>Deficit in the scheme</b>		<b>(839)</b>		<b>(1,670)</b>		<b>(1,718)</b>

	Year ended 31 July 2007 £'000	Year ended 31 July 2006 £'000
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**Analysis of the amount charged to income and expenditure account**

Employer service cost (net of employer contributions)	128	93
Past service cost	-	-
<b>Total operating charge</b>	<b>128</b>	<b>93</b>

**Analysis of pension finance income**

Expected return on pension scheme assets	528	426
Interest on pension liabilities	(478)	(410)
<b>Pension finance income</b>	<b>50</b>	<b>16</b>

**Amount recognised in the statement of total recognised gains and losses (STRGL)**

Actual return less expected return on pension scheme assets	123	478
Experience gains and losses arising on the scheme liabilities	1	(4)
Change in financial and demographic assumptions underlying the scheme liabilities	785	(349)
<b>Actuarial gain recognised in STRGL</b>	<b>909</b>	<b>125</b>

**Movement in deficit during year**

Deficit in scheme at 1 August	(1,670)	(1,718)
Movement in year:		
Current employer service charge	(474)	(423)
Employer contributions	360	330
Impact of settlements and curtailments	(14)	-
Net interest on assets/(liability)	50	16
Actuarial gain	909	125
<b>Deficit in scheme at 31 July</b>	<b>(839)</b>	<b>(1,670)</b>

## Notes to the Accounts *(continued)*

### 27 Pension and similar obligations (continued)

#### Local Government Pension Scheme (continued)

##### History of experience gains and losses

	2007	2006	2005	2004	2003
Difference between the expected and actual return on assets:					
amount £'000	123	478	78	(29)	(895)
% of scheme assets	1.5%	6.4%	10.6%	1.6%	(0.7%)
Experience gains and losses on scheme liabilities:					
amount £'000	1	(4)	1	(69)	(37)
% of scheme liabilities	0.0%	0.0%	1.0%	0.0%	(1.2%)
Total amount recognised in STRGL					
amount £'000	909	125	71	(849)	(602)
% of scheme liabilities	9.8%	1.4%	0.3%	1.1%	(14.3%)

### 29 Financial Commitments

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

	Year ended 31 July 2007 £'000	Year ended 31 July 2006 £'000
Land and Buildings		
Expiring within one year	-	-
Expiring within two and five years inclusive	62	57
Expiring in over five years	-	-
	<u>62</u>	<u>57</u>

### 30 Related Party Transactions

Due to the nature of the College's operations and the composition of the Board of Governors being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the Board of Governors may have an interest. All transactions involving organisations in which a member of the Board of Governors may have an interest are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures.

### 31 Learner Support Funds

	Year ended 31 July 2007 £'000	Year ended 31 July 2006 £'000
<b>Access Funds</b>		
Learning and Skills Council Grants - Hardship funds	303	283
Learning and Skills Council Grants - Childcare	86	91
Interest earned	10	5
	<u>399</u>	<u>379</u>
Disbursed to students	(379)	(361)
Administration costs	(18)	(19)
Balance unspent as at 31 July, included in creditors/(debtors)	<u>2</u>	<u>(1)</u>

Learning and Skills Council grants are available solely for students. In the majority of instances, the College only acts as a paying agent. In these circumstances, the grants and related disbursements are therefore excluded from the Income and Expenditure Account.

## **Independent Auditors' Report on the Regularity to the Corporation of Southgate College ('the Corporation') and the Learning and Skills Council ('the LSC')**

In accordance with the terms of our engagement letter dated 25 April 2006 and further to the requirements of the LSC, we have carried out a review to obtain assurance about whether, in all material respects, the expenditure and income of Southgate College ('the College') for the year ended 31 July 2007 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to the Corporation and LSC. Our review work has been undertaken so that we might state to the Corporation and the LSC those matters we are required to state to it in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation and the LSC, for our review work, for this report, or for the opinion we have formed.

### **Respective responsibilities of the Members of the Corporation of Southgate College and Auditors**

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

Our responsibilities for this review are established in the United Kingdom by our profession's ethical guidance and the audit guidance set out in the Audit Code of Practice and the Regularity Audit Framework issued by the LSC. We report to you whether, in our opinion, in all material respects, the College's expenditure and income for the year ended 31 July 2007 have been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

### **Basis of opinion**

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

### **Opinion**

In our opinion, in all material respects the expenditure and income for the year ended 31 July 2007 have been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

### **RSM Bentley Jennison**

*Chartered Accountants Registered Auditors*

*Cedar House*

*Breckland*

*Linford Wood*

*Milton Keynes, MK14 6EX*

### **Date**