

Southgate College
Annual Report and Financial Statements
2001/02

Chairman's Introduction

The Academic year 2001/02 has seen major changes in the organisation of Southgate College. The College has completed arrangements for a dedicated Sixth Form Centre, to provide tuition and support for students in the 16 year to 19 year age range. The staff of the new Centre look forward to enrolling their first students in September 2002.

In addition to the Sixth Form Centre, the College will have a new Centre for Continuing Education to provide courses mainly for adults, and a Business Centre linked to the needs of industry and commerce. A cross-College Learner Support Centre will co-ordinate all student support activities.

Student achievement rates and retention rates were again significantly improved in 2001/02 and the College can now demonstrate a history of continuous improvement over the last three years.

Pay for staff in Colleges continues to be an issue with rates of pay in colleges now falling some 12% below comparable rates in schools and in higher education. There has been a consequent adverse effect on the ability of the College to recruit staff in some areas.

The College estate has required unanticipated, exceptional expenditure in the last year with the discovery of a recurrence of dry rot in Southgate House and dangerous concrete spalling in the main building. The College has been able to fund this expenditure from its reserves but it has produced an overall deficit on the income and expenditure account. Nevertheless the funding position of the College remains strong and I have every confidence that it will remain so.

As ever, I am thankful to my fellow Governors who donate so much of their time and contribute much expertise toward the strategic development of the College.

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

Andrew Nicholas
Chairman of Governors

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Members' report

The Members present their report and the audited financial statements for the year ended 31 July 2002.

Corporation

The Governing Body 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, what ever 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

During 2001/02 the College prepared a strategic plan for the period to 2005. This strategic plan includes an accommodation strategy and financial forecasts. The Governing Body monitors the performance of the College against these plans. The plans are reviewed and updated each year. 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 "Success for All" 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;

Our Values

Our College values highly:
The needs and aspirations of all students, clients and staff;

Members' report (continued)

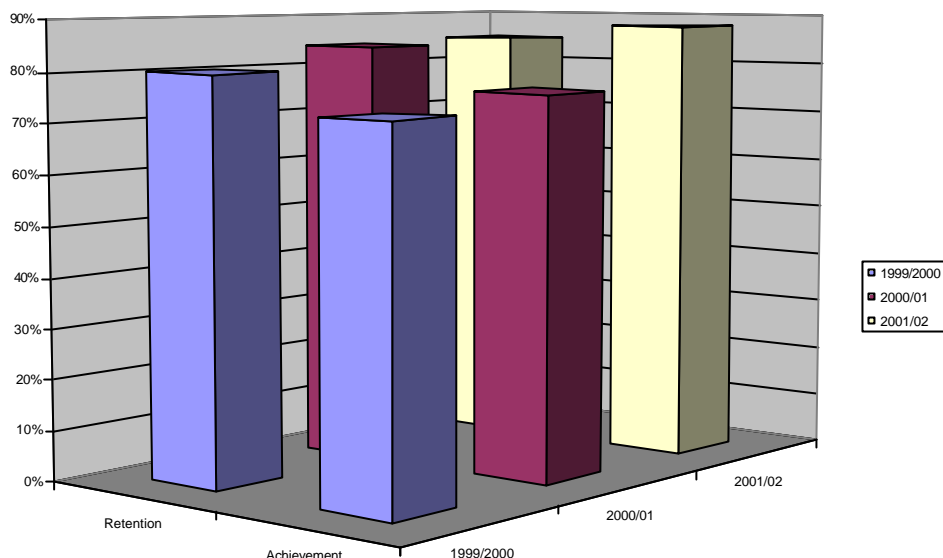
To widen participation in education among under-represented social groups and communities;	The continuous commitment to improving quality within all operations in the pursuit of institutional excellence;
To secure continuing, short and long term financial viability;	Equality of opportunity for all students and staff;
To increase non-LSC income streams ;	The richness of communities and commerce within north London;
To continue to invest in people;	The widening of participation among members of these communities and organisations;
To establish our customer and learning support services as centres of excellence;	Clear systems of communication to ensure information flows freely and purposefully to the benefit of all;
To develop performance indicators, benchmarks and targets as key management tools to ensure continuing self-improvement.	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.

Curriculum Developments 2001/02

The key academic priority for the year was to improve student retention and achievement and significant resources were directed to achieve these goals.

Overall retention rose to 85%, exceeding the national benchmark and achievement rose to 88%, an improvement of 19% over a three year period. 16-18 year olds accounted for approximately 30% of the College numbers and it is pleasing to report that achievement rates for this age group rose to 76%.

Southgate College Retention and Achievement: All Ages Overall Three Year Profile



Curriculum Initiatives

In line with current action research findings, motivational target setting has been introduced across the College and it is believed that this has played a significant role in improving retention and achievement, particularly for younger students. This is linked to a system of collecting value-added data which enables tutors to negotiate individual goals with learners' which are based on their prior attainment. Targets and progress are reviewed each half-term and learners receive feedback on their progress through class activities, regular testing and homework.

The College underwent a major restructuring in 2001/02 to create a new Sixth Form Centre together with a Centre for Continuing Education, a cross-College Learner Support Service and a Business Centre. This restructuring seeks to encourage the development of a distinct sixth form ethos and commits additional tutorial and support resources, as well as monitoring functions for 16-18 year olds. All students within the age range will belong to The Sixth Form and regular and systematic contact with parents/guardians will be maintained during their course of study. The Continuing Education Centre will provide a diverse range of provision to promote Lifelong Learning and to serve the needs of over 19 year olds.

Minchenden Business Centre (MBC) will continue to expand its work with local employers and provide out-centre provision within the local community. It is anticipated that these changes and additional targeted support will help to improve retention and achievement rates even further next academic year.

Minchenden Business Centre

The Minchenden Business Centre had a series of successes in 2001/02. The unit completed the ICT training for Government Office London and earned a total of £140,000 over its two year duration. The year saw the launch of a two-year Phoenix Project for disadvantaged youth with the aid of a European Social Fund grant and a successful launch of the Sustainable Development project. MBC earned the recognition as a UK Online Centre for its work on the Internet. Opportunities for the adult market expanded with the opening of an IT training centre at Enfield Town in partnership with Tektra (Protocol Professional) together with an expanded provision at Potters Bar IT Centre.

MBC also became the first centre in North London to offer the Advanced European Computer Driving Licence following the success with the ECDL.

Members' report (continued)

The lifelong learning work being undertaken at Edmonton Green College Centre earned the College the EdExcel Beacon Award which was presented in January 2002. MBC's eldest student, Naboo, celebrated his 90th birthday at the College and he continues to study IT studies into 2002/03.

MBC Limited continued to support tailored training for the London Borough of Enfield, the Enfield Libraries, the Church Diocese and many SMEs.

Student and Learner Support Developments

Student and Learner Services unit continued to move its provision forward in offering high quality support to learners. The College's Connexions' provision and partnership continued to grow. A new Connexions' co-ordinator is planned for the new academic year who will link with external agencies to help our learners to access the right kind of help. The College has also approved a plan to appoint a Mental Health worker to extend support to those in need.

The College's work with 14-16 year olds continued to develop and we have created a Young College identity, which will be led by a Young College co-ordinator to best meet the needs of young learners.

Five Southgate Health and Social Care students opted to train to become volunteer Mentors, as part of the College enrichment programme. The training programme was designed in conjunction with Middlesex University. On completion of the training programme mentors were matched with year seven pupils at Aylward School. Mentors met their mentees weekly until Easter 2002. Mentees reported that they gained much help through the programme and Mentors enjoyed it too and felt it helped them develop confidence; improve communication skills and take responsibility to commit time and thought to someone else. The four student Mentors who completed the programme will receive prizes at our forthcoming Awards Ceremony.

The College continued to offer an exciting range of activities through its XTRAS programme of enrichment. This year, the College's Basketball and Football teams, male and female were incredibly successful winning significant national and local trophies.

Student Perceptions of Southgate College

In 2001/02 student satisfaction data was gathered through two questionnaires (November and June), and a series of focus groups; students also gave feedback directly at course team meetings.

Questionnaire responses

The areas of greatest satisfaction among full time students were:

1. Teachers and other course staff are friendly and helpful.
2. Support from personal tutors is helpful, regular and easily available.
3. Marked work is returned promptly, with helpful comments.
4. Support for assignments and tests are helpful.

Part time students endorsed point one above and also rated highly lessons starting on time and being varied and interesting and courses being well planned and organised.

Ratings from the Edmonton Green College Centre were particularly high for most categories.

'I have had my fear of computers truly banished and I am looking forward to going onto another level'.

Members' report (continued)

'I think the course has been very informative and extremely good value'.

'I have learnt so much on this my first course and look forward to each Tuesday when I learn something new and feel that I am making steady progress'.

Areas of lower satisfaction for full time students concerned lack of specialist equipment in some areas, a poor range of social and sporting activities and difficulty in accessing help with personal problems. Part time students endorsed the latter two points and also requested greater access to computers outside lessons.

Students' free response comments on questionnaires included:

'The course has helped me to get back on track, the teachers are always willing to help'
(Bridging Course)

'The realistic work experience element is good'.
(NVQ Hospitality and Catering)

'There were lots of machines for everyone, easy access to information and good computers'
(National Diploma, Fashion)

'This is a good qualification with interesting projects – we always get feedback on time'
(GNVQ Intermediate Art and Design).

'The course builds confidence and makes us more employable'
(NVQ 2 Childcare and Education)

'The course is exciting and equips students for higher education'
(A level Maths year 2)

'The teacher is never late or off sick and the lessons are well organised and interesting'
(GCSE Biology part time)

'The College is friendly and we want to stay'
(1st Diploma Public Services Year 1)

Focus Groups

All students said that they would recommend others to come to the College. Course planning and organisation were generally seen as good; lessons usually began on time, and were interesting. Teachers were friendly and helpful, as were tutors, and students felt they were treated as adults. Not everyone was satisfied that feedback on progress was sufficiently regular, or that all resources were up to date; all wanted increased access time to internet sites to work on assignments. All students welcomed the increased security measures, especially checking ID's.

Quality Assurance

Key activities relating to Self-Assessment were strengthened to meet LSC and Inspection requirements. Internal inspections were widened in scope to cover more service areas and all curriculum provision. Review panels scrutinised clusters of courses through a more tightly focused evaluation process. Training to support the observation of teaching using the OfSTED 7 point scale emphasised the centrality of the students' learning experience. Middle managers focussed on improving target setting and fuller use of College Information systems.

Student feedback on courses was gathered systematically through questionnaires and focus groups. Dissatisfaction with the language level of the Learning and Skills Development

Members' report (continued)

Agency national questionnaire led to a decision to change to Quality Data Processing (QDP) Ltd from September 2002.

Staff Development

The Standards Fund was used systematically to support a wide range of activities on the theme of Raising Achievement. Staff in all areas attended external updating and networking events to ensure that College provision matched the best reported nationally.

There was a major drive to increase ICT Skills and awareness, beginning with a staff conference in October and continuing throughout the year with the work of the ILT Champions, the Digital Brain Project, enrolment of College staff on the European Computer Driving Licence qualification and support training on the use of College Information systems.

Another important focus was training to support those students whose first language is not English, culminating in a whole staff conference in February.

Overall some 1600 attendances at staff development were recorded, which included statutory training (Health and Safety, Equal Opportunities/Diversity, Teacher Training), professional qualifications, updating and new developments.

Student Achievements

The College is proud to highlight the following specific achievements both at individual student and course level:

Sciences

Tanya Sipling – a part-time student who came to the College last September to do 'A' Level Biology and GCSE Chemistry in one year to facilitate a career change. Tanya arrived at the College with every confidence in her science ability but her approach to her studies was exemplary and she was an asset to the group. Tanya gained a 'B' in Biology and 'B' in Chemistry and is now at King's College, London studying for a Biological Sciences degree.

Anna Liebmann – joined an Intensive 'A' level programme to complete Biology and Chemistry in one year in order to study Medicine. She had completed 3 'A' levels at school and then did an Art Foundation Course. Anna worked extremely hard and gained both Chemistry and Biology with a grade 'A'. Anna has now applied to read Medicine at university.

Visual and Performing Arts

95% of students from Art & Design courses who applied for a place at university gained a place at either their first or second choice institution, including: Central St Martin's, The College of Fashion, Kent Institute of Art and Design, Bournemouth Institute of Art and Design, De Montfort University and Winchester School of Art.

100% achievement on GCSE Drama

Sports and Leisure

Sharon Anthony – who joined the College to study a BTEC National Diploma in Sport and Exercise Science was selected for the Great Britain Judo squad and is already in training with the British Team.

Jermaine Davey – Open College Network Football and Fitness Skills course - has been selected for the last 32 Under 18 England Football squad. The selection for the last 16 is expected to take place in February 2003.

100% of students gained places in HE from the Diploma in Foundation Art Course.

Members' report (*continued*)

Information Technology and Computing

The courses in this area are particularly successful in widening participation and providing increased employment prospects in an expanding IT market. The College, in partnership with Enfield College and Capel Manor College, was awarded a **Beacon Award** in Lifelong Learning for work at Edmonton Green. Similar provision is available at Enfield Town and Potters Bar.

100% achievement on CISCO programmes

84% achievement on GCSE Information Technology and Information

75% achievement on Foundation Information Technology (national benchmark is 59%)

Business, Management and Education

AAT Foundation 89% achievement (benchmark 72%)

AAT Technician 65% (benchmark 53%)

Health and Social Care

88% achievement on GNVQ Foundation Health and Social Care (benchmark 71%)

83% achievement on Introductory Certificate in working with Children

100% achievement on First Aid at Work

Construction and Engineering

Mehmet Hassan, a profoundly deaf student, achieved the Intermediate Construction in Site Carpentry after two years of full-time study. Mehmet had a signer who attended all his sessions with him and received a lot of support from lecturing staff. It required enormous dedication and hard work to achieve the award in the two years. He is also to receive a company sponsored trophy at the Annual Awards Ceremony and is going on to do a teaching qualification at the College to become an instructor.

80% achievement on National Diploma in Engineering

85% achievement on GNVQ in Intermediate Engineering

100% achievement on the majority of Computer Aided Art and Design programmes

Hospitality and Catering

93% achievement on NVQ Level 1 in Catering and Hospitality

100% achievement on the full-time NVQ Level 3 in Catering and Hospitality

100% achievement on AVCE Double Award in Hospitality and Catering

Members' report (continued)

Performance Indicators

During 2001/02 the College continued to use the range of performance indicators covering academic and financial activities. These performance indicators conform to LSC guidelines.

- achievement of funding target;
- percentage change in student numbers;
- in-year retention rates;
- achievement rates;
- contribution to national targets;
- key financial objectives.

Student Numbers

The College is funded according to the units of activity it generates each year. In 2001/02, the College achieved an estimated 531,000 units against a target of 532,000 units.

Transparency Arrangements

At the last Inspection the area of Governance received a Grade 1 in recognition of the work being undertaken by the Governing Body. The Governing Body conducts its business through a number of committees. Each committee has terms of reference that have been approved by the full Corporation. These committees are Finance & Staffing, Audit, Remuneration, Standards and Performance and Academic Board. In addition, the College also operates a Search Committee to assist in the identification of new members.

The full Governing Body generally meets seven times a year. The Finance & Staffing Committee meets ten times per year. The Audit Committee meets 3 or 4 times a year. Standards and Performance Committee meets termly. The Remuneration Committee meets annually. The Academic Board meets termly. Copies of Agendas and Minutes from relevant meetings are available from the Clerk to the Corporation at:

Southgate College, High Street, Southgate, London N14 6BS.

The Clerk to the Corporation maintains a register of financial and personal interests of the Governors and senior budget holders. The register is available for inspection at the above address. The minutes of the Corporation meetings and sub-committee meetings are also posted on the College website at <http://www.Southgate.ac.uk/>.

Finances

Before exceptional costs are taken into consideration the College accounts report a net surplus position.

However, significant exceptional expenditure was committed to the College's infrastructure during 2001/02. The full cost of re-organisation, both in terms of human resources and accommodation improvements were met without the need to incur borrowing. In addition,

extraordinary expenditure was incurred in order to meet the College's health and safety obligations after structural repairs were identified. Such investment places the College in a stronger position to compete and attract new students in future years.

The College generated an operating deficit in the year of £639K (2001: deficit £69K) and a historical cost deficit of £280K (2001: surplus £295K).

The College has accumulated reserves of £15,461K and cash balances of £1,380K.

Members' report (*continued*)

The College average level of funding per unit of activity was £17.22 excluding London Weighting. The median average level of funding for the sector for 2001/02 was £17.00-£17.20.

Creditors Payment Policy

It is the College's policy to pay all of its suppliers within 30 days of the end of the month in which it receives the goods or services, provided that the College is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. The College does not follow any code or standard on payment practice nor is it the College's policy to agree terms of payment in advance with suppliers.

The number of days' purchases outstanding for payment by the College at the year end was 45 days.

Post balance sheet events

There are no Post Balance Sheet items.

Staff and student involvement

The College considers good communication with its staff to be very important and to this end the College encourages staff and student involvement through membership of formal committees and ensures wider communication through the publication of a staff bulletin and the development of a College Intranet.

Charitable and taxation status

The College is an exempt charity for the purposes of the Charities Act 1993 and is not liable to corporation tax.

Employment of disabled persons

The College considers all applications for employment from disabled persons, bearing in mind the aptitudes of the individuals concerned. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion which are, as far as possible, identical to those for other employees.

Disability Statement

The College seeks to achieve the objectives set down in the Disability Discrimination Act 1995 and in particular makes the following commitments:

- As part of its Accommodation Strategy the College will consider the feasibility and practicality of a range of adaptations, such as the installation of lifts and ramps, etc, so that eventually most of the facilities will allow access to people with a disability.
- There is a list of specialist equipment, such as lighting or audio facilities etc, which the College can make available for use by students.
- The admissions policy for all students is described in the College Charter. Appeals against a decision not to offer a place are dealt with under the complaints procedure.
- The College has made a significant investment in the appointment of specialist lecturers to support students with learning difficulties and disabilities. There are a number of student support assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.

Members' report (continued)

- Specialist programmes are described in programme information guides, and achievements and destinations are recorded and published in the standard College format.
- Counselling and welfare services are described in the College Charter.

Planned maintenance programme

The cost of the College's planned maintenance programme over a period of five years is estimated to be £1,250K, resulting in an average annual charge of £250k. The programme was developed following a survey of the College's estate which was carried out during 1999/00. The programme is reviewed each year.

The College plans to carry out the works which were outstanding at 31 July 2002, together with the works planned for future years and has allocated funds within the budget for this purpose.

Planned maintenance programme:

	2000-01	2001-02	2002-03	2003-04	2004-05
	£000s	£000s	£000s	£000s	£000s
Planned Maintenance Works outstanding At 1 August 2002	202	306	328	278	128
Average Annual Charge	250	250	250	250	250
Actual or Planned Expenditure	146	228*	300	400	378
Planned Maintenance Works outstanding At 31 July 2003	306	328	278	128	-

* Refer to Note 9 in the Financial Statements

Members' report (continued)

Members

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

Name	Date of appointment	Term of office	Date of Resignation	Status of appointment	Committees served
Irmengarde Baker	Reappointed Dec. '01	2 yrs	N/a	Staff Governor	Standards & Performance
Michael Blagden				Ex Officio/ Principal	Finance & Staffing, Standards & Performance, Remuneration.*
Paul Camp	May '01	2 yrs	N/a	Co-opted	
Owen Clinton	Reappointed Dec.'99	2 Yrs	Dec. '01	Staff Governor	Audit, Standards & Performance
Prof. Ken Goulding	Dec..'99	4 Yrs		Local Community Business	Audit
Bob Holmes	June '98	4 Yrs		Local Authority	Audit
Rod Lyons	Reappointed Dec. '01	2 Yrs		Local Authority	-
Mohamed Manjra	Nov. '00	4 Yrs		Business	Audit
Naomi Mullings	Dec. '01	1 Yr		Student Governor.	-
Andrew Nicholas	Nov. '00	4 Yrs		Business	Finance & Staffing Remuneration.
Patricia Price	Dec. 99	4 Yrs		Co opted	Finance & Staffing Standards & Performance.
Derrick Southon	Nov. '98	4 Yrs		Business	Finance & Staffing. Standards & Performance.
John Thorpe	Nov. '00	4 Yrs		Business	Finance & Staffing
Seeva Velupillai	Non Gov. Co-optee Nov.'96	4 Yrs		External member	Audit
Marie Claire Williams	Dec.'01	2 yrs		Staff Governor	Audit, Standards & Performance
David Williamson	Dec. '99	4 Yrs		Co-opted	Finance & Staffing, Remuneration

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

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

Mr A Nicholas
Mr D Williamson
Mr M Blagden

Registered Address

Southgate House
High Street
Southgate
London N14 6BS

Members' report *(continued)*

Professional advisors

External auditors (Financial Statements)	Bentley Jennison, 62-64 Bromham Road, Bedford, MK40 2QG
External auditors (ISR)	RSM Robson Rhodes,. Bryanston Court, Selden Hill, Hemel Hempstead, HP2 4TN
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, Hertfordshire, SG14 1AG

Members' report *(continued)*

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 section one of the *Combined Code on Corporate Governance* issued by the London Stock Exchange in June 1998. Its purpose is to help the reader of the accounts understand how the principles have been applied.

With the exception of the full implementation of the Turnbull guidance as noted below under 'internal control', 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 2002.

The Corporation

The composition of the Corporation is set out on page 14. 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 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.

Members' report *(continued)*

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 2002, 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 2002 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 to four 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.

Members' report *(continued)*

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 unable to state that a formalised process for identifying, evaluating and managing the College's significant risks has been in place and operational during the year ended 31 July 2002. In the period up to 31 July 2002, the College has put in place the procedures the Corporation agreed should be established and the Corporation is of the view that they have been operational from 1 August 2002.

The Corporation expects to be able to make a full statement on their corporate governance policy and their review of risks and the systems put in place to mitigate those risks in their report for the year to 31 July 2003.

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.

Principal

Date

Independent Auditors' report to the Corporation of Southgate College

We have audited the financial statements on pages 23 to 48.

Respective responsibilities of the members of the Corporation of Southgate College and Auditors

The College's Corporation is responsible for preparing the Members' Report and, as described in the statement of responsibilities on page 19, the financial statements in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education Institutions and applicable United Kingdom law and accounting standards.

Our responsibilities as independent auditors are established in the United Kingdom by applicable statute, relevant legal and regulatory requirements, the Auditing Practices Board and our profession's ethical guidance. We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice – Accounting for Further Higher Education Institutions. We also report to you whether in our opinion, in all material respects, monies expended out of funds from whatever source administered by the College for specific purposes have been properly applied for those purposes and, if appropriate, managed in compliance with relevant legislation and whether in our opinion, in all material respects, monies expended out of funds provided by the Learning and Skills Council (and Higher Education Funding Council for England) have been applied in accordance with the Financial Memorandum between the Learning and Skills Council and the Corporation of the College (and the funding agreement with the Higher Education Funding Council for England) and any other terms and conditions attached to them.

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, the accounting records do not agree with the financial statements or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Members Report (including the corporate governance statement) and consider the implications for our report if we become aware of any apparent mis-statements within it.

Basis of Audit Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board and the Audit Code of Practice issued by the 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 of the state of affairs of the College and the group as at 31 July 2002 and of the group's deficit of income over expenditure for the year then ended, and are properly prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education Institutions.

In our opinion, in all material respects, monies expended out of funds from whatever source administered by the College for specific purposes have been properly applied for the those purposes and, if appropriate, managed in compliance with relevant legislation for the year ended 31 July 2002.

In our opinion, in all material respects, monies expended out of funds provided by the Learning and Skills Council and Higher Education Funding Council for England have been applied in accordance with the Financial Memorandum between the Learning and Skills Council and the funding agreement with the Higher Education Funding Council for England and any other terms and conditions attached to them for the year ended 31 July 2002.

Bentley Jennison

Date

Chartered Accountants
Registered Auditors

Consolidated income and expenditure account
for the year ended 31 July 2002

	<i>Notes</i>	2002	2002	2002	2001	2001	2001
		Before Exceptional	Exceptional	After Exceptional	Before Exceptional	Exceptional	After Exceptional
		£'000	£'000	£'000	£'000	£'000	£'000
Income							
Funding Council Grants	2	10,431	(164)	10,267	9,801	273	10,074
Tuition fees and education contracts	3	1,288	-	1,288	1,065	-	1,065
Research grants and contracts	4	51	-	51	19	-	19
Other income	5	666	-	666	646	-	646
Investment income	6	89	-	89	106	-	106
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total income		12,525	(164)	12,361	11,637	273	11,910
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Expenditure							
Staff costs	7	7,835	201	8,036	7,700	-	7,700
Other operating expenses	9	3,877	278	4,155	3,490	-	3,490
Depreciation	13	718	-	718	693	-	693
Interest payable	10	91	-	91	96	-	96
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditure		12,521	479	13,000	11,979	-	11,979
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Surplus/(Deficit) on continuing operations after depreciation of assets at valuation and before tax	12	4	(643)	(639)	(342)	273	(69)
Taxation	11	-	-	-	-	-	-
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Surplus/(Deficit) on continuing operations after depreciation of assets at valuation, disposals of assets and tax		4	(643)	(639)	(342)	273	(69)
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

The deficit relating to the activities of the College was £639K (2001: deficit £69K).

Consolidated statement of total recognised gains and losses
for the year ended 31 July 2002

	<i>Note</i>	2002 £'000	2001 £'000
Deficit on continuing operations after depreciation of assets at valuation and tax	<i>12</i>	(639)	(69)
Total recognised losses relating to the year		<u>(639)</u>	<u>(69)</u>

Reconciliation

Opening reserves			16,100
Total recognised losses for the year			(639)
			<u>15,461</u>
Closing reserves			<u>15,461</u>

Consolidated statement of historical cost surpluses and deficits
for the year ended 31 July 2002

	<i>Note</i>	2002 £'000	2001 £'000
Deficit on continuing operations after depreciation of assets at valuation and tax	<i>12</i>	(639)	(69)
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	<i>20</i>	359	364
Historical cost deficit for the year		<u>(280)</u>	<u>295</u>

Consolidated balance sheet
at 31 July 2002

		2002		2001	
	<i>Note</i>	Group £'000	College £'000	Group £'000	College £'000
Fixed assets					
Tangible assets	<i>13</i>	16,899	16,899	17,394	17,394
Investments	<i>14</i>	-	-	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
		16,899	16,899	17,394	17,394
Current assets					
Debtors	<i>15</i>	377	378	372	359
Investments		-	-	-	-
Cash at bank and in hand		1,380	1,309	1,797	1,772
		<hr/>	<hr/>	<hr/>	<hr/>
		1,757	1,687	2,169	2,131
		<hr/>	<hr/>	<hr/>	<hr/>
Creditors: Amounts falling due within one year	<i>16</i>	(1,245)	(1,241)	(1,352)	(1,350)
		<hr/>	<hr/>	<hr/>	<hr/>
Net current assets		512	446	817	781
		<hr/>	<hr/>	<hr/>	<hr/>
Total assets less current liabilities		17,411	17,345	18,211	18,175
		<hr/>	<hr/>	<hr/>	<hr/>
Creditors: Amounts falling due after more than one year	<i>17</i>	(973)	(973)	(1,032)	(1,032)
		<hr/>	<hr/>	<hr/>	<hr/>
Net assets		16,438	16,372	17,179	17,143
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Deferred capital grants	<i>19</i>	977	977	1,079	1,079
		<hr/>	<hr/>	<hr/>	<hr/>
Reserves	<i>20</i>				
Revaluation reserve		14,098	14,098	14,457	14,457
Income and expenditure account	<i>21</i>	1,363	1,297	1,643	1,607
		<hr/>	<hr/>	<hr/>	<hr/>
		16,438	16,372	17,179	17,143
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The financial statements on pages 23 to 48 were approved by the Corporation on 30 January 2003 and were signed on its behalf by:

.....

.....

Chairman

Principal

Consolidated cash flow statement
for the year ended 31 July 2002

	<i>Notes</i>	2002 £'000	2001 £'000
Cash flow from operating activities	23	(257)	(140)
Returns on investments and servicing of finance		(2)	10
Capital expenditure and financial investment	25	(104)	(94)
Cash outflow before use of liquid resources and financing		<u>(363)</u>	<u>(224)</u>
Financing	25	(54)	(50)
(Decrease)/ Increase in cash		<u><u>(417)</u></u>	<u><u>(274)</u></u>

Reconciliation of net cash flow to movement in net funds

	£'000	£'000
(Decrease)/increase in cash in the year	(417)	(274)
Change in net debt resulting from cash flows	54	50
Movement in net funds in year	<u>(363)</u>	<u>(224)</u>
Net funds at 1 August	711	935
Net funds at 31 July 2002	<u><u>348</u></u>	<u><u>711</u></u>

Notes

(forming part of the financial statements)

1 Statement of accounting policies

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting in Further and Higher Education Institutions and in accordance with applicable Accounting Standards.

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 consolidated financial statements of the group include the financial statements of the College and its subsidiary undertakings, together with the group's share of the profit less losses and reserves of associated undertakings.

Under the acquisition method of accounting, the results of subsidiary and associated undertakings acquired or disposed of during the year are included in the consolidated income and expenditure account from or up to the date on which control of the undertaking passes. Intra-group sales and profits are eliminated fully on consolidation. The activities of the Student Union have not been consolidated.

Recognition of income

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

Income receivable from the Learning and Skills Council is recognised in line with the latest estimates of grant receivable for an academic year. The final grant allocation is determined in the subsequent February, following an audit of the College's units of activity.

Pension schemes

Retirement benefits to employees of the College are provided by the Teachers' Pension Fund (TPF) and the Local Government Pension Fund (LGPF). These are defined benefit schemes which are externally funded and contracted out of the State Earnings Related Pension Scheme. Contributions to the schemes are charged to the income and expenditure account so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll.

The contributions are determined by qualified actuaries on the basis of triennial valuations using the projected unit method for the LGPF and quinquennial valuations using a prospective benefit method for TPF.

Notes (continued)

1 Statement of accounting policies (continued)

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. The College has adopted the transitional provisions of FRS 15 and has determined not to subsequently revalue its fixed assets from the amounts included within the financial statements on the introduction of the standard. 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(s) may not be recoverable.

Equipment

Equipment costing less than £2,000 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	-	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.

The assets are included in fixed assets and the capital elements of the leasing commitments are shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged to the income and expenditure account in

Notes (continued)

proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease term or the useful economic lives of equivalent owned assets. Assets which are held under hire purchase contracts which have the characteristics of finance leases are depreciated over their useful lives.

Investments

Fixed asset investments 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 it is incurred. The College has a ten year planned maintenance programme which is reviewed on an annual basis. The expected costs of carrying out planned maintenance are budgeted on a systematic and rational basis over this period with a view to spreading the cost of maintenance over the life of the maintenance plan. Actual expenditure on planned maintenance is charged to the income and expenditure account as incurred.

Foreign currency translation

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

Taxation

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

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

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

Deferred taxation

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

Notes (continued)

1 Statement of accounting policies (continued)

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.

2 LSC/Further Education Funding Council grants

	LSC £'000	FEFC £'000	2002 HEFCE £'000	TEC £'000	TOTAL £'000	2001 TOTAL £'000
Recurrent grant	9,630		120		9,750	9,246
FE Standards fund		281			281	91
Former Section 11 grant	53				53	53
Training and Enterprise Council				125	125	139
Basic skills schools	-				-	10
Non-schedule 2 funds	5				5	55
Releases of deferred capital grants						
Buildings (note 19)	12				12	12
Equipment (note 19)	205				205	195
Sub-total	9,905	281	120	125	10,431	9,801
Adjustment to recurrent funding relating to previous and current years	(164)				(164)	273
	9,741	281	120	125	10,267	10,074

Notes (continued)

3 Tuition fees and education contracts

	2002	2001
	£'000	£'000
UK Higher Education students	21	17
European Union (EU) (excluding UK) students	17	6
Non-EU students	408	301
UK Further Education Students	763	660
	<hr/>	<hr/>
Total fees paid by or on behalf of individual students	1,209	984
Education contracts		
Local Education Authority (LEA)	7	6
Higher Education (HE) income	72	75
	<hr/>	<hr/>
Total	1,288	1,065
	<hr/> <hr/>	<hr/> <hr/>

4 Research grants and contracts

	2002	2001
	£'000	£'000
European Commission	42	7
Releases from deferred capital grants (non-LSC)	9	12
	<hr/>	<hr/>
	51	19
	<hr/> <hr/>	<hr/> <hr/>

5 Other income

	2002	2001
	£'000	£'000
Residences, catering and conferences	246	246
Other income generating activities	132	127
Other income	288	273
	<hr/>	<hr/>
	666	646
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

6 Investment income

	2002	2001
	£'000	£'000
Other interest receivable	89	106
	89	106
	89	106

7 Staff numbers and costs

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

	2002	2001
	Number	Number
Teaching departments	237	243
Teaching support services	11	15
Other support services	21	21
Administration and central services	53	51
Premises	17	18
Other	27	25
	366	373
	366	373

Notes (continued)

7 Staff numbers and costs (continued)

Staff costs for the above persons were as follows:

	2002	2001
	£'000	£'000
Teaching departments	5,527	5,547
Teaching support services	156	148
Other support services	378	373
Administration and central services	1,221	1,155
Premises	249	214
Other income generating activities	123	103
Catering and residences	163	143
Staff restructuring	18	17
	<hr/>	<hr/>
Sub-total	7,835	7,700
Exceptional costs associated with College re-organisation	201	-
	<hr/>	<hr/>
	8,036	7,700
	<hr/> <hr/>	<hr/> <hr/>
Wages and salaries	7,049	6,752
Social security costs	495	499
Other pension costs	492	449
	<hr/>	<hr/>
	8,036	7,700
	<hr/> <hr/>	<hr/> <hr/>
Employment costs for staff on permanent contracts	7,474	7,284
Employment costs for staff on short-term and temporary contracts	449	399
Restructuring costs	113	17
	<hr/>	<hr/>
	8,036	7,700

The exceptional costs associated with staff restructuring were approved by the Corporation.

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

	2002	2002	2001	2001
	Number of senior post- holders	Number of other staff	Number of senior post- holders	Number of other staff
£60,001 to £70,000	2	-	2	-
£100,001 to £110,000	1	-	1	-

A general pay award of 3.7% was made with effect from 1 August 2001 for other staff and an award of 3.7% with effect from 1 January 2002 for senior postholders.

Notes (continued)

8 Emoluments of senior post holders and members

Senior postholders are defined as members of the Principalship.

	2002	2001
	Number	Number
The number of senior post-holders including the Principal was	3	3
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

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

	2002	2001
	£	£
Salaries	197,257	192,923
Benefits in kind	19,519	17,472
Pension contributions	16,614	15,116
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
	233,390	225,511
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

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

	2002	2001
	£	£
Salaries	88,555	85,531
Benefits in kind	9,906	9,109
Pension contributions	6,838	6,329
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
	105,299	100,969
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

The pension contributions in respect of the Principal and two senior post-holders are in respect of employer's contributions to the Teachers' Pension Fund, and Local Government Superannuation Scheme. The contributions 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 members, did not receive any payment from the College other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

Notes (continued)

8 Emoluments of senior post holders and number (continued)

No bonuses or other salary enhancements were awarded to senior post-holders or other higher paid staff.

Overseas activities

	Total cost	Contributions received	Net costs to College
	£	£	£
Members	-	-	-
Senior post-holders	-	-	-
Other staff	671	671	-
	<hr/>	<hr/>	<hr/>
	671	671	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

9 Other operating expenses

	2002 £'000	2001 £'000
Teaching departments	703	388
Contracted-out lecturing services	680	642
Teaching support services	56	69
Other support services	267	218
Administration and central services	474	392
General education	329	237
Premises costs	756	754
Planned maintenance	228	146
Other income generating activities	29	40
Catering and residence operations	103	113
Franchised provision	252	491
	<hr/>	<hr/>
Sub-total	3,877	3,490
Exceptional premises related expenditure	278	-
	<hr/>	<hr/>
	4,155	3,490
	<hr/> <hr/>	<hr/> <hr/>
Other operating expenses include:		
Auditors remuneration:		
External audit	21	16
Internal audit	17	15
	<hr/> <hr/>	<hr/> <hr/>

During the year the College addressed unforeseen major building repairs to the Main Block involving significant concrete repairs and associated fixings. In addition the College faced exceptional building adaptation costs associated with the College restructuring.

Notes (continued)

10 Interest payable

	2002	2001
	£'000	£'000
On bank loans, overdrafts and other loans: Repayable wholly or partly in more than five years, by instalments	91	96
	91	96
	91	96

11 Taxation

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

12 Deficit on continuing operations for the year

The deficit on continuing operations for the year is made up as follows:

	2002	2001
	£'000	£'000
College's deficit for the year	(705)	(105)
Retained by subsidiary undertaking	-	-
Transferred to College under the Gift Aid Scheme	66	36
	(639)	(69)
	(639)	(69)

Notes (continued)

13 Tangible fixed assets

Group and College

	Freehold £'000	Equipment £'000	Total £'000
<i>Cost or valuation</i>			
At 1 August 2001	19,503	2,762	22,265
Additions	-	228	228
Disposals	-	(16)	(16)
	<hr/>	<hr/>	<hr/>
At 31 July 2002	19,503	2,974	22,477
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<i>Depreciation</i>			
At 1 August 2001	2,992	1,879	4,871
Charge for year	408	310	718
Eliminated in respect of disposals	-	(11)	(11)
	<hr/>	<hr/>	<hr/>
At 31 July 2002	3,400	2,178	5,578
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<i>Net book value</i>			
At 31 July 2002	16,103	796	16,899
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 July 2001	16,511	883	17,394
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Inherited	14,026	72	14,098
Financed by capital grant	412	527	939
Other	1,665	197	1,862
	<hr/>	<hr/>	<hr/>
	16,103	796	16,899
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes (*continued*)

13 Tangible fixed assets (continued)

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 have been valued by the Corporation on a depreciated replacement cost basis with the assistance of independent professional advice.

Land and buildings with a net book value of £14,026K (2001: £14,364K) have been financed from exchequer funds. Should these assets be sold, the College may be liable, under the terms of the Financial Memorandum with the LSC, to surrender the proceeds.

Inherited properties include equipment with a net book value of £72K (2001 : £92K) for which title deeds and leasehold agreements have been transferred to the College.

Fixed assets include land and buildings with a net book value of £412K (2001: £424K) which have been funded by a grant from the LSC.

The net book value of tangible fixed assets includes an amount of £nil (2001: £nil) in respect of assets held under finance leases.

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

	£'000
Cost	2,333
Aggregate depreciation based on cost	257
	<hr/>
Net book value based on cost	2,076
	<hr/> <hr/>

Notes (continued)

14 Investments

	2002	2001
	£	£
Investment in subsidiary company at cost	3	3
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
	3	3
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>

The College owns 100% of the issued ordinary shares of Minchenden Business Centre Limited (MBC Limited), a company incorporated in Great Britain and registered in England and Wales. The principal business activity of MBC Limited is the provision of short courses on a range of subjects such as computing skills, management skills and accountancy to commercial organisations and individuals. The interest in MBC Limited was acquired in April 1993, on incorporation.

15 Debtors

	2002		2001	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade debtors	345	345	338	325
Amounts owed by subsidiary undertakings	-	-	-	-
Prepayments and accrued income	32	33	34	34
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
	377	378	372	359
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>

Notes (continued)

16 Creditors: Amounts falling due within one year

	2002		2001	
	Group £'000	College £'000	Group £'000	College £'000
Bank loans and overdrafts	59	59	54	54
Obligations under finance leases	-	-	-	-
Payments received on account **	75	75	96	95
Trade creditors	494	492	829	830
Other taxation and social security	175	175	247	247
Accruals	267	265	126	124
Provision for claw back of recurrent funding	175	175	-	-
	1,245	1,241	1,352	1,350
	1,245	1,241	1,352	1,350

** Includes £5K capital grant received in a previous year from the Further Education Funding Council (FEFC) in respect of a disability improvement project.

17 Creditors: Amounts falling due after more than one year

	2002		2001	
	Group £'000	College £'000	Group £'000	College £'000
Bank loans	973	973	1,032	1,032
	973	973	1,032	1,032
	973	973	1,032	1,032

18 Analysis of borrowings of the College

Bank loans and overdrafts

	2002		2001	
	Group £'000	College £'000	Group £'000	College £'000
Bank loans and overdrafts are repayable as follows:				
Within one year	59	59	54	54
Between one and two years	64	64	59	59
Between two and five years	320	320	307	307
In five years or more	589	589	666	666
	1,032	1,032	1,086	1,086
	1,032	1,032	1,086	1,086

The above bank loan and overdraft carry interest at 8.06%, and are repayable by instalments falling due between September 1998 and May 2013 and are unsecured.

Notes (continued)

19 Deferred capital grants

Group and College

	LSC	Other	Total
	£'000	grants	£'000
	£'000	£'000	£'000
At 1 August 2001			
Land and buildings	423	-	423
Equipment	622	34	656
Cash received:			
Land and buildings	-	-	-
Equipment	124	-	124
Released to income and expenditure account:			
Land and buildings	(12)	-	(12)
Equipment	(205)	(9)	(214)
	952	25	977
At 31 July 2002			
Land and buildings	411	-	411
Equipment	541	25	566
	952	25	977
	952	25	977

No specific capital grants were received from the Learning and Skills Council during 2001/02 hence the College has allocated £124K Learning and Skills Council funding against capital items.

20 Revaluation reserve

	Group	College
	£'000	£'000
At 1 August 2001	14,457	14,457
Transfer from revaluation reserve to income and expenditure account in respect of:		
Depreciation on revalued assets	(359)	(359)
	14,098	14,098
At 31 July 2002	14,098	14,098

Notes (continued)

21 Income and expenditure account

	Group £'000	College £'000
At 1 August 2001	1,643	1,607
Transfer from revaluation reserve to income and expenditure account	359	359
Gift Aid received for 2000/01		36
Deficit on continuing operations after depreciation of assets at valuation and tax	(639)	(705)
	1,363	1,297
At 31 July 2002	1,363	1,297

22 Pensions and similar obligations

The College's employees belong to two principal pension schemes, the Teachers' Pension Fund (TPS) and the Local Government Pension Fund (LGPS). The total pension costs for the period was £492,000 (2001-£449,000).

Teacher's Pension Scheme

The Teacher's 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.

SSAP 24

The pension 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 1996
Actuarial method	Prospective Benefits
Investment returns per annum	8.5% per annum
Pension increases per annum	5.0% per annum
Salary scale increases per annum	6.5% per annum
Market value of assets at date of last valuation	£61,710m
Proportion of members' accrued benefits covered by the actuarial value of the assets	94%

Following the implementation of Teachers' Pensions (Employers' Supplementary Contributions) Regulations 2000, the government actuary carried out a further review on the level of employers' contributions. For the period from 1 April 2000 to 31 March 2002 the employer contribution was 7.2% plus 0.2% in respect of benefit improvements to the scheme. This rate increased to 8.35% from 1 April 2002. An appropriate SSAP 24 provision in respect of unfunded pensioners' benefits is included in provisions.

Notes (continued)

22 Pensions and similar obligations (Cont'd)

FRS 17

Under the definitions set out in Financial Reporting Standard 17 (Retirement Benefits), the TPS is a multi-employer pension scheme. The College is unable to identify its share of the underlying 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 below the information available on the deficit in the scheme and the implications for the College in terms of the anticipated contribution rates.

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 2002 was £276,000 of which employers' contributions totalled £175,000 and employees' contributions totalled £101,000. The agreed contribution rates for future years are 11% for employers and 6% for employees.

SSAP 24

The pensions cost is assessed every three years in accordance with the advice of a qualified independent 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 2001
Actuarial Method	Projected Unit
Investment returns per annum	6.5% per annum
Pension increases per annum	2.8% per annum
Salary Scale increases per annum	4.3% per annum
Market Value of assets at date of last valuation	£357million

Proportion of members' accrued benefits covered by the actuarial valuation is 104%

FRS 17

The following information is based upon a full actuarial valuation of the fund at 31 March 2001 updated to 31 July 2002 by a qualified independent actuary.

	At 31 July 2002	At 31 July 2001
Inflation	2.4%	2.5%
Rate of increase in salaries	4.4%	4.5%
Rate of increase for pensions	2.4%	2.5%
Discount rate for liabilities	6.0%	6.1%

Notes (continued)

22 Pensions and similar obligations (Cont'd)

The assets in the scheme (of which the College's share is estimated at 1.24%) and the expected rates of return were:

	Long-term rate of return expected at 31-Jul-02	Value at 31 July 2002 £000	Long-term rate of return expected at 31-Jul-01	Value at 31 July 2001 £000
Equities	8.0%	206,407	7.0%	253,384
Bonds	5.5%	56,437	5.5%	53,336
Property	6.0%	31,640	6.0%	34,991
Cash	4.0%	11,607	4.0%	14,272
Total Market Value of assets		306,091		355,983

	Year ended 31 July 2002 £000	Year ended 31 July 2001 £000
College's estimated asset share	3,786	4,296
Present value of scheme liabilities	(4,534)	(4,154)
Surplus/(deficit) in the scheme	(749)	142

Under the transitional arrangements of FRS 17, no provision has been made by the College for the institution's share of the deficit of the scheme. If provision were made, the following entries would be made.

Balance Sheet Presentation

	Year ended 31 July 2002 £000	Year ended 31 July 2001 £000
*Net assets excluding FRS 17 pension (liability)/asset	16,438	17,179
Net pension (liability)/asset	(749)	142
Net assets including FRS17 pension (liability)/asset	15,689	17,321

Notes (continued)

Pensions and similar obligations (Cont'd)

Reserve Note	Year ended 31 July 2002 £000	Year ended 31 July 2001 £000
*Income and expenditure account excluding FRS 17 pension (liability)/asset	1,363	1,643
Pension reserve	(749)	142
	<hr/>	<hr/>
Income and expenditure account including FRS 17 pension (liability)/asset	614	1,785
	<hr/> <hr/>	<hr/> <hr/>

*amounts exclude SSAP 24 provisions for LGPS scheme underfunding included within the College balance sheet.

Under the transitional arrangements of FRS 17, the College's pension charge for the year calculated under FRS 17 assumptions is not included in the financial statements (as this is currently calculated on a SSAP 24 basis).

If the charge had been included on an FRS 17 Basis, the following entries would be made.

Analysis of the amount charged to income and expenditure account

	Year ended 31 July 2002 £000
Service cost	143
Past service cost	-
Total operating charge	<hr/> 143

Analysis of net return on pension schemes

	Year ended 31 Jul 2002 £000
Expected return on pension scheme assets	285
Interest on pension liabilities	<hr/> (256)
Net return	29

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

Actual return less expected return on pension scheme assets	(895)
Experience gains and losses arising on the scheme liabilities	7
Change in financial and demographic assumptions underlying the scheme liabilities	<hr/> (31)
Actuarial gain/(loss) recognised in STRGL	(919)

Notes (continued)

Movement in surplus during year

Surplus/(deficit) in scheme at 1 August	142
Movement in year:	
Current service charge	(143)
Contributions	142
Past service cost	-
Net interest/return on assets	29
Actuarial gain or loss	(919)
Surplus/(Deficit) in scheme at 31 July	<u>(749)</u>

History of experience gains and losses

Difference between the expected and actual return on assets:	
amount £m	(895)
% of scheme assets	(23.6%)
Experience gains and losses on scheme liabilities:	
amount £m	(24)
% of scheme liabilities	(0.53%)
Total amount recognised in STRGL:	
Amount £m	(919)
% of scheme liabilities	(20.3%)

23 Reconciliation of operating deficit to net cash flow from operating activities

	2002	2001
	£'000	£'000
Deficit on continuing operations after depreciation of assets at valuation and tax	(639)	(69)
Depreciation (note 13)	718	693
Deferred capital grants released to income	(226)	(219)
Interest payable	91	96
Decrease/ (Increase) in debtors	(5)	361
(Decrease)/ Increase in creditors	(107)	(896)
Interest receivable	(89)	(106)
Net cash (outflow)/ inflow from operating activities	<u>(257)</u>	<u>(140)</u>

Notes (continued)

24 Analysis of changes in net funds

	At 1 August 2001 £'000	Cash flows £'000	Other Changes £'000	At 31 July 2002 £'000
Cash at bank and in hand	1,797	(417)	-	1,380
Debts due after 1 year	(1,032)	-	59	(973)
Debts due within 1 year	(54)	54	(59)	(59)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	711	(363)	-	348
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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

	2002 £'000	2001 £'000
Returns on investments and servicing of finance		
Interest received	89	106
Interest paid	<u>(91)</u>	<u>(96)</u>
Net cash (outflow)/inflow from returns on investments and servicing of finance	<u>(2)</u>	<u>10</u>
 Capital expenditure and financial investment		
Purchase of tangible fixed assets	(228)	(346)
Deferred capital grants received	<u>124</u>	<u>252</u>
Net cash outflow for capital expenditure and financial investment	<u>(104)</u>	<u>(94)</u>
 Financing		
Debt due beyond a year:		
Repayment of amounts borrowed	<u>(54)</u>	<u>(50)</u>
Net cash outflow from financing	<u>(54)</u>	<u>(50)</u>

26 Post balance sheet events

Details of post balance sheet events are given in the report of the members of the Corporation.

Notes (continued)

27 Financial commitments

At 31 July 2002, the College had annual commitments under non-cancellable operating leases as follows:

	2002		2001	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Expiring in over five years	55	-	-	-
	<u>55</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u><u>55</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

28 Related Party Transactions

Due to the nature of the College's operations and the composition of the Governing Body (being drawn from local public and private sector organisations) it is inevitable that transactions will take place with organisations in which a member of Governing Body may have an interest. All transactions involving organisations in which a member of Governing Body may have an interest are conducted at arms length and in accordance with the College's Financial Regulations and normal procurement procedures. No transactions were identified which should be disclosed under Financial Reporting Standard 8 'Related Party Disclosures'.

29 Learner Support funds

	2002 £'000	2001 £'000
LSC grants	453	288
Interest earned	5	4
Disbursed to students	(310)	(191)
Audit fees	-	-
	<u>148</u>	<u>101</u>
Balance unspent at 31 July	<u><u>148</u></u>	<u><u>101</u></u>

LSC grants are available solely for students; the College acts as paying agent. The grants and related disbursements have therefore been excluded from the income and expenditure account.