

Southgate College

Annual Report and Financial Statements

2003/04

1 Chairman's Introduction

The outcome of the Ofsted inspection in October 2003 was extremely disappointing. Inspectors judged the overall quality of provision to be inadequate. Curriculum provision was good in only one of the areas inspected; and satisfactory in three other areas, the remaining eight areas were judged to be unsatisfactory. Leadership and management were also found to be unsatisfactory and inspectors judged that there had been little improvement over the past four years and that some aspects of provision had deteriorated.

Not surprisingly the efforts of Governors and College Managers have been focused on bringing about the necessary improvements that will result in a satisfactory re-inspection in October/November 2005.

Governors and Senior management fully accept their responsibilities for bringing about improvements and will be proactive in managing the change culture. Central to this is the need to have a consistent approach to good curriculum management, to implement a more rigorous assessment of the quality of teaching in the classroom, through an objective and thorough lesson observation framework, and to be more critical in its approach to self-assessment.

The whole College is committed to bringing about:

- An improvement in student retention, achievement and success rates to a level which are at or above the national benchmarks;
- Significant improvements in teaching and learning;
- Staff Development which provides employees with continuous professional development opportunities linked to their roles in the College and which impact positively the learner experience;
- More effective use of Information and Learning Technology;
- Improvements in resources and the learning environment to enhance the learner experience.

The College has already made a good start in implementing these improvements. Retention, Achievement and Success rates have already improved significantly and there has been a major ongoing investment in resources and teaching accommodation. Curriculum and quality management has been strengthened and there is a more rigorous and self critical teacher observation scheme already in place.

I have no doubt that the College will be able to demonstrate the necessary improvements by the time of re-inspection.

I have been encouraged by the willingness of all management, staff and Governors to work together to address the problems highlighted by the inspection and the confidence expressed in the capacity of everyone involved in returning us to the high ratings we previously achieved.

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 2004.

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, 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 2003/04 the College implemented strategies designed to meet the needs of the Development Plan for the period to 2006. This Development Plan includes a Property 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;
- 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 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.

Curriculum Report

The College underwent an inspection by Ofsted/Adult Learning Inspectorate in October 2003 and inspectors judged the overall quality of provision to be inadequate. The curriculum provision is good in only one of the areas inspected; it is satisfactory in three other areas and unsatisfactory in eight areas. The College will have another full inspection in the autumn term of 2005.

As a consequence of the curriculum findings the grade for leadership and management were also found to be unsatisfactory. The inspectors found inconsistency in the effectiveness and adequacy of curriculum management across and within Divisions.

The impact of quality assurance on teaching and learning was found to be insufficient and the quality of teaching in many curriculum areas showed a significant proportion of unsatisfactory teaching. In general, the quality of teaching had deteriorated since the last inspection.

The report identified the following ten key areas which must show improvement if we are to be successful in raising the quality of our provision and in leading the College through a re-inspection:

- Retention and pass rates in many areas;
- Teaching and learning;
- Quality of provision
- Quality of accommodation and resources in many areas;
- The rigour of self-assessment including target setting and monitoring;
- The rigour of initial screening and the timeliness of diagnostic testing;
- Attendance and punctuality of some students;
- Staffing levels in some areas;
- The consistency of the quality of curriculum management;
- The application of quality assurance arrangements.

The College's self-assessment report identified a number of issues which were reflected in the Inspection Report, however, inspectors commented that it underestimated the levels of unsatisfactory teaching, learning and attainment and the inconsistent application of Quality Assurance procedures. Importantly, some key weaknesses were not identified in curriculum self-assessment reports: in particular,

the inconsistency in the effectiveness and adequacy of curriculum management across and within divisions.

Members' report *(continued)*

Inspectors did, however, recognise that the College's Development Plan for 2003 – 2006 set a clear framework for academic development and resource management and that clear strategies to improve students' experiences had been introduced.

The College has drawn up a Post Inspection Action Plan (PIAP) to address weaknesses, an additional strategy of the PIAP is to maintain and enhance identified strengths including:

- High standard of practical work in some areas;
- Good provision in Business Administration, Management and Professional;
- Wide range of provision;
- Effective measures to widen participation;
- Good financial management;
- Knowledgeable Governors.

Key Strategic Drivers

The key strategy in the PIAP is to ensure that there is a clear focus on improving the quality of teaching and learning, and the effectiveness of arrangements for sharing good practice and promoting and assuring quality within curriculum areas.

Senior management fully accept their responsibilities for bringing about improvements and are proactive in managing the change culture. Central to this is the need to have a consistent approach to good curriculum management; to implement a more rigorous assessment of the quality of teaching in the classroom, through an objective and thorough lesson observation framework, and to be more critical in its approach to self-assessment.

In achieving our vision and mission, the development and operation of Southgate College is based on the following strategic drivers:

- The successful implementation of the Post Inspection Action Plan;
- Successful re-inspection in 2005;
- The successful delivery of the Three Year Development Plan;
- Improved management performance to meet the needs of learners;
- The need to improve team working;
- Improved contribution to LSC targets through improved student success in Level 1, 2 and 3 vocational qualifications;
- To ensure that improvements in the College contribute to a successful Area Wide Re-inspection in 2005;
- Improved collaboration with other Colleges, Schools, LEA and LSC to contribute to the delivery of the Strategic Plan for London North.

Critical Success Factors

The College will demonstrate, within the timeframe of the plan, improvement through objective measures of the following critical success factors:

- The improvement of student retention, achievement and success rates to a level which is at or above the national benchmarks in all curriculum areas;

- The securing of significant improvements in teaching and learning to a level where it is at least in line with national averages in each curriculum area;

Members' report (*continued*)

- Staff Development which provides employees with continuous professional development opportunities which are linked to their roles in the College and which provide evidence of the impact of this training on enhanced learner experience;
- More effective use of Information and Learning Technology which demonstrably leads to improvements in the quality of teaching and learning;
- Improvements in the learning environment to enhance the learner experience.

Developments since inspection

A number of actions were taken immediately post-inspection to address identified weaknesses.

For example:

Lesson observations. - too few lesson observations had been carried out in the two years prior to inspection and the framework was not sufficiently aligned to the Common Inspection Framework. In addition, the judgements were insufficiently critical resulting in a profile of the quality of teaching and learning which did not show the true proportion of unsatisfactory grades. A revised system for the observation of teaching and learning has been devised and implemented. This requires approximately four hundred observations per year to be carried out and all staff involved in the observation of lessons have been trained by an external team of ALI/Ofsted trained consultants. These consultants will be employed to conduct joint observation of lessons and moderate the grades awarded by College observers.

Examinations results - too many students were being allowed to sit examinations for which they were unprepared. New criteria have been established relating to attendance, coursework and in-course assessments which students must satisfy before being entered for external examinations.

The effectiveness of the first application of these criteria are demonstrated in the results of the January 2004 examinations which have been achieved against an improvement in in-year retention to 89% and overall retention to 82%. The results show an overall improvement of 21% in A to E pass grades for AS, A2 and AVCE examinations.

Specific examples of improvement include:

- A-C grades overall improved from 24% to 48% (100% improvement)
- A to E pass rates improved from 45% to 66%
- A to E pass rates in Mathematics improved from 53% in 2003 to 86%
- A to E pass rates in Science improved from 43% in 2003 to 81%
- A to E pass rates in ICT improved from 42% in 2003 to 80%
- A to E pass rates in Law improved from 48% in 2003 to 78%
- GNVQ results from the January assessments also show an equivalent improvement
- 7% improvement in overall pass rates for Foundation level
- 10% improvement in overall pass rates for Intermediate level
- Reductions of 7% and 19% respectively in N grades for Foundation level and Intermediate level

These results show a significant improvement on the results of summer 2003 and demonstrate more effective curriculum management that is bringing about a positive change in the College performance culture.

There are a number of additional measures identified in the PIAP which will have the effect of further improving student achievement.

Members' report (continued)

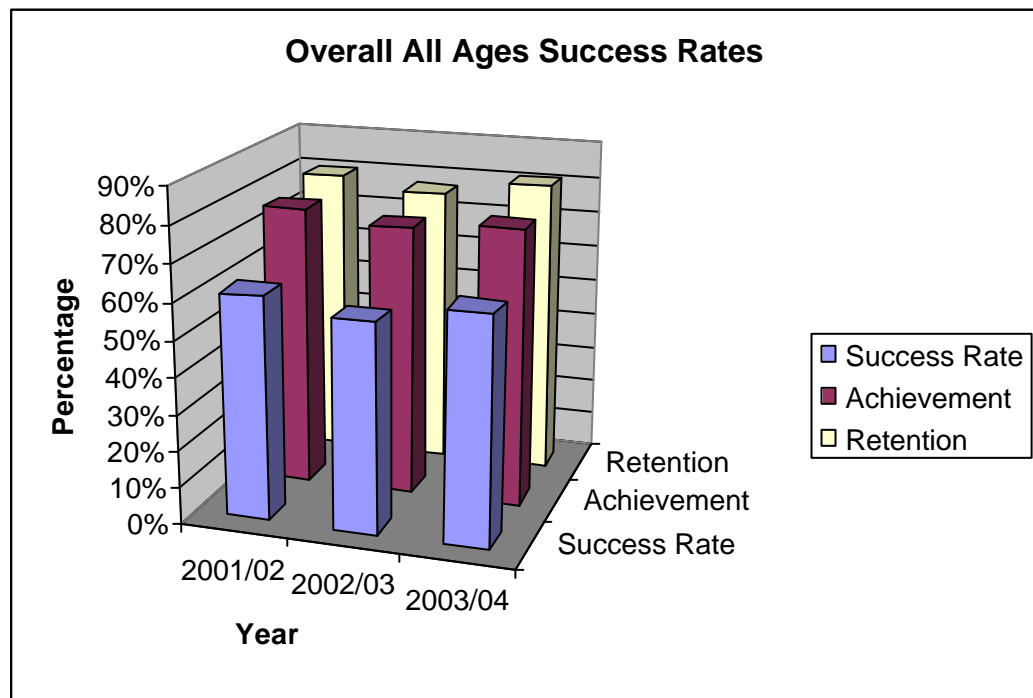
Monitoring

A team of inspectors will be visiting the College once a term until the next re-inspection. The first visit took place in June 2004 and the findings of those inspectors concluded that:

- Appropriate action had been taken to address weaknesses in leadership and management;
- The senior management team had been restructured and management roles and responsibilities are clear;
- There is a clear focus on improving teaching and learning;
- Steady progress is being made in reviewing the curriculum offer to meet the needs of learners;
- Entry criteria had been reviewed to ensure that students were placed on appropriate level courses;
- Various strategies had been introduced to improve punctuality and attendance and the College's retention had improved;
- Accommodation and resources are being improved significantly;
- The College had appointed a number of additional teachers to address weaknesses in staffing levels.

Success Rates

Improvement in retention and achievement remains a priority for the College and increasing attention and resources are directed at these issues.



Overall Success Rates

	2001/02	2002/03	2003/04
Retention	80%	77%	81%
Achievement	77%	74%	76%
Success	61%	57%	62%

Members' report (*continued*)

Although the College is able to demonstrate overall steady improvements in retention, achievement and success there are still areas for improvement needed to achieve National Benchmarks and meet the targets set out in the College's latest Three Year Development Plan.

Revision of the College Restructuring

Further revisions have been made to the restructuring of the College which took place last academic year to ensure that there is an even greater emphasis on:

- Qualifications on Entry
- Initial Screening and Assessment
- Additional Support and Pastoral Care
- Target Setting for individual Students and Courses
- Preparation for External Examination
- Monitoring of Student Performance
- Quality of Teaching and Learning
- Curriculum Management and Delivery.

In the main these changes relate to the arrangements in the Sixth Form Centre, the management of vocational programmes and the integration of the Minchenden Business Centre and School into the main College Provision.

14 – 19 Education and Student Support

The creation of this Directorate brought together the work of the Sixth Form Centre and the Learner Support Unit in the previous structure.

The focus of the Sixth Form Centre remains unchanged although the range of provision has changed slightly. It now includes all Divisions which deliver GCSE, AS and A2 subjects to facilitate better communication and ensure a more cohesive experience for the students on these programmes. These Divisions are: Arts, Media and Fashion; Business Management; Science and Mathematics; ICT and CAD; English, Communications; Performing Arts and Young College.

The Centre offers a wide range of academic and vocational programmes from Entry to Level 3 in most curriculum areas with level 4 in two areas. The provision is focused on the needs of 14 – 19 year olds and changes to entry criteria and stricter monitoring of progress towards examinations has had a positive effect on retention and achievement.

The Young College unit now has a clear identity within the 14 -19 Directorship with a team of committed teachers and good links to schools and other referrers with whom provision is planned collaboratively. More than 500 young learners have accessed a number of courses at the College ranging from half day tasters to full-time programmes. A very high proportion of full-time Young College students continue to study at College on completion of their initial studies.

The College has also had great success with the Increased Flexibility programme which is now in its third year. Over 180 students from 7 schools attend part-time vocational courses as part of this project.

Members' report *(continued)*

The Adult and Vocational Education Centre

The Adult and Vocational Education Centre focuses on the provision for 14 - 19 year olds engaged in predominately full time vocational education together with the provision for adult learners at the College engaged on a range of short and long vocational and professional courses. The six Vocational Divisions within the Centre are: Health & Social Care, Sport, Hospitality & Leisure, Construction, Electrical Installations & Motor Vehicles; ESOL & EFL; IT Applications and Teacher Education & Professional Studies. The Centre is also responsible for the provision of the College outcentres at Potters Bar, Enfield Town and Edmonton Green focusing mainly on IT and ESOL courses for adult learners.

The Business Development Unit is an integral part of the Centre, working to engage with regional European, UK and local government funded projects, in developing links with local community and businesses to foster employer engagement and Community Learning, Learndirect, Distance Learning and Weekend College provision is also attached to the Centre.

Student Support

Student Support continues to provide a comprehensive range of services to support students across the College. Included in this area is Learning Resources, Student Services, Key and Basic Skills, Nursing and Mental Health Support, Connexions, Careers and Guidance for 14 - 19, IAG and learning support.

The Learning Resources Centre has introduced the Learning Advisor role to support students more effectively. Each Learning Advisor works closely with a specific curriculum area, building up a good working knowledge about the resources appropriate to support the learners referred to them. They support students in small groups and individually depending on demand.

The College was successful in gaining Matrix accreditation in January 2004 and is aiming to gain Investors in Careers in 2004/05.

Basic and Key Skills was brought together under one manager to give a more co-ordinated approach to the development of this area. Key Skills integration has progressed well on some courses and will be developed further in the next academic year.

Adult Basic Skills classes are being set by ability and students are being offered the chance to attain Entry Level literacy & numeracy qualifications. The pass rate is very good with some students attaining qualifications for the first time in their lives.

The adoption of new initial and diagnostic assessments for literacy and numeracy in 2004/05 will allow personal tutors, course teams and literacy/numeracy teachers to know the appropriate level, each student target and the learner's specific strengths and weaknesses. It will also provide a more specific link to additional support needs.

A new role of Curriculum Learning Advisor has been introduced with the aim of providing general support in the classroom and curriculum areas. This, coupled with the specific more specialized support available from the staff in the Inclusive Learning Centre, will ensure all the diverse needs of the student population are being met.

Members' report (*continued*)

Quality Assurance

In response to Inspectors' findings, a wide range of actions has been put in place. These include improvements to the College lesson observation process, increasing the frequency and rigour of observations, tighter monitoring of external quality reports and a much more proactive approach by a strengthened cross-College quality team. These and all other changes have been reinforced and formalised through a very detailed post Inspection action planning process which is externally and internally reviewed termly; and by further management development and training in effective self assessment as well as a range of other areas.

In 2003/2004 student satisfaction was gathered through questionnaires compiled by QDP services and a series of focus groups, including meetings between parents and the Principalship; student representatives were also invited to give feedback at course team meetings.

The areas of greatest satisfaction among full-time students were:

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

Part-time students welcomed the Progression Centre staying open later and endorsed point 1 above. They also appreciated lessons starting on time and being well planned and organised.

Staff Development

The College continued to make a significant investment in providing internal and external staff development in 2003/04, supporting staff from all areas in updating their skills and knowledge.

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" Virtual Learning Environment (VLE) Project, enrolment of College staff on the European Computer Driving Licence qualification and support training on the use of College Information systems.

Following Inspection, staff development focussed on developing an effective post Inspection action plan; on increasing the rigour of lesson observations and on improving quality assurance. All staff development sessions are now formally evaluated by attenders.

Overall some 1700 attendances at staff development sessions were recorded, which included statutory training (Health and Safety, Equal Opportunities/Diversity, Teacher Training), professional qualifications, updating and new developments. A new software package for recording staff development (SDMS) was purchased and training provided for relevant staff on its use.

Performance Indicators

During 2003/04 the College continued to use the range of performance indicators covering academic and financial activities. Performance Indicators relating to key areas of the College's activity are set out in the Learning and Skill's (LSC's) publication Summary Statistics for Further Education Institutions: England. This document compares the performance of different colleges in the following areas:

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

Members' report (continued)

The College agreed the following financial objectives for 2003/04:

Objective	Target	Actual
Cash Days in Hand	30 - 80	44.8
Current ratio	2 -4	1.47
Total Borrowing as a percentage of income	40%	54%
Pay Expenditure as a percentage of Income	69%	71%
General Reserve	12%	11%

Student Numbers

The College is funded according to the level of learner activity that it generates each year. In 2003/04, the College achieved an overall total of 3,912 FTE learners against a target of 3,987. Total student funding performance was 98% of target.

In specific terms, 16-18 learner recruitment was 25% above target whereas adult recruitment was 11% down on total target.

Transparency Arrangements

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

The College accounts report a net deficit position. Following inspection, the College produced a Post Inspection Action Plan (PIAP) that identified the significant financial investment required to bring about the necessary improvements to curriculum and cross college structures. Consequently, the College's financial plan and strategies were amended to meet the extraordinary demands being faced.

The full cost of re-organisation, both in terms of human resources and accommodation improvements were met without the need to incur additional borrowing.

Such investment places the College in a stronger position to compete and attract new students in future years.

Members' report (continued)

The College generated an operating deficit in the year of £539K (2003:surplus £140K) and a historical cost deficit of £189K (2003:surplus £493K).

The College has accumulated reserves of £15,062K and cash balances of £1,833K.

The College has one subsidiary company, Minchenden Business Centre Limited. The principal business of Minchenden Business Centre Limited is the provision of training and education to corporate clients. Any surpluses generated by the subsidiary are transferred to the College under gift aid. In the current year, the surplus generated was £18,659. A decision was taken to cease trading activities with the subsidiary at year end July 2004.

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 continued development of a College Intranet.

Taxation

The College is an exempt charity for the purposes of the Charities Act 1993 and its activities are 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 any later amendment) and in particular makes the following commitments:

- As part of its Property Strategy and Disability action plan 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.
- 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.

Members' report (continued)

Planned maintenance programme

The cost of the College's planned maintenance programme over a period of five years is estimated to be £1,500k, resulting in an average annual charge of £300k. 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 2003, together with the works planned for future years and has allocated funds within the budget for this purpose.

Planned maintenance programme:

	2002-03	2003-04	2004-05	2005-06	2006-07
	£000s	£000s	£000s	£000s	£000s
Planned Maintenance Works outstanding At 1 August 2003	328	350	163	4	4
Average Annual Charge	250	250	400	350	250
Actual or Planned Expenditure	228	437*	559	350	254
Planned Maintenance Works outstanding At 31 July 2004	350	163	4	4	-

* Refer to Note 9 in the Financial Statements

Payment Performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 96%. During the accounting period 1 August 2003 to 31 July 2004, the College paid 96% of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

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 Reappointed Dec. '03	2 yrs		Staff Governor	Standards & Performance
Devian Beadle	Appointed Jul. '03	1 Yr		Student Governor	
Michael Blagden	-	-	-	Ex Officio/ Principal	Finance & Staffing, Standards & Performance, Remuneration.*
Paul Camp	Reappointed May '03	2 yrs		Co-opted	Finance & Staffing
Prof. Ken Goulding	Reappointed Nov.'02	4 Yrs		Business	Audit Standards & Performance.
Bob Holmes	Reappointed Nov'. 02	4 Yrs		Business	Audit
Claire Lewis	Appointed May. '03	2 Yrs		Local Authority	-
Mohamed Manjra	Oct. '00	4 Yrs		Business	Audit
Andrew Nicholas	Nov. '00	4 Yrs		Business	Finance & Staffing Remuneration.
Patricia Price	Dec. '99	4 Yrs	Dec '03	Co opted	Finance & Staffing Standards & Performance.
Martin Prescott	Dec.'03	3 Yrs		Co-opted	
Derrick Southon	Reappointed Nov. '02	4 Yrs		Business	Finance & Staffing. Standards & Performance.
John Thorpe	Oct. '00	4 Yrs		Business	Finance & Staffing
Seeva Velupillai	Appointed Nov. '02	4 Yrs		Local Community	Audit
Peter Wells	Appointed Dec. '02	2 Yrs		Local Community	
Marie Claire Williams	Nov.'01 Reappointed Jan '04	2 Yrs		Staff Governor	Audit, Standards & Performance
David Williamson	Dec. '99 Reappointed Dec'03	3 Yrs		Co-opted	Finance & Staffing, Remuneration

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

Mr D Byrne, 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 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, Cedar House, Breckland Linford Wood, Milton Keynes, Bucks MK14 6EX
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.

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 2004.

The Corporation

The composition of the Corporation is set out on page 16. 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.

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 2004, 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 2004 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 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 on pages 25 to 50 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 29 to 32.

This report is made solely to the members of the College's Corporation, as a body, in accordance with the Learning and Skills Council Audit Code of Practice. Our audit work has been undertaken so that we might state to the members of the College's Corporation those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the College, the members of the College's Corporation as a body and the Learning and Skills Council 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

The College's Corporation is responsible for preparing the Members' Report and, as described in the statement of responsibilities on page 21, 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 and 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 as at 31 July 2004 and of the College'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 2004.

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 2004.

Bentley Jennison

Date

*Chartered Accountants
Registered Auditors*

Income and expenditure account
for the year ended 31 July 2004

	<i>Notes</i>	2004			
Income		£'000		£'000	
Funding Council Grants	2	13,171		12,118	
Tuition fees and education contracts	3	1,192		1,285	
Research grants and contracts	4	277		136	
Other income	5	530		645	
Investment income	6	66		68	
		<hr/>		<hr/>	
Total income		15,236		14,252	
		<hr/> <hr/>		<hr/> <hr/>	
Expenditure					
Staff costs	7	9,705		8,635	
Other operating expenses	9	5,129		4,610	
Depreciation	13	860		780	
Interest payable	10	81		87	
		<hr/>		<hr/>	
Total expenditure		15,775		14,112	
		<hr/> <hr/>		<hr/> <hr/>	
(Deficit)/ Surplus on continuing operations after depreciation of assets at valuation and before tax	12	(539)		140	
Taxation	11	-		-	
		<hr/>		<hr/>	
(Deficit)/Surplus on continuing operations after depreciation of assets at valuation, disposals of assets and tax		(539)		140	
		<hr/> <hr/>		<hr/> <hr/>	

The income and expenditure account is in respect of continuing activities. The 'Other Operating Expenses' for 2003 include expenditure of £162k for items of exceptional nature.

Statement of total recognised gains and losses
for the year ended 31 July 2004

	<i>Note</i>	2004 £'000	2003 £'000
(Deficit)/Surplus on continuing operations after depreciation of assets at valuation and tax	12	(539)	140
Total recognised (losses)/ gains relating to the year		(539)	140
 Reconciliation			
Opening reserves			15,601
Total recognised deficits for the year			(539)
Closing reserves			15,062

Statement of historical cost surpluses and deficits
for the year ended 31 July 2004

	<i>Note</i>	2004 £'000	2003 £'000
(Deficit)/ surplus on continuing operations after depreciation of assets at valuation and tax	12	(539)	140
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	20	350	353
Historical costs (deficit)/ surplus for the year		(189)	493

Balance sheet
at 31 July 2004

	<i>Note</i>	2004 £'000	2003
			£'000
Fixed assets			
Tangible assets	<i>13</i>	16,291	16,507
Investments	<i>14</i>	-	-
		<hr/>	<hr/>
		16,291	16,507
Current assets			
Debtors	<i>15</i>	116	627
Investments		-	-
Cash at bank and in hand		1,833	1,530
		<hr/>	<hr/>
		1,949	2,157
Creditors: Amounts falling due within one year	<i>16</i>	(1,322)	(1,162)
		<hr/>	<hr/>
Net current assets		627	995
		<hr/>	<hr/>
Total assets less current liabilities		16,918	17,502
Creditors: Amounts falling due after more than one year	<i>17</i>	(839)	(909)
		<hr/>	<hr/>
Net assets		16,079	16,593
		<hr/> <hr/>	<hr/> <hr/>
Deferred capital grants	<i>19</i>	1,017	993
Reserves			
Revaluation reserve	<i>20</i>	13,395	13,745
Income and expenditure account	<i>21</i>	1,667	1,855

16,079	16,593
16,079	16,593

The financial statements on pages 25 to 50 were approved by the Corporation on 27 January 2005 and were signed on its behalf by:

Chairman

Principal

Cash flow statement
for the year ended 31 July 2004

	<i>Notes</i>	2004 £'000	2003 £'000
Cash flow from operating activities	23	657	385
Returns on investments and servicing of finance	25	(15)	(19)
Capital expenditure and financial investment	25	(319)	(113)
Cash inflow/outflow before use of liquid resources and financing		323	253
Financing	25	(64)	(59)
Increase/(Decrease) in cash		259	194

Reconciliation of net cash flow to movement in net funds

	£'000	£ '000
Increase in cash in the year	259	194
Change in net funds resulting from cash flows	64	59
Movement in net funds in year	323	253
Net funds at 1 August	601	348

Southgate College
Members' report and financial statements 2003/04

Net funds at 31 July 2004

924

601

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 for Further and Higher Education 2003 and in accordance with applicable Accounting Standards. They conform to guidance published by the Learning and Skills Council (LSC) in Circular 03/08.

Basis of accounting

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

Subsidiary Undertaking

The College has a subsidiary undertaking, Minchenden Business Centre Limited. The principal activity of Minchenden Business Centre Limited is the provision of training and education to corporate clients. Any surpluses generated by the subsidiary are transferred to the College under gift aid. In the current year, the surplus generated was £18,659. Minchenden Business Centre Limited ceased trade at 31 July 2004.

The results of Minchenden Business Centre Limited have not been consolidated with the results of the College on the grounds that Minchenden Business Centre Ltd is immaterial in the context of the College.

In accordance with FRS 2, 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 2004.

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 activity.

Pension schemes

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. 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 LGPS and quinquennial valuations using a prospective benefit method for TPS.

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. 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.

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.

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	-	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. 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.

Notes *(continued)*

Statement of accounting policies (continued)

The capital element is applied in order to reduce the outstanding obligations and the interest element is charged to the income and expenditure account in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease term or the useful economic lives of equivalent owned assets.

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

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.

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

	2004			2003		
	LSC	HEFCE	TOTAL	LSC	HEFCE	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000
Recurrent grant	12,401	147	12,548	10,452	152	10,604
Other LSC Income	295	-	295	1,202	-	1,202
Former Section 11 grant	32	-	32	36	-	36
Releases of deferred capital grants	-	-	-	-	-	-
Buildings (note 19)	12	-	12	12	-	12
Equipment (note 19)	284	-	284	264	-	264
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	13,024	147	13,171	11,966	152	12,118
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

3	Tuition fees and education contracts	2004 £'000	2003 £'000
	UK Higher Education students	20	20
	European Union (EU) (excluding UK) students	15	15
	Non-EU students	259	341
	UK Further Education Students	515	607
		<hr/>	<hr/>
	Total fees paid by or on behalf of individual students	809	983
	Education contracts		
	Local Education Authority (LEA)	299	203
	Higher Education (HE) income	84	99
		<hr/>	<hr/>
		1,192	1,285
		<hr/> <hr/>	<hr/> <hr/>
4	Research grants and contracts	2004 £'000	2003 £'000
	European Commission	272	130
	Releases from deferred capital grants (non-LSC)	5	6
		<hr/>	<hr/>
		277	136
		<hr/> <hr/>	<hr/> <hr/>
5	Other income	2004 £'000	2003 £'000
	Residences, catering and conferences	51	239
	Other income generating activities	169	145
	Other income	310	261
		<hr/>	<hr/>
		530	645
		<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

6 Investment income

	2004 £'000	2003 £'000
Other interest receivable	66	68
	<hr/>	<hr/>
	66	68
	<hr/> <hr/>	<hr/> <hr/>

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:

	2004 Number	2003 Number
Teaching departments	268	240
Teaching support services	12	13
Other support services	16	25
Administration and central services	73	57
Premises	18	18
Other	10	20
	<hr/>	<hr/>
	397	373
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

7 Staff numbers and costs (continued)

Staff costs for the above persons were as follows:

	2004	2003
	£'000	£'000
Teaching departments	6,680	5,845
Teaching support services	243	218
Other support services	301	490
Administration and central services	1,958	1,497
Premises	325	315
Other income generating activities	118	118
Catering and residences	24	152
Staff restructuring	56	-
	9,705	8,635
	9,705	8,635
Wages and salaries	8,225	7,453
Social security costs	645	558
Other pension costs	835	624
	9,705	8,635
	9,705	8,635
Employment costs for staff on permanent contracts	9,121	8,125
Employment costs for staff on short-term and temporary contracts	528	510
Restructuring costs	56	-
	9,705	8,635
	9,705	8,635

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

	2004	2004	2003	2003
	Number of senior post-holders	Number of other staff	Number of senior post-holders	Number of other staff
£50,001 to £60,000	-	-	1	-
£60,001 to £70,000	2	-	1	-
£100,001 to £110,000	1	-	1	-

A general pay award of 3.0% was made with effect from 1 August 2003 for other staff and an award of 2.3% with effect from 1 January 2004 for senior post holders.

Notes (continued)

8 Emoluments of senior post holders and members

Senior postholders are defined as members of the Principalship.

	2004	2003
	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:

	2004	2003
	£	£
Salaries	219,568	201,438
Benefits in kind	19,283	14,932
Pension contributions	28,644	21,178
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
	267,495	237,548
	<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:

	2004	2003
	£	£
Salaries	94,644	91,738
Benefits in kind	9,051	6,752
Pension contributions	12,777	9,272
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
	116,472	107,762
	<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 Scheme, 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

There were no overseas activities during the year.

9 Other operating expenses

	2004	2003
	£'000	£'000
Teaching departments	977	1,015
Contracted-out lecturing services	871	794
Teaching support services	91	63
Other support services	124	180
Administration and central services	619	432
General education	594	473
Premises costs	948	753
Planned maintenance	437	318
Other income generating activities	22	20
Catering and residence operations	135	93
Franchised provision	311	307
	<hr/>	<hr/>
Sub-total	5,129	4,448
Exceptional Premises related expenditure	-	162
	<hr/>	<hr/>
	5,129	4,610
	<hr/> <hr/>	<hr/> <hr/>
Other operating expenses include:		
Auditors remuneration:		
External audit	19	19
Internal audit	19	17
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

10 Interest payable

	2004	2003
	£'000	£'000
On bank loans, overdrafts and other loans: Repayable wholly or partly in more than five years, by instalments	81	87
	81	87
	81	87

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)/ surplus on continuing operations for the year

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

	2004	2003
	£'000	£'000
College's (deficit)/ surplus for the year	(558)	87
Transferred to College under the Gift Aid Scheme	19	-
	(539)	87
	(539)	140

Notes (continued)

13 Tangible fixed assets

	Freehold £'000	Equipment £'000	Total £'000
<i>Cost or valuation</i>			
At 1 August 2003	19,503	3,341	22,844
Additions	-	644	644
	<hr/>	<hr/>	<hr/>
At 31 July 2004	19,503	3,985	23,488
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<i>Depreciation</i>			
At 1 August 2003	3,808	2,529	6,337
Charge for year	409	451	860
	<hr/>	<hr/>	<hr/>
At 31 July 2004	4,217	2,980	7,197
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<i>Net book value</i>			
At 31 July 2004	15,286	1,005	16,291
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 July 2003	15,695	812	16,507
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Inherited	13,350	44	13,394
Financed by capital grant	387	594	981
Other	1,549	367	1,916
	<hr/>	<hr/>	<hr/>
	15,286	1,005	16,291
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

13 Tangible fixed assets (continued)

The transitional rules set out in FRS15 Tangible Fixed Assets have been applied on implementing FRS15. Accordingly, the book values at implementation have been retained.

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 £13,350k (2003: £13,688k) 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 £44k (2003: £56k) 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 £387k (2003: £400k) which have been funded by a grant from the LSC.

The net book value of tangible fixed assets includes an amount of £nil (2003: £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	(397)
	<hr/>
Net book value based on cost	1,936
	<hr/> <hr/>

Notes (continued)

14 Investments

	2004	2003
	£	£
Investment in subsidiary company at cost	3	3
	3	3
	3	3

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 was 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. However, with effect from 1 August 2004 the Company has been made dormant and its activities have been taken over by the main College based on the decision of the Governing Corporation.

15 Debtors

	2004	2003
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	90	390
Recurrent funding debtors	-	215
Prepayments and accrued income	26	2
Other debtors	-	20
	116	627
	116	627

Notes (continued)

16 Creditors: Amounts falling due within one year

	2004	2003
	£'000	£'000
Bank loans and overdrafts	70	64
Obligations under finance leases	-	-
Payments received on account	131	57
Trade creditors	301	313
Other taxation and social security	224	198
Accruals	596	530
	1,322	1,162
	1,322	1,162

17 Creditors: Amounts falling due after more than one year

	2004	2003
	£'000	£'000
Bank loans	839	909
	839	909
	839	909

18 Analysis of borrowings of the College

Bank loans and overdrafts

	2004	2003
	£'000	£'000
Bank loans and overdrafts are repayable as follows:		
Within one year	70	64
Between one and two years	77	70
Between two and five years	486	320
In five years or more	276	519
	909	973
	909	973

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 grants	Total
	£'000	£'000	£'000
At 1 August 2003			
Land and buildings	399	-	399
Equipment	575	19	594
Cash received			
Land and buildings	-	-	-
Equipment	325	-	325
Released to income and expenditure account:			
Land and buildings	(12)	-	(12)
Equipment	(284)	(5)	(289)
	1,003	14	1,017
At 31 July 2004			
Land and buildings	387	-	387
Equipment	616	14	630
	1,003	14	1,017

No specific capital grants were received from the Learning and Skills Council during 2003/04, other than NLN ILT capital grant amounting to £50k spread over two years, hence the College has allocated £290k Learning and Skills Council core funding against capital items.

20 Revaluation reserve

	£'000
At 1 August 2003	13,745
Transfer from revaluation reserve to income and expenditure account in respect of:	
Depreciation on revalued assets	(350)
	13,395

Notes (continued)

21 Income and expenditure account

	£'000
At 1 August 2003	1,856
Transfer from revaluation reserve to income and expenditure account	350
Surplus on continuing operations after depreciation of assets at valuation and tax	(539)
	1,667
At 31 July 2004	1,667

22 Pensions and similar obligations

The College's employees belong to two principal pension schemes, the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). The total pension cost for the period was £835,000 (2003-£624,000).

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.

Statement of Standard Accounting Practice -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 2001
Actuarial method	Prospective Benefits
Investment returns per annum	7.0% per annum
Salary scale increases per annum	5.0% per annum
Market value of assets at date of last valuation	£142,880 million

Proportion of members' accrued benefits covered by the actuarial value of the assets	100%
--	------

Appropriate SSAP 24 provision in respect of unfunded pensioners' benefits are included in provisions, when required.

Notes (continued)

22 Pensions and similar obligations (Cont'd)

Financial Reporting Standard 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 accounted for its contributions as if it were a defined contribution scheme.

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 2004 was £380,000 of which employers' contributions totalled £253,000 and employees' contributions totalled £127,000. The agreed contribution rates for future years are 12.6% for employers and 6% for employees.

Statement of Standard Accounting Practice -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	£357 million

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 2004 by a qualified independent actuary.

	At 31 July 2004	At 31 July 2003	At 31 July 2002
Inflation	2.9%	2.6%	2.4%
Rate of increase in salaries	4.9%	4.6%	4.4%
Rate of increase for pensions	2.9%	2.6%	2.4%
Discount rate for liabilities	5.8%	5.5%	6.0%

Notes (continued)

22 Pensions and similar obligations (Cont'd)

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

	Long-term rate of return expected at 31-Jul-04	Value at 31 July 2004 £000	Long-term rate of return expected at 31-Jul-03	Value at 31 July 2003 £000	Long-term rate of return expected at 31-Jul-02	Value at 31 July 2002 £000
Equities	7.9%	3,363	8.0%	3,041	8.0%	2,553
Bonds	5.4%	911	5.0%	796	5.5%	698
Property	6.7%	591	6.0%	448	6.0%	391
Cash	4.5%	120	3.5%	44	4.0%	144
Total Market Value of assets		<u>4,985</u>		<u>4,329</u>		<u>3,786</u>

	Year ended 31 July 2004 £'000	Year ended 31 July 2003 £'000	Year ended 31 July 2002 £'000
College's estimated asset share	4,985	4,329	3,786
Present value of scheme liabilities	(6,642)	(5,935)	(4,534)
(Deficit) in the scheme	<u>(1,657)</u>	<u>(1,606)</u>	<u>(748)</u>

Under the transitional arrangements of Financial Reporting Standard (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 2004 £'000	Year ended 31 July 2003 £'000
*Net assets excluding FRS 17 pension liability	16,079	16,593
Net pension (liability)	(1,657)	(1,606)
Net assets including FRS17 pension liability	<u>14,422</u>	<u>14,987</u>

Notes (continued)

Pensions and similar obligations (Continued)

Reserve Note	Year ended 31 July 2004 £'000	Year ended 31 July 2003 £'000
*Income and expenditure account excluding FRS 17 pension liability	1,667	1,855
Pension reserve	(1,657)	(1,606)
Income and expenditure account including FRS 17 pension liability	10	249

*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 2004 £'000	Year ended 31 July 2003 £'000
Service costs	359	269
Past service costs	-	-
	359	269

Analysis of net return on pension schemes

	2004	2003
Expected return on pension scheme assets	321	287
Interest on pension liabilities	(337)	(251)
Net return	(16)	36

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

	Year ended 31 July 2004 £'000
Actual return less expected return on pension scheme assets	78
Experience gains and losses arising on the scheme liabilities	1
Change in financial and demographic assumptions underlying the scheme liabilities	(8)
Actuarial gain recognised in STRGL	71

Movement in surplus during year

	Year ended 31 July 2004 £'000	Year ended 31 July 2003 £'000
(Deficit) in scheme at 1 August	(1,606)	(748)
Movement in year:		
Current service charge	(359)	(269)
Contributions	253	224
Past service cost	-	-
Net interest/return on assets	(16)	36
Actuarial loss	71	(849)
(Deficit) in scheme at 31 July	<u>(1,657)</u>	<u>(1,606)</u>

History of experience gains and losses

	Year ended 31 July 2004	Year ended 31 July 2003	Year ended 31 July 2002
Difference between the expected and actual return on assets:			
amount £m	78	(29)	(895)
% of scheme assets	1.6%	(0.7)%	(23.6)%
Experience gains and losses on scheme liabilities:			
amount £m	1	(69)	(37)
% of scheme liabilities	0.0%	(1.2)	(0.8)%
Total amount recognised in STRGL:			
Amount £m	71	(849)	(602)
% of scheme liabilities	1.1%	(14.3)%	(13.3)%

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

	2004 £'000	2003 £'000
(Deficit)/surplus on continuing operations after depreciation of assets at valuation and tax	(539)	140
Depreciation (note 13)	860	780
Deferred capital grants released to income	(301)	(282)
Interest payable	81	87
Decrease /(increase) in debtors	470	(209)
Increase/(decrease) in creditors	152	(86)
Interest receivable	(66)	(68)
Loss on disposal of fixed assets	-	23
Net cash inflow from operating activities	<u>657</u>	<u>385</u>

Notes (continued)

24 Analysis of changes in net funds

	At 1 August 2003 £'000	Cash flows £'000	Other Changes £'000	At 31 July 2004 £'000
Cash at bank and in hand	1,574	259	-	1,833
Debts due within 1 year	(64)	64	(70)	(70)
Debts due after 1 year	(909)	-	70	(839)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	601	323	-	924
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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

	2004 £'000	2003 £'000
Returns on investments and servicing of finance		
Interest received	66	68
Interest paid	<u>(81)</u>	<u>(87)</u>
Net cash (outflow) from returns on investments and servicing of finance	(15)	(19)
	<u> </u>	<u> </u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(644)	(411)
Deferred capital grants received	<u>325</u>	<u>298</u>
Net cash (outflow) for capital expenditure and financial investment	(319)	(113)
	<u> </u>	<u> </u>
Financing		
Debt due beyond a year:		
Repayment of amounts borrowed	<u>(64)</u>	<u>(59)</u>
Net cash (outflow) from financing	(64)	(59)
	<u> </u>	<u> </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 2004, the College had annual commitments under non-cancellable operating leases as follows:

	2004		2003	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Expiring in over five years	53	-	76	-
	<u>53</u>	<u>-</u>	<u>76</u>	<u>-</u>
	<u><u>53</u></u>	<u><u>-</u></u>	<u><u>76</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

	2004 £'000	2003 £'000
LSC grants	518	528
Interest earned	1	4
Disbursed to students	(510)	(419)
Audit fees	-	-
	<u>9</u>	<u>113</u>
Balance unspent at 31 July	<u><u>9</u></u>	<u><u>113</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.