

Southgate College
Annual Report and Financial Statements
2004/05

Chairman's Introduction

The academic and financial year 2004/05 was an extremely challenging time in the history of the College. The overriding need and desire to ensure a successful outcome in the 2005 Inspection drove a number of key policy decisions and changed the focus for all staff and governors.

The costs of funding a post inspection action plan were high, but this investment, reflected in additional staffing, upgraded accommodation and specialist equipment, led to demonstrable improvements in quality, and puts the College in a stronger position to recruit new learners in the future.

Significant improvements were made in raising standards, with the overall College success rate improving seven percent on the 2003/04 performance. The College continued to make great strides in widening participation and attracting students from previously unrepresented groups. The oldest College student is aged 91 and he has successfully completed an IT skills programme. The College has also extended its provision for younger students with over 500 14-16 year olds attending during the year: a number that is expected to grow to over 600 in academic year 2005-2006.

Students achieved some notable successes with more students than ever progressing to Higher Education. On the sports front, the College won the National six-a-side Colleges football competition and also the SESSA (Southern England Students Sports Association), Under 19 football league.

College recruitment was buoyant with student numbers exceeding the targets agreed with the London North Learning and Skills Council. Providing tuition for these additional students placed a considerable strain on College resources.

It remained increasingly difficult to appoint suitably qualified staff to both lecturing and management positions. Pay in colleges continues to fall behind pay for comparable positions in schools and universities and unfilled vacancies places an increased burden on existing staff.

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

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

Andrew Nicholas
Chairman of Governors

Contents	Page
Introduction by the Chairman of the Governing Body	3
The Corporation	5
Members' Report	
Mission	5
Strategic Objectives	5
Curriculum Developments 2004/05	6
Success Rates	7
Key Strategic Drivers	8
14 – 19 Education and Student Support	10
Adult and Vocational Education Centre	10
Student Support	10
Quality Assurance	11
Performance Indicators	12
Student Numbers	13
Transparency Arrangements	13
Finances	13
Post Balance Sheet Events	14
Employment of Disabled Persons	14
Disability Statement	14
Planned Maintenance Programme	15
Payment Performance	15
Members' Appointments and Resignations	16
Professional Advisors	18
Corporate Governance	19
Statement of the Responsibilities of the Members of the Governing Corporation	22
Corporate Governance statement on the System of Internal Financial Control	23
Independent Auditors' Report to the Corporation of Southgate College	24
Independent Auditors' Report on Regularity	26
Income and Expenditure Account	27
Statement of Total Recognised Gains and Losses	28
Statement of Historical Cost Surpluses and Deficit	28
Balance Sheet	29
Cash Flow Statement	30
Reconciliation of Net Cash Flow Movement in Net Fund	30
Notes	31

Members' report

The Members present their report and the audited financial statement for the year ended 31 July 2005.

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 2004/05 the College prepared a 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 "Priorities for Success" report, as well as other current Government Initiatives.
4. To maintain the financial viability of Southgate College and its ability to operate as an independent body through the Southgate College Governing Corporation.

Our Aims

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

Our Core Values

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

Curriculum Development

Following the OfSTED/ALI Inspection of October 2003, the College responded vigorously and openly to the challenges of making major and sustainable improvements at all levels. A very detailed post-inspection action plan (PIAP) was drawn up covering the 5 cross-College themes of achievement and standards, teaching & learning, quality, monitoring, and resources and accommodation in addition to actions picking up issues found during Inspection in all curriculum areas, both as 'headline' weaknesses and in textual reports. It was recognised during Inspection that a range of quality improvement strategies had already been put in place but that they had at that stage insufficient time to be embedded and to yield extensive impact measurement data. These have been reviewed and supplemented through the PIAP process and the range of changes and improvements undertaken is very significant. The College's PIAP was accepted by both the Learning and Skills Council and Inspectorate and commended for its comprehensive and detailed approach.

The first post Inspection monitoring visit was carried out in June 2004 and thereafter termly for a year. The outcomes of these visits showed steady development from the 'limited progress' category to 'reasonable progress' with literacy and numeracy showing 'good progress' and evidenced that 'effective action was being taken to address identified weaknesses.

College self-assessment processes are designed to operate alongside the PIAP process rather than duplicate it and to pick up detailed issues from course review, lesson observation, internal verification and other quality assurance processes; the two processes

should be seen as parallel and complementary but distinct. Improving the quality of self-assessment is itself a target for the College, against which a range of actions have been taken as is detailed elsewhere.

Members' report (continued)

The key priority for the College is to demonstrate that it is serving its students better through achieving successful re-inspection. Future goals align with LNLSC strategic priorities in responding to increased demand for 14 – 19 provision, increasing collaboration with schools, LEA and local employers, enabling adults to achieve at level 2 as well as providing courses across a range of levels in all areas of learning; obtaining at least one CoVE, continuing to improve accommodation and widening income streams.

The College will seek to maintain its commitment to meeting the needs of a wide range of learners through inclusive approaches, full adherence to DDA requirements and greater provision of entry and level 1 courses. Vocational provision at craft level in construction, motor vehicle and catering will be further developed. Quality priorities will include a focus on improving student success rates on long level 1 and 3 courses in particular, further developing the lesson observation system and staff development follow up through use of database systems, embedded management development at all levels and particularly course leadership linked to effective self assessment strategies.

Key Improvements since Inspection in October 2003

- Significant improvements in success rates across the College:

		2002/03	2003/04	2004/05
Long	Starts	7216	9163	8385
	Success Rate	46%	50%	60%
Short	Starts	4856	4664	4415
	Success Rate	74%	84%	87%
Total	Starts	12072	13827	12800
	Success Rate	57%	62%	69%

Other improvements

- Attendance improved by 5% across the College, with all areas showing improvement over 2003/4
- Lesson observations much more frequent and rigorous and linked to specific staff development follow up
- Improved and improving lesson observation grade profile across the academic year with grade profiles in the summer term more closely reflecting national averages
- Management Development programme has resulted in much greater consistency of curriculum management

- Much improved compliance with quality assurance systems and arrangements
- Self assessment and target setting and monitoring processes improved and quality assured
- Accommodation and resources significantly upgraded
- Staffing levels improved across the College with enhanced recruitment processes

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.

Developments since inspection 2003

The College self-assessment of its overall quality of provision for 2004/05 is **Satisfactory (Grade 3)**.

Leadership and Management across the College is assessed as **Grade 3 (Satisfactory)**. The whole College has taken ownership of the issues identified during Inspection and been focused on improving the student experience. Positive results have been demonstrated against the great majority of performance indicators, although it is recognised that there is still much to be done in raising Southgate to the 'Good' category that is our next objective.

Members' report *(continued)*

The following table summarises our assessment of our current grades for each of the curriculum areas.

College Title For Provision	Overall Grade
Health & Social Care, Early Years and SLDD	4
Science & Mathematics	3
Motor Vehicle Studies	3
Construction	2
Information and Communication Technology and Computer Aided Design	3
Information Technology Applications	2
Hospitality, Sports, Leisure and Travel	3
Visual, Performing Arts, Fashion and Media	3
Humanities	3
EFL	3
English and Communications including MFL	3
Teacher Education	2
Key and Basic Skills	3
ESOL	2
Additional Learning Support	3
Business Management	2
Young College (14–16 provision)	2
Overall College Grade	3

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.

The College's overall success rate for 2004/05 improved by 7% to 69%, following a 5% improvement in 2003/04 from the previous year. Full year success rates for young people and adults improved on long courses at level 1 by 10% respectively, at level 2 by 4% and 8% respectively, and at level 3 by 15% and 6%. Success rates on short courses remain high. Success rates for all ages at level 2 continue to be above national benchmark, at level 3, success rates for all ages are now above national benchmark but success rates at level 1, although above benchmark for young people, have yet to reach benchmark for adults. It is a strategic objective for the College to aim towards GFE benchmarks where high WP benchmarks have been achieved and good progress is being made in this regard.

Retention rates have improved on those at inspection, in all areas except long level 3; of which there was greater provision in 2004/05 as course portfolios have been extensively reviewed to provide a broader curriculum. The great majority of trends for retention, achievement and success at College and Curriculum area levels are positive.

The College met overall improvement targets set out in the College Development Plan for 2004/05.

Progression rates to HE compare well with those of other local providers; from Summer 2004 applicants, 73% were successfully placed against a comparable figure of 71% for Enfield Secondary Schools. This represents a very good progression rate given the very diverse nature of the College intake and shows a 1% improvement over 2003/4.

Members' report *(continued)*

14-19 Education and Student Support

The Directorate has functioned well this year and there is much better communication between staff that work in the different areas.

There has been increased collaboration with schools and colleges through the work of a 14-19 strategic committee. It was agreed to operate a common timetable from 2005/06 across the borough for students aged 16-19. It is hoped that in future there will be more opportunity for students to join classes at Southgate College from other schools.

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, including a revised part-time Foundation Degree in ICT. 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 especially achievement.

The Young College continues to thrive with good links established with partner schools and referrers. More than 500 young learners have accessed a number of courses at the college ranging from half-day taster to full-time programmes. A very high proportion of full-time Young College students continue to study at colleges on completion of their initial studies. There have been tentative steps towards establishing a cross borough entry/level 1 provision for a September 2007 start

The Adult and Vocational Education Centre

The Adult and Vocational Education Centre focuses on the provision for 14 to 19 year olds engaged in full time vocational education together with a large 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, and IT Applications. The Centre is also responsible for the provision at the College out-centres at Potters Bar and Enfield Town with an offer focusing mainly on IT courses for adult learners. Edmonton Green College Centre (a joint colleges provision with Southgate, Enfield and Capel Manor Colleges) is operated through the AVE Centre and over 1,700 adult students follow a range of courses mainly in ESOL and IT with short courses in Floristry, First Aid and Childcare.

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 organisations and businesses to foster employer engagement and community learning. The provision for Ufi Learndirect, Distance Learning, Adult and Community Learning together with Weekend College is also attached to the Centre. From October 2005, Southgate College will become an official Life in the UK (British Citizenship) test centre with on-line testing managed within the AVE 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.

Members' report (continued)

The Learning Resources Centre continues to develop the Learning Advisor role to support students more effectively. Each Learning Adviser 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.

Basic Skills has continued to develop with an increase in adults returning part-time to achieve qualifications. Adult Basic Skills classes are being set by ability and students are being offered the chance to attain Entry Level literacy and numeracy qualifications. The pass rate is very good with some students attaining qualifications for the first time in their lives.

Key Skills achievement has increased but the number entering the qualification, especially Application of Number causes some concerns. Work to integrate Key Skills continues and involvement in the Better Teaching Partnership will continue to improve this provision.

The changes to the use of Initial Assessment at interview has enabled interviewers to give much more effective guidance to prospective students. It is anticipated that this will ensure a greater proportion of students enrolling on the right level course at the start of the academic year. Targets set this year for students using the information from the Initial Assessment are more realistic and informative.

The appointment of a new ALS Manager has seen the work of the team become more integrated, with much better communication with staff across the College for the benefit of students. Liaison with CMIS has enabled the impact of ALS to be measured with regards attendance and achievement.

Quality Assurance

A wide range of actions have been put in place to strengthen quality assurance systems and ensure greater compliance. These include improvements to the College lesson observation process, tighter monitoring of external quality reports and a much more proactive approach by a strengthened cross-College quality team backed up by the creation of a Quality intranet site where definitive versions of policies and procedures are logged as well as a wide range of exemplars and support materials. 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. Significant investment has been made in training Heads of Divisions and Service Areas in self assessment and the 2003/04 self assessment has been recognised as representing good practice by Inspectors and LSC. The SAR process for 2004/5 has been extensively revised to reflect the new Common Inspection Framework and further training provided in completing the process, which was brought forward to ensure that a validated draft will be available at reinspection.

Attendance chasing systems were revised and improved and the tutorial framework extensively reviewed.

The Rooming Co-ordinator worked with Heads of Division in reviewing and improving rooming allocations.

In 2004/05 student satisfaction was gathered through questionnaires 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.

Members' report (*continued*)

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. Issues of concern raised in responses were followed up within Divisions or centrally as appropriate.

Staff Development

The College continued to make a significant investment in providing internal and external staff development in 2004/05, supporting staff from all areas in updating their skills and knowledge and clarifying standards expected.

Major focus was placed on areas commonly found wanting through the lesson observation process, namely the need for greater differentiation, more student-centred teaching and incorporation of ILT into teaching and learning. All staff development sessions are evaluated by attenders and reports created to follow these up. All staff were prepared for reinspection through the July staff conference, where the usual recreational events were stood down.

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. Staff development is recorded on a software system (SDMS), which enables a range of useful reports to be created.

Where external consultants were used, these were carefully selected to ensure appropriacy and value for money. An LSC Quality project was utilised to draw down additional funding for management development, lesson observation training and various other strands. All observers were trained in the revised framework and documentation in June 2005 for the start of the next academic year.

Performance Indicators

During 2004/05 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:

- Success rates
- 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 2004/05:

Objective	Target	Actual
Cash Days in Hand	30-70	1.4
Current ratio	1.5 -4	0.6
Total Borrowing as a percentage of income	40%	40%
Pay Expenditure as a percentage of Income	67-69%	68%
General Reserve	11-21%	5.9%

The College also discharged its duties under the Race Relations Amendment Act by monitoring targets developed under the Ethnicity and Diversity Impact Measure (EDIMs) framework agreed with the Local LSC.

Student Numbers

The College is funded according to the level of learner activity that it generates each year. In 2004/05, the College achieved an overall total of 4,058 FTE learners against a target of 3,996. Total student funding performance was 103% of whole year target.

In specific learner full time equivalent terms terms, 16-18 learner recruitment was 9% below target whereas adult recruitment (19+) was 8% up on the total FTE 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 for the year.

The full costs of post inspection and related structural re-organisation, both in terms of human resources and accommodation improvements were met without the need to incur 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 £1,051K (2004: deficit £539K) and a historical cost deficit of £703K (2004: deficit £189K).

The College has accumulated reserves of £14,011K and cash balances of £61K.

The College has one subsidiary company, Minchenden Business Centre Limited. During the year the subsidiary remained dormant.

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 2000 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 mobility or physical 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 £1,600K, resulting in an average annual charge of £320k. The programme was developed following a survey of the College's estate and is reviewed each year.

The College plans to carry out the works, which were outstanding at 31 July 2005, together with the works planned for future years and has allocated funds within the budget for this purpose.

Planned maintenance programme:

	2004-05	2005-06	2006-07	2007-08	2008-09
	£000s	£000s	£000s	£000s	£000s
Planned Maintenance Works outstanding At 1 August 2004	163	(163)	(63)	37	37
Average Annual Charge	250	400	350	350	250
Actual or Planned Expenditure	*576	300	250	350	287
Planned Maintenance Works outstanding At 31 July 2005	(163)	(63)	37	37	-

* 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 2004 to 31 July 2005, the

College paid 97% 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 2004/05 year were as follows:

Name	Date of appointment	Term of office	Date of Resignation	Status of appointment	Committees served
Irmengarde Baker	Reappointed Dec. '03	2 yrs	Apr. '05	Staff Governor	Standards & Performance
Michael Blagden	-	-	-	Ex Officio/ Principal	Finance & Staffing, Standards & Performance, Remuneration.* Search
Paul Camp	Reappointed Apr. '05	2 yrs		Co-opted	Finance & Staffing
Marion Ford	Appointed May '05	2 yrs		Staff Governor	Standards & Performance Audit
Ola Fadoju	Appointed May '05	2 yrs		Staff Governor	Standards & Performance Audit
Prof. Ken Goulding	Reappointed Nov. '02	4 Yrs	Mar. '05	Business	Audit Standards & Performance
Daniel Gyapang	Appointed Jan '05			Student	-
Bob Holmes	Reappointed Nov. '02	4 Yrs	Deceased Nov '04	Business	Audit
Claire Lewis	Appointed May '03	2 Yrs	May '05	Local Authority	Search
Mohamed Manjra	Oct. '04	4 Yrs		Business	Audit
Andrew Nicholas	Reappointed Oct. '04	4 Yrs		Business	Finance & Staffing Remuneration. Search
Claude Pehrson	Apr. '05	4 yrs		Business	Standards & Performance
Martin Prescott	Dec '03	3 yrs		Co-opted	-
Derrick Southon	Reappointed Nov '02	4 Yrs		Business	Finance & Staffing. Standards & Performance. Remuneration Search
John Thorpe	Oct. '00	4 Yrs	Oct '04	Business	Finance & Staffing
Seeva Velupillai	Appointed Nov. '04	2 Yrs		Local Community	Audit
John Vilton	Appointed Apr. '05	4 yrs		Business	
Peter Wells	Reappointed Dec. '04	2 Yrs		Local Community	Audit

Southgate College
Members' report and financial statements 2004/05

Marie Claire Williams	Reappointed Jan.'04	2 yrs	Apr. '05	Staff Governor	Audit, Standards & Performance
David Williamson	Dec '03	3 Yrs		Co-opted	Finance & Staffing, Remuneration Search

- 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 2005.

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 2005, 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 2005 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 Auditor's report to the Corporation of Southgate College

We have audited the financial statements of Southgate College for the year ended 31 July 2005 which comprise the income and expenditure account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses and the related notes. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out therein.

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

Respective responsibilities of the corporation and auditors

As described in the Statement of Responsibilities the College's Corporation is responsible for preparing the financial statements in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education, applicable law, United Kingdom Accounting Standards and LSC Circular 05/02. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you 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 and LSC Circular 05/02. We also report to you if, in our opinion, the Members' Report is not consistent with the financial statements, if the College has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit. We read the Members' Report and consider the implications for our report if we become aware of any apparent misstatement within it.

Basis of our opinion

We conducted our audit in accordance with United Kingdom 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 2005 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 and LSC Circular 05/02.

Bentley Jennison

Chartered Accountants and Registered Auditors
Cedar House
Breckland
Linford Wood
Milton Keynes MK14 6EX

Date

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

In accordance with the terms of our engagement letter dated 31 October 2005 and further to the requirements of the LSC, we have carried out a review to obtain assurance about whether, in all material respects, the expenditure and income of Southgate College ('the College') for the year ended 31 July 2005 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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

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

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

Our responsibilities for this review are established in the United Kingdom by our profession's ethical guidance and the audit guidance set out in the Audit Code of Practice and the Regularity Audit Framework issued by the LSC. We report to you whether, in our opinion, in all material respects, the College's expenditure and income for the year ended 31 July 2005 have been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Basis of opinion

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

Opinion

In our opinion, in all material respects the expenditure and income for the year ended 31 July 2005 have been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Bentley Jennison

Chartered Accountants and Registered Auditors
Cedar House
Breckland
Linford Wood
Milton Keynes MK14 6EX

Date.....

Income and expenditure account
for the year ended 31 July 2005

	<i>Notes</i>	2005	2004
Income		£'000	£'000
Funding Council Grants	2	14,426	13,171
Tuition fees and education contracts	3	1,303	1,192
Research grants and contracts	4	112	277
Other income	5	558	530
Investment income	6	69	66
		<hr/>	<hr/>
Total income		16,468	15,236
		<hr/> <hr/>	<hr/> <hr/>
Expenditure			
Staff costs	7	10,412	9,705
Other operating expenses	9	6,101	5,129
Depreciation	12	931	860
Interest payable	10	75	81
		<hr/>	<hr/>
Total expenditure		17,519	15,775
		<hr/> <hr/>	<hr/> <hr/>
(Deficit) on continuing operations after depreciation of assets at valuation and before tax		(1,051)	(539)
Taxation	11	-	-
		<hr/>	<hr/>
Surplus/(Deficit) on continuing operations after depreciation of assets at valuation, disposals of assets and tax		(1,051)	(539)
		<hr/> <hr/>	<hr/> <hr/>

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

Statement of total recognised gains and losses
for the year ended 31 July 2005

	<i>Note</i>	2005 £'000	2004 £'000
(Deficit) on continuing operations after depreciation of assets at valuation and tax		(1,051)	(539)
Total recognised (losses)/ gains relating to the year		(1,051)	(539)

Reconciliation

Opening reserves			15,062
Total recognised deficits for the year			(1,051)
			14,011
Closing reserves			14,011

Statement of historical cost surpluses and deficits
for the year ended 31 July 2005

	<i>Note</i>	2005 £'000	2004 £'000
(Deficit) on continuing operations after depreciation of assets at valuation and tax		(1,051)	(539)
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	20	348	350
Historical costs (deficit) for the year		(703)	(189)

Balance sheet
at 31 July 2005

	<i>Note</i>	2005 £'000	2004 £'000
Fixed assets			
Tangible assets	<i>12</i>	16,086	16,291
Investments	<i>13</i>	-	-
		<hr/>	<hr/>
		16,086	16,291
 Current assets			
Debtors	<i>14</i>	470	116
Investments		-	-
Cash at bank and in hand		61	1,833
		<hr/>	<hr/>
		531	1,949
 Creditors: Amounts falling due within one year			
	<i>15</i>	(961)	(1,322)
		<hr/>	<hr/>
Net current assets		(430)	627
 Total assets less current liabilities			
		15,656	16,918
 Creditors: Amounts falling due after more than one year			
	<i>16</i>	(762)	(839)
		<hr/>	<hr/>
Net assets		14,894	16,079
		<hr/> <hr/>	<hr/> <hr/>
 Deferred capital grants			
	<i>18</i>	883	1,017
 Reserves			
Revaluation reserve	<i>19</i>	13,047	13,395
Income and expenditure account	<i>20</i>	964	1,667
		<hr/>	<hr/>
		14,894	16,079
		<hr/> <hr/>	<hr/> <hr/>

The financial statements on pages 27 to 52 were approved by the Corporation on 15 December 2005 and were signed on its behalf by:

.....
Chairman

.....
Principal

Cash flow statement
for the year ended 31 July 2005

	<i>Notes</i>	2005 £'000	2004 £'000
Cash flow from operating activities	22	(1,166)	657
Returns on investments and servicing of finance	24	(6)	(15)
Capital expenditure and financial investment	24	(530)	(319)
		<hr/>	<hr/>
Cash (outflow)/inflow before use of liquid resources and financing		(1,702)	323
Financing	24	(70)	(64)
		<hr/>	<hr/>
(Decrease)/increase in cash		<u>(1,772)</u>	<u>259</u>

Reconciliation of net cash flow to movement in net funds

	£'000	
(Decrease)/increase in cash in the year	(1,772)	259
Change in net funds resulting from cash flows	70	64
	<hr/>	<hr/>
Movement in net funds in year	(1,702)	323
Net funds at 1 August	924	601
	<hr/>	<hr/>
Net funds at 31 July 2005	<u>(778)</u>	<u>924</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 for Further and Higher Education and in accordance with applicable Accounting Standards. They conform to guidance 2005 published by the Learning and Skills Council (LSC) in Circular 05/02.

Basis of accounting

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

Basis of Consolidation

The activities of the Student Union have not been consolidated because the College does not control those activities. All financial statements are made up to 31 July 2005.

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.

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 quintessential 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. 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

Notes *(continued)*

Statement of accounting policies (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.

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

	2005			2004		
	LSC	HEFCE	TOTAL	LSC	HEFCE	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000
Recurrent grant	13,336	170	13,506	12,401	147	12,548
Other LSC Income	608	-	608	295	-	295
Former Section 11 grant	32	-	32	32	-	32
Releases of deferred capital grants	-	-	-	-	-	-
Buildings (note 18)	12	-	12	12	-	12
Equipment(note 19)	268	-	268	284	-	284
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	14,256	170	14,426	13,024	147	13,171
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

3 Tuition fees and education contracts

	2005	2004
	£'000	£'000
UK Higher Education students	15	20
European Union (EU) (excluding UK) students	10	15
Non-EU students	173	259
UK Further Education Students	583	515
	<hr/>	<hr/>
Total fees paid by or on behalf of individual students	781	809
Education contracts		
Local Education Authority (LEA)	517	299
Higher Education (HE) income	5	84
	<hr/>	<hr/>
	1,303	1,192
	<hr/> <hr/>	<hr/> <hr/>

4 Research grants and contracts

	2005	2004
	£'000	£'000
European Commission	109	272
Releases from deferred capital grants (non-LSC)	3	5
	<hr/>	<hr/>
	112	277
	<hr/> <hr/>	<hr/> <hr/>

5 Other income

	2005	2004
	£'000	£'000
Residences, catering and conferences	56	51
Other income generating activities	201	169
Other income	301	310
	<hr/>	<hr/>
	558	530
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

6 Investment income

	2005 £'000	2004 £'000
Other interest receivable	69	66
	<u>69</u>	<u>66</u>

7 Staff numbers and costs

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

	2005 Number	2004 Number
Teaching departments	295	268
Teaching support services	14	12
Other support services	19	16
Administration and central services	69	73
Premises	15	18
Other	11	10
	<u>423</u>	<u>397</u>

Notes (continued)

7 Staff numbers and costs (continued)

Staff costs for the above persons were as follows:

	2005	2004
	£'000	£'000
Teaching departments	7,460	6,680
Teaching support services	272	243
Other support services	396	301
Administration and central services	1,868	1,958
Premises	285	325
Other income generating activities	131	118
Catering and residences	-	24
Staff restructuring	-	56
	<hr/>	<hr/>
	10,412	9,705
	<hr/> <hr/>	<hr/> <hr/>
Wages and salaries	8,790	8,225
Social security costs	695	645
Other pension costs	927	835
	<hr/>	<hr/>
	10,412	9,705
	<hr/> <hr/>	<hr/> <hr/>
Employment costs for staff on permanent contracts	9,935	9,121
Employment costs for staff on short-term and temporary contracts	477	528
Restructuring costs	-	56
	<hr/>	<hr/>
	10,412	9,705
	<hr/> <hr/>	<hr/> <hr/>

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

	2005	2005	2004	2004
	Number of	Number of	Number of	Number of
	senior post-	other staff	senior post-	other staff
	holders		holders	
£50,001 to £60,000	-	2	-	-
£60,001 to £70,000	-	-	2	-
£70,001 to £80,000	2	-	-	-
£100,001 to £110,000	-	-	1	-
£110,001 to £120,000	1	-	-	-

A general pay award of 3.0% was made for all staff with effect from 1 August 2004 and an award of 3.0% with effect from 1 January 2005 to senior staff.

Notes (continued)

8 Emoluments of senior post holders and members

Senior postholders are defined as members of the Principalship.

	2005	2004
	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:

	2005	2004
	£	£
Salaries	224,688	219,568
Benefits in kind	20,758	19,283
Pension contributions	29,967	28,644
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
	275,413	267,495
	<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:

	2005	2004
	£	£
Salaries	96,850	94,644
Benefits in kind	9,824	9,051
Pension contributions	13,075	12,777
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
	119,749	116,472
	<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

There were no overseas activities during the year.

9 Other operating expenses

	2005	2004
	£'000	£'000
Teaching departments	1,447	977
Contracted-out lecturing services	738	871
Teaching support services	122	91
Other support services	87	124
Administration and central services	568	619
General education	528	594
Premises costs	1,576	948
Planned maintenance	576	437
Other income generating activities	13	22
Catering and residence operations	146	135
Franchised provision	300	311
	6,101	5,129
	6,101	5,129

Other operating expenses include:

Auditors remuneration:

External audit	14	19
Internal audit	19	19
	14	19

Notes (continued)

10 Interest payable

	2005	2004
	£'000	£'000
On bank loans, overdrafts and other loans:		
Repayable wholly or partly in more than five years, by instalments	75	81
	<u> </u>	<u> </u>

11 Taxation

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

Notes (continued)

12 Tangible fixed assets

	Freehold £'000	Equipment £'000	Total £'000
<i>Cost or valuation</i>			
At 1 August 2004	19,503	3,985	23,488
Additions	-	734	734
Disposal		(30)	(30)
	<hr/>	<hr/>	<hr/>
At 31 July 2005	19,503	4,689	24,192
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<i>Depreciation</i>			
At 1 August 2004	4,217	2,980	7,197
Charge for year	408	523	931
Eliminated in respect of disposal	-	(22)	(22)
	<hr/>	<hr/>	<hr/>
At 31 July 2005	4,625	3,481	8,106
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<i>Net book value</i>			
At 31 July 2005	14,878	1,208	16,086
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 July 2004	15,286	1,005	16,291
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Inherited	13,013	34	13,047
Financed by capital grant	375	508	883
Other	1,490	666	2,156
	<hr/>	<hr/>	<hr/>
	14,878	1,208	16,086
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

12 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 £13,013K (2004: £13,350K) 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 £34K (2004: £44K) 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 £375K (2004: £387K) which have been funded by a grant from the LSC.

The net book value of tangible fixed assets includes an amount of £nil (2004: £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	(468)
	<hr/>
Net book value based on cost	1,865
	<hr/> <hr/>

Notes (continued)

13 Investments

	2005	2004
	£	£
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. MBC Limited did not trade during the year.

14 Debtors

	2005	2004
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	227	90
DDA funding debtors	214	-
Prepayments and accrued income	29	26
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
	470	116
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>

Notes (continued)

15 Creditors: Amounts falling due within one year

	2005	2004
	£'000	£'000
Bank loans and overdrafts	77	70
Obligations under finance leases	-	-
Payments received on account	67	131
Trade creditors	290	301
Other taxation and social security	222	224
Accruals	305	596
	961	1,322
	961	1,322

16 Creditors: Amounts falling due after more than one year

	2005	2004
	£'000	£'000
Bank loans	762	839
	762	839

17 Analysis of borrowings of the College

Bank loans and overdrafts

	2005	2004
	£'000	£'000
Bank loans and overdrafts are repayable as follows:		
Within one year	77	70
Between one and two years	83	77
Between two and five years	679	486
In five years or more	-	276
	839	909
	839	909

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)

18 Deferred capital grants

	LSC £'000	Other grants £'000	Total £'000
At 1 August 2004			
Land and buildings	387	-	387
Equipment	581	14	595
Cash received			
Land and buildings	-	-	-
Equipment	184	-	184
Released to income and expenditure account:			
Land and buildings	(12)	-	(12)
Equipment	(268)	(3)	(271)
	872	11	883
At 31 July 2005			
Land and buildings	375	-	375
Equipment	497	11	508
	872	11	883
	872	11	883

No specific capital grants were received from the Learning and Skills Council during 2004/05. The College has allocated £184K Learning and Skills Council core funding against capital items.

19 Revaluation reserve

	£'000	£'000
At 1 August 2004	13,395	13,745
Transfer from revaluation reserve to income and expenditure account in respect of:		
Depreciation on revalued assets	(348)	(350)
	13,047	13,395
At 31 July 2005	13,047	13,395

Notes (continued)

20 Income and expenditure account

	£'000
At 1 August 2004	1,667
Transfer from revaluation reserve to income and expenditure account	348
Deficit on continuing operations after depreciation of assets at valuation and tax	(1,051)
	964
At 31 July 2005	964

21 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 £883,000 (2004-£835,000).

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 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	£142,880m
Proportion of members' accrued benefits covered by the actuarial value of the assets	100%

Following the implementation of Teacher's Pension (Employers' Supplementary Contributions) Regulations 2000, the Government Actuary carried out a further review on the level of employer contributions. For the period from 1 August 2004 to 31 July 2005 the employer contribution was 13.5 per cent. An appropriate SSAP 24 provision in respect of unfunded pensioners' benefits is included in provisions.

Notes (continued)

21 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 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 2005 was £448,000 of which employers' contributions totalled £306,000 and employees' contributions totalled £142,000. The agreed contribution rate for 2005/06 is 13.6% 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 2005 by a qualified independent actuary.

	At 31 July 2005	At 31 July 2004	At 31 July 2003
Inflation	2.8%	2.9%	2.6%
Rate of increase in salaries	4.3%	4.9%	4.6%
Rate of increase for pensions	2.8%	2.9%	2.6%
Discount rate for liabilities	5.0%	5.8%	5.5%

Notes (continued)

21 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 July 2005	Value at 31 July 2005 £'000	Long-term rate of return expected at 31 July 2005	Value at 31 July 2004 £'000	Long-term rate of return expected at 31 July 2005	Value at 31 July 2003 £'000
Equities	7.3%	4,458	7.9%	3,363	8.0%	3,039
Bonds	4.7%	1,063	5.4%	911	5.0%	797
Property	5.4%	679	6.7%	591	6.0%	450
Cash	4.5%	95	4.5%	120	3.5%	43
Total Market Value of assets		6,294		4,985		4,329
		Year ended 31 July 2005 £'000		Year ended 31 July 2004 £'000		Year ended 31 July 2003 £'000
College's estimated asset share		6,295		4,985		4,329
Present value of scheme liabilities		(8,013)		(6,642)		(5,935)
(Deficit) in the scheme		(1,718)		(1,657)		(1,606)

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 2005 £'000	Year ended 31 July 2004 £'000
*Net assets excluding FRS 17 pension liability	14,894	16,079
Net pension (liability)	(1,718)	(1,657)
Net assets including FRS17 pension liability	13,176	14,422

Notes (continued)

Pensions and similar obligations (Continued)

Reserve Note	Year ended 31 July 2005 £'000	Year ended 31 July 2004 £'000
*Income and expenditure account excluding FRS 17 pension liability	964	1,667
Pension reserve	(1,718)	(1,657)
Income and expenditure account including FRS 17 pension liability	<u>(754)</u>	<u>10</u>

*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 2005 £'000	Year ended 31 July 2004 £'000
Current service costs	359	359
Past service costs	-	-
	<u>359</u>	<u>359</u>

Analysis of net return on pension schemes

	2005 £'000s	2004 £'000s
Expected return on pension scheme assets	369	321
Interest on pension liabilities	(395)	(337)
Net return	<u>(26)</u>	<u>(16)</u>

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

	Year ended 31 July 2005 £'000
Actual return less expected return on pension scheme assets	668
Experience gains and losses arising on the scheme liabilities	79
Change in financial and demographic assumptions underlying the scheme	<u>(725)</u>

liabilities
Actuarial gain recognised in STRGL

22

Notes (continued)

Movement in surplus during year

	Year ended 31 July 2005 £'000	Year ended 31 July 2004 £'000
(Deficit) in scheme at 1 August	(1,657)	(1,606)
Movement in year:		
Current service charge	(359)	(359)
Contributions	302	253
Past service cost	-	-
Net interest/return on assets	(26)	(16)
Actuarial loss	<u>22</u>	<u>71</u>
(Deficit) in scheme at 31 July	<u><u>(1,718)</u></u>	<u><u>(1,657)</u></u>

History of experience gains and losses

	Year ended 31 July 2005	Year ended 31 July 2004	Year ended 31 July 2003
Difference between the expected and actual return			
on assets:			
amount £m	668	78	(29)
% of scheme assets	10.6%	1.6%	(0.7)%
Experience gains and losses on scheme liabilities:			
amount £m	79	1	(69)
% of scheme liabilities	1.0%	0.0%	(1.2)%
Total amount recognised in STRGL:			
Amount £m	22	71	(849)
% of scheme liabilities	0.3%	1.1%	(14.3)%

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

	2005 £'000	2004 £'000
(Deficit) on continuing operations after depreciation of assets at valuation and tax	(1,051)	(539)
Depreciation (note 12)	931	860
Deferred capital grants released to income	(283)	(301)
Interest payable	75	81
(Increase)/decrease in debtors	(354)	470
(Decrease)/ increase in creditors	(403)	152
Interest receivable	(69)	(66)
Loss on disposal of fixed assets	(12)	-
Net cash inflow from operating activities	<u><u>(1,166)</u></u>	<u><u>657</u></u>

Notes (continued)

23 Analysis of changes in net funds

	At 1 August 2004 £'000	Cash flows £'000	Other Changes £'000	At 31 July 2005 £'000
Cash at bank and in hand	1,833	(1,772)	-	61
Debts due within 1 year	(70)	70	(77)	(77)
Debts due after 1 year	(839)	-	77	(762)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	924	(1,702)	-	(778)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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

	2005 £'000	2004 £'000
Returns on investments and servicing of finance		
Interest received	69	66
Interest paid	<u>(75)</u>	<u>(81)</u>
Net cash (outflow) from returns on investments and servicing of finance	<u>(6)</u>	<u>(15)</u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(714)	(644)
Deferred capital grants received	<u>184</u>	<u>325</u>
Net cash (outflow) for capital expenditure and financial investment	<u>(530)</u>	<u>(319)</u>
Financing		
Debt due beyond a year:		
Repayment of amounts borrowed	<u>(70)</u>	<u>(64)</u>
Net cash (outflow) from financing	<u>(70)</u>	<u>(64)</u>

25 Post balance sheet events

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

Notes (continued)

26 Financial commitments

At 31 July 2005, the College had annual commitments under non-cancellable operating leases as follows:

	2005		2004	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Expiring in over five years	53	-	53	-
	<u>53</u>	<u>-</u>	<u>53</u>	<u>-</u>
	<u><u>53</u></u>	<u><u>-</u></u>	<u><u>53</u></u>	<u><u>-</u></u>

27 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'.

28 Learner Support funds

	2005 £'000	2004 £'000
LSC grants	461	518
Interest earned	4	1
Disbursed to students	(461)	(510)
Audit fees	-	-
	<u>4</u>	<u>9</u>
Balance unspent at 31 July	<u><u>4</u></u>	<u><u>9</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.