



ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 July 2019

Barnet and Southgate College Corporation
Southgate Campus
High Street
Southgate
N14 6BS

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Reference and Administrative Details**Board of Governors**

The following governors served during the year ended 31 July 2019 and at the date of signing this report:

P Anand (to 5 March 2019)
A Almeida-Jones (from 1 September 2019)
M Archer
S Baldwin (12 months sabbatical from 31 July 2019)
N Brew (from 26 September 2019)
F Bulmer
D Byrne (to 7 December 2018)
S Dawson
G Duncan
I Galvin (from 1 September 2019)
S Karaasanov (to 31 July 2019)
D Mephram (from 6 Jan 2019)
F Hanson Ofori-Quaah (to 1 November 2019)
P Patel (to 31 July 2019)
H Rattan (to 29 March 2019)
C Tsattala
A Zinkin (Chair)
Clerk/Company Secretary
M Drayson

Principal and Registered Office

Barnet and Southgate College, High Street, Southgate N14 6BS

Professional advisors

External Auditors	MHA MacIntyre Hudson
Internal Auditors	Mazars LLP
Solicitors	Eversheds Sutherland (International) LLP
Bankers	Lloyds Bank

STRATEGIC REPORT

The members of the Board of Governors present their report and the audited financial statements for the year ended 31 July 2019.

A list of all the governors who served on the Board at any point during 2018 -19 and up to the date of signing, together with their roles, is to be found in the statement of corporate governance and internal control.

Legal Status

The Corporation was established under the Further & Higher Education Act 1992 for the purpose of conducting Barnet and Southgate College. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

Mission, Vision, Strategy and Objectives

The Board has retained its long-standing overarching vision, mission and strategic objectives which focus on: quality and standards; jobs and progression; and innovation and inspiration. The Board has also agreed clear, thematically grouped objectives for the period to 2021 that includes further development of apprenticeship opportunities, growth in higher education provision and the development of commercial income. The Board has successfully established a dynamic and responsive approach to the local and regional economic needs by positioning the College in distinctive areas of educational delivery, such as Dentistry and Assisted Living Technologies which gives our students an advantage in the London employment market.

During 2018-19 the College had the number of students and trainees funded under arrangements made by the Secretary of State for Education set out in table 1 below:

Table 1. Number of students and trainees in 2018-19

Type of student	Number
Students (mainly 16-18)	2,957
16-18 Apprentices	29
19+ Apprentices	273
Other adult students	9,412
Higher Education Students (funded by the Office for Students)	311

This is not a comprehensive listing of the College's total student population. Amongst students not listed above are adults not studying for particular qualifications and students studying "non-funded" qualifications designed to improve life chances and social well-being.

Resources

The College employs 414 people (expressed as full-time equivalents), of whom 185 are teaching staff.

The College enrolled approximately 13,000 students. The College's student population includes 2,957 16 to 18-year-old students, 9,412 adult learners, 566 apprentices and 311 higher education students.

The Group has £21 million of net assets (after allowing for £34 million pension liability) and long-term debt of £15.6 million. Tangible resources include the main college sites and £14 million held in current assets. The College occupied six premises during the year, with extensive works carried out on the southgate Campus expected to complete in April 2020.

- 1) The Wood Street campus in High Barnet including Tudor Hall, plus a rented smaller site known as The Hyde (vacated in October 2019)
- 2) The Southgate Campus, lying to the west of the High Street. This site is undergoing a strategic programme of refurbishment and modernisation.
- 3) The Colindale campus which also accommodates the local public library and some community facilities.
- 4) Leased premises in Edmonton Green, Enfield.
- 5) Leased premises in Baird Road, Enfield. These premises are occupied by the wholly owned subsidiary company – Minchenden Business Centre Ltd.
- 6) Outsourced agreement for facilities at Hospitality House in East Finchley, which accommodates hospitality and retail facilities (A major fire on site has meant this has been unoccupied since April 2019 with provision moved to other College sites)

The College has a good reputation locally, regionally and nationally, working closely with partners, and especially employers, to design and deliver provision that meets their needs, those of students and of the local and wider community. Well-established partnerships exist with many organisations, including local and regional businesses, local authorities, NHS trusts, universities, community based organisations and the charitable sector, many of which result in significant enrichment opportunities for students.

Over 1000 employers provide work experience placements across the college as a result of the good links with businesses and other organisations.

The vast majority of curriculum areas have active links and partnerships with employers to enrich and inform curriculum delivery. Increasingly such partnerships are being used effectively to design a distinctive curriculum offer that meets their specific needs and meets employer demand locally and regionally.

Stakeholders

The College has many stakeholders including:

- its current, future and past students;
- its staff and their trade unions (UCU, Unison and NEU)
- the employers it works with;
- the professional organisations in the sectors where it works;
- its partner schools (Menorah and Holmewood) and the Universities of Derby and Bolton;
- the wider college community;
- the London Boroughs of Barnet and Enfield and other local authorities across London,
- the Greater London Assembly and the London LEAP

During the year the College extended its links and influence with all the above and sought to play a significant part in local business and community affairs. The College is represented at key strategic partnership meetings and works with local resident groups to further the objectives of improving community partnership and strategic collaboration.

DEVELOPMENT AND PERFORMANCE

In December 2018, the College was inspected by Ofsted and was graded as Requires Improvement overall with Good provision for Apprenticeships. The College immediately developed a Post Inspection Action Plan to improve the quality of teaching, learning and assessment across all departments.

The Board appointed a new Chief Executive following a comprehensive selection process undertaken during the summer of 2018 and Darren Mepham joined the College in January 2019. During the summer of 2019, the College also appointed a permanent Principal, Neil Coker who joined the College in August 2019.

In November 2019, Ofsted returned to the College for a monitoring visit and the College was pleased to be graded as making significant progress in two areas and reasonable progress in the third aspect reviewed.

Financial Results

The Group failed to achieve its financial target, generating a deficit before other gains and losses of £4,813k. Adjusting for non-operating costs relating to pensions and one-off adjustments, the operating position was a deficit of £1,510k.

Deficit before other gains and losses	(£4,813k)
Add: LGPS Deficit Reduction Payments	£1,063k
Add: FRS102 Pension Interest Charge	£788k
Add: prior year write-offs	£776k
Add: provision of prior year costs not previously provided	£241k
Add provision for dilapidation and closure costs	£435k
Operating Deficit	(£1,510k)

Income was £1.5 million lower than in the previous year due to lower 16-18 lagged funding relating to the student numbers recruited in 2017/18 and lower take-up of advanced learner loans by adult students.

The total comprehensive income in 2018/19 is stated after accounting for the release of provision of costs no longer required relating to disposal of the Grahame Park campus which was closed in September 2018.

Developments

The college's redevelopment involved tangible fixed asset additions during the year amounting to £4.8 million. This was split between refurbishment costs of £4.1 million which was work-in-progress at the end of the year, and equipment purchased of £700k. In the main, this related to the strategic development of the Southgate campus.

Reserves

The Group has accumulated reserves of £21 million and cash and short-term investment balances of £12 million. The Group wishes to continue to accumulate reserves and cash balances in order to create a contingency fund and to continue its programme of investment in facilities for students.

Sources of income

The Group has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2018/19 the FE funding bodies provided 86% of the Group's total income.

Group companies

The College has one subsidiary company, Minchenden Business Centre Limited. The principal activities are the body and paint training and apprenticeship vehicle restoration, and provision of a catering service to the College. Any surpluses generated by the subsidiary are transferred to the College under deed of covenant. In the current year, a deficit of £0.7 million was generated, before any release of intercompany debt. The catering provision has been contracted out from 2019/20 and the governors agreed to wind down the body and paint training and apprenticeship vehicle restoration provision with a view to closing the subsidiary in late 2020.

FUTURE PROSPECTS

Developments

The College has continued to invest in its facilities and aims to increase student numbers across the College sites. The College will work closely with the local community and businesses in order to plan courses that meet their individual needs.

Financial plan

The College governors approved a financial plan in July 2019 which sets objectives for the period to 2021.

Treasury policies and objectives

The College has treasury management policy and arrangements in place to manage cash flows, banking arrangements and the risk associated with those activities. All borrowings require the authorisation of the Corporation.

Cash flows and liquidity

At (£4.8m) (2017/18 £4.4m), net cash outflow from operating activities was used to reduce the current liability debt by £6m. The College has sufficient liquidity to pay for its current liabilities with cash reserves of £12m.

The size of the College's total borrowing and its approach to interest rates has been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cashflow. During the year this margin was comfortably exceeded. Long term borrowing in the form of secured bank loans reduced to £16.4m (£17.1m in 2017/18).

Reserves

The College has no formal Reserves Policy but recognises the importance of reserves in the financial stability of any organisation, and ensures that there are adequate reserves to support the College's core activities. As at the balance sheet date the Income and Expenditure reserve stands at £10 million (2018: £18.2 million, as restated). It is the Board of Governors' intention to provide reserves for reinvestment over the life of the strategic plan through the generation of annual operating surpluses.

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, it continues to adopt the going concern basis in preparing the financial statements.

PRINCIPAL RISKS AND UNCERTAINTIES

The College has a comprehensive risk management approach that is supported by appropriate policies, procedures and training. A detailed risk register and risk reduction plan is maintained and these are regularly monitored and updated by the Executive Leadership Group. The College adopts a 'top down, bottom up' approach to identification, recording and assessment of risk, to ensure all significant risks are identified and assessed appropriately. The College has undertaken a range of staff development and Governor training sessions to raise awareness and embed the concept of risk management across the whole College.

The Audit Committee has oversight of the risk management control environment and scrutinises the risk register at each meeting. Risk management training is also provided to staff and managers.

The College uses an electronic version of the risk register to support the management of risk. The following areas were assessed as being the principal risks associated with the delivery of the College's strategic objectives in 2018/19:

- The College was graded as "Requires Improvement" in December 2018 following an Ofsted Inspection. Steps have been taken since the inspection to put procedures in place to implement improvement plans against the issues highlighted. The college was successful in receiving Strategic College Improvement Fund (SCIF) funding towards the improvement plan and has utilised the funds towards the development plan. The impact of the development plan was highlighted in the monitoring visit by Ofsted, judging significant progress across the 2 of the 3 themes they were monitoring and reasonable progress against the third theme.
- The impact of breaching the College's banking covenants would have a significant financial impact with a potential repayment of the long-term loan. The covenant requires the College to ensure these are not breached concurrently over the 3 financial periods. The College has breached the covenant for the current year and the previous year and will monitor the following year in line with its budget. A Finance Scrutiny Group comprising governors and senior managers now meets regularly to review performance. The College ultimately has the option to provide security against its assets to mitigate any future breaches.

Main Risks identified through the risk register in 2018/19	Key Action taken
Failure to implement medium- and long-term accommodation plans might result in poor learner experience and loss of student income.	A draft property strategy has been viewed by the corporation and will be finalised in line with the development of the overarching Corporate Strategy. Develop a long-term Planned and Preventative Maintenance Plan for all campuses.
IT systems failure, leading to loss of key student records, personnel or financial data, disruption to teaching and learning such as register taking, the Virtual Learning Environment or key business processes in MIS or Finance.	Replacement of the college ageing server infrastructure, completion of penetration testing, production of a Digital Strategy and review of Backup and Disaster Recovery Plan.

Loss or damage to College buildings by fire or other incident, leading to injury or loss of life and disruption to teaching and learning with consequential impact on recruitment, substantial financial loss and / or reputational damage.	The College insures all its premises against fire and other perils with a reputable insurer. Business Continuity Plan in place that will mitigate the immediate impact of a major incident. Sourcing of alternative premises where there is spare capacity, or temporary accommodation. Regular fire evacuations are held at each site.
Health and safety procedures for students, visitors and staff is insufficient to protect against injury or claim.	Review process management of risk assessment sheets for machinery, working at height. Implement eduTrips system to support the management of trips. Health and Safety officer appointed
Failure of key franchise delivery partner	Quarterly meetings to review any issues with partners arising from learner feedback, audits or unannounced visits so that action can be taken. Due diligence is carried out on all partners before contracting with a standard pre-approved contract to ensure they are financially sound and to reduce the risk.
Subsidiary company generating financial losses	Catering contract outsourced from September 2019 and the directors of the subsidiary company have agreed to wind down the paint and training provision with a view to closing the company in 2020
Corporate IT infrastructure insufficient to meet the changing demands of curriculum and teaching /learning/assessment.	Capital budget allocated for IT priorities that enable access to modern up-to-date digital technology. Regular training and sharing of good practice on use of digital technology for teaching, learning and assessment.
Cyber security	The college computer network is secure. Strong prevention and detection tools are in place to protect the College network from external attacks.

KEY PERFORMANCE INDICATORS

Key performance Indicator	Measure/Target	Actual for 2018/19
Student number targets (16-18)	3,083	2,957
Student overall achievement	88%	85.6%
Operating Surplus (Deficit)/EBITDA as % of income	10.32%	(0.69%)
Ofsted rating	Good	Requires Improvement

Student achievements

Students continue to prosper at the College. The overall achievement rate was 85.6% for 2018/19.

OTHER INFORMATION

Public Benefit

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

In delivering its mission, the College provides identifiable public benefits through the advancement of education to over 13,000 students, including 281 students with high needs. The college provides courses without charge to young people, to those who are unemployed and adults taking English and maths courses. The college adjusts its courses to meet the needs of local employers and provides training to 566 apprentices. The college is committed to providing information, advice and guidance to the students it enrolls and to finding suitable courses for as many students as possible regardless of their educational background.

Equality

The College is committed to ensuring equality of opportunity for all its learners, staff and the broader community which it serves. We welcome, celebrate and value the diversity of our learning community and seek to promote an inclusive learning and working environment where everyone can achieve to their full potential. We have a zero tolerance of discrimination, harassment or bullying of any kind. This policy is monitored and reviewed on an annual basis. The College's Equality, Diversity and Inclusion Policy is published on the College's Intranet and website.

The College publishes an Annual Equality, Diversity and Inclusion Report and three yearly Equality Objectives to ensure compliance with all relevant equality legislation including the Equality Act 2010. The College undertakes equality impact assessments on all new policies and procedures. Equality impact assessments are also undertaken for existing policies and procedures on a prioritised basis.

The College is a 'Positive about Disabled People' employer and has committed to the principles and objectives of the Positive about Disabled People standard. The College considers all employment applications from disabled persons, bearing in mind the aptitudes of the individuals concerned, and guarantees an interview to any disabled applicant who meets the essential criteria for the post. 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, as far as possible, provide identical opportunities to those of non-disabled employees.

The College has committed to the 'Mindful Employer' initiative to assist the mental health wellbeing of staff. The College achieved the Investors in Diversity Award in February 2017. The College provides training on Equality & Diversity on a regular basis and equality and diversity forms part of the induction training for all new starters.

The Single Equality Scheme

The College's Single Equality Scheme contains a statement on Disability as follows:

The College recognises that people with disabilities, learning difficulties and mental health needs experience discrimination within society.

Within three years, we want to take substantial and concrete steps to challenge this and to help ensure fairness and equality of access to all aspects of College life. We will:

- actively oppose stereotyped responses to disabled people and work to promote a positive and inclusive environment in relation to education, training and employment in every area of College life
- ensure that students with learning difficulties, disabilities or mental health needs are an integral part of the College community and share fully in a positive ethos and culture of celebrating success
- continue to provide high quality learning through our specialist LLDD Centre of Excellence
- ensure that there is access to all learning and wider College facilities within the framework of the relevant legislation
- ensure that harassment or bullying of students with learning difficulties, disabilities or mental health needs is not tolerated in any area of College life. Any such behaviour will be challenged through appropriate College procedures
- make reasonable adjustments to enable the employment of staff with disabilities or mental health needs on equal terms and conditions with all other staff
- ensure that staff and students from a representative range of learning difficulties, disabilities or mental health needs have full opportunity to impact on College policy and procedure
- continue to work within the principles of the Mindful Employer Charter
- ensure that employment policies and procedures will reflect this position statement.

Staff involvement

The Board of Governors considers good communication with its staff to be very important. As such, a number of communication methods are in operation to ensure that information flows throughout the organisation. A range of communication methods have been implemented and discussed with staff to ensure regular and relevant communication flows within the organisation.

Communication methods currently in use include:

- weekly management meetings held with all Heads of Service to communicate key messages from the Executive Leadership Group for cascading to teams;
- weekly newsletters to all staff;
- regular email updates from the CEO;
- regular departmental team meetings;
- termly all staff briefings; half termly meetings with recognised trade unions;
- monthly organisational development committee meetings with representatives from each department; and
- a staff intranet site.

The information flow and methods of communication have been publicised to all staff to encourage engagement and feedback and are under regular review through the organisational development committee.

Trade union facility time

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

Numbers of employees who were provided with union facility time arrangements in the relevant period	17 (all between 1-50% of time)
FTE employee number	1.4FTE in total (based on remission time given)
Total cost of facility time	£70k
Total pay bill	£22m
Percentage of total bill spent on facility time	0.32%
Time spent on paid trade union activities as a percentage of total paid facility time	100%

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998 requires Colleges, in the absence of agreement to the contrary, to make payment 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 95 per cent. During the accounting period 1 August 2018 to 31 July 2019, the College paid 70 per cent of its invoices within 30 days.

Disclosure of information to auditors

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

Approved by order of the members of the Board of Governors on 19th December 2019 and signed on its behalf by:

Graham Duncan

Vice-Chair of the Board of Governors

19 December 2019

Statement of Corporate Governance and Internal control

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. The statement covers the period 1st August 2018 to 31st July 2019 and up to the date of the annual report and financial statements.

The College endeavours to conduct its business:

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

In the opinion of the Governors, the College complies with all the mandatory provisions of the Code, and it has complied throughout the year ended 31 July 2019. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, although the Board has not formally adopted the Code.

The Board of Governors

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

Name	Date of Appointment & Reappointment	Term of Office	Resignation	Status of Appointment	Committees Served and Attendance
Ann Zinkin	01/09/2013 13/07/2017	4 years		External (Chair of the Board of Governors)	Board – 12 of 13 Search – 3 of 4 Remuneration - 3 of 3
Alessandra Almeida-Jones	01/09/2019	Initially 1 year leading to 4 years		External	Board – 2 of 3
Puneet Anand	20/09/2018		05/03/2019	External	Board - 4 of 4
Mervin Archer	01/09/2013 15/06/2017	4 years		External	Board - 12 of 13 Audit - 6 of 6
Sue Baldwin	29/01/2015 01/01/2017	4 years with one year sabbatical from 31/07/2019		External	Board - 7 of 10
Nana Brew	26/09/2019	Initially 1 year leading to 4 years			Board – 2 of 2
Fiona Bulmer	01/09/2013 15/06/2017	4 years		External	Board - 13 of 13 Search - 4 of 4 Remuneration – 3 of 3
David Byrne	01/03/2012	Ex-Officio	07/12/2018	Principal	Board - 3 of 3 Search - 2 of 2
Sheila Dawson	01/09/2013 13/07/2017	4 years		External	Board – 12 of 13 Audit – 6 of 6 Remuneration – 3 of 3
Graham Duncan	01/09/2013 21/06/2017	4 years		External	Board – 13 of 13 Audit – 6 of 6 Search – 4 of 4 Remuneration - 3 of 3
Seb Karaasanov	07/12/2017	2 years	31/07/2019	Student	Board – 4 of 9
Imelda Galvin	01/09/2019	Initially 1 year leading to 4 years		External	Board – 3 of 3
Felicia Hanson Ofori-Quaah	02/11/2018	Initial 1 yr leading to 4 yrs	01/11/2019	External	Board – 6 of 9
Darren Mepham	06/01/2019	Ex-Officio		Chief Executive and Accounting Officer	
Pooja Patel	07/12/2017	2 years	31/07/2019	Student	Board – 4 of 9
Harvinder Rattan	16/10/2018	Initial 1 yr leading to 4 yrs	29/03/2019	External	Board - 3 of 4
Christalla Tsattala	11/11/2015, 10/11/2017 9/11/2019	2 years		Staff	Board– 11 of 13

The Clerk to the Corporation is Melissa Drayson.

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

The Board 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 Board meets ten times a year and has two strategic away days. During the period, the Chair convened two additional Special Board meetings during the senior postholder recruitment process.

The Board conducts its business through three standing committees; each committee has Terms of Reference, which have been approved by the Corporation. These committees are Audit, Remuneration and Search. Full minutes of Corporation meetings, except those deemed to be confidential by the Corporation, are available from the College website (barnetsouthgate.ac.uk) and Clerk to the Corporation at the College's registered address.

The Board also has the power to convene task and finish groups to provide extra scrutiny of specific areas of business on a time-limited basis. The Board has used this power during 2018/19 to convene task and finish groups to oversee Capital Projects; Budgetary compliance and Post Ofsted actions.

The Clerk to the Corporation maintains a register of financial and personal interests of the governors. The register is available for inspection at the above address.

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

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

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

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

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Board as a whole. The Board has a Search committee, consisting of four Governors, which is responsible for the selection and nomination of any new governor for the Board's consideration. The Board is responsible for ensuring that appropriate training is provided as required.

Members of the Board are appointed for a term of office not exceeding four years and, having regard to the recommendations made in the AoC Code of Good Governance in English Colleges, no more than eight years will normally be served by members unless in exceptional circumstances

Board performance

The Board carried out a self-assessment of its own performance for the year ended 31st July 2019 and graded itself as "Good" on the Ofsted scale.

Remuneration Committee

Throughout the year ended 31 July 2019, the Board's Remuneration committee comprised the Chair and Vice-Chair of the Board of Governors plus two other governors. The Committee's responsibilities are to review the performance of the Accounting Officer, other Senior Post Holders and the Clerk, to determine appropriate salary levels and to advise the Board accordingly.

Details of remuneration for the year ended 31 July 2019 are set out in note 7 to the financial statements.

Audit Committee

The Audit Committee comprises a minimum of three external governors and may co-opt up to two members who are not governors. The Accounting Officer, the Chair of the Board, and staff and student governors are not eligible to be members. The Committee operates in accordance with written Terms of Reference which are reviewed annually and approved by the Board.

The Audit Committee meets on at least a termly basis and provides a forum for reporting by the College's internal, regularity and financial statements 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 main FE funding bodies as they affect the College's business.

The College's internal auditors review the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input and report their findings to management and the Audit Committee.

Management is responsible for the implementation of agreed audit recommendations and internal audit undertakes periodic follow-up reviews to ensure such recommendations have been implemented.

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

The Committee advises the Board on the College's arrangements for risk management and for securing economy, efficiency and effectiveness (value for money). The Committee also oversees the Board's policies on fraud, irregularity and whistleblowing and ensures that all allegations of fraud or irregularity are properly followed up and that investigation outcomes are reported to the auditors and funding body as appropriate.

Internal Control

Scope of responsibility

The Board 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 misstatement or loss.

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

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Barnet and Southgate College for the year ended 31 July 2019 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Board has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Board is of the view that there is a formal on-going process for identifying, evaluating and managing the College's significant risks that has been in place for the period ended 31 July 2019 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Board through the Audit Committee.

The risk and control framework

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

- Comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the Board of Governors
- Regular reviews by the Board of Governors 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.

The College engages an internal audit service, which operates in accordance with the requirements of the ESFA's *Post 16 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 Board of Governors on the recommendation of the Audit Committee. In addition to regular reports to Audit Committee, the internal auditor provides the Board of Governors with an annual report on internal audit activity in the College. The report includes the service provider's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Review of effectiveness

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

- The work of the internal auditors
- The work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework
- Comments made by the College's financial statements and regularity auditors in their management letters and other reports.

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

The Executive Leadership Group receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Executive Leadership Group and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Board's agenda includes a regular report on risk and control from the Audit Committee and the Executive Leadership Group. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2019 meeting, the Audit Committee carried out the annual assessment of risk and internal control for the year ended 31 July 2019 by considering documentation from the Executive Leadership Group and internal audit, and taking account of events since 31 July 2019.

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

Approved by order of the members of the Corporation on 19th December 2019 and signed on its behalf by:



Graham Duncan
Vice - Chair of the Corporation



Darren Mepham
Accounting Officer

Statement of Regularity, Propriety and Compliance

The Corporation has considered its responsibility to notify the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of funding, under the College's grant funding agreement and contracts with ESFA. As part of our consideration we have had due regard to the requirements of the grant funding agreements and contracts with ESFA.

We confirm on behalf of the Board, that after due enquiry, and to the best of our knowledge, we are able to identify any material irregular or improper use of funds by the College, or material non-compliance with the terms and conditions of funding under the College's grant funding agreements and contract with ESFA.

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



Graham Duncan
Vice-Chair of the Board of Governors



Darren Mepham
Accounting Officer

STATEMENT OF RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION

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

Within the terms and conditions of the college's grant funding agreements and contracts with ESFA, the corporation, through its accounting officer, is required to prepare financial statements and an operating and financial review for each financial year in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education, ESFA's college accounts direction and the UK's Generally Accepted Accounting Practice, and which give a true and fair view of the state of affairs of the college and its surplus / deficit of income over expenditure for that period.

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

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable 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 also required to prepare a Members' Report which describes what it is trying to do and how it is going about it, including information about the legal and administrative status of the college.

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

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

Members of corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition, they are responsible for ensuring that funds from ESFA are used only in accordance with ESFA's grant funding agreements and contracts and any other conditions that may be prescribed from time to time. Members of 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, member so of 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 from ESFA are not put at risk.

Approved by order of the members of the corporation on 19th December 2019 and signed on its behalf by:



Graham Duncan, Vice-Chair of the Board of Governors

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE CORPORATION OF BARNET AND SOUTHGATE COLLEGE**Year ended 31 July 2019****Opinion**

We have audited the financial statements of Barnet and Southgate College and its subsidiary company (the Group) for the year ended 31 July 2019 which comprise the Group Statement of Comprehensive Income, the Group Statement of Changes in Reserves, the Group and College Balance Sheet, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the College and the Group's affairs as at 31 July 2019 and of the Group's surplus for the year then ended;
- have been properly prepared in accordance with the 2015 Statement of Recommended Practice Accounting for Further and Higher Education.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Governors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Governors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE CORPORATION OF BARNET AND SOUTHGATE COLLEGE (CONTINUED)**Year ended 31 July 2019**

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified material misstatements in the members' report or operating and financial review or the statement of corporate governance and internal control.

We have nothing to report in respect of the following matters in relation to which the Post 16 Audit Code of Practice issued jointly by the Skills Funding Agency and the Education Funding Agency (March 2019) requires us to report to you if our opinion:

- adequate accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns; or
- all the information and explanations required for the audit were not received.

Responsibilities of Governors

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

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

Auditor's responsibilities for the audit of the financial statements

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

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE CORPORATION OF
BARNET AND SOUTHGATE COLLEGE (CONTINUED)****Year ended 31 July 2019**

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Governors.
- Conclude on the appropriateness of the Governors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Use of our report

This report is made solely to the Governors, as a body, in accordance with the College's Articles of Government. Our audit work has been undertaken so that we might state to the Governors, as a body, 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 Governors, as a body, for our audit work, for this report, or for the opinions we have formed.

MHA MacIntyre Hudson

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MHA MACINTYRE HUDSON
Chartered Accountants & Statutory Auditor
New Bridge Street House
30-34 New Bridge Street
London
EC4V6BJ
Date..... 20/12/19

REPORTING ACCOUNTANTS' ASSURANCE REPORT ON REGULARITY**To: The Corporation of Barnet and Southgate College and Secretary of State for Education acting through the Department for Education ("the Department")**

In accordance with the terms of our engagement letter dated 16 October 2019 and further to the requirements of funding agreement with the Education and Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Barnet and Southgate College during the period 1st August 2018 to 31 July 2019 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Post 16 Audit Code of Practice ("the Code") issued by the Department. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record returns, for which the Department has other assurance arrangements in place.

This report is made solely to the Corporation of Barnet and Southgate College and Department in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the Corporation of Barnet and Southgate College and the Department those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation of Barnet and Southgate College and the Department for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Barnet and Southgate College and the reporting accountant

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1st August 2018 to 31 July 2019 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Code issued by the Department. We performed a limited assurance engagement as defined in that framework.

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity.

A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

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

REPORTING ACCOUNTANTS' ASSURANCE REPORT ON REGULARITY (CONTINUED)

The work undertaken to draw our conclusion included:

- Reviewing the self-assessment questionnaire which supports the representations included in the Chair of Governors and Accounting Officer's statement on regularity, propriety and compliance with the relevant framework;
- Reviewing the Corporation minutes relevant to our consideration of regularity;
- Testing transactions with related parties;
- Testing a sample of payments to suppliers and a sample of payroll payments to staff.

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1st August 2018 to 31 July 2019 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

MHA MacIntyre Hudson

MHA MACINTYRE HUDSON
Chartered Accountants & Statutory Auditor
New Bridge Street House
30-34 New Bridge Street
London
EC4V6BJ
Date.....20/12/19.....

Barnet and Southgate College
Consolidated Statements of Comprehensive Income and Expenditure

	Notes	Year ended 31 July		Year ended 31 July	
		2019	2019	2018	2018
		Group	College	Group	College
		£'000	£'000	£'000	£'000
INCOME					
Funding body grants	2	31,684	31,649	32,491	32,491
Tuition fees and education contracts	3	7,752	7,752	8,365	8,359
Other grants and contracts	4	200	200	424	424
Other income	5	1,344	700	1,261	698
Endowment and investment income	6	102	102	61	61
Total income		41,082	40,403	42,602	42,033
EXPENDITURE					
Staff costs	7	25,207	24,671	25,274	24,732
Other operating expenses	8	16,155	17,216	14,821	14,531
Depreciation	11	2,748	2,740	2,164	2,154
Interest and other finance costs	9	1,785	1,785	1,826	1,826
Total expenditure		45,895	46,412	44,085	43,243
(Deficit)/surplus before other gains and losses		(4,813)	(6,009)	(1,483)	(1,210)
Profit on disposal of assets	11	1,409	1,409	4,875	4,875
(Deficit)/surplus before tax		(3,404)	(4,600)	3,392	3,665
Taxation	10	-	-	-	-
(Deficit)/surplus for the year		(3,404)	(4,600)	3,392	3,665
Actuarial loss in respect of pensions schemes		(4,922)	(4,922)	3,808	3,808
Total comprehensive income for the year		(8,326)	(9,522)	7,200	7,473

**Barnet and Southgate College
Consolidated and College Statement of Changes in Reserves**

	Income and expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Group			
Balance at 1st August 2017	10,774	11,078	21,852
Surplus/(deficit) from the income and expenditure account	3,392	-	3,392
Other comprehensive income	3,808	-	3,808
Transfers between revaluation and income and expenditure reserves	203	(203)	-
	<u>7,403</u>	<u>(203)</u>	<u>7,200</u>
Balance at 31st July 2018	18,177	10,875	29,052
Surplus/(deficit) from the income and expenditure account	(3,404)	-	(3,404)
Other comprehensive income	(4,922)	-	(4,922)
Transfers between revaluation and income and expenditure reserves	201	(201)	-
Total comprehensive income for the year	<u>(8,125)</u>	<u>(201)</u>	<u>(8,326)</u>
Balance at 31st July 2019	<u>10,052</u>	<u>10,674</u>	<u>20,726</u>
College			
Balance at 1st August 2017	11,641	11,078	22,719
Surplus/(deficit) from the income and expenditure account	3,665	-	3,665
Other comprehensive income	3,808	-	3,808
Transfers between revaluation and income and expenditure reserves	203	(203)	-
	<u>7,676</u>	<u>(203)</u>	<u>7,473</u>
Balance at 31st July 2018	19,317	10,875	30,192
Surplus/(deficit) from the income and expenditure account	(4,600)	-	(4,600)
Other comprehensive income	(4,922)	-	(4,922)
Transfers between revaluation and income and expenditure reserves	201	(201)	-
Total comprehensive income for the year	<u>(9,320)</u>	<u>(201)</u>	<u>(9,522)</u>
Balance at 31st July 2019	<u>9,996</u>	<u>10,674</u>	<u>20,670</u>

Barnet and southgate College
Balance sheets as at 31 July

	Notes	Group	College	Group	College
		2019	2019	2018	2018
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible fixed assets	11	83,543	83,522	81,402	81,376
Investments	12	-	0	-	0
		83,543	83,522	81,402	81,376
Current assets					
Stocks		31	-	30	-
Trade and other receivables	13	2,229	2,201	2,935	4,111
Investments	14	9,075	9,075	-	-
Cash and cash equivalents	21	3,057	3,029	23,035	23,005
		14,392	14,305	26,000	27,116
Less: Creditors – amounts falling due within one year	15	(4,451)	(4,399)	(10,738)	(10,688)
Net current assets		9,941	9,906	15,262	16,428
Total assets less current liabilities		93,484	93,428	96,664	97,804
Less: Creditors – amounts falling due after more than one year	16	(38,733)	(38,733)	(39,662)	(39,662)
Provisions					
Defined benefit obligations	20	(33,562)	(33,562)	(27,322)	(27,322)
Other provisions	20	(463)	(463)	(628)	(628)
Total net assets		20,726	20,670	29,052	30,192
Unrestricted reserves					
Income and expenditure account		10,052	9,996	18,177	19,317
Revaluation reserve	19	10,674	10,674	10,875	10,875
Total unrestricted reserves		20,726	20,670	29,052	30,192
Total reserves		20,726	20,670	29,052	30,192

The financial statements on pages 25 to 50 were approved and authorised for issue by the Corporation on 19 December 2019 and were signed on its behalf on that date by:

Graham Duncan
Vice Chair of the Corporation

Darren Mepham
Accounting Officer

**Barnet and Southgate College
Consolidated Statement of Cash Flows**

	Notes	2019 £'000	2018 £'000
Cash inflow from operating activities			
Surplus/(deficit) for the year		(3,404)	3,392
Adjustment for non cash items			
Depreciation		2,748	2,164
(Increase)/decrease in stocks		(1)	30
(Increase)/decrease in debtors		706	974
Increase/(decrease) in creditors due within one year		(6,200)	1,356
Increase/(decrease) in provisions		(165)	-
Pensions costs less contributions payable		411	281
Deferred capital grants released to income		(623)	(664)
Adjustment for investing or financing activities			
Investment income		(102)	(61)
Interest payable		1,785	1,826
(Profit)/Loss on sale of fixed assets			(4,875)
		<u>(4,845)</u>	<u>4,423</u>
Net cash flow from operating activities			
Cash flows from investing activities			
Proceeds from sale of fixed assets		-	6,645
Investment income		102	61
Deferred capital grants received		425	1,216
Payments made to acquire fixed assets		(4,889)	(5,041)
		<u>(4,362)</u>	<u>2,881</u>
Cash flows from financing activities			
Interest paid		(1,020)	(1,012)
Repayments of amounts borrowed		(676)	(852)
		<u>(1,696)</u>	<u>(1,864)</u>
Increase / (decrease) in cash and cash equivalents in the year			
		<u>(10,903)</u>	<u>5,440</u>
Cash and cash equivalents at beginning of the year	21	23,035	17,595
Cash and cash equivalents at end of the year	21	12,132	23,035

1. Accounting policies

Statement of accounting policies and estimation techniques

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

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2015 (the 2015 FE HE SORP), the College Accounts Direction for 2018 to 2019 and in accordance with Financial Reporting Standard 102 – “The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland” (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention as modified by the use of previous valuations as deemed cost at transition for certain non-current assets.

Basis of consolidation

The consolidated financial statements include the College and its subsidiaries, Minchenden Business Centre Limited, controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS 102, the activities of the student union have not been consolidated because the College does not control those activities and currently does not have a student union.

All financial statements are made up to 31 July 2019.

Going concern

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

The College currently has £16.42m of loans outstanding with bankers on terms negotiated in 2008 (see note 17). The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

Accordingly the Governors have a reasonable expectation that the College has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its annual financial statements

Recognition of income

Revenue grant funding

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the Adult Education Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

1. Accounting policies (contd.)

Recognition of income

Revenue grant funding (cont.)

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

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

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

Capital grant funding

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

Fee income

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

Investment Income

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

Agency arrangements

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

Accounting for post-employment benefits

Post employment benefits to employees of the 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 Second Pension, and the assets are held separately from those of the College.

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the 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 valuations using a prospective benefit method. The TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

1 Accounting policies (contd.)

Barnet Local Government Pension Scheme (LGPS)

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

Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in interest and other finance costs.

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

Short term employment benefits

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

Enhanced pensions

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

Non-current assets - tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

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. The associated credit is included in the revaluation reserve. The difference between depreciation charged on the historic cost of assets and the actual charge for the year calculated on the revalued amount is released to the income and expenditure reserve on an annual basis.

Building improvements and additions made since July 2000 are included in the balance sheet at cost. Freehold land is not depreciated. Freehold and leasehold buildings are depreciated over their expected useful economic life to the College of 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of 50 years.

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

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

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

Land and buildings acquired between incorporation and July 2000 are included at a frozen valuation on adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1994, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

1 Accounting policies (contd.)

Assets under construction

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs, incurred to 31 July. They are not depreciated until they are brought in use.

Subsequent expenditure on existing fixed assets

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

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

Equipment

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

All other equipment is depreciated over its useful economic life as follows:

- equipment – 5 years on a straight-line basis
- motor vehicles – 4 years on a straight-line basis
- computer equipment and softwares – 5 years on a straight-line basis
- furniture, fixtures and fittings – 10 years on a straight-line basis.

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.

Borrowing costs

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

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term to the Statement of Comprehensive Income and Expenditure. Any lease premiums or incentives relating to leases signed after 1st August 2014 are spread over the minimum lease term. The College has taken advantage of the transitional exemptions in FRS 102 and has retained the policy of spreading lease premiums and incentives to the date of the first market rent review for leases signed before 1st August 2014.

Investments

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

Inventories

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

Taxation

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

The College is partially exempt in respect of Value Added Tax, so that it can only recover around 3% of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

College's subsidiary company is subject to corporation tax and VAT in the same way as any commercial organisation.

1 Accounting policies (contd.)

Cash and cash equivalents

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

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

Financial liabilities and equity

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

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

Foreign currency translation

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

Provisions and contingent liabilities

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.

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

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

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

1 Accounting policies (contd.)

Judgements in applying accounting policies and key sources of estimation uncertainty

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

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

Other key sources of estimation uncertainty

- *Tangible fixed assets*

Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 26, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2019. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Barnet and Southgate College
Notes to the Accounts (continued)

2 Funding council grants

	Year ended 31 July		Year ended 31 July	
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Recurrent grants				
Education and Skills Funding Agency - adult	13,453	13,453	13,125	13,125
Education and Skills Funding Agency – 16 -18	16,319	16,319	17,438	17,438
Education and Skills Funding Agency - apprenticeships	1,206	1,171	1,127	1,127
Higher Education Funding Council	83	83	137	137
Specific grants				
Releases of government capital grants	623	623	664	664
Total	31,684	31,649	32,491	32,491

3 Tuition fees and education contracts

	Year ended 31 July		Year ended 31 July	
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Adult education fees	1,953	1,953	1,002	996
Fees for FE loan supported courses	926	926	1,390	1,390
Fees for HE loan supported courses	1,523	1,523	1,414	1,414
International students fees	12	12	41	41
Total tuition fees	4,414	4,414	3,847	3,841
Education contracts	3,338	3,338	4,518	4,518
Total	7,752	7,752	8,365	8,359

4 Other grants and contracts

	Year ended 31 July		Year ended 31 July	
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
European Commission	198	198	422	422
Other grants and contracts	2	2	2	2
Total	200	200	424	424

Barnet and Southgate College
Notes to the Accounts (continued)

5 Other income

	Year ended 31 July 2019		Year ended 31 July 2018	
	Group £'000	College £'000	Group £'000	College £'000
Catering and residences	414	0	398	0
Other income generating activities	702	700	728	698
Miscellaneous income	228	0	135	0
Total	1,344	700	1,261	698

6 Investment income

	Year ended 31 July 2019		Year ended 31 July 2018	
	Group £'000	College £'000	Group £'000	College £'000
Other investment income	102	102	61	61
Total	102	102	61	61

**Barnet and Southgate College
Notes to the Accounts (continued)**

7 Staff costs - Group and College

The average number of persons (including key management personnel) employed by the College during the year, described as full-time equivalents, was:

			2019 No.	2018 No.
Teaching staff			199	213
Non teaching staff			<u>229</u>	<u>229</u>
			<u>428</u>	<u>442</u>
Staff costs for the above persons				
	2019 £'000	2019 £'000	2018 £'000	2018 £'000
Wages and salaries	16,251	15,826	16,370	16,047
Social security costs	1,547	1,512	1,580	1,550
Other pension costs	<u>3,906</u>	<u>3,878</u>	<u>3,845</u>	<u>3,816</u>
Payroll sub total	21,704	21,216	21,795	21,413
Contracted out staffing services	<u>3,196</u>	<u>3,148</u>	<u>3,221</u>	<u>3,084</u>
	24,900	24,364	25,016	24,497
Fundamental restructuring costs - Contractual	307	307	258	235
Total	<u>25,207</u>	<u>24,671</u>	<u>25,274</u>	<u>24,732</u>

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the Executive Leadership Group which comprises the Principal and Chief Executive, Director of Finance and Corporate Operations, Director of Employer Partnerships, Director of Organisational Development and Director of Quality and Learner Experience. Staff costs include compensation paid to key management personnel for loss of office.

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

	2019 No.	2018 No.
The number of key management personnel including the Accounting Officer was:	4	4
	<u>4</u>	<u>4</u>

Barnet and Southgate College
Notes to the Accounts (continued)

7 Staff costs - Group and College

The number of key management personnel and other staff who received annual emoluments, excluding pension contributions

	Key management personnel		Other staff	
	2019 No.	2018 No.	2019 No.	2018 No.
£60,001 to £65,000	-	-	-	1
£65,001 to £70,000	1	-	4	5
£70,001 to £75,000	-	-	3	-
£90,001 to £95,000	2	2	-	-
£95,001 to £100,000	1	-	-	-
£100,001 to £105,000	-	1	-	-
£110,001 to £115,000	-	-	-	1
£115,001 to £120,000	-	-	1	-
£120,001 to £125,000	-	-	-	1
£150,001 to £155,000	-	1	-	-
£170,001 to £175,000	-	-	1	-
	<u>4</u>	<u>4</u>	<u>9</u>	<u>8</u>

Key management personnel compensation is made up as follows:

	2019 £'000	2018 £'000
Salaries - gross of salary sacrifice and waived emoluments	406	380
Employers National Insurance	51	49
Benefits in kind	0	0
	<u>457</u>	<u>429</u>
Pension contributions	73	98
	<u>530</u>	<u>527</u>

There were no amounts due to key management personnel that were waived in the year. The college has cycle to work and child care vouchers salary sacrifice arrangements in place.

The above compensation includes amounts payable to the Accounting Officer (who is also the highest paid officer) of:

	2019 £'000	2018 £'000
Salaries	<u>97</u>	<u>151</u>
Pension contributions	<u>16</u>	<u>50</u>

The salary for the accounting officer is for the period of 7 months starting from January 2019. The former accounting officer retired at end of December 2018.

The accounting officer's annual pay as a multiple of the median of all other corporation employees excluding agency staff is:

	Multiple
- Basic salary	4.5
- Total emoluments	4.5

Compensation for loss of office paid to former key management personnel

No payments were made for compensation for loss of office to former key management personnel (2018: Nil)

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

**Barnet and Southgate College
Notes to the Accounts (continued)**

8 Other operating expenses

	Year ended 31 July		Year ended 31 July	
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Teaching costs	9,106	9,047	7,580	7,527
Non teaching costs	3,840	5,241	4,496	4,444
Premises costs	3,209	2,928	2,745	2,560
Total	16,155	17,216	14,821	14,531

Other operating expenses include:

	2019	2018
	£'000	£'000
Auditors' remuneration:		
Financial statements audit	39	40
Internal audit	24	51
Other services provided by the internal auditors	42	0
Hire of assets under operating leases	43	40

9 Interest payable - Group and College

	2019	2018
	£'000	£'000
On bank loans, overdrafts and other loans:	998	1,012
	998	1,012
Net interest on defined pension liability (note 26)	787	814
Total	1,785	1,826

10 Taxation - group only

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

Barnet and Southgate College
Notes to the Accounts (continued)

11 Tangible fixed assets (Group)

	Land and buildings Freehold	Land and buildings Long leasehold	Equipment	Assets in the course of construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2018	94,847	1,280	5,769	363	102,259
Additions	-	-	702	4,187	4,889
Disposals	-	-	-	-	-
At 31 July 2019	94,847	1,280	6,471	4,550	107,148
Depreciation					
At 1 August 2018	16,579	677	3,601	-	20,857
Charge for the year	1,918	86	744	-	2,748
Elimination in respect of disposals	-	-	-	-	-
At 31 July 2019	18,497	763	4,345	-	23,605
Net book value at 31 July 2019	76,350	517	2,126	4,550	83,543
Net book value at 31 July 2018	78,268	603	2,168	363	81,402

**Barnet and Southgate College
Notes to the Accounts (continued)**

11 Tangible fixed assets (College only)

	Land and buildings Freehold	Land and buildings Long leasehold	Equipment	Assets in the course of construction	Total
	£'000	£'000	£'000		£'000
Cost or valuation					
At 1 August 2018	94,847	1280	5,511	363	102,001
Additions	0	0	699	4,187	4,886
Disposals	-	-		-	-
At 31 July 2019	94,847	1280	6,210	4,550	106,887
Depreciation					
At 1 August 2018	16,578	677	3,370	-	20,625
Charge for the year	1,919	86	735	-	2,740
Elimination in respect of disposals				-	-
At 31 July 2019	18,497	763	4,105	-	23,365
Net book value at 31 July 2019	76,350	517	2,105	4,550	83,522
Net book value at 31 July 2018	78,269	603	2,141	363	81,376

Land and buildings which then belonged to Barnet College were revalued at 31st July 1998 on the basis of depreciation replacement cost by CB Hillier Parker Ltd in accordance with guidance issued by the Royal Institute of Chartered Surveyors. Land and buildings which then belonged to Southgate College were revalued at 31st July 1994 on the basis of depreciated cost by the London Borough of Enfield in accordance with guidance issued by the Royal Institute of Chartered Surveyors.

Buildings with a net book value of £21,912k have been partially financed by exchequer funds through the receipt of capital grants. Should these assets be sold, the College may be liable, under the terms of the Financial Memorandum with the LSC and its successor organisations, to surrender the proceeds.

If fixed assets had not been revalued they would have been included at the following historical cost:

	Freehold Land and Buildings
Cost or Valuation	75,601
Aggregate depreciation	(9,924)
Net book value based on cost	<u>65,677</u>

During the year, an additional gain on the disposal of land and buildings at Grahame Park Way was realised of £1.4 million.

Barnet and Southgate College
Notes to the Accounts (continued)

12 Non current investments

	College 2019 £'000	College 2018 £'000
Investments in subsidiary companies	0	0
Total	0	0

The College owns 100 per cent of the issued ordinary £1 shares of Minchenden Business Centre Limited (MBC Ltd) a company incorporated in England and Wales whose principal activity during the year was providing a range of courses and training to commercial and other organisations, primarily with the motor and allied trades and insurance industry, leading to qualifications recognised by the ATA, IMI and other professional bodies. This investment was written down to £ nil in 2014.

13 Trade and other receivables

	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
Amounts falling due within one year:				
Trade receivables	1,158	1,133	1,182	1,176
Other Debtors	-	-	70	68
Amounts owed by group undertakings:				
Subsidiary undertakings	-	-	-	886
Prepayments and accrued income	665	662	1,683	1,981
Amounts owed by the ESFA	406	406	-	-
Total	2,229	2,201	2,935	4,111

14 Current investments

	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
Short term deposits	9,075	9,075	-	-
Total	9,075	9,075	-	-

Deposits are held with banks and building societies operating in the London market and licensed by the Financial Conduct Authority with more than three months maturity at the balance sheet date. The interest rates for these deposits are fixed for the duration of the deposit at time of placement.

Barnet and Southgate College
Notes to the Accounts (continued)

15 Creditors: amounts falling due within one year

	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
Bank loans and overdrafts	784	784	704	704
Capital creditors	-	-	143	143
Trade payables	946	927	3,194	3,179
Other taxation and social security	-	-	1,801	1,815
Accruals and deferred income	1,802	1,800	1,568	1,551
Deferred income - government capital grants	586	585	610	610
Other creditors	333	303	2,718	2,686
Total	<u>4,451</u>	<u>4,399</u>	<u>10,738</u>	<u>10,688</u>

16 Creditors: amounts falling due after one year

	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
Bank loans	15,638	15,638	16,394	16,394
Deferred income - government capital grants	23,094	23,095	23,268	23,268
Total	<u>38,733</u>	<u>38,733</u>	<u>39,662</u>	<u>39,662</u>

17 Maturity of debt

Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
In one year or less	784	784	704	704
Between one and two years	837	837	746	746
Between two and five years	2,561	2,561	2,451	2,451
In five years or more	12,240	12,240	13,198	13,198
Total	<u>16,422</u>	<u>16,422</u>	<u>17,099</u>	<u>17,099</u>

A loan facility of £28,395k was entered into by the Corporation on 16 September 2008. As at 31 July 2012, £20,300k had been drawn. Interest on the principal element of the £19,742k loan is fixed at a rate of 5.785% until 24 June 2033. All other amounts drawn are on a variable revolving loan facility. The loan is secured on a portion of the freehold land and buildings of the College.

Barnet and Southgate College
Notes to the Accounts (continued)

18 Deferred capital grants (Group and College)

	Funding Body Grants £'000	Other Grants £'000	Total £'000
At 1 August 2018	20,608	3,270	23,878
Cash received		425	425
Released to income and expenditure	(415)	(208)	(623)
At 31 July 2019	20,193	3,487	23,680

19 Revaluation reserve (Group and College)

	2019 £'000	2018 £'000
At 1 August	10,875	11,078
Transfer from revaluation reserve to general reserve in respect of: Depreciation of revalued Assets	(201)	(203)
At 31 July	10,674	10,875

20 Provisions

	Group and College				Total £'000
	Defined benefit Obligations £'000	Restructuring £'000	Enhanced pensions £'000	Other £'000	
At 1 August 2018	27,322	0	628	0	27,950
Expenditure in the period	1,812		22		1,834
Transferred from income and expenditure account	(2,295)		(48)		(2,343)
Actuarial loss/(gain) during the year	6,723		(139)		6,584
At 31 July 2019	33,562	0	463	-	34,025

21 Cash and cash equivalents

	At 1 August 2018 £'000	Cash flows £'000	Other changes £'000	At 31 July 2019 £'000
Short term investments	-	9,075	-	9,075
Cash and cash equivalents	23,035	(19,978)	-	3,057
Total	23,035	(10,903)	-	12,132

22 Capital commitments

	Group and College	
	2019 £'000	2018 £'000
Commitments contracted for at 31 July	4,905	62
Authorised but not contracted as 31 July	3,500	888

**Barnet and Southgate College
Notes to the Accounts (continued)**

23 Lease Obligations

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

	Group and College	
	2019	2018
	£'000	£'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	144	203
Later than one year and not later than five years	153	299
later than five years	-	-
	<u>297</u>	<u>502</u>
Other		
Not later than one year	7	100
Later than one year and not later than five years	65	-
later than five years	-	-
	<u>72</u>	<u>100</u>
Total lease payments due	<u>369</u>	<u>602</u>

24 Contingent liabilities

No contingent liabilities existed at the end of the accounting period

25 Events after the reporting period

There are no events after the reporting period.

**Barnet and Southgate College
Notes to the Accounts (continued)**

26 Defined benefit obligations

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

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

Total pension cost for the year	2019 £'000	2018 £'000
Teachers Pension Scheme: contributions paid	2,026	1,781
Local Government Pension Scheme:		
Contributions paid	1,469	1,783
FRS 102 (28) charge	<u>411</u>	<u>281</u>
Charge to the Statement of Comprehensive Income	1,880	2,064
Enhanced pension charge to Statement of Comprehensive Income	-	-
Total Pension Cost for Year	<u><u>3 906</u></u>	<u><u>3 845</u></u>

Teachers' pension scheme

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

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

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

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

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

**Barnet and Southgate College
Notes to the Accounts (continued)**

26 Defined benefit obligations (continued)

FRS 102 (28)

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

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/19). DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2019-20 academic year.

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

The pension costs paid to TPS in the year amounted to £2,026,000 (2018: £1,781,000)

Local government pension scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by London Borough of Barnet. The total contribution made for the year ended 31 July 2019 was £1,515,000, of which employer's contributions totalled £1,123,000 and employees' contributions totalled £392,000. The agreed contribution rates for future years are 23.8 % for employers and range from 7.4% to 11.7% cent for employees, depending on salary according to a national scale.

Principal actuarial assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2019 by a qualified independent actuary

	At 31 July 2019	At 31 July 2018
Rate of increase in salaries	2.70%	2.70%
Future pensions increases	2.70%	2.70%
Discount rate for scheme liabilities	2.10%	2.80%
Inflation assumption (CPI)	2.40%	2.40%
Commutation of pensions to lump sums	50%	50%

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	At 31 July 2019	At 31 July 2018
	years	years
<i>Retiring today</i>		
Males	21.00	21.90
Females	23.30	24.30
<i>Retiring in 20 years</i>		
Males	22.30	23.90
Females	25.10	26.50

Sensitivity analysis

	At 31 July 2019	At 31 July 2018
	£'000	£'000
Discount rate -0.5%	(8,284)	(6,935)
CPI rate +0.5%	(6,996)	(5,846)

Barnet and Southgate College
Notes to the Accounts (continued)

26 Defined benefit obligations (continued)

Local government pension scheme (Continued)

The College's share of the assets in the plan and the expected rates of return were:

	Long-term rate of return expected at 31 July 2019	Fair Value at 31 July 2019	Long-term rate of return expected at 31 July 2018	Fair Value at 31 July 2018
		£'000		£'000
Equities		23,103		21,350
Bonds		12,565		11,042
Property		1,216		0
Cash		3648		4417
Total market value of assets		<u><u>40,532</u></u>		<u><u>36,809</u></u>
Weighted average expected long term rate of return	7.30%		5.80%	
Actual return on plan assets		<u><u>1,662</u></u>		<u><u>1,064</u></u>

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

	2019 £'000	2018 £'000
Fair value of plan assets	40,532	36,809
Present value of plan liabilities	(74,094)	(64,131)
[Present value of unfunded liabilities]	-	-
Net pensions (liability)/asset (Note 19)	<u><u>(33,562)</u></u>	<u><u>(27,322)</u></u>

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

	2019 £'000	2018 £'000
Amounts included in staff costs		
Current service cost	2254	2402
Past service cost	152	31
Total	<u><u>2406</u></u>	<u><u>2433</u></u>

Amounts included in investment income

Net interest income	(768)	(814)
	<u><u>(768)</u></u>	<u><u>(814)</u></u>

Amounts recognised in other comprehensive income

Return on pension plan assets	1,662	1,064
Experience losses arising on defined benefit obligations	3,911	31
Changes in assumptions underlying the present value of plan liabilities	(10,634)	2,713
Amount recognised in Other Comprehensive Income	<u><u>(5,061)</u></u>	<u><u>3,808</u></u>

Barnet and Southgate College
Notes to the Accounts (continued)

26 Defined benefit obligations (continued)

Local government pension scheme (Continued)

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

	2019	2018
	£'000	£'000
Surplus/(deficit) in scheme at 1 August	(27,322)	(30,035)
Movement in year:		
Current service cost	(2,254)	(2,402)
Employer contributions	1,995	2,152
Past service cost	(152)	(31)
Net interest on the defined (liability)/asset	(768)	(814)
Actuarial gain or loss	(5,061)	3,808
Net defined benefit (liability)/asset at 31 July	<u>(33,562)</u>	<u>(27,322)</u>

Asset and Liability Reconciliation

	2019	2018
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	(64,131)	(63,571)
Current Service cost	(2,254)	(2,402)
Interest cost	(1,812)	(1,736)
Contributions by Scheme participants	(360)	(397)
Experience gains and losses on defined benefit obligations	3,911	-
Changes in financial assumptions	(10,634)	2,744
Estimated benefits paid	1,338	1,262
Past Service cost	(152)	(31)
Curtailments and settlements	-	-
Defined benefit obligations at end of period	<u>(74,094)</u>	<u>(64,131)</u>

Reconciliation of assets

Fair value of plan assets at start of period	36,809	33,536
Interest on plan assets	1,044	922
Return on plan assets	1,662	1,064
Employer contributions	1,995	2,152
Contributions by Scheme participants	360	397
Estimated benefits paid	(1,338)	(1,262)
Fair value of plan assets at end of period	<u>40,532</u>	<u>36,809</u>

**Barnet and Southgate College
Notes to the Accounts (continued)**

27 Related party transactions

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

The College is a member of Collab Group. The Collab Group's purpose is to develop a strong Further Education college sector in England. Transactions processed on behalf of Collab Group by the College total £Nil in the year (2018: £Nil).

The College has taken advantage of the exemptions allowed under FRS 8 not to disclose its transactions with its subsidiary undertakings.

No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2018: £Nil)

28 Amounts disbursed as agent

Learner support funds

	2019	2018
	£'000	£'000
Amount underspent previous year	413	413
Funding body grants – bursary support	458	449
Funding body grants – discretionary learner support	475	525
Other Funding body grants	306	368
	<u>1652</u>	<u>1755</u>
Disbursed to students	(1,292)	(1,022)
Administration costs	(74)	(67)
Clawback	(38)	(253)
Balance unspent as at 31 July, included in creditors	<u>248</u>	<u>413</u>

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