THE
FURTHER
EDUCATION
FUNDING
COUNCIL

Sector Accounting Policies: Specimen Annual Report

Supplement B to
Circular 99/23

This specimen annual report is for general guidance only; it is intended to demonstrate how the requirements of Circular 99/23 and supplement A to Circular 99/23 might be applied and therefore all figures are for illustrative purposes only. Further notes might be required to give a true and fair view of the activities and financial position of the college. In some cases nil items have been included to demonstrate the level of disclosure required. In general, nil items are not required to be disclosed.

Casterbridge College Report of the Members of the Corporation for the Period 1 August 1998 to 31 July 1999

Casterbridge College

Report of the Members of the Corporation for the Period from 1 August 1998 to 31 July 1999

Corporation

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

Corporation Name

2 The corporation was incorporated as Casterbridge College of Arts and Technology. On 1 October 1998 the secretary of state granted consent to the corporation to change its name to Casterbridge College. The corporation believes that the new name represents the broader activities of the college.

Mission

3 The college's mission as approved by its members is:

- to lead in meeting the needs for accessible, responsive, high-quality education training and complementary services in the community of Casterbridge and its surroundings.

Objectives

4 In 1997 the college prepared a strategic plan for the period 1 August 1997 to 31 July 2000. This strategic plan includes an accommodation strategy and financial forecasts. The corporation monitors the performance of the college against these plans. The plans are reviewed and updated each year. The college's continuing strategic objectives are:

- to achieve a student body of 4,200 full-time equivalents (FTEs) by 31 July 2001
- to improve student retention to 92% by 31 July 2001
- to achieve a grade 2 for all areas in the 1999 college inspection
- to achieve the Investors in People award by 31 July 2000
- to achieve space utilisation of five square metres per FTE by 31 July 2001
- to maintain the financial viability of the college by maintaining cash days in hand of 40, a current ratio of 2:1, and accumulated reserves of 5% of income.

The college is on target for achieving these objectives.

5 The college's specific objectives for 1998-99 and achievement of those objectives is addressed below:

- the college achieved an estimated 581,000 funding units against an allocation of 606,000 units (see below)
- on 15 January 1998 the corporation resolved to merge with Wessex College of Agriculture; this merger was achieved on 1 August 1999
- to improve student retention to 90%; this was achieved
- to maintain financial viability of the college by maintaining cash days in hand of 40, a current ratio of 2:1, and accumulated reserves of 5% of income; this was achieved
- to open outreach centres in Upper Bridgethorpe and North Town; the centre in Upper Bridgethorpe has been successfully opened, the North Town centre has been delayed.

Performance Indicators

6 Performance indicators relating to key areas of the college's activity are set out in the Further Education Funding Council's publication *Performance Indicators 1996-97*. This document compares the performance of different colleges in the following areas:

- achievement of funding target
- percentage change in student numbers
- in-year retention rates
- achievement rates
- contribution to national targets
- out-turn average level of funding.

Student Numbers

7 The college is funded according to the units of activity it generates each year. In 1998-99 the college achieved an estimated 581,000 units against an allocation of 606,000 units.

8 This represents growth of 3% over 1997-98. The majority of this growth has been achieved by opening an outreach centre in Upper Bridgethorpe. The centre caters for the rural population of Upper Bridgethorpe and surrounding villages which does not have easy access to the main college site. The college will be opening a further outreach centre at North Town in September 1999. This centre had originally been planned for January 1999 and the delay accounts for the shortfall in units against the college's allocation.

9 The college is likely to exceed its objective of 4,200 FTEs.

Student Achievements

10 Students achieved an estimated 65% of their qualification aims (1998: 62%).

Curriculum Developments

11 Methods of teaching and learning are under continuous review and development to ensure that the curriculum meets the needs of the local population.

12 The need for outreach centres was identified following discussions with Wessex training and enterprise council. A centre has been opened in Upper Bridgethorpe and a further centre is planned for North Town.

13 The new building, opened during the year, incorporates a learning resource centre, thus enabling greater use of modern teaching methods.

14 Higher National Diploma programmes franchised from Wessex University are continuing to be expanded.

Governance and Management

15 The corporation conducts its business through a number of committees. Each committee has terms of reference which have been approved by the full corporation. These committees are: finance and general purposes, remuneration, search and audit. The finance and general purposes committee meets monthly. The audit committee and the full corporation meet termly. The remuneration and search committees are convened as necessary. Full minutes of all meetings are available from the clerk to the corporation at:

Casterbridge College
Park Lane
Casterbridge
Wessex

16 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.

Finances

17 The college generated an operating deficit in the year of £3,540,000 (1997-98 surplus of £189,000). The result in 1998-99 is stated after accounting for the disposal of the Church Street annexe.

18 During the year the college took out a secured loan of £1.5 million to help finance a new building on its main site. The building cost £4 million and replaces a number of poor-quality temporary classrooms. The building includes a learning resource centre which has enabled the college to change its teaching methods, to make greater use of information technology, and to be more efficient. The building was opened on 10 October 1998 by the secretary of state. The balance of the capital cost was met by use of the disposal proceeds from sale of the college's Church Street annexe for £2,500,000.

19 The college has accumulated reserves of £5,503,000 and cash balances of £2,554,000. The college wishes to continue to accumulate reserves and cash balances in order to create a contingency fund.

20 The college average level of funding per unit of activity is £17.20. The median average level of funding for direct provision for sector colleges for 1998-99 was £16.72.

21 The college has two subsidiary companies, ABC Limited and XYZ Limited. The principal business activity of ABC limited is the rental of property. XYZ Limited carries out training of employees on behalf of employers. Any surpluses generated by the subsidiaries are transferred to the college by deed of covenant. In the current year the surpluses generated were £6,000 and £4,000 for ABC Limited and XYZ Limited respectively.

Post-balance Sheet Events

22 On 1 August 1999 the college merged its activities with those of Wessex College of Agriculture.

Staff and Student Involvement

23 The college considers good communication with its staff to be very important and to this end publishes a regular newsletter which is available to all staff. The college encourages staff and student involvement through membership of formal committees.

Taxation

24 The majority of the college's activities do not fall to be charged to corporation tax.

Employment of Disabled Persons

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

Disability Statement

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

a. as part of the redevelopment of the buildings it is installing lifts and ramps so that eventually most of the facilities will allow access to people with a disability;

b. there is a list of specialist equipment, such as lighting for audio facilities, which the college can make available for use by students;

c. the admissions policy for all students is described in the college charter. Appeals against a decision not to offer a place are dealt with under the complaints policy;

d. the college has made a significant investment in the appointment of specialist lecturers to support students with learning difficulties and/or disabilities. There are a number of student support assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities;

e. specialist programmes are described in programme information guides, and achievements and destinations are recorded and published in the standard college format;

f. counselling and welfare services are described in the college charter.

Planned Maintenance Programme

27 The cost of the college's planned maintenance programme over a period of five years is estimated to be £2,000,000, resulting in an average annual charge of £400,000. The programme was developed following a survey of the college's estate which was carried out during 1997-98. The programme is reviewed each year.

28 The college plans to carry out the works which were outstanding at 31 July 1999, together with the works planned for the following two years, by 31 July 2001 and has set aside funds for this purpose.

Planned maintenance programme

	1998-99 1 £000	1999-2000 2 £000	2000-01 3 £000	2001-02 4 £000	2002-03 5 £000
Planned maintenance works outstanding at 1 August	70	70	43	0	20
Average annual charge	400	400	400	400	400
Actual or planned expenditure	(400)*	(427)	(443)	(380)	(400)
Planned maintenance works outstanding at 31 July	70	43	0	20	20

* *note 10 to the accounts*

Year 2000 Compliance

29 As is well known, many computer and digital storage systems express dates using only the last two digits of the year and will require modification or replacement to accommodate the year 2000 and beyond in order to avoid malfunctions and resulting widespread commercial disruption. This is a complex and pervasive issue. The operation of the college's business depends not only on its own computer systems but also, to some degree, on those of its suppliers and customers. This could expose the college to further risk in the event that there is a failure by other parties to remedy their own year 2000 issues.

30 A college-wide programme, designed to address the impact of the year 2000 on the business, has been commissioned by the corporation and is under way. Resources have been allocated and the corporation receives regular reports on progress.

31 A significant risk analysis has been performed to determine the impact of the issue on all the college's activities. From this, prioritised action plans have been developed which are designed to address the key risks in advance of critical dates and without disruption to the underlying business. Priority is given to those systems which could cause a significant financial or legal impact on the college's business if they were to fail. The plan also includes a requirement for the testing of systems changes, involving the participation of users.

32 The risk analysis also considers the impact on the college's business of year 2000 related failure by significant suppliers (including computer bureaux) and customers. In appropriate cases the corporation has initiated formal communication with these other parties.

33 Given the complexity of the problem, it is not possible for any organisation to guarantee that no year 2000 problems will remain, because at least some level of failure may still occur. However, the corporation believes that the college will achieve an acceptable state of readiness and has also provided resources to deal promptly with significant subsequent failures or issues that might arise.

34 Much of the cost of implementing the action plans will be subsumed into the recurring activities of the departments involved. The total cost of modifications to our computer hardware/software is estimated at £20,000, of which about 50% is new equipment which will be capitalised and the remainder will be expended as incurred. Of this total, expenditure of £12,000 has been incurred during 1998-99 and the remaining £8,000 is expected to be spent by 31 December 1999.

[Reproduced in adapted form, with the permission of Ernst and Young, from UK GAAP News *No. 9, March 1998.]*

Members

35 The members who served the corporation during the period were as follows:

	Date of appointment	Term of office	Date of resignation	Status of appointment	Committees served
Mrs J Smith	30 Sep 1995 Reappointed 29 Sep 1998	3 years		Independent member	chair: corporation chair: remuneration; finance and general purposes; search
Mr T Ross	–			Principal	
Mr T Cobley	2 Sep 1996	4 years		Independent member	chair: finance and general purposes
Mr A Jones	2 Sep 1996	4 years		Independent member	chair: audit
Mr A Patel	2 Sep 1996	4 years		TEC member	finance and general purposes
Mrs J Singh	30 Sep 1998	3 years		Community representative	finance and general purposes; search
Mr A Child	30 Sep 1998	4 years		Co-opted member	audit
Ms W South	1 Oct 1998	1 year	1 Jul 1999	Student member	
Mr D Potter	4 Sep 1997	4 years		Independent member	remuneration
Mrs O Owen	4 Sep 1997	4 years		Independent member	audit
Ms S Boot	1 Oct 1999	1 year		Student member	
Mr T White	30 Jan 1998	3 years		Staff member	
Mrs L Wood	2 Dec 1998	3 years		Co-opted member	remuneration Chair: search committee
Mr M Spencer	2 Dec 1998	3 years		Independent member	finance and general purposes
Ms L Ashley	1 Oct 1999	3 years		Independent member	finance and general purposes
Mr H Hobbs	1 Oct 1999	3 years		Independent member	finance and general purposes

Mrs S Ridge, a retired solicitor, acts as clerk to the corporation

[Signature]

Mrs J Smith

Chairman

31 October 1999

Professional Advisers

External auditors:
- Touche-Brand
- 6 High Street
- Casterbridge
- Wessex

Bankers:
- Mid-West Lloyd Plc
- 2 High Street
- Casterbridge
- Wessex

Internal auditors:
- Marwick-Foster
- 11 Main Street
- Urbville
- Wessex

Solicitors:
- Smith & Johnson
- 2 Regent Street
- County Town
- Wessex

Casterbridge College Consolidated Income and Expenditure Account for the Period from 1 August 1998 to 31 July 1999

	Notes	Year ended 31 July 1999 £000s	Year ended 31 July 1998 £000s	Reference*
Income				
FEFC grants	2	12,042	12,520	F1, 1,2,10 & Sch.1b
Education contracts	3	398	836	F1, 3
Tuition fees and charges	4	805	812	F1, 4
Other grant income	5	103	127	F1, 5 & 6
Other operating income	6	823	599	F1, 7, 8 & 9
Investment income	7	401	479	F1, 11, 12 & 13
Total income		14,572	15,373	
Expenditure				
Staff costs	8	8,109	9,514	F2B, 15
Exceptional restructuring costs	8	517	–	F2B, 14
Other operating expenses	10	4,960	4,732	
Depreciation	–	1,346	934	F2A, 14
Interest payable	11	36	–	F2A, 16
Total expenditure		14,968	15,180	
(Deficit)/surplus on continuing at valuation and before tax		(396)	193	
(Loss) on disposal of assets	14	(3,140)	–	Sch.12, 4
(Deficit)/surplus on continuing operations after depreciation of tangible fixed assets at valuation and disposal of assets but before tax		(3,536)	193	
Taxation	12	(4)	(4)	F2A, 17
(Deficit)/surplus on continuing operations after depreciation of assets at valuation, disposal of assets and tax		**(3,540)**	**189**	F1, 16

Note: all operations are continuing following the merger with Wessex College of Agriculture on 1 August 1999.

* *The reference to the financial forecast is for information only, and is not intended to be part of the financial statements.*

Casterbridge College
Statement of Total Recognised Gains and Losses for the Period from 1 August 1998 to 31 July 1999

	Notes	*Year ended 31 July 1999 £000s*	*Year ended 31 July 1998 £000s*	*Reference**
(Deficit)/surplus on continuing operations after depreciation of assets at valuation, disposal of assets and tax		(3,540)	189	F1, 16
Unrealised surplus on revaluation of fixed assets	14	1,700	–	Sch.11, 9, 10 & 32
Total recognised (losses)/gains relating to the period		(1,840)	189	

Reconciliation

Opening reserves	22,693
Total recognised gains and losses for the year	(1,840)
Closing reserves	20,853

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Casterbridge College Consolidated Statement of Historical Cost Surpluses and Deficits for the Period from 1 August 1998 to 31 July 1999

	Notes	*Year ended 31 July 1999 £000s*	*Year ended 31 July 1998 £000s*	*Reference**
(Deficit)/surplus on continuing operations before taxation		(3,536)	193	F1, 16
Difference between historical cost depreciation and the actual charge for the period calculated on the revalued amount	22	472	477	F1, 17
Realisation of property revaluation gains of previous years	22	5,640	–	Sch.11, 8 & 31
Historical cost surplus for the period before taxation		2,576	670	
Historical cost surplus for the period after taxation		2,572	666	F1, 18

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Casterbridge College
Balance Sheet as at 31 July

	Notes	*Group 1999 £000s*	*College 1999 £000s*	*Group 1998 £000s*	*College 1998 £000s*	*Reference**
Fixed Assets						
Tangible assets	14	24,917	24,779	24,658	24,528	F3,1a to f&h
Investments	15	–	2	–	2	F3, 1g
		24,917	24,781	24,658	24,530	F3, 1i
Current Assets						
Stock		43	38	43	36	F3, 2a
Debtors	16	390	372	430	439	F3, 2b
Investments		2,000	2,000	2,500	2,500	F3, 2c
Cash at bank and in hand		554	554	195	195	F3, 2d
		2,987	2,964	3,168	3,170	F3, 2e
Creditors: amounts falling due within one year	17	1,448	1,324	1,317	1,216	F3, 3h
Net current (liabilities)/assets		1,539	1,640	1,851	1,954	F3, 4
Total assets less current liabilities		26,456	26,421	26,509	26,484	F3, 5
Creditors: amounts falling due after more than one year	18	1,467	1,467	54	54	F3, 6d
Provisions for liabilities and charges	20	1,166	1,166	708	708	F3, 7b & 7c
Net assets		**23,823**	**23,788**	**25,747**	**25,722**	F3, 8
Deferred capital grants	21	2,970	2,970	3,054	3,054	F3, 7a
Reserves						
Revaluation reserve	22	15,350	15,350	19,762	19,762	F3, 9
Restricted reserve		–	–	–	–	F3, 10
General reserve	23	5,503	5,468	2,931	2,906	F3, 12
Total reserves		20,853	20,818	22,693	22,668	F3, 13
		23,823	**23,788**	**25,747**	**25,722**	

The financial statements on pages [ ] to [ ] were approved by the corporation on 31 October 1999 and were signed on its behalf by:

[signature]	[signature]
J Smith – Chairman	T Ross – Principal
[date]	[date]

* *The reference to the financial forecast is for information only, and is not intended to be part of the financial statements.*

Casterbridge College Consolidated Cash Flow Statement for the Period from 1 August 1998 to 31 July 1999

	Notes	*Year ended 31 July 1999 £000s*	*Year ended 31 July 1998 £000s*	*Reference**
Cash flow from operating activities	25	487	258	F4, 1
Returns on investments and servicing of finance	27	365	479	F4, 2d
Taxation	12	(4)	(4)	F4, 3
Capital expenditure and financial investment	27	(2,477)	(2,121)	F4, 4d
Management of liquid resources	27	500	–	F4, 5c
Financing	27	1,488	(12)	F4, 6f
Increase/(decrease) in cash in the period	26	**359**	**(1,400)**	F4, 7

Reconciliation of net cash flow to movement in net funds/debt

	£000s	*£000s*	
Increase in cash in the period	359	(1,400)	F4, 8a
Cash inflow from new secured loan	(1,500)	–	F4, 8d
Cash inflow from liquid resources	(500)	–	F4, 8c
Change in net debt resulting from cash flows	12	15	F4, 8b
Movement in net funds in period	(1,629)	(1,385)	F4, 8e
Net funds at 1 August 1998	2,629	4,014	F4, 8f
Net funds at 31 July 1999	1,000	2,629	F4, 8g

* *The reference to the financial forecast is for information only, and is not intended to be part of the financial statements.*

Casterbridge College Notes to the Financial Statements for the Period from 1 August 1998 to 31 July 1999

1 Statement of Accounting Policies

Basis of preparation

1 These financial statements have been prepared in accordance with FEFC Circular 99/23 and in accordance with applicable Accounting Standards.

Basis of accounting

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

Basis of consolidation

3 The consolidated financial statements include the College and its subsidiaries, ABC Limited and XYZ Limited. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS2, the activities of the student union have not been consolidated because the college does not control those activities.

Recognition of income

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

5 Income receivable from the Further Education Funding Council is recognised in line with the latest estimates of grant receivable for an academic year. The final grant income is normally determined in the subsequent February, following an audit of the college’s units of activity.

Pension schemes

6 Retirement benefits to employees of the College are provided by The Teachers’ Superannuation Scheme (TSS) and the Local Government Superannuation Scheme (LGSS). These are defined benefit schemes which are externally funded and contracted out of the State Earnings Related Pension Scheme. Contributions to the schemes are charged to the income and expenditure account so as to spread the cost of pensions over employees’ working lives with the College in such a way that the pension cost is a substantially level percentage of present and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of triennial valuations, using the projected unit method, for the LGSS and on the basis of quinquennial valuations, using a prospective benefit method, for the TSS.

Tangible fixed assets

a. Land and buildings

7 The college’s buildings are specialised buildings and therefore it is not appropriate to value them on the basis of open market value. Land and buildings inherited from the Local Education Authority (LEA) are stated in the balance sheet at valuation on the basis of depreciated replacement cost. Land and buildings acquired since incorporation are included in the balance sheet at cost. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College of 40 years. Leasehold land and buildings are amortised over 50 years or, if shorter, the period of the lease.

8 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.

9 Finance costs which are directly attributable to the construction of land and buildings are capitalised as part of the cost of those assets.

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

b. Equipment

11 Equipment costing less than £500 per individual item is written off to the income and expenditure account in the period of acquisition. Equipment inherited from the LEA is included in the balance sheet at valuation (depreciated replacement cost). All other equipment is capitalised at cost

12 Inherited equipment is depreciated on a straight line basis over its remaining useful economic life to the College of 10 years. All other equipment is depreciated over its useful economic life as follows:

Motor vehicles and general equipment	20% per annum
Computer equipment	25% per annum

13 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 income and expenditure account over the expected useful economic life of the related equipment.

Leased assets

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

15 Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged to the income and expenditure account in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease term or the useful economic lives of equivalent owned assets.

16 Assets which are held under hire purchase contracts which have the characteristics of finance leases are depreciated over their useful lives.

Investments

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

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

Stocks

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

Maintenance of premises

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

Foreign currency translation

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

Taxation

21 As an exempt charity, the college benefits by being broadly exempt from corporation tax on income it receives from tuition fees, interest and rents.

22 The college is exempted from levying VAT on most of the services it provides to students. For this reason, the college is generally unable to recover input VAT it suffers on goods and services purchased.

23 The subsidiary company is subject to corporation tax and VAT.

Deferred taxation

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

Liquid resources

25 Liquid resources include sums on short-term deposits with recognised banks and building societies and government securities.

Provisions

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

2 Further Education Funding Council Grants

	Year ended 31 July 1999 £000s	***Year ended 31 July 1998 £000s***	***Reference****
Recurrent grant	10,612	11,684	Sch.1a, 15
Adjustment to recurrent funding relating to previous year	(317)	–	Sch.1a, 13
Releases of deferred capital grants	627	594	F1, 2
Access funds	28	29	Sch.1b, 2
Income for payments under Section 6 (5) of the Further and Higher Education Act 1992	710	213	F1, 10
Income to support financing of major works	260	–	Sch.1b, 17
Collaboration funds	100	–	Sch1b, 6
Rationalisation funds	–	–	Sch.1b, 7 & 16
Child care	22	–	Sch.1b, 1
FE Standards fund	–	–	Sch.1b, 8
Former Section 11 grant	–	–	Sch.1b, 4
Residential students	–	–	Sch.1b, 3
Crèche provision	–	–	Sch.1b, 15
Basic skills schools	–	–	Sch.1b, 5
Non-schedule 2 funds	–	–	Sch.1b, 9
University for Industry	–	–	Sch.1b, 12
IT for students with disabilities	–	–	Sch.1b, 18
Inclusive learning quality initiative	–	–	Sch.1b, 11
Widening participation strategic partnerships	–	–	Sch.1b, 10
Other funds	–	–	Sch.1b, 13
	12,042	12,520	

During the 1998-99 academic year the college received £32,000 from the Further Education Funding Council as earmarked access funds. The funds were administered in accordance with the terms and conditions specified by the Council and £4,000 which remained unspent for the specified purpose was repaid to the Council on 31 July 1999.

** The reference to the financial forecast is for information only, and is not intended to be part of the financial statements*

3 Education Contracts

	Year ended 31 July 1999 £000s	Year ended 31 July 1998 £000s	Reference*
LEA	215	222	F1, 3a
Training and Enterprise Council (TEC)	54	427	F1, 3b
Higher Education income (HE)	124	132	F1, 3c
Other income	5	55	F1, 3d & 3e
	398	836	

4 Tuition Fees and Charges

UK	510	500	F1, 4a
European Union (EU) (excluding UK)	44	46	F1, 4a
Non-EC	32	27	F1, 4b
HE	219	239	F1, 4c
	805	812	

The above figures include fees of £350,000 paid by employers of students. F1, 4d

5 Other Grant Income

European funds	52	80	F1, 5a
Other funds	19	17	F1, 5b
Research grants and contracts	5	4	F1, 6
Releases from deferred capital grants (non-FEFC)	27	26	F1, 2
	103	127	

6 Other Operating Income

Catering and residence operations	239	198	F1, 8
Farming activities	–	–	F1, 9
Profit on disposal of tangible fixed assets	–	–	F1, part of 11
Other income-generating activities	57	32	F1, 7
Other income	527	369	F1, 11
	823	599	

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7 Investment Income

	Year ended 31 July 1999 £000s	Year ended 31 July 1998 £000s	Reference*
Income from investments	–	–	F1, part of 11
Other interest receivable	401	479	F1, 13
	401	479	

8 Staff Costs

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

	Number	Number
Teaching departments	284	343
Teaching support services	13	12
Other support services	18	16
Administration and central services	69	62
Premises	20	15
Other	5	3
	409	451

Staff costs for the above persons:

	£000s	£000s	
Teaching departments	5,727	7,100	F2b, 1
Teaching support services	174	152	F2b, 2
Other support services	319	287	F2b, 3
Administration and central services	1,589	1,533	F2b, 4
Premises	225	165	F2b, 6
Other income-generating activities	23	–	F2b, 8
Catering and residences	52	48	F2b, 9
Staff restructuring	–	229	F2b, 14
Sub-total	8,109	9,514	
Exceptional restructuring costs	517	–	F2b, 14
	8,626	9,514	F2b, 15
Wages and salaries	7,243	8,372	
Social security costs	477	591	
Other pension costs	389	551	
Exceptional restructuring costs	517	–	F2b, 14
	8,626	9,514	F2b, 15

* *The reference to the financial forecast is for information only, and is not intended to be part of the financial statements*

	Year ended 31 July 1999 £000s	Year ended 31 July 1998 £000s
Employment costs for staff on permanent contracts	6,439	7,412
Employment costs for staff on short-term and temporary contracts	1,670	1,873
Restructuring costs	517	229
	8,626	9,514

The restructuring costs were approved by the college's remuneration committee.

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

	Year ended 31 July 1999		*Year ended 31 July 1998*	
	Number Senior post-holders	*Number Other Staff*	*Number Senior post-holders*	*Number Other Staff*
£40,001 to £45,000	1	2	3	1
£45,001 to £50,000	–	–	1	–
£50,001 to £55,000	1	–	–	–
£60,001 to £65,000	1	–	–	–
£80,001 to £85,000	1	–	1	–
	4	2	5	1

A general pay award of 2.75% was made with effect from 1 April 1999, approved by the corporation.

9 Senior Post-holders' Emoluments

Senior post-holders are defined as the principal (or chief executive) and holders of the other senior posts whom the board have selected for the purposes of the articles of government of the college relating to the appointment and promotion of staff who are appointed by the board of governors.

	Number	*Number*
The number of senior post-holders including the principal was:	4	5
Senior post-holders' emoluments are made up as follows:		
	£	£
Salaries	245,000	228,843
Benefits in kind	8,402	7,848
Pension contributions	17,640	16,477
Total emoluments	271,042	253,168

* *The reference to the financial forecast is for information only, and is not intended to be part of the financial statements*

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

	Year ended 31 July 1999	***Year ended 31 July 1998***
	£	**£**
Salary	74,280	70,678
Benefits in kind	4,500	4,280
Pension contributions	5,349	5,080
Total emoluments	84,129	80,038

Compensation for loss of office paid to a former senior post-holder

	£	**£**
Compensation paid and payable	20,123	–
Estimated value of other benefits	21,457	–

The estimated value of other benefits has been calculated in accordance with Statement of Standard Accounting Practice 24.

The severance payment was approved by the college's remuneration committee.

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

Senior post-holders, including the principal and other higher paid staff received a pay increase of 2.75% in line with the general pay award. No bonuses or other salary enhancements were awarded to senior post-holders or other higher paid staff.

Overseas Activities

The following costs were incurred during 1998-99 in respect of overseas activities which were carried out in accordance with the strategy approved by the governing body:

	Total cost	***Contributions received***	***Net costs to college***
	£	**£**	**£**
Members	–	–	–
Senior post-holders	3,500	–	3,500
Other higher paid staff	5,000	4,000	1,000
	8,500	**4,000**	**4,500**

10 Other Operating Expenses

	Year ended 31 July 1999 £	Year ended 31 July 1998 £	Reference*
Teaching departments	840	862	F2a, 1
Contracted-out lecturing services	444	–	F2a, part of 1
Teaching support services	91	102	F2a, 2
Other support services	192	204	F2a, 3
Administration and central services	888	791	F2a, 4
General education	52	41	F2a, 5
Premises costs	229	215	F2a, 6
Planned maintenance	400	1,109	
Payments made under Schedule 6 (5) of the Further and Higher Education Act 1992	710	213	F2a, 11
Other income generating activities	33	29	F2a, 8
Catering and residence operations	175	137	F2a, 9
Franchised provision	380	200	F2a, 12
Other expenses	526	829	F2a, 13
	4,960	4,732	

Other operating expenses include:		£000s	£000s
Auditors' remuneration	– external audit†	13	12
	– internal audit‡	10	10
	– other services from either external or internal audit	4	4
Losses on disposal of tangible fixed assets (where not material)		–	–
Hire of plant and machinery – operating leases		5	5
Hire of other assets – operating leases		1	1

† *includes £10,750 in respect of the parent company (1997-98 £10,000)*

‡ *includes £8,000 in respect of the parent company (1997-98 £8,000)*

11 Interest payable

	£000s	£000s	
On bank loans, overdrafts and other loans:			
Repayable within 5 years, not by instalments	–	–	
Repayable within 5 years, by instalments	–	–	
Repayable wholly or partly in more than 5 years	26	–	
	26	–	F2a, 16
On finance leases	10	–	Sch.9, 2
	36	–	

* *The reference to the financial forecast is for information only, and is not intended to be part of the financial statements*

12 Taxation

	Year ended 31 July 1999 £000s	*Year ended 31 July 1998 £000s*	*Reference**
United Kingdom corporation tax at 21%	4	4	
Provision for deferred corporation tax in the accounts of the subsidiary company	–	–	
	4	4	

13 (Deficit)/Surplus on Continuing Operations for the Period

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

	£000s	*£000s*	
College's (deficit)/surplus for the period	(3,550)	179	
Surplus generated by the subsidiary undertaking and transferred to the college under a deed of covenant	10	10	
	(3,540)	189	F1, 16

** The reference to the financial forecast is for information only, and is not intended to be part of the financial statements*

14 Tangible Fixed Assets (Group)

	Land and buildings Freehold £000s	Land and buildings Long leasehold £000s	Equipment £000s	Total £000s
Cost or valuation				
At 1 August 1998	25,039	50	3,529	28,618
Additions	4,327	–	1,224	5,551
Surplus on revaluation	1,500	–	–	1,500
Disposals	(6,000)	–	(27)	(6,027)
At 31 July 1999	24,866	50	4,726	29,642
Depreciation				
At 1 August 1998	1,437	2	2,521	3,960
Charge for period	429	1	916	1,346
Revaluation	(200)	–	–	(200)
Eliminated in respect of disposals	(360)	–	(21)	(381)
At 31 July 1999	1,306	3	3,416	4,725
Net book value at 31 July 1999	23,560	47	1,310	24,917
Net book value at 1 August 1998	23,602	48	1,008	24,658
Inherited	14,939	–	211	15,150
Financed by capital grant	2,292	–	678	2,970
Other	6,329	47	421	6,797
	23,560	47	1,310	24,917
*Reference**	F3, 1a, 1b, 1c	F3, 1a, 1b, 1c	F3, 1d 1e, 1f	F3, 1i

* *The reference to the financial forecast is for information only, and is not intended to be part of the financial statements*

14 Tangible Fixed Assets (College Only)

	Land and buildings Freehold £000s	Land and buildings Long leasehold £000s	Equipment £000s	Total £000s
Cost or valuation				
At 1 August 1998	25,039	–	3,417	28,456
Additions	4,327	–	1,201	5,528
Surplus on revaluation	1,500	–	–	1,500
Disposals	(6,000)	–	(27)	(6,027)
At 31 July 1999	24,866	–	4,591	29,457
Depreciation				
At 1 August 1998	1,437	–	2,491	3,928
Charge for period	429	–	902	1,331
Revaluation	(200)	–	–	(200)
Eliminated in respect of disposals	(360)	–	(21)	(381)
At 31 July 1999	1,306	-	3,372	4,678
Net book value at 31 July 1999	23,560	–	1,219	24,779
Net book value at 1 August 1998	23,602	–	926	24,528
Inherited	14,939	–	211	15,150
Financed by capital grant	2,292	–	678	2,970
Other	6,329	–	330	6,659
	23,560	–	1,219	24,779

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

Land and buildings were valued in 1996 at depreciated replacement cost by a firm of independent chartered surveyors. Other tangible fixed assets inherited from the LEA at incorporation have been valued by the corporation on a depreciated replacement cost basis with the assistance of independent professional advice.

The college disposed of its Church Street annexe and reinvested the proceeds of £2,500,000 in a new building on the main site. The Church Street annexe was revalued prior to disposal by a firm of independent chartered surveyors on an open market valuation basis.

Land and buildings with a net book value of £2,292,000 have been financed by exchequer funds. Should these assets be sold, the college may be liable, under the terms of the Financial Memorandum with the Council, to surrender the proceeds.

Fixed assets include land and buildings with a net book value of £4,123,000 which will be partially funded by a grant from the Further Education Funding Council. It is anticipated that the Council will provide £2,061,000 over 15 years. The receipt in the current year was £259,542. The Council does not have the power to guarantee future funding streams to colleges and cannot guarantee that this funding will continue after the current year. Provision has not, therefore, been made for anticipated future receipts.

The aggregate amount of finance costs included in the cost of tangible fixed assets is £36,000. This figure represents the actual costs capitalised during the year ended 31 July 1999.

The net book value of tangible fixed assets includes an amount of £68,000 (1997-98 £72,000) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £4,000 (1997-98 £4,500).

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

	£000s
Cost	–
Aggregate depreciation based on cost	–
Net book value based on cost	–

15 Investments

	College 1999 £000s	***College 1998 £000s***	***Reference****
Investment in subsidiary company at cost	2	2	F3, 1g

The College owns 100% of the issued ordinary £1 shares of ABC Limited, a company incorporated in England and Wales and 100% of the issued ordinary £1 shares of XYZ Limited, a company incorporated in England and Wales. The principal business activity of XYZ Limited is carrying out training of employees on behalf of employers. The principal business activity of ABC Limited is the rental of property.

16 Debtors

	Group 1999 £000s	***College 1999 £000s***	***Group 1998 £000s***	***College 1998 £000s***	
Amounts falling due within one year					
Debtors	363	162	399	189	
Amounts owed by group undertakings					
Subsidiary undertakings	–	191	–	229	
Prepayments and accrued income	27	19	31	21	
	390	372	430	439	F3, 2b

* *The reference to the financial forecast is for information only, and is not intended to be part of the financial statements*

17 Creditors: Amounts Falling Due within One Year

	Group 1999 £000s	*College 1999 £000s*	*Group 1998 £000s*	*College 1998 £000s*	*Reference**
Bank loans and overdrafts	75	75	–	–	F3, 3a & 3b
Obligations under finance leases	12	12	12	12	F3, part of 3g
Payments received on account†	149	149	138	138	F3, 3f
Trade creditors	526	388	475	360	F3, 3d
Amounts owed to group undertakings:					
Subsidiary undertakings	–	29	–	34	
Corporation tax	4	–	4	–	
Other taxation and social security	251	251	229	229	F3, 3e
Accruals	229	218	357	341	F3, part of 3g
Provision for clawback of recurrent funding	202	202	102	102	Sch.7, 5a
	1,448	1,324	1,317	1,216	F3, 3h

† *Includes £30,000 (1998: £nil) capital grant received from the Further Education Funding Council in respect of a rationalisation project*

18 Creditors: Amounts Falling Due after More than One Year

	Group 1999 £000s	*College 1999 £000s*	*Group 1998 £000s*	*College 1998 £000s*	*Reference**
Bank loans	1,425	1,425	–	–	F3, 6a
Obligations under finance leases	42	42	54	54	F3, part of 6c
	1,467	1,467	54	54	F3, 6d

19 Analysis of Borrowings of the College

a. Bank loans and overdrafts

	Group 1999 £000s	*College 1999 £000s*	*Group 1998 £000s*	*College 1998 £000s*	*Reference**
Bank loans and overdrafts are repayable as follows:					
In one year or less	75	75	–	–	F3, 3a & 3b
Between one and two years	75	75	–	–	F3, 6a
Between two and five years	300	300			F3, 6a
In five years or more	1,050	1,050	–	–	F3, 6a
	1,500	1,500	–	–	

* *The reference to the financial forecast is for information only, and is not intended to be part of the financial statements*

Bank loans and overdrafts at 8.25% repayable by instalments falling due between 1 August 1999 and 31 July 2017 totalling £1,500,000 are secured on a portion of the freehold land and buildings of the College.

b. Finance leases

The net finance lease obligations to which the college is committed are:

	Group 1999 £000s	*College 1999 £000s*	*Group 1998 £000s*	*College 1998 £000s*	*Reference**
In one year or less	12	12	12	12	F3, part of 3g
Between one and five years	42	42	54	54	F3, 6c
Over five years	–	–	–	–	F3, 6c
	54	54	66	66	

20 Provisions for Liabilities and Charges

	Group and College		
	Enhanced Pension £000	*Other £000*	*Total £000*
At 1 August 1998	298	410	708
Expenditure in the period	(30)	(186)	(216)
Transferred from income and expenditure account	674	0	674
At 31 July 1999	942	224	1,166
*Reference**	F3, 7b	F3, 7b	F3, 7c

The enhanced pension provision includes £30,000 (1998: £28,000) in respect of former senior post-holders. Other provisions relate to a legal obligation to carry out remedial pipework in the college's leasehold building. This work will be completed during 1999-2000.

* *The reference to the financial forecast is for information only, and is not intended to be part of the financial statements*

21 Deferred Capital Grants

	Group and College		
	FEFC	***Other Grants***	***Total***
	£000s	***£000s***	***£000s***
At 1 August 1998			
Land and buildings	2,482	–	2,482
Equipment	522	50	572
Cash received			
Land and buildings†	302	–	302
Equipment†	214	54	268
Released to income and expenditure account			
Land and buildings	492	–	492
Equipment	135	27	162
At 31 July 1999			
Land and buildings	2,292	–	2,292
Equipment	601	77	678
*Reference**			F3, 7a

Analysis of capital grants received from the Further Education Funding Council during 1998-99:

	£
IT infrastructure	184
Rationalisation	30
Support for major works	250
Hunter funds	52
	516

[† Cash received is to be analysed in accordance with the latest guidance issued by the Further Education Funding Council]

22 Revaluation Reserve

	Group 1999 £000s	***College 1999 £000s***	***Group 1998 £000s***	***College 1998 £000s***
At 1 August 1998	19,762	19,762	20,239	20,239
Revaluations in the period (as per note 14)	1,700	1,700	–	–
Transfer from revaluation reserve to general reserve in respect of:				
Disposals	(5,640)	(5,640)	-	–
Depreciation on revalued assets	(472)	(472)	(477)	(477)
At 31 July 1999	15,350	15,350	19,762	19,762
*Reference**	F3, 9			

* *The reference to the financial forecast is for information only, and is not intended to be part of the financial statements*

23 Movement on General Reserves

	Group 1999 £000s	College 1999 £000s	Group 1998 £000s	College 1998 £000s
Income and expenditure account reserve				
At 1 August 1998	2,931	2,906	2,265	2,250
Deficit on continuing operations after transfer from revaluation reserve	(3,540)	(3,550)	189	179
Transfer from revaluation reserve	3,612	3,612	477	477
Transfer from designated reserve	2,500	2,500	–	–
At 31 July 1999	5,503	5,468	2,931	2,906
*Reference**	F3, 12			
Designated reserve				
At 1 August 1998	–	–	–	–
Proceeds from disposal of fixed assets	2,500	2,500	–	–
Net expenditure in period	(2,500)	(2,500)	–	–
At 31 July 1999	0	0	–	–
*Reference**	F3, 11			

The designated reserve represented the proceeds from the sale of the college's Church Street annexe. These have been reinvested in a new building on the main site.

24 Pension and Similar Obligations

The college's employees belong to two principal pension schemes, the Teachers' Superannuation Scheme England and Wales (TSS) and the Local Government Superannuation Scheme (LGSS). Both schemes are defined benefit schemes.

LGSS

The LGSS is a funded scheme, with the assets held in separate trustee administered funds.

The pension cost is assessed every three years in accordance with the advice of an independent qualified actuary using the projected unit method. The latest actuarial valuation of the scheme was as at 31 March 1998. The assumptions that have the most significant effect on the valuation are as follows:

Rate of return on investments	8.5%
Rate of increase in salaries	4.5%
Rate of increase in pensions	4.5%
Market value of assets at the date of the last valuation	£3,450 million

The actuarial value of the assets represented 100% of the benefit which had accrued to members after allowing for expected increases in earnings.

* *The reference to the financial forecast is for information only, and is not intended to be part of the financial statements*

TSS

The TSS is an unfunded scheme. Contributions on a 'pay-as-you-go' basis are credited to the exchequer under arrangements governed by the Superannuation Act 1972.

The pension cost is assessed every five years in accordance with the advice of the government actuary using a prospective benefits valuation method. The latest actuarial valuation of the scheme was as at 31 March 1991. The cost of pensions increases is currently excluded from the valuation and neither employees or employers contribute to this added value to the employee which is met directly by the exchequer.

The scheme has been invested notionally in government securities. A gross rate of interest of 8.5% per annum has been assumed as the return on the investment.

The rate of increase in salaries has been assumed to be 6.5% per annum.

The value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £48,192 million. This represented 97.5% (a deficiency of £1,252 million) of the scheme's liabilities. The government actuary concluded that the deficiency would require supplementary contributions by employers at the rate of 0.5% per annum from 1 April 1997.

The standard contribution from 1 April 1997 has been set at 13.2% of salaries. Of this standard contribution 6% is paid by the employees. Employers' contributions will thus be 7.2% of salaries.

[Note: The actuarial valuation of the scheme as at 31 March 1996 is due to be published during spring 1999.]

Changes to the financing of the scheme

A credit will be added to the notional fund to reflect the cost of pensions increase arising from past service to 1 April 1991. An initial supplementary credit will be added to the fund equivalent to two-thirds of the actuarial value for the period 1 April 1997 to 31 March 2006 of the difference between the contribution rates produced by the 1991 valuation carried out using the existing financing arrangements (which do not take account of pension increase) and the amended arrangements (which do take account of pensions increase). An additional supplementary credit may be added to the fund as at 1 April 1996, depending on the average real rate of return between 1 April 1991 and 31 March 1996.

Employer's contributions will not be amended to reflect the effect of charging the cost of pensions increase to the fund until the results of the valuation for the period to 31 March 2001 are implemented (unlikely to be until 2003), when it is expected that the combination of credits to the fund and improved investment returns will make significant increases in the employer's contribution rate unlikely.

25 Reconciliation of Consolidated Operating Deficit to Net Cash Inflow from Operating Activities

	Year ended 31 July 1999 £000s	***Year ended 31 July 1998 £000s***	***Reference****
(Deficit)/surplus on continuing operations after depreciation of assets at valuation	(3,536)	193	F1, 16
Depreciation (note 14)	1,346	934	F2a, 14
Deferred capital grants released to income (note 2)	(654)	(620)	F1, 2
(Profit)/loss on disposal of tangible fixed assets	3,142	–	Sch.12, 4
(Increase)/decrease in stocks	–	–	
Interest payable (note 11)	36	–	F2a, 16
(Increase)/decrease in debtors	40	31	
Increase/(decrease) in creditors	56	78	
Increase/(decrease) in provisions	458	121	
Interest receivable (note 7)	(401)	(479)	F1, 13
Net cash inflow from operating activities	487	258	F4, 1

26 Analysis of Changes in Net Funds

	At 1 August 1998 £000	***Cashflows £000***	***Other Changes £000***	***At 31 July 1999 £000***	***Reference****
Cash in hand, at bank	195	359	-	554	F3, 2d
Overdrafts	–	–	–	–	F3, 3a
Debt due within 1 year	–	(75)	–	(75)	F3, 3b
Debt due after 1 year	–	(1,425)	–	(1,425)	F3, 6a
Finance leases	(66)	12	–	(54)	
Current asset investments	2,500	(500)	–	2,000	F3, 2c
TOTAL	2,629	(1,629)	–	1,000	

* *The reference to the financial forecast is for information only, and is not intended to be part of the financial statements*

27 Analysis of Cash Flows for Headings Netted in the Cash Flow Statement

	Year ended 31 July 1999 £000s	*Year ended 31 July 1998 £000s*	*Reference**
Returns on investments and servicing of finance			
Interest received	401	479	F4, 2a
Interest paid	(26)	–	F4, 2b
Interest element of finance lease rental payment	(10)	–	F4, 2c
Net cash inflow from returns on investments and servicing of finance	**365**	**479**	F4, 2d
Capital expenditure and financial investment			
Purchase of tangible fixed assets	(5,551)	(2,492)	F4, 4a
Sales of tangible fixed assets	2,504	–	F4, 4b
Deferred capital grants received	570	371	F4, 4c
Net cash inflow/(outflow) from capital expenditure	**(2,477)**	**(2,121)**	F4, 4d

Management of liquid resources

	Year ended 31 July 1999 £'000s	*Year ended 31 July 1998 £'000s*	*Reference**
Sale of investments	–	–	F4, 5a
Withdrawals from deposits	500	–	F4, 5a
Purchase of investments	–	–	F4, 5b
Placing of deposits	–	–	F4, 5b
Net cash inflow/(outflow) from management of liquid resources	**500**	–	F4, 5c
Financing			
Debt due beyond a year:			
New unsecured loans repayable by 2017	1,500	–	F4, 6b
Repayment of amounts borrowed	–	–	F4, 6c
Capital element of finance lease rental payments	(12)	(12)	F4, 6e
Net cash inflow/outflow from financing	**1,488**	**(12)**	F4, 6f

* *The reference to the financial forecast is for information only, and is not intended to be part of the financial statements*

28 Post-balance Sheet Events

On 1 August 1999 the college merged its activities with those of Wessex College of Agriculture. At that date all assets, liabilities and activities of Wessex College of Agriculture were transferred to the corporation of Casterbridge College. Wessex College of Agriculture's corporation is to be dissolved.

29 Capital Commitments

	Group and College	
	at 31 July 1999	***at 31 July 1998***
	£000s	***£000s***
Commitments contracted for at 31 July 1997	901	897
Commitments under finance leases entered into but not yet provided for in the financial statements	–	–

30 Financial Commitments

At 31 July 1999 the college had annual commitments under non-cancellable operating leases as follows:

	Group and College	
	1999	***1998***
	£000s	***£000s***
Land and buildings		
Expiring within one year	–	–
Expiring between two and five years inclusive	–	–
Expiring in over five years	–	–
	–	–
Other		
Expiring within one year	2	2
Expiring between two and five years inclusive	5	5
Expiring in over five years	1	1
	8	8

31 Contingent Liability

A former member of staff is seeking compensation for an injury. However, the college has received Counsel's opinion that it should not be liable in view of the specific circumstances of the incident. The case is proceeding and, in view of the uncertainty, no financial provision has been made in these accounts in relation to this matter.

32 Related Party Transactions

Due to the nature of the college's operations and the composition of the board of governors (being drawn from local public and private sector organisations) it is inevitable that transactions will take place with organisations in which a member of the board of governors may have an interest. All transactions involving organisations in which a member of the board of governors may have an interest are conducted at arm's length and in accordance with the college's financial regulations and normal procurement procedures. No transactions were identified which should be disclosed under Financial Reporting Standard 8 related party disclosures.

33 Cash Flow Relating to Exceptional Items

The operating cash outflows include an outflow of £517,000 for exceptional restructuring costs.

34 Major Non-cash Transactions

During the year the college made a provision of £674,000 for future pension costs.

Casterbridge College

Statement of the Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the Financial Memorandum agreed between the Further Education Funding Council (the Council) and the corporation of the college, the corporation, through its principal, is required to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the college and the result for that year.

In preparing the financial statements the corporation is required to:

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

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

Members of the corporation are responsible for ensuring that funds from the Council are used only in accordance with the Financial Memorandum with the Council and any other conditions which the Council may from time to time prescribe. Members of the corporation must ensure that there are appropriate financial and management controls in place sufficient to safeguard public and other funds and ensure that they are used only in accordance with the conditions under which they have been made available. In addition, members of the corporation are responsible for securing the economical, efficient and effective management of the college’s resources and expenditure, so that the benefits that should be derived from the application of public funds by the Council are not put at risk.

Casterbridge College

Corporate Governance Statement of the System of Internal Financial Control (revised 19 April 1999)

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

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

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

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

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

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

[Signature] [Date]

T Ross

Principal

Casterbridge College

Auditors' Report to the Members of the Corporation

We have audited the financial statements on pages [ ] to [ ] which have been prepared in accordance with the accounting policies set out on pages [ ] and [ ].

Respective Responsibilities of the Members of the Corporation and Auditors

As described on page [ ], the members of the corporation are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of our Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the members of the corporation in the preparation of the financial statements, and of whether the accounting policies are appropriate to the college's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the college and the group as at 31 July 1999 and of the group's deficit of income over expenditure for the year then ended.

In our opinion funds from whatever source administered by the college for specific purposes have been properly applied for the intended purposes and, where relevant, managed in accordance with appropriate legislation for the year ended 31 July 1999.

In our opinion funds provided by the FEFC have been applied in accordance with the Financial Memorandum and any other terms and conditions attached to them for the year ended 31 July 1999.

Touche-Brand DATE

Casterbridge

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