

NEWHAM SIXTH FORM COLLEGE

**Report and Financial Statements
for the year ended 31 July 2011**

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Operating and Financial Review

NATURE, OBJECTIVES AND STRATEGIES:

The members present their report and the audited financial statements for the year ended 31 July 2011.

Legal status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting Newham Sixth Form College ("NewVlc"). The College is an exempt charity for the purposes of the Charities Act 1993 as amended by the Charities Act 2006.

Mission

Governors reviewed the College's mission during 2008/09 and in July 2009 adopted a revised mission statement as follows:

"Our mission is to create a successful learning community".

Implementation of strategic plan

In July 2010 the College adopted a strategic plan for the period 1st August 2010 to 31st July 2011. The Corporation monitors the performance of the College against this plan. The plan is reviewed and updated each year. This one-year strategic plan is linked to the College's 5 year vision statement – "NewVlc 2015".

The Corporation approved a three-year financial plan in June 2011 for the period 1st August 2011 to 31st July 2014. This plan was submitted to the Young People's Learning Agency (YPLA) in July 2011:

The College's strategic objectives and accompanying targets are:

To be successful by

Raising student achievement and providing personalised support for success

- Long course success rate of at least 83% overall
- At least 90% of completers qualify to progress to a higher level
- At least 83% of HE applicants progress to HE
- Student progress is tracked and monitored 3 times a year

Promoting continuous improvement

- Everyone is clear what success looks like and how it is assessed
- Every curriculum team is assessed as improving or outstanding
- Every student is involved in planning for their success
- Student feedback and performance against the College charter is positive overall

Focusing on what matters most, achieving our targets and managing our resources well

- Progress against strategic targets is reviewed termly at Senior Leadership Team and Corporation
- At least 2,594 full-time 16-18 learners and 3,634 Standard Learner Numbers are enrolled
- Funding targets and key financial objectives achieved
- Effective financial controls, monitoring and reporting are in place
- Risk is reviewed regularly and action is taken to mitigate major risks
- Priority developments are identified, costed and invested in appropriately

Operating and Financial Review (continued)

To promote learning by

Developing students' as independent and skilled learners, workers and citizens

- All students are aiming to become more effective learners
- All students are able to develop their global awareness, literacy, numeracy, research and discussion skills
- All students are able to engage in service and work-related learning

Offering a broad and inclusive curriculum

- The SF Bac and a range of specialist pathways are offered

Valuing and developing the skills, learning and contribution of staff

- All staff have personal targets, annual appraisal and appropriate development
- All teachers are involved in identifying and implementing better practice

To develop our community by

Valuing diversity and promoting equality

- Equality action plan identifies key equality targets and actions

Creating a modern, attractive and safe learning environment

- Progress made with campus improvement or replacement plans

Working with others and making a distinctive educational, economic and cultural contribution

- Key strategic partners are identified and specific projects planned
- Stratford Circus playing a key role in local culture regeneration
- "Imagine" language and media centre has made an impact on learners
- NewVlc's positive and distinctive contribution is quantified and celebrated

Financial objectives

The College's financial objectives for 2011-12 are:

- To achieve an operating surplus
- Pay costs not to exceed 70% of income
- To secure a financial health score of at least 'Good'

The key risks associated with the achievement of these financial objectives are:

- The College fails to achieve its adult and 14-16 learner income targets
- The College fails to achieve continued reduction in spending in line with the budgeted income

A series of performance indicators have been agreed to monitor the successful implementation of the policies.

Operating and Financial Review (continued)

KEY RATIOS	Year Ended 31 July		
	Actuals	Fin Plan	Fin Plan
	2011	2012	2013
Liquidity - how much of a cash safety net does the College have at its disposal?			
Cash days in hand	89	80	90
Current ratio	3.46	5.4	6.4
Margin - how successful is the College being at delivering a balanced budget?			
Adjusted operating position as a percentage of income	1.06%	1.1%	0.27%
Available reserves as a percentage of income	57.83%	59.16%	62.57%
Income - how reliant is the College on funding body income?			
Dependency on funding body income	91%	96.92%	96.86%
Expenditure - how successful is the College at keeping wage costs under control?			
Staff costs as % of income (incl. contract tuition services)	65.20%	69.0%	69.76%
Framework for Excellence financial health grade	Outstanding	Outstanding	Outstanding

Performance indicators

The "Framework for Excellence" has four key performance indicator:

- Success rates
- Learner destinations
- Learner views
- Employer views

Note: The department for Education has announced that Sixth Form College will not have to undertake the Learner Views and Employer Views surveys in 2010/11

The financial Indicators (Financial Health and Financial Management and Control) will continue to be graded and will be reported to providers directly by the relevant funding body. As this direct reporting occurs earlier than Framework for Excellence reporting, these Performance Indicators will no longer be included in the Framework for Excellence Application.

The College is committed to observing the importance of the measures and indicators within the Framework and is monitoring these through the completion of the annual Finance Record for the Young Peoples Learning Agency (YPLA). The current rating of Outstanding is considered an acceptable outcome.

Operating and Financial Review (continued)**CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE****Student numbers**

In 2010-11 the College delivered activity that produced £15.148 million in funding body main allocation funding. The College had approximately 2,636 funded learners.

Student achievements and progression 2011

Notional Level	2010-11			2009-10	2008-09
	Success Rate	National Benchmark	Variance	Success Rate	Success Rate
1 Long	84%	73%	+9%	71%	42%
2 Long	87%	83%	+4%	80%	82%
3 Long	82%	84%	-2%	77%	80%
Sub Total All Long	83%	83%	0%	78%	78%

Our early analysis of achievement this year so far suggests that the college achieved its overall success rate target for long courses of 83%. This represents an unprecedented 5% improvement in one year and the highest overall success rate achieved. There were improvements in every course type and the greatest improvements were at level 1(+9%), level 2(+7%) and AS level (+6%). We are now in line with national benchmarks overall (for 2010) and should be aiming to improve level 3 achievements by at least 3% in order to be above average for all course types.

Our early analysis of progression to higher education in 2011 suggests that at least 750 applicants were successful in their application to university compared to 705 last year. The number progressing to Oxbridge has increased from 2 to 3 this year and the number progressing to Russell group universities has increased from 11 to 17 this year. 5 students progressed to medicine courses compared to 6 last year.

Curriculum developments

The College has created a new Foundation Learning Team for 2010-11 to bring together the delivery of its curriculum at Level 1 and below.

In 2010-11, the College continued to deliver a mix of courses to its core 16-18 student body significantly above the funded Student Learner Number Ratio of 1.40 (not including Entry to Employment – E2E).

	SLNs			SLN per Learner		
	Allocation	Actual	Variance	Allocation	Actual	Variance
16-18	3,634	3,779	145	1.40	1.43	0.03

Operating and Financial Review (continued)**FINANCIAL POSITION****Financial results**

The College generated an operating surplus in the year of £0.229m compared to a £0.569m deficit in 09/10.

The College has accumulated reserves of £8.619m and cash balances of £4.071m. The College wishes to continue to accumulate reserves and cash balances in order to create a contingency fund.

Tangible fixed asset additions during the year amounted to £1.427m.

The College has significant reliance on the YPLA for its principal funding source, largely from recurrent grants. In 2010-11 the YPLA provided 90% of the College's total income.

The College has one subsidiary company, Stratford Circus Ltd. The principal activity of Stratford Circus Ltd is the operation the Stratford Circus performing arts venue. Any surpluses generated by the subsidiary are transferred to the College under deed of covenant. In the current year, there was a deficit of £254k which included an operating deficit of £139k and provision for old debts for £115k.

Treasury policies and objectives

Treasury management is the management of the College's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

The College has a separate treasury management policy in place.

Short term borrowing for temporary revenue purposes is authorised by the Principal. Such arrangements are restricted by limits in the Financial Memorandum with the LSC and subsequently transferred to the YPLA. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum.

Cash flows

There was a positive movement in cash during the period totalling £1.109m. Operating cash in flow was £2.334m (2009-10 £0.285m).

Liquidity

The College has no loans.

Operating and Financial Review (continued)

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. The College incurred no interest charges in respect of late payment for this period.

Post-balance sheet events

Stratford Circus arts centre is part of the College and the educational activities that it carries out include events, workshops and education and training programmes. Following a review of the future of these activities, the College is choosing to cease operations as part of the College.

The College is currently in discussions to facilitate the movement of Stratford Circus to an independent organisation. At this stage the financial implications are not clear, but the corporation has decided that the college will not renew its current lease on Stratford Circus and will not seek to continue running Stratford Circus. Assuming that a viable new organisation can be established the College will transfer the business and staff will be subject to TUPE. If this cannot be achieved the College will withdraw from Stratford Circus at the end of the lease on 31 December 2011 and staff will be subject to redundancy procedures.

Future developments

The College continues to develop options for relocating its main campus from Prince Regents Lane. The College is in discussion with the London Borough of Newham about opportunities in and around Stratford Town Centre. This may take the form of a partnership with other providers.

The college is keen to develop a Central London facility to support the overall offer, possibly in partnership with a HE provider.

RESOURCES:

The College has various resources that it can deploy in pursuit of its strategic objectives.

The principal tangible resource is the main college site in Prince Regent Lane.

Financial

The College has £19.24m of net assets (excluding £768k of pension liability) and no long term debt.

People

The College employs 308 people (expressed as full time equivalents), of whom 153 are teaching staff.

Reputation

The College has a good reputation locally and nationally with very high progression rates to Higher Education. Maintaining a quality brand is essential for the College's success at attracting students and developing external relationships.

PRINCIPAL RISKS AND UNCERTAINTIES:

The College has undertaken further work during the year to develop and embed the system of internal control, including financial, operational and risk management which is designed to protect the College's assets and reputation.

Based on the strategic plan, the Senior Leadership Team (SLT) undertakes a comprehensive review of the risks to which the College is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the College. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress

Operating and Financial Review (continued)

against risk mitigation actions. In addition to the annual review, the SLT will also consider any risks which may arise as a result of a new area of work being undertaken by the College.

A risk register is maintained at the College level which is reviewed termly by the College's Senior Leadership Team and the Audit Committee. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

Outlined below is a description of the principal risk factors that may affect the College. Not all the factors are within the College's control. Other factors besides those listed below may also adversely affect the College.

1. Government funding

The College has considerable reliance on continued government funding through the education sector funding bodies. In 2010-11, 91% of the College's revenue was ultimately public funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

The College is aware of several issues which may impact on future funding:

- The new lagged learner funding system which will respond to changes in student numbers and SLNs.
- The government's commitment to reducing 16-18 unit costs as participation rises.
- The future of the Young Peoples Learning Agency (YPLA) and the Skills Funding Agency (SFA) and their funding methodologies.

This risk is mitigated in a number of ways:

- By ensuring the College is rigorous in delivering high quality education and training
- By maintaining and managing key relationships with the various funding and commissioning bodies
- By ensuring the College is focused on those priority sectors which will continue to benefit from public funding.
- Through regular dialogue with the YPLA and local authority.

2. Tuition fee policy

The LSC intend to raise individual contributions. Ministers have confirmed that the fee assumption will increase from 47.5% in 2009/10 to 50% in 2010/11. In line with the majority of other colleges, Newham Sixth Form College will seek to increase tuition fees in accordance with the rising fee assumptions. The price elasticity of adult learning is not yet fully understood. The risk for the College is that demand falls off as fees increased. This will impact on the growth strategy of the College.

This risk is mitigated in a number of ways:

- By ensuring the College is rigorous in delivering high quality education and training, thus ensuring value for money for students
- Close monitoring of the demand for courses as prices change

3. Maintain adequate funding of pension liabilities

The financial statements report the share of the pension scheme deficit on the College's balance sheet in line with the requirements of FRS 17.

Operating and Financial Review (continued)**STAKEHOLDER RELATIONSHIPS**

In line with other colleges and with universities, Newham Sixth Form College has many stakeholders. These include:

- Students;
- Staff;
- Partner secondary schools;
- Local employers;
- Funding Bodies (YPLA, SFA);
- London borough of Newham;
- The local community;
- Other FE institutions;
- Trade unions;
- Professional bodies; and
- Government Offices/ Regional Development Agencies.

The College recognises the importance of these relationships and engages in regular communication with them through the College Internet site and by meetings.

Equal opportunities and employment of disabled persons

Newham Sixth Form College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, gender, sexual orientation, ability, class and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry. This policy will be resourced, implemented and monitored on a planned basis.

The College's Equal Opportunities Policy, including its Race Relations and Transgender Policies, is published on the College's Internet site.

The College considers all applications 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. An equalities plan is published each year and monitored by managers and governors.

Disability statement

The College seeks to achieve the objectives set down in the Disability Discrimination Act 1995 as amended by the Special Education Needs and Disability Acts 2001 and 2005.

- a) As part of its accommodation strategy the College updated its access audit.
- b) The College has appointed an Access Co-ordinator, who provides information, advice and arranges support where necessary for students with disabilities.
- c) There is a list of specialist equipment, such as radio aids, which the College can make available for use by students and a range of assistive technology is available in the learning centre.
- d) 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.

Operating and Financial Review (continued)

- e) 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.
- f) Specialist programmes are described in College prospectuses, and achievements and destinations are recorded and published in the standard College format.
- g) Counselling and welfare services are described in the College Student Guide, which is issued to students together with the Complaints and Disciplinary Procedure leaflets at induction.

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 Corporation on 6 December 2011 and signed on its behalf by:



Philip Dewe

Chair

Operating and Financial Review (continued)

Professional advisers

Financial statement and regularity auditors:

Buzzacott LLP
130 Wood Street
London EC2V 6DL

Internal auditors:

RSM Tenon Ltd
66 Chiltern Street
London W1U 4GB

Bankers:

Lloyds TSB Bank Plc
25 Gresham Street
London EC3V 3NJ

Co-operative Bank Plc
80 Cornhill
London EC3V 3NJ

Solicitors:

Clarkslegal LLP
12 Henrietta Street
Covent Garden
London WC2E 8LH

Statement of Corporate Governance and Internal Control

The College is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the College has applied the principles set out in the UK Corporate Governance Code issued by the London Stock Exchange in June 2010. Its purpose is to help the reader of the accounts understand how the principles have been applied.

In the opinion of the governors, the College complies with all the provisions of the Code in so far as they apply to the Further Education Sector, and it has complied throughout the year ended 31 July 2011.

The Corporation

The members who served on the Corporation during the year and up to the date of signature of this report were as listed in Table 2.

Table 2: Governors serving on the College Board during 2010/11.

	Date of appointment	Term of office	Date of resignation	Status of appointment	Committees served
Meg Dabasia	24.06.97, reappointed 25.03.01, 28.6.05 and 28.6.09	4 years		Independent	Audit
Karen Merkel (Vice-Chair)	2.1.01, reappointed 13.12.05 and 13.12.09	4 years		Independent	Search
Gail May (Vice-Chair)	1.12.08	4 years		Independent	Search
Anita Plaha	21.4.10	4 years		Independent	Audit
Irene Graham	21.4.10	4 years		Independent	Audit (Chair)
Jill Adams	15.2.10	4 years		Staff	
Shanice Smith	7.7.10	1 year		Student	
Philip Dewe (Chair)	12.12.06 reappointed 13.12.10	4 years		Co-opted	Search (Chair)
Alec Kellaway	7.12.07	4 years		Local Authority	Audit
Eddie Playfair	1.09.08	Ex-officio		Principal	Search
Mark Chester	16.2.11	4 years		Independent	Audit
John Bradshaw	18.10.11	4 years		Independent	
Susan Landeryou	06.12.10	4 years		Staff	
Samuel Berhanu	07.07.10	1 year		Student	
Sema Kumar	14.02.11	2 years		Parent	
Ali Haja Mohamed	18.10.11	1 year		Student	
Adjoa Serwaa Obeng	18.10.11	1 year		Student	
Clerking service purchased from London Borough of Newham and delivered by Paul Baglee, who acts as Clerk to the Corporation					

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

The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety and environmental issues. The Corporation meets each term.

The Corporation has streamlined its governance arrangements for 2010/11 along "Carver" principles. The full corporation will meet six times a year and has replaced five committees with Search and Audit committees and a Stratford Circus Strategy Group. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available from the clerk to the Corporation at:

Newham Sixth Form College
Prince Regent Lane
Plaistow
London E13 8SG

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

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

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a search committee, consisting of at least three members of the Corporation, which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

Members of the Corporation are appointed for a term of office not exceeding four years.

Remuneration

Details of remuneration for the year ended 31 July 2011 are set out in note 8 to the financial statements.

Statement of Corporate Governance and Internal Control (continued)**Audit committee**

The Audit Committee comprises four members of the Corporation (excluding the Principal and Chair) and one co-opted member with audit experience. The Committee operates in accordance with written terms of reference approved by the Corporation.

The Audit Committee meets on 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 monitor 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 also advises the Corporation on the appointment of internal, regularity and financial statements auditors and their remuneration for both audit and non-audit work.

Internal control*Scope of responsibility*

The Corporation is ultimately responsible for the College's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Corporation has delegated the day-to-day responsibility to the Principal, 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 Financial Memorandum between Newham Sixth Form College and the YPLA and the SFA. He is also responsible for reporting to the Corporation 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 ongoing 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 Newham Sixth Form College for the year ended 31 July 2011 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Corporation 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 Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2011 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

Statement of Corporate Governance and Internal Control (continued)*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 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.

Newham Sixth Form College has an internal audit service, which operates in accordance with the requirements of the LSC'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 Corporation on the recommendation of the audit committee. At minimum 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 risk management, controls and governance processes.

Review of effectiveness

As Accounting Officer, the Principal 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 auditors, the regularity auditors (for colleges in plan-led funding), the appointed funding auditors (for colleges outside plan-led funding) in their management letters and other reports.

The Principal 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 a plan to address weaknesses and ensure continuous improvement of the system is in place.

The senior management team 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 senior management team and the Audit Committee also receive regular reports from internal audit, 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 Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2011 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2011 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2010.

Statement of Corporate Governance and Internal Control (continued)**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.

Approved by order of the members of the Corporation on 6 December 2011 and signed on its behalf by:



Philip Dewe
Chair



Eddie Playfair
Principal

Statement of Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the Financial Memorandum agreed between the YPLA and the Corporation of the College, the Corporation, through its Principal, is required to prepare financial statements for each financial year in accordance with the 2007 *Statement of Recommended Practice – Accounting for Further and Higher Education Institutions* and with the Accounts Direction issued jointly by the Skills Funding Agency and the Young Peoples Learning Agency, and which give a true and fair view of the state of affairs of the College and the result for that year.

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

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

The Corporation is also required to prepare a Members Report which describes what it is trying to do and how it is going about it, including 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 the relevant legislation of incorporation and other relevant accounting standards. It is responsible for taking steps that are reasonably open to it in order to safeguard the assets of the College and to prevent and detect fraud and other irregularities.

The maintenance and integrity of the College website is the responsibility of the Corporation of the College; the work carried out by the 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 the 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 the YPLA are used only in accordance with the Financial Memorandum with the YPLA and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the College's resources and expenditure, so that the benefits that should be derived from the application of public funds from the YPLA are not put at risk.

Approved by order of the members of the Corporation on 6 December 2011 and signed on its behalf by:



Philip Dewe
Chair

Independent auditor's report to the Corporation of Newham Sixth Form College

We have audited the Group and College financial statements ("the financial statements") of Newham Sixth Form College for the year ended 31 July 2011 set out on pages 20 to 43. The financial reporting framework that has been applied in their preparation is applicable law and UK accounting standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Corporation as a body, in accordance with statutory requirements. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are required to state to them in an 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 Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Corporation of Newham Sixth Form College and Auditor

As explained more fully in the Statement of the Corporation's responsibilities set out on page 17, the Corporation is responsible for the preparation of financial statements which give a true and fair view.

Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the College's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Corporation; and the overall presentation of the financial statements. In addition we read all the financial and non-financial information in the Corporation Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

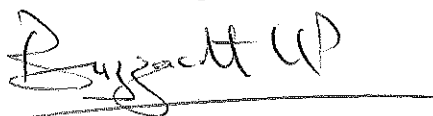
- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Groups' and of the College's affairs as at 31 July 2011 and of the Group's surplus of income over expenditure for the year then ended;
- have been properly prepared in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education Institutions

Opinion on other matters prescribed by the revised Joint Audit Code of Practice (Part 1) issued jointly by the Skills Funding Agency and the YPLA and the Audit Code of Practice issued by the Learning and Skills Council

In our opinion:

- proper accounting records have been kept, and
- the financial statements are in agreement with the accounting records.

Buzzacott LLP
Statutory Auditor
130 Wood Street
London
EC2V 6DL



12 December 2011

Independent Auditors' Report on Regularity to the Corporation of Newham Sixth Form College ('the Corporation') and the Young People's Learning Agency

In accordance with the terms of our engagement letter and further to the requirements of the Young People's Learning Agency, we have carried out a review to obtain assurance about whether, in all material respects, the expenditure and income of Newham Sixth Form College ('the College') for the year ended 31 July 2011 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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

Respective responsibilities of the Members of the Corporation of Newham Sixth Form College and Auditors

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

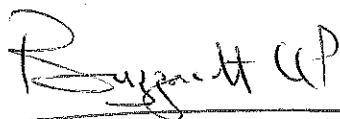
Our responsibilities for this review are established in the United Kingdom by our profession's ethical guidance and the audit guidance set out in the Audit Code of Practice and the Regularity Audit Framework issued by the Learning and Skills Council. We report to you whether, in our opinion, in all material respects, the College's expenditure and income for the year ended 31 July 2011 have been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Basis of opinion

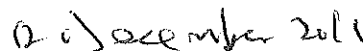
We conducted our review in accordance with the Audit Code of Practice and the Regularity Audit Framework issued by the Learning and Skills Council. Our review includes examination, on a test basis, of evidence relevant to the regularity and propriety of the College's income and expenditure.

Opinion

In our opinion, in all material respects the expenditure and income for the year ended 31 July 2011 have been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them.



Buzzacott LLP
Statutory Auditor
130 Wood Street
London
EC2V 6DL



Date

Consolidated Income and Expenditure Account

	Notes	£'000	2011 £'000	£'000	2010 £'000
INCOME					
Funding Council Grants	2		15,259		15,108
Tuition fees and education contracts	3		443		648
Research grants and contracts	4		345		379
Other income	5		585		694
Investment income	6		<u>57</u>		<u>23</u>
Total income			16,689		16,852
EXPENDITURE					
Staff costs	7	10,905		12,029	
Other operating expenses	9	3,780		4,017	
Depreciation	12	1,329		1,308	
Interest and other finance costs	10	-		67	
Loss on disposal	12	446		-	
Total expenditure			16,460		17,421
Surplus / (deficit) for the year retained within general reserves			<u>229</u>		<u>(569)</u>

The income and expenditure account is in respect of continuing activities

Consolidated Statement of Historical Cost Surpluses and Deficits

	Notes	2011 £'000	2010 £'000
Surplus/(deficit) on continuing operations before taxation		229	(569)
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	18	184	184
Historical cost surplus/(deficit) for the year before taxation		413	(385)

Consolidated Statement of Total Recognised Gains and Losses

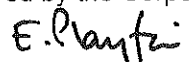
	Notes	2011 £'000	2010 £'000
Surplus(deficit) on continuing operations after depreciation of assets at valuation and tax		229	(569)
Actuarial gain in respect of pension scheme including the CPI adjustment of £nil (2010 - £325,000)	24	704	225
Total recognised gains/(losses) since last report		933	(344)
Reconciliation			
Opening reserves and endowments		14,896	15,240
Total recognised gains/(losses) for the year		933	(344)
Closing reserves and endowments		15,829	14,896

Balance sheets as at 31 July

	Notes	Group 2011 £'000	College 2011 £'000	Group 2010 £'000	College 2010 £'000
Fixed assets					
Tangible assets	12	<u>16,045</u>	<u>16,045</u>	<u>16,393</u>	<u>16,393</u>
Total fixed assets		16,045	16,045	16,393	16,393
Current assets					
Debtors	14	388	383	704	740
Investments	13	1,664	1,664	1,602	1,602
Cash at bank and in hand		<u>2,407</u>	<u>2,320</u>	<u>1,360</u>	<u>1,285</u>
Total current assets		4,459	4,367	3,666	3,627
Less: Creditors – amounts falling due within one year	15	<u>(1,262)</u>	<u>(1,170)</u>	<u>(1,127)</u>	<u>(1,088)</u>
Net current assets		<u>3,197</u>	<u>3,197</u>	<u>2,539</u>	<u>2,539</u>
Total assets less current liabilities		19,242	19,242	18,932	18,932
Less: Provisions for liabilities	26	<u>(40)</u>	<u>(40)</u>	<u>(125)</u>	<u>(125)</u>
Net assets excluding pension liability		19,202	19,202	18,807	18,807
Net pension liability	24	<u>(768)</u>	<u>(768)</u>	<u>(1,338)</u>	<u>(1,338)</u>
NET ASSETS INCLUDING PENSION LIABILITY		<u>18,434</u>	<u>18,434</u>	<u>17,469</u>	<u>17,469</u>
Deferred capital grants	16	<u>2,605</u>	<u>2,605</u>	<u>2,573</u>	<u>2,573</u>
Income and expenditure account excluding pension reserve	18	9,387	9,387	8,840	8,840
Pension reserve	24	<u>(768)</u>	<u>(768)</u>	<u>(1,338)</u>	<u>(1,338)</u>
Income and expenditure account including pension reserve	18	8,619	8,619	7,502	7,502
Revaluation reserve	17	<u>7,210</u>	<u>7,210</u>	<u>7,394</u>	<u>7,394</u>
Total reserves		<u>15,829</u>	<u>15,829</u>	<u>14,896</u>	<u>14,896</u>
TOTAL		<u>18,434</u>	<u>18,434</u>	<u>17,469</u>	<u>17,469</u>

The financial statements on pages 20 to 43 were approved by the Corporation on 6 December 2011 and were signed on its behalf on that date by:


Philip Dewe
Chair


Eddie Playfair
Principal

Consolidated Cash Flow Statement

	Notes	2011 £'000	2010 £'000
Cash inflow from operating activities	19	2,334	285
Returns on investments and servicing of finance	20	36	23
Capital expenditure and financial investment	21	(1,261)	(1,483)
Management of liquid resources	22	(62)	1,685
		<hr/>	<hr/>
Increase in cash in the year		1,047	510
		<hr/>	<hr/>
Reconciliation of net cash flow to movement in net funds			
Increase in cash in the period		1,047	510
Cash inflow from liquid resources	22	62	(1,685)
		<hr/>	<hr/>
Movement in net funds in the period		1,109	(1,175)
Net funds at 1 August 2010	23	2,962	4,137
		<hr/>	<hr/>
Net funds at 31 July 2011		4,071	2,962
		<hr/>	<hr/>

Notes to the Accounts

1. Accounting policies

Statement of accounting policies

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 2007* (the SORP) and in accordance with applicable Accounting Standards. They conform to guidance published jointly by the Skills Funding Agency and the YPLA in the 2010/11 Accounts Direction Handbook.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets and in accordance with applicable United Kingdom Accounting Standards.

Basis of consolidation

The consolidated financial statements include the College and its subsidiary, Stratford Circus Limited. Intra-group sales and profits are eliminated fully on consolidation. In accordance with Financial Reporting Standard (FRS) 2, the activities of the student union have not been consolidated because the College does not control those activities. All financial statements are made up to 31 July 2011.

Recognition of income

Funding body recurrent grants are recognised 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 learner responsive funding element 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 at the end of November following the year end. Employer responsive grant income is recognised based on a year end reconciliation of income claimed and actual delivery. 16-18 learner-responsive funding is not normally subject to a reconciliation and is therefore not subject to contract adjustments.

Non-recurrent grants from the funding bodies received in respect of the acquisition of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

Income from tuition fees is recognised in the period for which it is received and includes all fees payable by students or their sponsors, for example the National Health Service.

Income from 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.

Post retirement benefits

Retirement benefits to employees of the College are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit schemes, which are externally funded and contracted out of the State Earnings-Related Pension Scheme (SERPS).

Notes to the Accounts (continued)**1. Accounting policies (continued)**

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 quinquennial valuations using a prospective benefit method. As stated in Note 24, the TPS is a multi employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

The assets of the LGPS are measured using closing market values. LGPS liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the operating surplus. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in pension finance costs. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

Tangible fixed assets*Land and buildings*

Land and buildings inherited from the local education authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable. Building improvements made since incorporation are included in the balance sheet at cost. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College of between 20 and 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 20 and 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.

On adoption of FRS 15, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1996, but not to adopt a policy of revaluations of these properties in the future. These values are retained subject to the requirement to test assets for impairment in accordance with FRS 11.

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets 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:

- Market value of the fixed asset has subsequently improved
- 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

Notes to the Accounts (continued)**1. Accounting policies (continued)***Equipment*

Equipment costing less than £1000 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost. Equipment inherited from the local education authority is included in the balance sheet at valuation.

Inherited equipment has been depreciated on a straight-line basis over its remaining useful economic life to the College of between one and three years from incorporation and is now fully depreciated. All other equipment is depreciated over its useful economic life as follows:

- building improvements – 10 years on a straight-line basis
- computer equipment – 3 years on a straight-line basis
- furniture, fixtures and fittings – 5 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.

Investments

Investments include the shareholding in Stratford Circus Ltd and Cash on Deposit. Investments are stated at cost.

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 the income and expenditure account in the period in which they arise.

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 Chapter 3 Part 11 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 receives no similar exemption in respect of value added tax. For this reason the College is generally unable to recover input VAT it suffers on goods and services purchased. Non-pay expenditure is therefore shown inclusive of VAT with any partial recovery netted off against these figures.

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

Liquid resources

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

Provisions

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

Notes to the Accounts (continued)**1. Accounting policies (continued)****Agency arrangements**

The College acts as an agent in the collection and payment of Learner Support Funds. Related payments received from the LSC and subsequent disbursements to students are excluded from the Income and Expenditure account and are shown separately in Note 29, except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant. The College employs one member of staff dedicated to the administration of Learner Support Fund applications and payments.

Notes to the Accounts (continued)**2 Funding council income**

	2011	2010
	£'000	£'000
Recurrent funding body grant	15,148	14,700
Work based learning	-	308
Releases of deferred capital grants	70	70
Other Funds	41	30
Total	15,259	15,108

3 Tuition fees and education contracts

	2011	2010
	£'000	£'000
Tuition fees	20	91
Education contracts	423	557
Total	443	648

4 Other grants and contracts

	2011	2010
	£'000	£'000
Other grants and contracts	345	379
Total	345	379

5 Other income

	2011	2010
	£'000	£'000
Residencies, catering and conferences	498	435
Releases from deferred capital grants (non funding body)	64	53
Other income	23	206
	585	694

6 Investment income

	2011	2010
	£'000	£'000
Other interest receivable	36	23
Pension finance income (Note 24)	21	-
Total	57	23

Notes to the Accounts (continued)

7 Staff costs

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

	2011 No.	2010 No.
Teaching staff	153	180
Non teaching staff	155	159
	<u>308</u>	<u>339</u>

Staff costs for the above persons

	2011 £'000	2010 £'000
Wages and salaries	8,662	9,478
Social security costs	655	743
Other pension costs (including FRS 17 adjustments of £155,000 – 2010 £95,000)	954	918
	<u>10,271</u>	<u>11,139</u>
Payroll sub total	10,271	11,139
Contracted out staffing services	634	890
	<u>10,905</u>	<u>12,029</u>

The number of senior post-holders and other staff who received emoluments, including pension contributions and benefits in kind, in the following ranges was:

	Senior post-holders		Other staff	
	2011 No.	2010 No.	2011 No.	2010 No.
£60,001 to £70,000	-	-	2	2
£70,001 to £80,000	-	-	1	3
£80,001 to £90,000	1	1	-	-
£120,001 to £130,000	1	-	-	-
£130,001 to £140,000	-	1	-	-
	<u>2</u>	<u>2</u>	<u>3</u>	<u>5</u>

Notes to the Accounts (continued)

8 Senior post-holders' emoluments

Senior post-holders are defined as the Principal and holders of the other senior posts whom the Governing Body has 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 Governing Body.

	2011 No.	2010 No.
The number of senior post-holders including the Principal was:	<u>2</u>	<u>2</u>

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

	2011 £'000	2010 £'000
Salaries	185	192
Pension contributions	26	18
Total emoluments	<u>211</u>	<u>210</u>

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

	2011 £'000	2010 £'000
Salaries	113	115
Pension contributions	<u>16</u>	<u>16</u>

The pension contributions in respect of the Principal and senior post-holders are in respect of employer's contributions to the Teachers' Pension Scheme and are paid at the same rate as for other employees.

Notes to the Accounts (continued)**9 Other operating expenses**

	2011	2010
	£'000	£'000
Teaching costs	527	644
Non teaching costs	1,926	1,713
Premises costs	1,327	1,660
	<hr/>	<hr/>
Total	3,780	4,017
	<hr/>	<hr/>

Other operating expenses include:

	2011	2010
	£'000	£'000
Auditors' remuneration:		
Financial statements audit	16	16
Internal audit	16	12
Other services provided by the financial statements auditors	7	3
	<hr/>	<hr/>
Hire of plant and machinery – operating leases	230	230
Hire of other assets – operating leases	-	201
	<hr/>	<hr/>

10 Interest payable

	2011	2010
	£'000	£'000
Pension finance costs (note 24)	-	67
	<hr/>	<hr/>
Total	-	67
	<hr/>	<hr/>

11 Surplus/(deficit) on continuing operations for the period

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

	2011 £'000	2010 £'000
College's surplus/(deficit) for the period	483	(627)
(Deficit)/surplus generated by subsidiary undertakings and transferred to the College under gift aid	(254)	58
	<hr/>	<hr/>
Total	<u>229</u>	<u>(569)</u>

For the year ended 31 July 2010, the principal activity of the subsidiary company, Stratford Circus Limited was to generate income from the provision of catering and box office services within the Stratford Circus arts centre. As at 1 August 2010, all of the remaining activities at Stratford Circus were transferred from the College to the Stratford Circus Limited. Following the transfer of these activities, a deficit of £254k was recorded within the financial statements of Stratford Circus Limited for the year ended 31 July 2011.

The College's results excluding Stratford Circus Limited recorded a surplus of £483k for the year ended 31 July 2011 (2010 – deficit of £627k). A wide range of factors including the closure of Stratford Centre, reduction in payroll costs and receipt of additional income have contributed to the college's surplus during the year.

Notes to the Accounts (continued)**12 Tangible fixed assets (Group & College)**

	Land and buildings Freehold £'000	Equipment £'000	Total £'000
Cost or valuation			
At 1 August 2010	22,452	5,556	28,008
Disposals related to Stratford Centre	(891)	-	(891)
Additions	767	660	1,427
At 31 July 2011	22,328	6,216	28,544
Depreciation			
At 1 August 2010	6,743	4,872	11,615
Release on disposal of Stratford Centre assets	(445)	-	(445)
Charge for the year	658	671	1,329
At 31 July 2011	6,956	5,543	12,499
Net book value at 31 July 2011	15,372	673	16,045
Net book value at 31 July 2010	15,709	684	16,393

The Stratford Centre lease was terminated during the year. This resulted in a disposal of assets.

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

The College's policy is to carry all assets at historic cost, except for inherited assets which are included on the balance sheet at valuations existing at 31st July 1999 when the college implemented FRS 15 for the first time. The assets were valued on incorporation and have not been updated since.

If inherited land and buildings had not been valued they would have been included at zero cost, zero net value based on cost.

Notes to the Accounts (continued)**13 Investments**

	Group 2011 £'000	College 2011 £'000	Group 2010 £'000	College 2010 £'000
Investments in subsidiary companies	-	-	-	-
Cash on Deposit	1,664	1,664	1,602	1,602
Total	1,664	1,664	1,602	1,602

The College owns 100 per cent of the issued ordinary £1 shares of Stratford Circus Limited, a company incorporated in England and Wales. The principal activity of Stratford Circus Limited is the provision of performances and offering facilities for commercial events and corporate functions.

14 Debtors

	Group 2011 £'000	College 2011 £'000	Group 2010 £'000	College 2010 £'000
Amounts falling due within one year:				
Trade debtors	94	6	485	432
Amounts owed by group undertakings:				
Subsidiary undertakings	-	159	-	89
Prepayments and accrued income	287	211	214	214
Other Debtors	7	7	5	5
Total	388	383	704	740

15 Creditors: amounts falling due within one year

	Group 2011 £'000	College 2011 £'000	Group 2010 £'000	College 2010 £'000
Trade creditors	440	401	363	324
Other taxation and social security	317	317	350	350
Accruals and deferred income	390	345	278	278
Other creditors	115	107	136	136
Total	1,262	1,170	1,127	1,088

16 Deferred capital grants

	Group and College		
	Funding body grants £'000	Other grants £'000	Total £'000
At 1 August 2010	2,142	431	2,573
Cash received	66	100	166
Released to income and expenditure account	(70)	(64)	(134)
At 31 July 2011	<u>2,138</u>	<u>467</u>	<u>2,605</u>

17 Revaluation reserve

	Group 2011 £'000	College 2011 £'000	Group 2010 £'000	College 2010 £'000
At 1 August	7,394	7,394	7,578	7,578
Transfer from revaluation reserve to general reserve in respect of:				
Depreciation on revalued assets	(184)	(184)	(184)	(184)
At 31 July	<u>7,210</u>	<u>7,210</u>	<u>7,394</u>	<u>7,394</u>

18 Movement on general reserves

	Group 2011 £'000	College 2011 £'000	Group 2010 £'000	College 2010 £'000
Income and expenditure account reserve				
At 1 August	7,502	7,502	7,662	7,662
Surplus/(deficit) retained for the year	229	229	(569)	(569)
Transfer from revaluation reserve	184	184	184	184
Actuarial gain in respect of pension scheme	704	704	225	225
At 31 July	<u>8,619</u>	<u>8,619</u>	<u>7,502</u>	<u>7,502</u>
Balance represented by:				
Pension reserve	(768)	(768)	(1,338)	(1,338)
Income and expenditure account reserve excluding pension reserve	9,387	9,387	8,840	8,840
At 31 July	<u>8,619</u>	<u>8,619</u>	<u>7,502</u>	<u>7,502</u>

Notes to the Accounts (continued)**19 Reconciliation of consolidated operating surplus/(deficit) to net cash inflow from operating activities**

	2011 £'000	2010 £'000
Surplus/(deficit) on continuing operations after depreciation of assets at valuation	229	(569)
Depreciation (notes 1 and 11)	1,329	1,308
Loss on disposal (notes 12)	446	-
Deferred capital grants released to income (note 16)	(134)	(123)
Interest receivable (note 6)	(36)	(23)
FRS 17 pension cost less contributions payable (notes 7 and 24)	155	95
FRS 17 pension finance (income)/cost (note 6)	(21)	67
Decrease/(increase) in debtors	316	(128)
Increase/(decrease) in creditors	135	(467)
(Decrease)/increase in provisions	(85)	125
Net cash inflow from operating activities	2,334	285

20 Returns on investments and servicing of finance

	2011 £'000	2010 £'000
Other interest received	36	23
Net cash inflow from returns on investment and servicing of finance	36	23

21 Capital expenditure and financial investment

	2011 £'000	2010 £'000
Purchase of tangible fixed assets	(1,427)	(1,493)
Deferred capital grants received	166	10
Net cash outflow from capital expenditure and financial investment	(1,261)	(1,483)

Notes to the Accounts (continued)

22 Management of liquid resources

	2011 £'000	2010 £'000
Withdrawals from deposits	-	1,686
Placing of deposits	(62)	-
Net cash inflow from management of liquid resources	(62)	1,686

23 Analysis of changes in net funds

	At 31 July 2010 £'000	Cash flows £'000	Other changes £'000	At 31 July 2011 £'000
Cash in hand, and at bank	1,360	1,047	-	2,407
Current asset investments	1,602	62	-	1,664
Total	2,962	1,109	-	4,071

24 Pension and similar obligations

The College's employees belong to two principal pension schemes: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by London Borough of Newham. Both are defined-benefit schemes.

Total pension cost for the year	2011 £'000	2010 £'000
Teachers Pension Scheme: contributions paid	635	679
Local Government Pension Scheme:		
Contributions paid	164	144
FRS 17 charge	155	95
Charge to the Income and Expenditure Account (staff costs)	319	239
Total Pension Cost for Year	954	918

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS was 31 March 2004 and of the LGPS 31 March 2010.

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

Teachers' Pension Scheme

The TPS is an unfunded defined benefit scheme. Contributions on a "pay-as-you-go" basis are credited to the Exchequer under arrangements governed by the Superannuation Act 1972. A notional asset value is ascribed to the scheme for the purpose of determining contribution rates.

The pensions cost is normally assessed no less than every four years in accordance with the advice of the Government Actuary. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

Latest actuarial valuation (under the new provisions)	31 March 2004
Actuarial method	Prospective benefits
Investment returns per annum	6.5 per cent per annum
Salary scale increases per annum	5.0 per cent per annum
Notional value of assets at date of last valuation	£162,650 million
Proportion of members' accrued benefits covered by the notional value of the assets	98.88%

Following the implementation of Teacher's Pension (Employers' Supplementary Contributions) Regulations 2000, the Government Actuary carried out a further review on the level of employer contributions. For the period from 1 August 2010 to 31 July 2011 the employer contribution was 14.1%. The employee rate was 6.4% for the same period. An appropriate provision in respect of unfunded pensioners' benefits is included in provisions.

FRS 17

Under the definitions set out in Financial Reporting Standard (FRS 17) Retirement Benefits, the TPS is a multi-employer pension scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme.

Accordingly, the College has taken advantage of the exemption in FRS17 and has accounted for its contributions to the scheme as if it were a defined-contribution scheme. The College has set out above the information available on the scheme and the implications for the College in terms of the anticipated contribution rates.

Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 July 2011 was £273,000, of which employer's contributions totalled £161,000 and employees' contributions totalled £112,000. The agreed contribution rates for future years are 17.3 per cent for employers and 6 per cent for employees.

FRS 17

Principal Actuarial Assumptions

	At 31 July 2011	At 31 July 2010
Rate of increase in salaries	5.00%	5.00%
Rate of increase for pensions in payment / inflation	2.70%	2.70%
Discount rate for scheme liabilities	5.30%	5.40%
Inflation assumption - CPI	2.70%	2.70%

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 2011	At 31 July 2010
<i>Retiring today</i>		
Males	21.2	20.3
Females	23.5	23.2
<i>Retiring in 20 years</i>		
Males	23.2	21.3
Females	25.4	24.1

24 Pension and similar obligations (continued)**Local Government Pension Scheme (Continued)**

The estimated college's share of the assets and liabilities in the scheme and the expected rates of return were:

	Long-term rate of return expected at 31 July 2011	Value at 31 July 2011	Long-term rate of return expected at 31 July 2010	Value at 31 July 2010
		£'000		£'000
Equities	7.3%	3,119	7.3%	2,510
Gilts	4.3%	50	4.3%	502
Other bonds	5.4%	693	5.4%	154
Property	6.3%	545	6.3%	425
Cash	3.0%	99	3.0%	116
Other	5.0%	446	5.0%	154
Total market value of assets		4,952		3,861
Present value of scheme liabilities				
- Funded		(5,720)		(5,199)
Deficit in the scheme		(768)		(1,338)
Analysis of the amount charged to income and expenditure account				
		2011	2010	
		£'000	£'000	
Employer service cost (net of employee contributions)		(316)	(239)	
Total operating charge		(316)	(239)	
Analysis of pension finance income / (costs)				
Expected return on pension scheme assets		299	228	
Interest on pension liabilities		(278)	(295)	
Pension finance income / (costs)		21	(67)	
Amount recognised in the statement of total recognised gains and losses (STRGL)				
		2011	2010	
		£'000	£'000	
Actuarial gains on pension scheme assets		669	356	
Actuarial gains/(losses) on scheme liabilities		35	(456)	
Past service gain		-	325	
Actuarial gain recognised in STRGL		704	225	

24 Pension and similar obligations

Local Government Pension Scheme (Continued)

Movement in surplus/(deficit) during year

	2011	2010
	£'000	£'000
Deficit in scheme at 1 August		
Movement in year:	(1,338)	(1,401)
Employer service cost (net of employee contributions)	(316)	(239)
Past service cost	-	336
Curtailments and settlements	-	(11)
Employer contributions	161	144
Net interest/return on assets	21	(67)
Actuarial gain or loss	704	(100)
Deficit in scheme at 31 July	(768)	(1,338)

Asset and Liability Reconciliation

	2011	2010
	£'000	£'000
Reconciliation of Liabilities		
Liabilities at start of period	5,199	4,585
Service cost	316	239
Interest cost	278	295
Employee contributions	112	108
Actuarial (gain)/loss	(35)	456
Benefits paid	(150)	(159)
Past Service gain	-	(336)
Curtailments and settlements	-	11
Liabilities at end of period	5,720	5,199

Reconciliation of Assets

	2011	2010
Assets at start of period	3,861	3,184
Expected return on assets	299	228
Actuarial gain	669	356
Employer contributions	161	144
Employee contributions	112	108
Benefits paid	(150)	(159)
Assets at end of period	4,952	3,861

The estimated employer contributions for the year ended 31 July 2012 is £208,000

24 Pension and similar obligations
Local Government Pension Scheme (Continued)

History of experience gains and losses

	2011	2010	2009	2008	2007
Difference between the expected and actual return on assets:					
Amount £'000	356	669	356	(608)	(593)
Experience gains and losses on scheme liabilities:					
Amount £'000	-	193	-	-	(388)
Total amount recognised in STRGL:					
Amount £'000	(144)	560	(144)	(44)	(1,158)

25 Capital commitments

	Group and College	
	2011 £'000	2010 £'000
Commitments contracted for at 31 July 2011	447	697
Authorised but not contracted at 31 July 2011	378	NIL

26 Post-balance sheet events

Stratford Circus

The College is currently in discussions to facilitate the movement of Stratford Circus to an independent organisation. At this stage the financial implications are not clear, but the Corporation has decided that the College will not renew its current lease on Stratford Circus and will not seek to continue running Stratford Circus. Assuming that a viable new organisation can be established the College will transfer the business and staff will be subject to TUPE. If this cannot be achieved the College will withdraw from Stratford Circus at the end of the lease on 31 December 2011 and staff will be subject to redundancy procedures.

Once the future of Stratford Circus is concluded, it is likely that further closure costs will be incurred by the College. Whichever way the future of Stratford Circus is concluded, costs will be incurred by the College and therefore a provision of £40,000 has been made in relation to these costs.

27 Financial commitments

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

	Group and College	
	2011 £'000	2010 £'000
Other than Land and Building		
Expiring within two and five years inclusive	230	230
	230	230

Notes to the Accounts (continued)**28 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.

Transactions with the YPLA and SFA are detailed in notes 2, 16 and 29.

29 Amounts disbursed as agent

Learner support funds		
	2011	2010
	£'000	£'000
Funding body grants – hardship funds	146	171
Disbursed to students	(104)	(163)
Staffing	(8)	(8)
Balance unspent as at 31 July, included in creditors	<u>34</u>	<u>-</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 income and expenditure account. The income and expenditure consolidated in the College's financial statements relates to the purchase of some equipment from the access fund and the payment of accommodation by the College on the student's behalf.