

# **NEWHAM SIXTH FORM COLLEGE**

**Report and Financial Statements  
for the year ended 31 July 2012**

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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 2012.

#### Legal status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting Newham Sixth Form College. The College is an exempt charity for the purposes of the Charities Act 2011.

#### 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".*

This remains the College's mission statement.

#### Implementation of strategic plan

Each year the College adopts a Development Plan for the coming academic year. The Corporation monitors the performance of the College against this plan. The plan is reviewed and updated through the year.

The Corporation approved a three-year financial plan in July 2009 for the period 1 August 2009 to 31 July 2012. This plan was submitted to the EFA in July 2009.

The College was in the process of undertaking a significant review of its property strategy in 2011/12 and commissioned work to identify and evaluate appropriate sites in Stratford. The logistical and financial challenges of this strategy led the Corporation to decide to focus on a redevelopment of a masterplan for the Prince Regent Lane campus.

The College's strategic objectives and accompanying targets are:

#### To be successful by

##### Raising student achievement

- Long course success rate of at least 84% overall
- At least 97% of advanced completers achieve 2 or more A levels or equivalent and 77% achieve 3 or more
- At least 83% of HE applicants progress to HE and at least 40 progress to Russell Group universities
- Every student has an individual learning plan and their progress is monitored throughout the year

##### Promoting continuous improvement

##### Concentrating on what is most important and managing our resources effectively

- Everyone is clear what improvement is needed and their personal contribution to this
- The performance of every team is assessed as improving or outstanding
- Student feedback influences our priorities and is sought systematically college-wide and by every team

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

- Progress against strategic targets is reviewed termly at SLT and Corporation
- At least 3,327 SLN and 2,664 full-time 16-18 learners are enrolled
- Funding targets, operating surplus and planned financial health status are achieved
- Effective financial controls, monitoring and reporting are in place
- The college has an effective approach to risk management
- Priority developments are identified, costed and invested in appropriately

## Operating and Financial Review (continued)

### To promote learning by

Developing students as skilled, independent learners, economically active and informed citizens

- A whole-college strategy supports learners to become more skilled and independent
- All students are able to engage in service and work-related learning and leadership development
- The college promotes research, debate and awareness of global issues and current affairs

Offering a broad and inclusive curriculum

- The Sixth Form Bac and specialist pathways are offered

### To develop our community by

Valuing diversity and promoting equality

- Progress made towards all key equality objectives in the equality plan

Creating a modern, attractive and safe learning environment

- Progress made with campus improvement plans

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

- Good market intelligence and competitor analysis shape strategy
- NewVic's positive and distinctive contribution is promoted and widely understood
- Key strategic partners are identified and specific projects planned

## Financial objectives

The College's financial objectives are:

- to maintain an annual operating surplus
- to pursue alternative sources of funding, on a selective basis, consistent with the College's core competencies, and the need for a financial contribution to the College's overall finances
- to generate sufficient levels of income to support the asset base of the College
- to further improve the College's shorter term liquidity
- to fund continued capital investment.

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



## Operating and Financial Review (continued)

KEY RATIOS			
	Actuals	Forecast	Forecast
	2012	2013	2014
<b>Liquidity</b> - <i>how much of a cash safety net does the College have at its disposal?</i>			
Cash days in hand	131.41	120.16	108.41
Current ratio	4.24	4.13	3.71
<b>Margin</b> - <i>how successful is the College being at delivering a balanced budget?</i>			
Adjusted operating position as a percentage of income	1.64%	0.03%	-4.14%
Available reserves as a percentage of income	62.16%	66.47%	63.27%
<b>Income</b> - <i>how reliant is the College on EFA income?</i>			
Dependency on EFA income	97.13%	98.73%	98.71%
<b>Expenditure</b> - <i>how successful is the College at keeping wage costs under control?</i>			
Staff costs as % of income (incl. contract tuition services)	67.78%	73.24%	75.76%
Framework for Excellence financial health grade	Outstanding	Outstanding	Outstanding

## Performance indicators

Although the EFA continues to measure FE performance in terms of contribution to national targets, individual colleges are now required to submit three-year development plans which are reviewed each year. These development plans focus on four headline targets:

- learner number growth and achievement of EFA funding targets
- learner success rates
- teacher qualifications
- employer engagement

## Operating and Financial Review (continued)

## Key performance indicators 2011/12

## 2011/12 performance provisional out-turn

	SLNs (standard learner no.)			Learner Numbers			SLN per Learner		
	target	actual	variance	target	actual	variance	target	actual	variance
16-18	3,364	3,394	+30	2,629	2,636	+7			
19+	-	14	+14	-	11	+11			
<b>Total</b>	3,364	3,408	+44	2,629	2,647	+18	1.28	1.29	+0.01

	Performance / £		
	target	actual	variance
16-18	13,191,943	13,634,006	+206,924
19+	285,237	50,098	
ALS	652,105	841,093	+188,988
ADF*	617,284	617,284	0
TP**	633,665	633,665	0
<b>Total</b>	15,380,234	15,776,146	+395,912

\* Additional Disadvantage Funding (above allocation)

\*\* Transitional Protection (above allocation)

## Achievement and progression 2012

Our early analysis of achievement this year so far suggests that the college over-achieved its overall success rate target for long courses of 83%, and effectively matched the national average by achieving 84.2%. 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 2012 in order to be above average for all course types.

Level	Qualification Type	Starts	2011-12		
			Success rate %	Nat. BM %	Variance %
1 Long	All	429	89.5	83.0	+6.5
2 Long	GCSEs	835	90.7	85.8	+4.9
	of which high grades				
	Other	350	78.3	83.8	-5.5
	All	1185	87.0	85.3	+1.7
3 Long	A-Levels A2	1046	94.6	95.2	-0.6
	AS-Levels	1808	77.6	78.0	-0.4
	Other	1050	79.6	82.3	-2.7
	All	3904	82.7	84.1	-1.4
All Long	All	5518	84.2	84.3	-0.1

Our early analysis of progression to higher education in 2012 suggests that at least 650 applicants were successful in their application to university compared to 759 last year. The number progressing to Russell group universities has stayed stable at 42, but this is a higher proportion of placed students.

## FINANCIAL POSITION

### Financial results

The College generated an operating surplus in the year of £262k.

The College has accumulated reserves of £7.9 m and cash balances of £5.76 m. 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 £714k.

The College has significant reliance on the EFA for its principal funding source, largely from recurrent grants. In 2011/12 the EFA provided 95.5% 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 of a community arts centre including catering and box office services at Stratford Circus. Any surpluses generated by the subsidiary are transferred to the College under deed of covenant. In the current year, the deficit generated was £220k. On 1 January 2012 the activity was subject to a Business Transfer Agreement with Stratford Arts Trust, a new organisation established to give Stratford Circus an independent and viable future. Stratford Circus Ltd. is still a live company while any outstanding transactions are settled.

### 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 EFA. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum of the EFA.

### Cash flows

There has been a decrease in cash available due to the transfer of some funds to short-term deposits.

### Liquidity

The College has cash on deposit and no loans.

## CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

### Student numbers

In 2011/12 the College has delivered activity that has produced £15.46 mn in EFA main allocation funding. The College had approximately 2,647 EFA and SFA-funded learners.



## 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 one minor charge in respect of late payment for this period.

### Post-balance sheet events

The College intends to embark on a substantial redevelopment of its campus, some professional fees in respect of this were incurred in 2011/12, but the significant majority of expenditure will fall in later years.

### Future developments

The College will develop its main campus from Prince Regent Lane, but will remain open to potential partnerships to establish opportunities for our students in areas such as performing arts, science and giving extra-curricular support.

## 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 £17.76 million of net assets (including £2.017 million pension liability) and no long term debt.

#### *People*

The College employs 284 people (expressed as full time equivalents), of whom 144 are teaching staff.

#### *Reputation*

The College has a good reputation locally and nationally. Maintaining a quality brand is essential for the College's success at attracting students and external relationships, especially in view of increasing local competition.

## PRINCIPAL RISKS AND UNCERTAINTIES:

The College continues to develop and embed a system of internal control, including financial, operational and risk management which is designed to protect the College's assets and reputation.

The College has reviewed its Risk Management approach and the format of its risk register. A risk register is maintained at the College level which is reviewed at least annually by the Audit Committee and more frequently where necessary. 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 YPLA and SFA. Despite some transitional protection, it is known that funding levels will reduce during the coming two years at least. This places a heavy emphasis on the College to increase efficiency.

This risk is mitigated in a number of ways:

- Funding is derived through a number of direct and indirect contractual arrangements
- By ensuring the College is rigorous in delivering high quality education and training
- Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding.

## Operating and Financial Review (continued)

- Regular dialogue with the regional YPLA and with the EFA as its successor agency

### 2. 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.

## STAKEHOLDER RELATIONSHIPS

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

- Students;
- Funding Councils;
- Staff;
- Local employers (with specific links);
- Local Authorities;
- Government Offices/ Regional Development Agencies;
- The local community;
- Other FE institutions;
- Trade unions;
- Professional bodies.
- Commercial partners; and
- Charitable and philanthropic trusts.

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



**Operating and Financial Review (continued)**

- 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.
- 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 auditor**

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 auditor 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 4 December 2012 and signed on its behalf by:**



**Philip Dewe**  
Chair of the Corporation

## Operating and Financial Review (continued)

### Professional advisers

#### Financial statement and regularity auditor:

Buzzacott LLP  
130 Wood Street  
London EC2V 6DL

#### Internal auditors:

RSM Tenon  
Vantage  
Victoria Street  
Basingstoke  
Hampshire  
RG21 3BT

MHA MacIntyre Hudson (since October 2012)  
New Bridge Street House  
30-34 New Bridge Street  
London  
EC4V 6BJ

#### Bankers:

Lloyds TSB  
4th Floor  
25 Gresham Street  
London  
EC2V 7HN

#### Solicitors:

Clarkslegal  
One Forbury Square  
The Forbury  
Reading  
RG1 3EB

## 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 revised Combined Code on Corporate Governance issued by the London Stock Exchange in July 2006. 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 Combined Code in so far as they apply to the Further Education Sector, and it has complied throughout the year ended 31 July 2012.

### 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 the table below.

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 twice each term.

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are search and audit. 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, Paul Baglee of Newham Partnership Working Ltd, 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 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.

### Audit committee

The Audit Committee comprises five members of the Corporation (excluding the Principal and Chair). The Committee operates in accordance with written terms of reference approved by the Corporation.

The Audit Committee meets on a termly basis with an additional meeting to consider the internal audit plan and preparations for the statutory and regulatory audits. It 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



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

of College management. The Committee also receives and considers reports from the EFA 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 EFA. 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 2012 and up to the date of approval of the annual report and accounts.

**Statement of Corporate Governance and Internal Control (continued)***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 2012 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

*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 a 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 EFA - 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.



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

The senior leadership 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 leadership 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 leadership team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

**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 4 December 2012 and signed on its behalf by:



**Philip Dewe**  
Chair



**Eddie Playfair**  
Principal

**The Corporation**

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

Name	Professional Background	Type	Date first appointed	Re-appointment date(s)	Length of term of office	Term Ends	Committee Membership
Meg Dabasia –	Retail Banking	Independent	24.06.97	25.03.01, 28.6.05 & 28.06.09	4 years	27.06.13	Audit
Karen Merkel (Vice-Chair)	Media	Independent	02.12.01	13.12.05, 13.12.09	4 years	12.12.13	Search
Anita Plaha	Media	Independent	21.04.10		4 years	20.04.14	Audit
Irene Graham	Corporate Banking	Independent	21.04.10		4 years	20.04.14	Audit (Chair)
Gail May (vice-chair)	Higher Education	Independent	01.12.08		4 years	30.11.12	Search
Mark Chester	Corporate governance	Independent	16.02.11		4 years	15.02.14	Audit
Philip Dewe (Chair)	Higher Education	Independent	12.12.06	13.12.10	4 years	11.12.14	Search (Chair) Audit
Alec Kellaway	Economist/ councillor	Independent	07.12.07	6.12.11	4 years	06.12.15	Audit
John Bradshaw	Headteacher (secondary)	Independent	19.10.11		4 years	18.10.15	
Susan Landeryou	Teacher	Staff	06.12.10	-	4 years	05.12.14	
Jill Adams	Support staff	Staff	15.02.10	-	4 years	14.02.14	
Aniqa Khan		Student	03.07.12		1 year	02.07.13	
Muhammad Domun		Student	03.07.12		1 year	02.07.13	
Vacancy		Parent			2 years		
Eddie Playfair	Principal	Principal			Ex-officio		Search

Clerking service purchased from London Borough of Newham and delivered by Paul Baglee, who acts as Clerk to the Corporation.

## 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 EFA 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 by the Learning and Skills Council, 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 EFA are used only in accordance with the Financial Memorandum with the EFA and any other conditions that the EFA may prescribe 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 by the EFA are not put at risk.

Approved by order of the members of the Corporation on 4 December 2012 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 2012 set out on pages 19 to 41. 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 15, 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 2012 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 EFA 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



19 December 2012

## Independent Auditor's Report on Regularity to the Corporation of Newham Sixth Form College ('the Corporation') and the Education Funding Agency

In accordance with the terms of our engagement letter and further to the requirements of the Education Funding 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 2012 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 Education Funding Agency. Our review work has been undertaken so that we might state to the Corporation and the Education Funding 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 Education Funding 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.

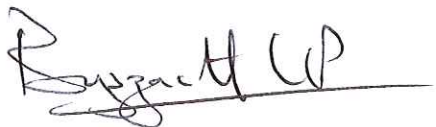
Our responsibilities for this review are established in the United Kingdom by our profession's ethical guidance and the audit guidance set out in the Audit Code of Practice and the Regularity Audit Framework issued by the Learning and Skills Council. We report to you whether, in our opinion, in all material respects, the College's expenditure and income for the year ended 31 July 2012 have been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

### Basis of opinion

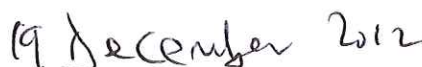
We conducted our review in accordance with the Audit Code of Practice and the Regularity Audit Framework issued by the Learning and Skills Council. Our review includes examination, on a test basis, of evidence relevant to the regularity and propriety of the College's income and expenditure.

### Opinion

In our opinion, in all material respects the expenditure and income for the year ended 31 July 2012 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****Newham Sixth Form College****Consolidated Income and Expenditure Account**

	Notes	£'000	2012 £'000	£'000	2011 £'000
<b>INCOME</b>					
Funding Council Grants	2		15,555		15,259
Tuition fees and education contracts	3		81		443
Research grants and contracts	4		46		345
Other income	4i		291		585
Investment income	5		42		57
<b>Total income</b>			<b>16,015</b>		<b>16,689</b>
<b>EXPENDITURE</b>					
Staff costs	6	10,855		10,905	
Other operating expenses	8	3,695		3,780	
Depreciation	11	1,203		1,329	
Interest and other finance costs	9	-		-	
Loss on disposal	11	-		446	
<b>Total expenditure</b>			<b>15,753</b>		<b>16,460</b>
Surplus for the year retained within general reserves			262		229

The income and expenditure account is in respect of continuing activities with the exception of the activities of Stratford Circus that were discontinued during the year as disclosed in note 10.

**Newham Sixth Form College**  
**Consolidated Statement of Historical Cost Surpluses and Deficits**

	Notes	2012 £'000	2011 £'000
Surplus on continuing operations before taxation		262	229
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	17	184	184
<b>Historical cost surplus for the year before taxation</b>		<b>446</b>	<b>413</b>

**Consolidated Statement of Total Recognised Gains and Losses**

	Notes	2,012 £'000	2,011 £'000
Surplus on continuing operations after depreciation of assets at valuation and tax		262	229
Actuarial (loss)/gain in respect of pension scheme	23	(1,127)	704
Effect of Local Government Pension scheme change of asset valuation			
<b>Total recognised losses since last report</b>		<b>(865)</b>	<b>933</b>
<b>Reconciliation</b>			
Opening reserves and endowments		15,829	14,896
Total recognised losses for the year		(865)	933
<b>Closing reserves and endowments</b>		<b>14,964</b>	<b>15,829</b>

**Newham Sixth Form College**  
**Balance sheets as at 31 July 2012**

	Notes	Group	College	Group	College
		2012 £'000	2012 £'000	2011 £'000	2011 £'000
<b>Fixed assets</b>					
Tangible assets	11	15,556	15,556	16,045	16,045
<b>Total fixed assets</b>		<b>15,556</b>	<b>15,556</b>	<b>16,045</b>	<b>16,045</b>
<b>Current assets</b>					
Debtors	13	107	126	388	383
Investments	12	4,496	4,496	1,664	1,664
Cash at bank and in hand		1,271	1,214	2,407	2,320
<b>Total current assets</b>		<b>5,874</b>	<b>5,836</b>	<b>4,459</b>	<b>4,367</b>
<b>Less: Creditors – amounts falling due within one year</b>	14	<b>1,384</b>	<b>1,368</b>	<b>1,262</b>	<b>1,170</b>
<b>Net current assets</b>		<b>4,490</b>	<b>4,468</b>	<b>3,197</b>	<b>3,197</b>
<b>Total assets less current liabilities</b>		<b>20,046</b>	<b>20,024</b>	<b>19,242</b>	<b>19,242</b>
Less Provisions	24	(270)	(270)	(40)	(40)
<b>Net assets excluding pension liability</b>		<b>19,776</b>	<b>19,754</b>	<b>19,202</b>	<b>19,202</b>
Net pension liability	23	(2,017)	(2,017)	(768)	(768)
<b>NET ASSETS INCLUDING PENSION ASSET/(LIABILITY)</b>		<b>17,759</b>	<b>17,737</b>	<b>18,434</b>	<b>18,434</b>
<b>Deferred capital grants</b>	15	<b>2,795</b>	<b>2,795</b>	<b>2,605</b>	<b>2,605</b>
Income and expenditure account excluding pension reserve	17	9,955	9,933	9,387	9,387
Pension reserve	23	(2,017)	(2,017)	(768)	(768)
Income and expenditure account including pension reserve	17	7,938	7,916	8,619	8,619
Revaluation reserve	16	7,026	7,026	7,210	7,210
<b>Total reserves</b>		<b>14,964</b>	<b>14,942</b>	<b>15,829</b>	<b>15,829</b>
<b>TOTAL</b>		<b>17,759</b>	<b>17,737</b>	<b>18,434</b>	<b>18,434</b>

The financial statements on pages 18 to 41 were approved by the Corporation on 4 December 2012 and were signed on its behalf on that date by:

  
**Philip Dewe**  
 Chair

**Eddie Playfair**  
 Principal



**Newham Sixth Form College**  
**Consolidated Cash Flow Statement**

	Notes	2012 £'000	2011 £'000
Cash inflow from operating activities	18	2,045	2,334
Returns on investments and servicing of finance	19	42	36
Capital expenditure and financial investment	20	(392)	(1,261)
Management of liquid resources	21	(2,832)	(62)
		<hr/>	<hr/>
<b>(Decrease) / increase in cash in the year</b>		<b><u>(1,137)</u></b>	<b><u>1,047</u></b>
<b>Reconciliation of net cash flow to movement in net funds</b>			
(Decrease) / increase in cash in the period		(1,137)	1,047
Cash inflow from liquid resources	21	2,832	62
		<hr/>	<hr/>
Movement in net funds in the period		1,695	1,109
Net funds at 1 August 2011	22	4,071	2,962
		<hr/>	<hr/>
<b>Net funds at 31 July 2012</b>		<b><u>5,766</u></b>	<b><u>4,071</u></b>



## 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 EFA in the 2011/12 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 2012.

#### 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 23, 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 funding bodies 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)

Newham Sixth Form College

Notes to the Accounts (continued)

**2 Funding council income**

	2012 £'000	2011 £'000
Recurrent grant – Funding Body	15,465	15,148
Releases of deferred capital grants	70	70
Other Funds	21	42
<b>Total</b>	<b>15,555</b>	<b>15,259</b>

**3 Tuition fees and education contracts**

	2012 £'000	2011 £'000
Tuition fees	80	327
Other Education contracts	1	96
<b>Education contracts</b>	<b>81</b>	<b>443</b>

**4 Grants and contracts**

	2012 £'000	2011 £'000
Other grants and contracts	46	345
<b>Total</b>	<b>46</b>	<b>345</b>

**4i Other income**

	2012 £'000	2011 £'000
Residencies, catering and conferences	202	498
Releases from deferred capital grants (non EFA)	62	64
Other income	26	23
	<b>291</b>	<b>585</b>

**5 Investment income**

	2010 £'000	2010 £'000
Other interest receivable	42	36
Pension finance income (Note 23)	-	21
	<b>42</b>	<b>57</b>

## Notes to the Accounts (continued)

## 6 Staff costs

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

	2012 No.	2011 No.
Teaching staff	144	153
Non teaching staff	140	155
	<u>284</u>	<u>308</u>

## Staff costs for the above persons

	2012 £'000	2011 £'000
Wages and salaries	8,427	8,662
Social security costs	667	655
Other pension costs (including FRS 17 adjustments of 122,000, 2011- £155,000)	999	954
	<u>10,094</u>	<u>10,271</u>
Contracted out staffing services	761	634
	<u>10,855</u>	<u>10,905</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	
	2012 No.	2011 No.	2012 No.	2011 No.
£60,001 to £70,000	-	-	-	2
£70,001 to £80,000	-	-	3	1
£80,001 to £90,000	1	1	-	-
£90,001 to £100,000	-	-	-	-
£120,001 to £130,000	1	1	-	-
	<u>2</u>	<u>2</u>	<u>3</u>	<u>3</u>

**Notes to the Accounts (continued)****7 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.

	<b>2012</b>	<b>2011</b>
	<b>No.</b>	<b>No.</b>
The number of senior post-holders including the Principal was:	2	2

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

	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Salaries	185	185
Pension contributions	26	26
<b>Total emoluments</b>	<b>211</b>	<b>211</b>

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

	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Salaries	113	113
Pension contributions	16	16

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)****8 Other operating expenses**

	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Teaching costs	401	527
Non teaching costs	2,029	1,926
Premises costs	1,266	1,327
	<hr/>	<hr/>
<b>Total</b>	<b>3,695</b>	<b>3,780</b>
	<hr/>	<hr/>

**Other operating expenses include:**

	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Auditors' remuneration:		
Financial statements audit	17	16
Internal audit	16	16
Other services provided by the financial statements auditors	7	7
Hire of plant and machinery – operating leases	240	230
	<hr/>	<hr/>

## Notes to the Accounts (continued)

## 9 Interest payable

	2012 £'000	2011 £'000
Pension finance costs (note 23)	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

## 10 Surplus on operations for the period

The surplus on continuing and discontinued operations for the year is made up as follows:

	Discontinued operations 2012 £'000	Continuing operations 2012 £'000	Total 2012 £'000	Total 2011 £'000
Total income	232	15,783	16,015	16,689
Total expenditure	(602)	(15,151)	(15,753)	(16,461)
Surplus (deficit) for the year	<u>(370)</u>	<u>632</u>	<u>262</u>	<u>229</u>
College	(646)	632	(14)	483
Subsidiary	276	-	276	(254)
<b>Total</b>	<b><u>(370)</u></b>	<b><u>632</u></b>	<b><u>262</u></b>	<b><u>229</u></b>

The College completed a review of the activities at Stratford Circus and a decision was taken to discontinue the activities within the College in order to minimise the financial risk to the College. The discontinued operations relate entirely to the activity at Stratford Circus. On 1 January 2012, the activities at Stratford Circus were transferred to the Stratford Arts Trust under a business transfer agreement. As the College's operations at Stratford Circus have now ceased as planned, the College has now waived the debt of £495,726 owed by Stratford Circus Limited. The College has also made a provision for £150,000 for future liabilities in relation to the Stratford Circus (note 24). Stratford Circus Limited will be wound up in due course.

## Notes to the Accounts (continued)

## 11 Tangible fixed assets (Group &amp; College)

	Land and buildings Freehold £'000	Equipment £'000	Total £'000
<b>Cost or valuation</b>			
At 1 August 2011	22,328	6,216	28,544
Additions	383	331	714
<b>At 31 July 2012</b>	<b>22,711</b>	<b>6,547</b>	<b>29,258</b>
<b>Depreciation</b>			
At 1 August 2011	6956	5543	12,499
Charge for the year	670	533	1,203
<b>At 31 July 2012</b>	<b>7,626</b>	<b>6,076</b>	<b>13,702</b>
<b>Net book value at 31 July 2012</b>	<b>15,085</b>	<b>471</b>	<b>15,556</b>
<b>Net book value at 31 July 2011</b>	<b>15,372</b>	<b>673</b>	<b>16,045</b>

The Stratford centre lease was terminated during the year ended 31 July 2011. This resulted in 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)

## 12 Investments

	College 2012 £'000	College 2011 £'000
Investments in subsidiary companies	1	1
Cash on Deposit	4,495	1,663
<b>Total</b>	<b>4,496</b>	<b>1,664</b>

## 13 Debtors

	Group 2012 £'000	College 2012 £'000	Group 2011 £'000	College 2011 £'000
Amounts falling due within one year:				
Trade debtors	(19)	-	94	6
Amounts owed by group undertakings:				
Subsidiary undertakings	-	-	-	159
Prepayments and accrued income	119	119	287	211
Other Debtors	7	7	7	7
<b>Total</b>	<b>107</b>	<b>126</b>	<b>388</b>	<b>383</b>

## 14 Creditors: amounts falling due within one year

	Group 2012 £'000	College 2012 £'000	Group 2011 £'000	College 2011 £'000
Trade creditors	187	181	440	401
Other taxation and social security	319	319	317	317
Accruals and deferred income	662	662	390	345
Other Creditors	216	206	115	108
<b>Total</b>	<b>1,384</b>	<b>1,368</b>	<b>1,262</b>	<b>1,170</b>

**Notes to the Accounts (continued)****15 Deferred capital grants**

	<b>Group and College</b>		
	<b>Funding body grants £'000</b>	<b>Other grants £'000</b>	<b>Total £'000</b>
At 1 August 2011	2,138	467	2,605
Cash received	290	32	322
Released to income and expenditure account	(70)	(62)	(132)
<b>Total</b>	<b>2,358</b>	<b>437</b>	<b>2,795</b>

**16 Revaluation reserve**

	<b>Group 2012 £'000</b>	<b>College 2012 £'000</b>	<b>Group 2011 £'000</b>	<b>College 2011 £'000</b>
At 1 August	7,210	7,210	7,394	7,394
Revaluations in the period				
Transfer from revaluation reserve to general reserve in respect of:				
Depreciation on revalued assets	(184)	(184)	(184)	(184)
<b>At 31 July</b>	<b>7,026</b>	<b>7,026</b>	<b>7,210</b>	<b>7,210</b>

**17 Movement on general reserves**

	<b>Group 2012 £'000</b>	<b>College 2012 £'000</b>	<b>Group 2011 £'000</b>	<b>College 2011 £'000</b>
<b>Income and expenditure account reserve</b>				
At 1 August	8,619	8,619	7,502	7,502
Surplus/(deficit) retained for the year	262	240	229	229
Transfer from revaluation reserve	184	184	184	184
Actuarial loss in respect of pension scheme	(1,127)	(1,127)	704	704
<b>At 31 July</b>	<b>7,938</b>	<b>7,916</b>	<b>8,619</b>	<b>8,873</b>
Balance represented by:				
Pension reserve	(2,017)	(2,017)	(768)	(768)
Income and expenditure account reserve excluding pension reserve	9,955	9,933	9,387	9,387
<b>At 31 July</b>	<b>7,938</b>	<b>7,916</b>	<b>8,619</b>	<b>8,619</b>

**Notes to the Accounts (continued)****18 Reconciliation of consolidated operating (deficit)/surplus to net cash inflow from operating activities**

	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
(Deficit)/surplus on continuing operations after depreciation of assets at valuation	262	229
Depreciation (notes 1 and 11)	1,203	1,329
Loss on disposal (notes 11)	-	446
Deferred capital grants released to income (note 15)	(132)	(134)
Interest receivable (note 5)	(42)	(36)
FRS 17 pension cost less contributions payable (notes 6 and 23)	122	155
FRS 17 pension finance income (note 5)	-	(21)
Decrease in debtors	281	316
Increase in creditors	121	135
Decrease in provisions	230	(85)
<b>Net cash inflow from operating activities</b>	<b>2,045</b>	<b>2,334</b>

**19 Returns on investments and servicing of finance**

	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Other interest received	42	36
<b>Net cash inflow from returns on investment and servicing of finance</b>	<b>42</b>	<b>36</b>

**20 Capital expenditure and financial investment**

	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Purchase of tangible fixed assets	(714)	(1,428)
Deferred capital grants received	322	166
<b>Net cash outflow from capital expenditure and financial investment</b>	<b>(392)</b>	<b>(1,261)</b>



## Notes to the Accounts (continued)

## 21 Management of liquid resources

	2012 £'000	2011 £'000
Placing of deposits	(2,832)	(62)
<b>Net cash inflow from management of liquid resources</b>	<b>(2,832)</b>	<b>(62)</b>

## 22 Analysis of changes in net funds

	At 31 July 2011 £'000	Cash flows £'000	Other changes £'000	At 31 July 2012 £'000
Cash in hand, and at bank	2,407	(1,137)	-	1,270
	<u>2,407</u>	<u>(1,137)</u>	<u>-</u>	<u>1,270</u>
Current asset investments	1,664	2,832	-	4,496
<b>Total</b>	<b><u>4,071</u></b>	<b><u>1,695</u></b>	<b><u>-</u></b>	<b><u>5,766</u></b>

## 23 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.

<b>Total pension cost for the year</b>	2012 £'000	2011 £'000
Teachers Pension Scheme: contributions paid	682	635
Local Government Pension Scheme:		
Contributions paid	195	164
FRS 17 charge	<u>122</u>	<u>155</u>
Charge to the Income and Expenditure Account (staff costs)	317	319
<b>Total Pension Cost for Year</b>	<b><u>999</u></b>	<b><u>954</u></b>

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.

## 23 Pension and similar obligations (continued)

### 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 2011 to 31 July 2012 the employer contribution was 14.1 per cent. The employee rate was 6.4% for the period to 31 March 2012 with rates between 6.4% and 8.8% depending on the member's salary from 1 April 2012.

### 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 2012 was £303,000, of which employer's contributions totalled £195,000 and employees' contributions totalled £108,000. The agreed contribution rates for future years are per cent for employers and per cent for employees.

**Notes to the Accounts (continued)****23 Pension and similar obligations (continued)****Local Government Pension Scheme (continued)****FRS 17****Principal Actuarial Assumptions**

	<b>At 31 July 2012</b>	<b>At 31 July 2011</b>
Rate of increase in salaries	4.00%	5.00%
Rate of increase for pensions in payment / inflation	1.80%	2.70%
Discount rate for scheme liabilities	3.90%	5.30%
Inflation assumption - RPI	2.60%	3.50%
Inflation assumption - CPI	1.80%	2.70%

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

	<b>At 31 July 2012</b>	<b>At 31 July 2011</b>
<i>Retiring today</i>		
Males	21.3	21.2
Females	23.6	23.5
<i>Retiring in 20 years</i>		
Males	23.3	23.2
Females	25.5	25.4

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

	<b>Long-term rate of return expected at 31 July 2012</b>	<b>Value at 31 July 2012</b>	<b>Long-term rate of return expected at 31 July 2011</b>	<b>Value at 31 July 2011</b>
		£'000		£'000
Equities	7.00%	3,160	7.00%	3,119
Bonds	5.30%	50	5.30%	50
Gilts	4.00%	702	4.00%	693
Property	6.00%	552	6.00%	545
Cash	3.00%	100	3.00%	99
Other	5.00%	451	5.00%	446
<b>Total market value of assets</b>		<b>5,015</b>		<b>4,952</b>
Present value of scheme liabilities				
- Funded		(7,032)		(5,720)
Related deferred tax liability				
<b>Deficit in the scheme</b>		<b>(2,017)</b>		<b>(768)</b>



**Notes to the Accounts (continued)****Analysis of the amount charged to income and expenditure account**

	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Employer service cost (net of employee contributions)	(317)	(316)
Employer contributions	195	
Total operating charge	<u>(122)</u>	<u>(316)</u>

**Analysis of pension finance income / (costs)**

Expected return on pension scheme assets	307	299
Interest on pension liabilities	(307)	(278)
<b>Pension finance income / (costs)</b>	<u>-</u>	<u>21</u>

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

	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Actuarial (losses) / gains on pension scheme assets	(256)	669
Actuarial (losses) / gains on scheme liabilities	(871)	35
<b>Actuarial gain/(loss) recognised in STRGL</b>	<u>(1,127)</u>	<u>704</u>

**23 Pension and similar obligations****Local Government Pension Scheme (Continued)****Movement in surplus/(deficit) during year**

	<b>2012</b>	<b>2,011</b>
	<b>£'000</b>	<b>£'000</b>
Surplus/(deficit) in scheme at 1 August	(768)	(1,338)
Movement in year:		
Employer service cost (net of employee contributions)	(317)	(316)
Past service cost		
Curtailments and settlements		
Employer contributions	195	161
Net interest/return on assets		21
Actuarial gain or loss	(1,127)	704
Change in asset valuation		
<b>(Deficit)/Surplus in scheme at 31 July</b>	<u><b>(2,017)</b></u>	<u><b>(768)</b></u>

**Notes to the Accounts (continued)****23 Pension and similar obligations****Local Government Pension Scheme (continued)****Asset and Liability Reconciliation**

	2011 £'000	2011 £'000
<b>Reconciliation of Liabilities</b>		
<b>Liabilities at start of period</b>	5,720	5,199
Service cost	317	316
Interest cost	307	278
Employee contributions	108	112
Actuarial (gain)/loss	871	(35)
Benefits paid	(291)	(150)
<b>Liabilities at end of period</b>	<b>7,032</b>	<b>5,720</b>
<b>Reconciliation of Assets</b>		
<b>Assets at start of period</b>	4,952	3,861
Expected return on assets	307	299
Actuarial gain/(loss)	(256)	669
Employer contributions	195	161
Employee contributions	108	112
Benefits paid	(291)	(150)
<b>Assets at end of period</b>	<b>5,015</b>	<b>4,952</b>

**History of experience gains and losses**

	2012	2011	2010	2009	2008
Difference between the expected and actual return on assets:					
Amount £'000	(256)	356	669	356	(608)
Experience gains and losses on scheme liabilities:					
Amount £'000	-	-	193	-	-
Total amount recognised in STRGL:					
Amount £'000	(567)	(144)	560	(144)	(44)

**Notes to the Accounts (continued)****24 Provisions**

	2012 £'000	2011 £'000
Stratford Circus	150	40
Other provisions	120	-
<b>Total provisions</b>	<u>270</u>	<u>40</u>

The provision of £150,000 (2011 - £40,000) relates to future costs in connection with the discontinued activities at Stratford Circus (see note 10).

**25 Capital commitments**

	Group and College 2012 £'000	2011 £'000
Commitments contracted for at 31 July 2012	<u>503</u>	<u>447</u>
Authorised but not contracted at 31 July 2012	<u>799</u>	<u>378</u>

**26 Financial commitments**

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

	Group and College 2012 £'000	2011 £'000
Other than Land & Building		
Expiring within two and five years inclusive	213	230
	<u>213</u>	<u>230</u>



**Notes to the Accounts (continued)****27 Contingent liability**

The college is currently in process of negotiations for transferring the business of Stratford Circus into a newly formed charity. This transfer might give rise to additional liability in form of redundancy costs and legal costs. The costs cannot be estimated with accuracy pending the finalisation of the agreement.

**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 EFA and SFA are detailed in notes 2, 3 and 29.

**29 Amounts disbursed as agent****Learner support funds**

	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
LSF grants – hardship funds	399	146
	<hr/> 399	<hr/> 146
Disbursed to students	(353)	(104)
Administration costs	(20)	(8)
Balance unspent as at 31 July, included in creditors	<hr/> <hr/> 27	<hr/> <hr/> 34

LSF 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.