

NEWHAM SIXTH FORM COLLEGE

**Report and Financial Statements
for the year ended 31 July 2014**

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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 2014.

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 Part 3 of the Charities Act 2011.

Mission

The College's mission statement is as follows:

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

This remains the College's mission statement.

Public Benefit

Newham Sixth Form College is an exempt charity under the Part 3 of the Charities Act 2011 and from 1st September 2013, is regulated by the Secretary of State for Education as Principal Regulator for all sixth form colleges in England.

The members of the Governing Body who are trustees of the charity are disclosed on page 13.

In setting and reviewing the College's strategic objectives, the Governing Body has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. The guidance sets out the requirement that all organisations wishing to be recognised as charities must demonstrate, explicitly, that their aims are for the public benefit.

In delivering its mission, the College provides the following identifiable public benefits through the advancement of education:

- High-quality teaching
- Widening participation and tackling social exclusion
- Strong student support systems
- Links with employers, industry and commerce

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 College has also written a longer term vision, "NewVIc 25", which visualises the College in its 25th anniversary year of 2017/18.

The Corporation approved a financial plan in July 2014 for the period 1 August 2014 to 31 July 2016. This plan was submitted to the EFA in July 2014.

The College undertook 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 master plan for the Prince Regent Lane campus. In the year to July 2013 an extensive consultation with stakeholders took place, leading to the development of a campus master plan which was approved by the Corporation. The first phase of this plan is budgeted to cost £8million, to be funded by a combination of cash reserves and a bank loan. The design of Phase One is at an advanced stage. Subject to the college obtaining the required funding, construction will begin in Spring 2015, and the building will become operational in time for the 2016/17 academic year. The College is currently exploring funding possibilities for Phase One.

Operating and Financial Review (continued)

The College's strategic objectives and accompanying targets are:

To be successful by:

Raising student achievement

- Long course success rate of at least 85% overall
- At least 86% of advanced completers achieve 3 or more A levels or equivalent
- At least 83% of HE applicants progress to HE including at least 45 to Russell Group universities
- Every student has an individual learning plan and their progress is monitored throughout the year

Promoting continuous improvement

- Everyone is clear what improvement is needed and their personal contribution to achieving the College's targets
- The performance of every team is assessed as improving or outstanding
- Students' and parents' views are systematically sought and inform the development of the College

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

- At least 2,670 full-time students enrolled
- Funding targets, operating surplus and planned financial health status are achieved
- Effective financial controls, risk management, monitoring and reporting are in place
- Priority developments are identified, costed and invested in appropriately

To promote learning by:

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

- Learning and e-learning strategy supports students to become more skilled and independent learners
- All students are able to engage in work-related learning, volunteering, mentoring or leadership development
- The college promotes cultural development, research, debate and awareness of current affairs and global issues

Offering a broad, stretching and inclusive curriculum

- Honours programme, specialist pathways and liberal arts programme are raising students' aspirations
- At least 200 students achieve the SF Baccalaureate
- Valuing and developing the skills, learning and contribution of our staff
- Appraisal leads to improved staff performance
- All staff are involved in identifying and implementing better practice and learning champions are promoting excellence in teaching

To develop our community by:

Valuing diversity and promoting equality

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

Creating a modern, attractive and safe learning environment

- Progress made with phase 1 of the campus master plan

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

- Students' views, market intelligence and competitor analysis influence marketing, recruitment and school liaison
- NewVlc's positive and distinctive contribution is widely promoted and valued
- Alumni network engaging former students in supporting current students
- Key strategic partners identified for specific projects

Operating and Financial Review (continued)

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.

KEY RATIOS			
	2014 Actual	2015 Plan	2016 Plan
Liquidity - how much of a cash safety net does the College have at its disposal?			
Cash days in hand	150.5	61.5	75.4
Current ratio	5.2	2.2	2.7
Margin - how successful is the College being at delivering a balanced budget?			
Operating surplus as a percentage of income	4.2%	(1.1%)	(7.3%)
Available reserves as a percentage of income	69.9%	68.2%	61.2%
Income - how reliant is the College on EFA income?			
Dependency on EFA/SFA income	98.8%	98.8%	98.8%
Expenditure - how successful is the College at keeping wage costs under control?			
Staff costs as % of income (incl. contract tuition services)	68.7%	71.6%	72.7%
Framework for Excellence financial health grade	Outstanding	Outstanding	Good

Operating and Financial Review (continued)

Performance indicators

The College is committed to observing the importance of sector measures and indicators. The College is required to complete the annual Finance Record for the Education Funding Agency. The Finance Record produces a financial health grading. The current grading of 'outstanding' is considered acceptable.

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

Key performance indicators 2013/14

2013/14 performance:

Band hrs.	Target students	Actual students	Variance students	Base Rate £	Target £	Actual £	Variance £
540+	1,281	2,515		4,000		15,155K	
450-539	1,158	25		4,000		151K	
360-449	176	28		2,700		114K	
280-359	21	3		2,133		10K	
<279	34	2		(4,000)		2K	
16-18 FT	2,439	2,540					
16-18 total	2,670	2,573	-97		15,552K	15,432K	-120K
Adults					114K	108K	-6K

Operating and Financial Review (continued)**Student achievement and progression 2014:**

Long courses	Starts	Success rate
Level 1	773	83%
Level 2	1,313	85%
Level 3	3,737	83%
Overall	5,823	84%

796 NewVic advanced leavers applied to university in 2014 and 699 progressed to university courses (88%).

FINANCIAL POSITION**Financial results**

The College generated an operating surplus in the year of £578k (2012/13: £271k). The result in 2013/14 is stated after accounting for a loss on disposal of tangible fixed assets of £119k (2012/13: Nil)

The College has accumulated reserves of £9.4 million (2012/13: £9.2million) and cash balances of £6.9 million (2012/13: £6.2million). The College wishes to continue to accumulate reserves and cash balances to fund the planned campus development.

Tangible fixed asset additions during the year amounted to £2.6 million (2012/13: £1.5 million). This was split between land and buildings acquired of £1.6 million (2012/13: £1.0million) and equipment purchased of £1.0 million (2012/13: £0.5million).

The College has significant reliance on the EFA for its principal funding source, largely from recurrent grants. In 2013/14 the EFA/SFA provided 98.8% (2012/13: £97.9%) of the College's total income.

The College had one subsidiary company, Stratford Circus Ltd. On 1 January 2012 the activities of Stratford Circus was subject to a Business Transfer Agreement with Stratford Arts Trust, a new organisation established to give Stratford Circus an independent and viable future. The company has not undertaken any activities since 1 January 2012, and has remained dormant since.

Operating and Financial Review (continued)

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 Accounting Officer. 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

Operating cash inflows of £2,053k (2012/13 - £1,308k) were invested in £1,429k of capital expenditure (2012/13 - £885k). Financial investment includes £806k of cash placed on deposit (2012/13 - £762k).

Liquidity

The College has cash on deposit and no loans.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

In 2013/14 the College has delivered activity that has produced £15,894k in EFA main allocation funding (2012/13: £14,750k). The College had approximately 2,636 EFA and SFA-funded learners (2012/13: 2,678 EFA and SFA-funded learners).

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. During the accounting period, 1 August 2013 to 31 July 2014, the College paid 98% of its invoices within 30 days. The College incurred no interest charges in respect of late payments for this period.

Post-balance sheet events

Planning permission for Phase 1 of the redevelopment of the campus was granted by the London Borough of Newham on 21 October 2014. This represents phase 1 of the overall campus redevelopment plan to improve the college accommodation and facilities. Phase 1 is budgeted to cost £8 million to be funded by a combination of cash reserves and bank loan and includes a new learning resource centre (Library), a new drama and performing arts centre, new student services accommodation and new entrance facilities. The proposed building has a road frontage which will create a visible landmark.

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. Conversations are underway with local and national bodies, and the new development of the campus is seen as a strong negotiating position for the College in bringing cultural and other activities to NewVIc.

Operating and Financial Review (continued)

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 £20.1 million of net assets (2012/13: £19.3million). This includes a £2.3 million pension liability (2012/13: £1.4 million pension liability) and no long term debt.

People

The College employs 254 people (expressed as full time equivalents) (2012/13: 243), of whom 138 are teaching staff (2012/13: 139)

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 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 EFA and SFA. Continual pressure on public funds 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
- Regular dialogue with the regional EFA

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.

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;
- Funding Councils;
- Staff;
- Local employers;
- Local Authorities;
- Government Offices;
- The local community;
- Other FE institutions;
- Trade unions;
- Professional bodies.
- Commercial partners;
- 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.
- 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 2 December 2014 and signed on its behalf by:



Philip Dewe
Chair of the Corporation

Operating and Financial Review (continued)

Professional advisers

Financial statement and regularity auditors:

Buzzacott LLP
130 Wood Street
London EC2V 6DL

Internal auditors:

MacIntyre Hudson Associates
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 LLP
One Forbury Square
The Forbury
Reading
RG1 3EB

Project manager:

WT Partnership
24 Sansome Walk
Worcester
WR1 1LX

Architect:

Shepherd Epstein Hunter
Phoenix Yard
65 Kings Cross Road
London
WC1X 9LW

Quantity Surveyor:

Rider Levitt Bucknell
60 New Broad Street
London
EC2M 1JJ

Clerk to Corporation:

Paul Baglee
Newham Partnership Working
Francis House
760-762 Barking Road
London E13 9PJ

Statement of Corporate Governance and Internal Control

The College endeavours to conduct its business:

- i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- ii. in full accordance with the guidance to colleges from the Association of Colleges in The English Colleges' Foundation Code of Governance ("the Foundation Code"); and
- iii. having due regard to the UK Corporate Governance Code ("the Code") insofar as it is applicable to the further education sector.

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 2014.

Statement of Corporate Governance and Internal Control (continued)

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:

Name	Date of first appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance %
Meg Dabasia	24 June 1997	4 years		Independent member	Audit	57
Christopher Owens	13 December 2013	4 years		Independent member		60
Jessie Robinson	16 October 2013	4 years		Independent member	Search	67
Chinye Jibunoh	12 February 2014	4 years		Independent member		0
Gail May (Vice Chair)	01 December 2008	4 years		Independent member	Search Corporation: Vice Chair -	100
Rania Hafez	16 October 2013	4 years		Independent member	Audit	83
Jay Nair	16 October 2013	4 years		Independent member	Audit	100
Philip Dewe (Chair)	12 December 2006	4 years		Independent member	Search Corporation: Chair -	86
Jonathan Birdwell	16 October 2013	4 years		Independent member	Audit - Chair	67
Susan Landeryou	6 December 2010	4 years		Staff member		71
Vanessa Joshua	01 July 2014	1 year		Student member		100
Nadia Sayed	25 September 2014	1 year		Student member		100
Halimo Hussain	1 February 2014	1 year	2 July 2014	Student member		100
Maureen Ledeatte	09 November 2012	2 years	08 November 2014	Parent member	Audit	71
Alec Kellaway	7 December 2012	4 years	Deceased 20 June 2014	Independent member	Audit	67
Karen Merkel	12 December 2001	4 years	12 December 2013	Independent member	Search	100
Irene Graham	21 April 2010	4 years	13 January 2014	Independent member	Audit	0
Hamza Chaudhary	03 July 2013	1 year	31 January 2014	Student member		50
Masuma Hussain	03 July 2013	1 year	30 June 2014	Student member		33
Jill Adams	15 February 2010	4 years	14 February 2014	Staff member		100
Allison Locke	24 October 2014	4 years		Staff member		
Eddie Playfair		Ex-officio		Principal and Accounting Officer	Search	

Statement of Corporate Governance and Internal Control (continued)

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

The College adopted the Foundation Code of College Governance, developed by the Association of Colleges (AoC) for English further education and sixth form colleges, in February 2012.

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 both through Corporation meetings and two 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 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 Accounting Officer 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 Accounting Officer 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 of College management. The Committee also receives and considers reports from the EFA as they affect the College's business.

Statement of Corporate Governance and Internal Control (continued)

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.

During the year the Audit Committee considered the implications of the revised Joint Audit Code of Practice, and decided to retain an internal audit function. It further decided that the firm appointed as internal auditor must be different to the firm appointed as the financial statements auditor.

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 on-going process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Newham Sixth Form College for the year ended 31 July 2014 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 on-going process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2014 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

Statement of Corporate Governance and Internal Control (continued)

Newham Sixth Form College has an internal audit service, which operates in accordance with the requirements of the EFA and SFA'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 Accounting Officer has been advised on the implications of the result of his review of the effectiveness of the system of internal control by the Audit Committee, which oversees the work of the internal auditor, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

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.

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

Governing Body's statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding

The Corporation has considered its responsibility to notify the Education Funding Agency of material regularity, impropriety and non-compliance with Education Funding Agency terms and conditions of funding, under the funding agreement in place between the College and the Education Funding Agency. As part of its consideration, the Corporation has had due regard to the requirements of the funding agreement.

We confirm, on behalf of the Corporation, that to the best of its knowledge, the Corporation believes it is able to identify any material irregular or improper use of funds by the College, or material non-compliance with the Education Funding Agency's terms and conditions of funding under the College's funding agreement. We further confirm that any instances of material irregularity, impropriety or funding non-compliance discovered to date have been notified to the Education Funding Agency.

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 2 December 2014 and signed on its behalf by:



Philip Dewe
Chair



Eddie Playfair
Accounting Officer

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 EFA, 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 2 December 2014 and signed on its behalf by:



Philip Dewe
Chair of the Corporation

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 2014 set out on pages 21 to 49. 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 18, 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 2014 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

17 December 2014

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

This report is produced in accordance with the terms of our engagement letter for the purpose of reporting on the College's Statement of Regularity, Propriety and Compliance in respect of whether the transactions underlying the College's financial statements for the year ended 31 July 2014 are regular as defined by and in accordance with the Funding Agreement with Secretary of State for Education acting through the Education Funding Agency, in accordance with the authorities that govern them.

The regularity assurance framework that has been applied is set out in the Joint Audit Code of Practice and the Regularity Audit Framework published by the Skills Funding Agency and the Education Funding Agency.

Our review has been undertaken so that we might state to the Corporation of Newham Sixth Form College and the Secretary of State for Education acting through the Education Funding Agency those matters we are required to state to them in a report and for no other purpose. This report is made solely to the Corporation of Newham Sixth Form College and the Secretary of State for Education acting through the Education Funding Agency in accordance with the terms of our engagement letter. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the corporation of Newham Sixth Form College and the Secretary of State for Education acting through the Education Funding Agency, for our review work, for this report, or for the opinion we have formed.

Responsibilities of the Corporation of Newham Sixth Form College

The Corporation of Newham Sixth Form College is responsible under the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that financial transactions are in accordance with the framework of authorities which govern them and that transactions underlying the financial statements for the year ended 31 July 2014 are regular.

The Corporation of Newham Sixth Form College is also responsible, under the requirements of the Accounts Direction 2013/14 published by the Skills Funding Agency and the Education Funding Agency for the preparation of the Statement on Regularity, Propriety and Compliance. The Statement confirms that, to the best of its knowledge, the Corporation believes it is able to identify any material, irregular or improper use of funds by the College, or material non-compliance with the Education Funding Agency's terms and conditions of funding under the College's funding agreement. It further confirms that any instances of material irregularity, impropriety or funding non-compliance discovered in the year to 31 July 2014 have been notified to the Education Funding Agency.

Auditor's responsibilities

Our responsibility is to express a reasonable assurance opinion in respect of whether the transactions underlying the College's financial statements for the year ended 31 July 2014 are in all material respects regular, based on the procedures that we have performed and the evidence we have obtained. Our reasonable assurance engagement was undertaken in accordance with the Joint Audit Code of Practice, the Regularity Audit Framework and our engagement letter. The International Standards on Auditing (UK and Ireland) and Joint Audit Code of Practice require that we plan and perform this engagement to obtain reasonable assurance in respect of the Assertion that the transactions underlying the financial statements are in all material respects regular.

Basis of opinion

We have performed procedures on a sample basis so as to obtain information and explanations which we consider necessary in order to provide us with sufficient appropriate evidence to express reasonable assurance that the College's Statement of Regularity, Propriety and Compliance is fairly stated in respect of whether the transactions underlying the College's financial statements are in all material respects regular for the year ended 31 July 2014.

Opinion

In our opinion the College's Statement of Regularity, Propriety and Compliance is fairly stated in respect of whether the transactions underlying the College's financial statements are in all material respects regular for the year ended 31 July 2014.



Buzzacott LLP
Statutory Auditor
130 Wood Street
London
EC2V 6DL



Date

Income and Expenditure Account

	Notes	2014 £'000	2013 £'000
INCOME			
Funding Council Grants	2	16,362	14,855
Tuition fees and education contracts	3	40	130
Other income	4	150	83
Investment income	5	<u>57</u>	<u>95</u>
Total income		16,609	15,163
EXPENDITURE			
Staff costs	6	11,408	10,933
Other operating expenses	8	3,224	2,714
Depreciation	10	1,245	1,211
Interest and other finance costs	9	<u>35</u>	<u>34</u>
Total expenditure		15,912	14,892
Surplus on continuing operations after depreciation of tangible fixed assets at valuation		<u>697</u>	<u>271</u>
Loss on disposal of assets	10	119	-
Surplus on continuing operations after depreciation of tangible fixed assets at valuation		<u>578</u>	<u>271</u>

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

Statement of Historical Cost Surpluses and Deficits

	Notes	2014 £'000	2013 £'000
Surplus on continuing operations before taxation		578	271
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	15	184	184
Historical cost surplus for the year before taxation		<u>762</u>	<u>455</u>
Historical cost surplus for the year after taxation		<u>762</u>	<u>455</u>

Statement of Total Recognised Gains and Losses

	Notes	2014 £'000	2013 £'000
Surplus on continuing operations after depreciation of assets at valuation and tax		578	271
Actuarial (losses)/gains in respect of pension scheme	22	(602)	822
Total recognised losses since last report		<u>(24)</u>	<u>1,093</u>
Reconciliation			
Opening reserves and endowments		16,035	14,942
Total recognised (losses/gains) for the year		(24)	1,093
Closing reserves and endowments		<u>16,011</u>	<u>16,035</u>

Balance Sheet as at 31 July 2014

	Notes	College 2014 £'000	College 2013 £'000
Fixed assets			
Tangible assets	10	<u>17,066</u>	<u>15,854</u>
Total fixed assets		17,066	15,854
Current assets			
Debtors	12	252	202
Investments	11	6,064	5,259
Cash at bank and in hand		<u>845</u>	<u>970</u>
Total current assets		7,161	6,431
Less: Creditors – amounts falling due within one year	13	<u>(1,430)</u>	<u>(1,290)</u>
Net current assets		<u>5,731</u>	<u>5,141</u>
Total assets less current liabilities		22,797	20,995
Less Provisions	24	(388)	(270)
Net assets excluding pension liability		22,409	20,725
Net pension (liability)/asset	22	<u>(2,260)</u>	<u>(1,431)</u>
NET ASSETS INCLUDING PENSION LIABILITY		<u>20,149</u>	<u>19,294</u>
Deferred capital grants	14	<u>4,138</u>	<u>3,259</u>
Income and expenditure account excluding pension reserve	16	11,613	10,624
Pension reserve	22	<u>(2,260)</u>	<u>(1,431)</u>
Income and expenditure account including pension reserve	16	9,353	9,193
Revaluation reserve	15	6,658	6,842
Total reserves		<u>16,011</u>	<u>16,035</u>
TOTAL		<u>20,149</u>	<u>19,294</u>

The Financial statements on pages 21-49 were approved by the Corporation on 2 December 2014 and were signed on its behalf on that date by:


Philip Dewe
Chair


Eddie Playfair
Accounting Officer

Cash Flow Statement

	Notes	2014 £'000	2013 £'000
Cash inflow from operating activities	17	2,053	1,308
Returns on investments and servicing of finance	18	57	95
Capital expenditure and financial investment	19	(1,429)	(885)
Management of liquid resources	20	(806)	(762)
		<hr/>	<hr/>
Decrease in cash in the year		(125)	(244)
		<hr/>	<hr/>
Reconciliation of net cash flow to movement in net funds			
Decrease in cash in the period		(125)	(244)
Cash inflow from liquid resources	20	806	762
		<hr/>	<hr/>
Movement in net funds in the period		681	518
Net funds at 1 August 2013	21	6,228	5,710
		<hr/>	<hr/>
Net funds at 31 July 2014		6,909	6,228
		<hr/>	<hr/>

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), the Accounts Direction for 2013/14 financial statements and in accordance with applicable Accounting Standards.

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.

Going concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Operating and Financial Review. The financial position of the College, its cash flow, liquidity and borrowings are described in the Financial Statements and accompanying Notes.

The College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

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 Skills Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body at the end of November following the year end. 16-18 learner-responsive funding is not normally subject to 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.

Income from grants, contracts and other services rendered is included to the extent the conditions of the funding have been met or 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)

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 payrolls.

The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 22, 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. The associated credit is included in the revaluation reserve. The difference between depreciation charged on the historic cost of assets and the actual charge for the year calculated on the revalued amount is released to the income and expenditure account reserve on an annual basis. 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 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.

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 28, 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.

2. Funding council income

	2014 £'000	2013 £'000
Recurrent grant - EFA/SFA	15,894	14,750
Releases of deferred capital grants	220	98
Other Funds	<u>248</u>	<u>7</u>
Total	<u>16,362</u>	<u>14,855</u>

3. Tuition fees and education contracts

	2014 £'000	2013 £'000
Education contracts	40	130
	<u>40</u>	<u>130</u>

4. Other income

	2014 £'000	2013 £'000
Residencies, catering and conferences	36	21
Releases from deferred capital grants (non EFA)	49	-
Other Income	65	-
	<u>150</u>	<u>83</u>

5. Investment income

	2014	2013
	£'000	£'000
Other interest receivable	57	95
	<u>57</u>	<u>95</u>

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:

	2014 No.	Restated 2013 No.
Teaching staff	138	139
Non-teaching staff	116	104
	<u>254</u>	<u>243</u>

Staff costs for the above persons

	2014 £'000	2013 £'000
Wages and salaries	9,160	8,778
Social security costs	711	696
Other pension costs (including FRS 17 adjustments of £192,000, 2012-13 £202,000)	1,127	1,055
Payroll sub total	10,998	10,529
Contracted out staffing services	410	404
	<u>11,408</u>	<u>10,933</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	
	2014 No.	2013 No.	2014 No.	2013 No.
£70,001 to £80,000	-	-	3	3
£80,001 to £90,000	1	1	-	-
£120,001 to £130,000	1	1	-	-
	<u>2</u>	<u>2</u>	<u>3</u>	<u>3</u>

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.

	2014 No.	2013 No.
The number of senior post-holders including the Principal was:	2	2

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

	2014 £'000	2013 £'000
Salaries	186	185
Pension contributions	26	26
Total emoluments	212	211

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

	2014 £'000	2013 £'000
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.

NEWHAM SIXTH FORM COLLEGE
Notes to the Accounts (continued)

Financial Statements for Year Ended 31 July 2014

8. Other operating expenses

	2014	2013
	£'000	£'000
Teaching costs	473	392
Non- teaching costs	1,793	1,336
Premises costs	<u>958</u>	<u>986</u>
Total	<u>3,224</u>	<u>2,714</u>

Other operating expenses include:

	2014	2013
	£'000	£'000
Auditors' remuneration:		
Financial statements audit	16	15
Internal audit	13	12
Other services provided by the financial statements auditors	5	4
Hire of other assets – operating leases	<u>213</u>	<u>213</u>

9. Interest payable

	2014	2013
	£'000	£'000
Pension finance costs (note 22)	<u>35</u>	<u>34</u>
Total	<u>35</u>	<u>34</u>

NEWHAM SIXTH FORM COLLEGE
Notes to the Accounts (continued)

Financial Statements for Year Ended 31 July 2014

10. Tangible fixed assets

	Land and buildings Freehold £'000	Assets under Construction £'000	Equipment £'000	Total £'000
Cost or valuation				
At 1 August 2013	23,760	-	7,007	30,767
Additions	1,110	448	1,018	2,576
Disposals	(257)	-	(9)	(266)
At 31 July 2014	24,613	448	8,016	33,077
Depreciation				
At 1 August 2013	8,379	-	6,534	14,913
Charge for the year	811	-	434	1,245
Disposals	(138)	-	(9)	(147)
At 31 July 2014	9,052	-	6,959	16,011
Net book value at 31 July 2014	15,561	448	1,057	17,066
Net book value at 31 July 2013	15,381	-	473	15,854

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 and zero net value based on cost.

Tangible fixed assets with a net book value of £119k were disposed of during the year creating a loss on disposal charged to the income and expenditure account.

The College has plans in place for the redevelopment of the Prince Regent Lane Campus. The design of Phase One is at an advanced stage. Construction will begin in Spring 2015 subject to the college being successful at obtaining the required funding, and the building will become operational in the 2016/17 academic year.

NEWHAM SIXTH FORM COLLEGE
Notes to the Accounts (continued)

Financial Statements for Year Ended 31 July 2014

11. Investments

	College 2014 £'000	College 2013 £'000
Investments in subsidiaries	-	1
Cash on Deposit	6,064	5,258
	<hr/>	<hr/>
	6,064	5,259

12. Debtors

	College 2014 £'000	College 2013 £'000
Amounts falling due within one year:		
Trade debtors	62	17
Prepayments and accrued income	173	179
Other Debtors	17	6
Total	<hr/> 252 <hr/>	<hr/> 202 <hr/>

13 Creditors:

	College 2014 £'000	College 2013 £'000
Amounts falling due within one year:		
Trade creditors	379	239
Other taxation and social security	355	345
Accruals and deferred income	443	507
Other Creditors	253	199
Total	<hr/> 1,430 <hr/>	<hr/> 1,290 <hr/>

Notes to the Accounts (continued)**14 Deferred capital grants**

	Funding body grants £'000	Other grants £'000	Total £'000
At 1 August 2013	2,885	375	3,260
Cash received	1,147	-	1,147
Released to income and expenditure account	(220)	(49)	(269)
Total	<u>3,812</u>	<u>326</u>	<u>4,138</u>

NEWHAM SIXTH FORM COLLEGE
Notes to the Accounts (continued)

Financial Statements for Year Ended 31 July 2014

15 Revaluation reserve

	College 2013 £'000	College 2012 £'000
At 1 August 2013	6,842	7,026
Transfer from revaluation reserve to general reserve in respect of:		
Depreciation on revalued assets	(184)	(184)
At 31 July 2014	6,658	6,842

16 Movement on general reserves

	College 2014 £'000	College 2013 £'000
At 1 August 2013	9,193	7,916
Surplus retained for the year	578	271
Transfer from revaluation reserve	184	184
Actuarial loss in respect of pension scheme	(602)	822
At 31 July 2014	9,353	9,193
Balance represented by:		
Pension reserve	(2,260)	(1,431)
Income and expenditure account reserve excluding pension reserve	11,613	10,624
At 31 July 2014	9,353	9,193

Notes to the Accounts (continued)

17. Reconciliation of consolidated operating surplus to net cash inflow from operating activities

	2014 £'000	2013 £'000
Surplus on continuing operations after depreciation of assets at valuation	578	271
Depreciation (notes 1 and 10)	1,245	1,211
Deferred capital grants released to income (note 14)	(269)	(161)
Loss on disposal of tangible fixed assets	119	-
Interest receivable (note 5)	(57)	(95)
FRS 17 pension cost less contributions payable (notes 6 and 22)	192	202
FRS 17 pension finance income (note 22)	35	34
Increase in debtors	(50)	(77)
Increase /(decrease) in creditors	141	(77)
Increase in Provisions	119	-
Net cash inflow from operating activities	2,053	1,308

18. Returns on investments and servicing of finance

	2014 £'000	2013 £'000
Other interest received	57	95
Net cash inflow from returns on investment and servicing of finance	57	95

Notes to the Accounts (continued)

19. Capital expenditure and financial investment

	2014 £'000	2013 £'000
Purchase of tangible fixed assets	(2,576)	(1,510)
Deferred capital grants received	<u>1,147</u>	<u>625</u>
Net cash outflow from capital expenditure and financial investment	<u>(1,429)</u>	<u>(885)</u>

20. Management of liquid resources

	2014 £'000	2013 £'000
Placing of deposits	(806)	(762)
Net cash inflow from management of liquid resources	<u>(806)</u>	<u>(762)</u>

21. Analysis of changes in net funds

	At 31 July 2013 £'000	Cash flows £'000	Other changes £'000	At 31 July 2014 £'000
Cash in hand, and at bank	970	(125)	-	845
	<u>970</u>	<u>(125)</u>	<u>-</u>	<u>845</u>
Current asset investments	5,258	806	-	6,064
Total	<u>6,228</u>	<u>681</u>	<u>-</u>	<u>6,909</u>

Notes to the Accounts (continued)

22. 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	2014 £'000	2013 £'000
Teachers' Pension Scheme: contributions paid	684	654
Local Government Pension Scheme:		
Contributions paid	251	198
FRS 17 charge	192	202
Charge to the Income and Expenditure Account (staff costs)	443	400
Total Pension Cost for Year	1,127	1,054

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 Teachers' Pension Scheme ("TPS") is a statutory, contributory, defined benefit scheme. The regulations under which the TPS operates are the Teachers' Pensions Regulations 2010. These regulations apply to teachers in schools and other educational establishments in England and Wales maintained by local authorities, to teachers in many independent and voluntary-aided schools, and to teachers and lecturers in establishments of further and higher education. Membership is automatic for full-time teachers and lecturers and from 1 January 2007 automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

The Teachers' Pension Budgeting and Valuation Account

Although teachers and lecturers are employed by various bodies, their retirement and other pension benefits, including annual increases payable under the Pensions (Increase) Acts are, as provided for in the Superannuation Act 1972, paid out of monies provided by Parliament. Under the unfunded TPS, teachers' contributions on a 'pay-as-you-go' basis, and employers' contributions, are credited to the Exchequer under arrangements governed by the above Act.

The Teachers' Pensions Regulations require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pensions' increases). From 1 April 2001, the Account has been credited with a real rate of return (in excess of price increases and currently set at 3.5%), which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

Notes to the Accounts (continued)

22 Pension and similar obligations (continued)

Valuation of the Teachers' Pension Scheme

Not less than every four years the Government Actuary ("GA"), using normal actuarial principles, conducts a formal actuarial review of the TPS. The aim of the review is to specify the level of future contributions.

The contribution rate paid into the TPS is assessed in two parts. First, a standard contribution rate ("SCR") is determined. This is the contribution, expressed as a percentage of the salaries of teachers and lecturers in service or entering service during the period over which the contribution rate applies, which if it were paid over the entire active service of these teachers and lecturers would broadly defray the cost of benefits payable in respect of that service. Secondly, a supplementary contribution is payable if, as a result of the actuarial investigation, it is found that accumulated liabilities of the Account for benefits to past and present teachers, are not fully covered by standard contributions to be paid in future and by the notional fund built up from past contributions. The total contribution rate payable is the sum of the SCR and the supplementary contribution rate.

The last valuation of the TPS related to the period 1 April 2001 - 31 March 2004. The GA's report of October 2006 revealed that the total liabilities of the Scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £166,500 million. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £163,240 million. The assumed real rate of return is 3.5% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 1.5%. The assumed gross rate of return is 6.5%.

As from 1 January 2007, and as part of the cost-sharing agreement between employers' and teachers' representatives, the SCR was assessed at 19.75%, and the supplementary contribution rate was assessed to be 0.75% (to balance assets and liabilities as required by the regulations within 15 years). This resulted in a total contribution rate of 20.5%, which translated into an employee contribution rate of 6.4% and employer contribution rate of 14.1% payable. The cost-sharing agreement also introduced – effective for the first time for the 2008 valuation – a 14% cap on employer contributions payable.

Scheme Changes

From 1 April 2012 to 31 March 2014, the employee contribution rate ranged between 6.4% and 8.8%, depending on a member's Full Time Equivalent salary with employer contributions set at 14.1%. With effect from 1 April 2014, the employee contributions rates were increased and ranged between 6.4% and 12.4% depending on a member's Full Time Equivalent salary, with employer contributions set to increase to 16.4% from September 2015.

Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. Many of these are being discussed in the context of the design for a reformed TPS, as set out in the Proposed Final Agreement, and scheme valuations are, therefore, currently suspended. The Government, however, has set out a future process for determining the employer contribution rate under the new scheme, and this process will involve a full actuarial valuation.

The Proposed Final Agreement can be found at:

<http://media.education.gov.uk/assets/files/ppt/t/tps%20proposed%20final%20agreement.pdf>

The pension costs paid to TPS in the year amounted to £683,817 (2013: £654,445)

Notes to the Accounts (continued)

22. Pension and similar obligations (continued)

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 2014 was £389,327, of which employer's contributions totalled £250,634 and employees' contributions totalled £138,693. The agreed contribution rates for future years are 12.1 per cent for employers and between 5.5 and 7.5 per cent for employees.

FRS 17

Principal Actuarial Assumptions	At 31 July 2014	At 31 July 2013
Rate of increase in salaries	4.60%	4.80%
Rate of increase for pensions in payment/inflation	2.80%	2.60%
Discount rate for scheme liabilities	4.30%	4.80%
Inflation assumption	3.60%	3.40%
Inflation assumption - CPI	2.80%	2.60%

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 2014	At 31 July 2013
<i>Retiring today</i>		
Males	22	21.4
Females	24.3	23.7
<i>Retiring in 20 years</i>		
Males	24.1	23.4
Females	26.7	25.6

Notes to the Accounts (continued)

22. 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 2014	Value at 31 July 2014	Long- term rate of return expected at 31 July 2013	Value at 31 July 2013
		£'000		£'000
Equities	64.00%	4,509	65.00%	3,920
Bonds	12.00%	839	12.00%	724
Gilts	2.00%	176	3.00%	181
Property	10.00%	683	8.00%	482
Cash	4.00%	290	4.00%	241
Other	8.00%	591	8.00%	482
Total market value of assets		7,088		6,030
Present value of scheme liabilities				
- Funded		(9,348)		(7,461)
(Deficit) in the scheme		(2,260)		(1,431)

Analysis of the amount charged to income and expenditure account

	2014 £'000	2013 £'000
Employer service cost (net of employee contributions)	(443)	(380)
Employer contributions	251	198
Effect of Curtailments or Settlements	-	(20)
Total operating charge	(192)	(202)

Analysis of pension finance income/(costs)

Expected return on pension scheme assets	336	247
Interest on pension liabilities	(371)	(281)
Pension finance income/(costs)	(35)	(34)

Notes to the Accounts (continued)

22. Pension and similar obligations (continued)

Local Government Pension Scheme (continued)

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

	2014 £'000	2013 £'000
Actuarial gains on pension scheme assets	274	610
Actuarial (losses)/gains on scheme liabilities	(876)	212
Actuarial gain/(loss) recognised in STRGL	(602)	822

Notes to the Accounts (continued)

22 Pension and similar obligations

Local Government Pension Scheme (Continued)

Movement in deficit during year

	2014 £'000	2013 £'000
Surplus/(deficit) in scheme at 1 August	(1,431)	(2,017)
Movement in year:		
Employer service cost (net of employee contributions)	(443)	(380)
Past service cost		
Curtailments and settlements	-	(20)
Employer contributions	251	198
Net interest/return on assets	(35)	(34)
Actuarial gain or loss	(602)	822
Deficit in scheme at 31 July	(2,260)	(1,431)

Asset and Liability Reconciliation

	2014 £'000	2013 £'000
Reconciliation of Liabilities		
Liabilities at start of period	7,461	7,032
Service cost	443	380
Interest cost	371	281
Employee contributions	139	109
Actuarial loss/(gain)	994	(212)
Benefits paid	(60)	(149)
Past Service cost	-	-
Curtailments and settlements	-	20
Liabilities at end of period	9,348	7,461

Notes to the Accounts (continued)

Local Government Pension Scheme (continued)

22. Pension and similar obligations

Reconciliation of Assets	2014 £'000	2013 £'000
Assets at start of period	6,030	5,015
Expected return on assets	336	247
Actuarial gain/(loss)	392	610
Employer contributions	251	198
Employee contributions	139	109
Benefits paid	(60)	(149)
Assets at end of period	<u>7,088</u>	<u>6,030</u>

History of experience gains and losses

	2014	2013	2012	2011	2010
Difference between the expected and actual return on assets:					
Amount £'000	392	610	(256)	669	356
Experience gains and losses on scheme liabilities:					
Amount £'000	886	-	193	-	-
Total amount recognised in STRGL:					
Amount £'000	(347)	255	(567)	560	(144)

23. Post Balance sheet events

The college was successful with the planning permission application relating to the planned redevelopment of the Prince Regent Lane Campus. The planning permission was granted on 21 October 2014.

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

	2014	2013
	£'000	£'000
Stratford Circus	150	150
Other provisions	238	120
Total provisions	<u>388</u>	<u>270</u>

The provision of £150,000 (2013 - £150,000) relates to future costs in connection with the discontinued activities at Stratford Circus.

25. Capital commitments

	2014	2013
	£'000	£'000
Commitments contracted for at 31 July 2014	<u>1,367</u>	<u>503</u>
Authorised but not contracted at 31 July 2014	<u>8,200</u>	<u>799</u>

26. Financial commitments

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

	2014	2013
	£'000	£'000
Other than Land & Building:		
Expiring within one year	<u>213</u>	<u>213</u>
	<u>213</u>	<u>213</u>

27. Related party transactions

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

Transactions with the EFA and SFA are detailed in notes 2, 3 and 28.

28. Amounts disbursed as agent

Learner support funds	2014	2013
	£'000	£'000
LSF grants – hardship funds	625	545
	<hr/> 625	<hr/> 545
Disbursed to students	(625)	(525)
Administration costs	-	(1)
Balance unspent as at 31 July, included in creditors	<hr/> - <hr/>	<hr/> 19 <hr/>

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.