



Greenwich
Community
College



Report and Financial Statements For The Year Ended 31 July 2007

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Report of the Members of the Corporation For the Year to 31 July 2007

The Members present their report and the audited financial statements for the year ended 31 July 2007.

Legal status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting the affairs of Greenwich Community College. The College is an exempt charity for the purposes of the Charities Act 1993.

Mission

Governors reviewed the College's mission during 2004/05 and in December 2004 adopted a revised mission statement as follows:

"To meet the educational and training needs of our communities by being an excellent provider where all learners are empowered to realise their aspirations and achieve their goals."

Implementation of strategic plan

In March 2006 the College adopted a strategic plan for the period 1 August 2006 to 31 July 2009. This strategic plan includes property and financial plans. The Corporation monitors the performance of the College against these plans. The plans are reviewed and updated each year. The College's continuing strategic objectives are to:

- Maintain a grade 'A' financial status and diversify our sources of income
- Sustain and develop our reputation for excellence through successful innovation
- Enhance the climate of effective partnerships that has been developed with stakeholders
- Seek continually to improve the organisational climate so that staff and learners are confident and feel empowered to achieve
- Maintain a culture of quality improvement in all areas of the College and its operations
- Provide education and training that ensures learners:
 - Progress to work
 - Succeed within work
 - Progress to further or higher education
 - Achieve their personal aspirations

The College is on target for achieving these objectives.

The College's specific objectives for 2006/07 and achievement of those objectives are addressed below.

- The College achieved a grade 'A' financial status.
- The College continues to establish its Centre of Vocational Excellence status in Tourism, including a state of the art training facility at the O2 arena
- The targets in the LEA Education contract were achieved
- The College achieved an estimated 3,180 LSC-funded FTE learners against a target of 3,638 FTE

Report of the Members of the Corporation (continued)

Financial objectives

The College's financial objectives are to:

- Generate a cash inflow from operating activities
- Achieve a current ratio of at least 1.5:1 by July 2008
- Maintain cash days of 30 or more at all times
- Generate an operating surplus year on year
- Maintain total borrowings at less than 25% of total general reserves at all times

A series of performance indicators have been agreed to monitor the successful implementation of the policies and to maintain the College's Grade A status as assessed by the Learning Skills Council (LSC).

Performance indicators

Although the LSC 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 LSC funding targets
- Learner success rates
- Teacher qualifications
- Employer engagement

In 2006/07 the College achieved an estimated 4,138 LSC and Non-LSC FTE learners. Data is not currently available for the other targets but the College is confident that all will be met.

Student numbers

In 2006/07 the College delivered activity that produced £13,863,674 in LSC main allocation funding (2005/06 - £13,837,476). The College had approximately 5,952 LSC-funded and 6,759 non-LSC-funded students.

Student achievements

The College is still in the process of entering and collating details on student achievements for 2007. It is estimated that overall achievements for examinations taken in the year are likely to be around 65% of their qualification aims. (2006: 60%)

Curriculum developments

The College's curriculum offer is continuously reviewed in light of national, regional and local priorities identified by government and its various funding arms (notably the LSC). As well as being designed to reflect these requirements, the curriculum is also reviewed in relation to the needs of our local, regional and international partnerships and communities.

Report of the Members of the Corporation (continued)

The curriculum offer translates into a number of priority areas which include:

- Skills for Life programmes in literacy, language and numeracy skills (including courses for English Speakers of Other Languages);
- A broad range of both academic and vocational qualifications for 16-18 learners;
- Vocational programmes to meet the needs of the local economy at entry-to-employment levels and for employees/employers at all levels (from Entry Level up to Foundation Degrees);
- Adult and Community Learning.

The College delivers in a number of well established specialist vocational areas which includes London Leisure College, Health and Social Care, and Heritage and Tourism training as well as in a range of emerging specialist vocational areas such as London Gaming College and Events-related training for the new cultural and entertainment venues on Greenwich Peninsula.

Finances

The College generated an operating surplus in the year of £221,000 (2005/06 – surplus of £340,000) GCC has accumulated reserves of £9,327,000 and cash balances of £7,629,000. The College continues to accumulate reserves and cash balances in order to fund its planned property strategy.

The College has a subsidiary company, Woolwich Education Business Limited (WEB). The company has been dormant during the period under review.

Post-balance sheet events

There have been no post-balance sheet events.

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 2006 to 31 July 2007, the College paid 86.8 per cent of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

Planned maintenance programme

The cost of the College's planned maintenance programme over a period of five years is estimated to be £1,350,000, resulting in an average annual charge of £270,000. The programme was developed following a survey of the College's estate, which was carried out during 2003/04. The programme is reviewed each year.

The College plans to carry out the works, which were outstanding at 31 July 2007, together with the works planned for the following years, by 31 July 2008 and has set aside funds for this purpose.

Staff and student involvement

The College considers good communication with its staff to be very important and to this end publishes a regular newsletter, which is available to all staff. The College encourages staff and student involvement through membership of formal committees. Staff are able to elect two staff governors.

Report of the Members of the Corporation (continued)

Each year students are invited to give feedback to the College through enrolment, induction and learner satisfaction surveys.

Taxation

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

Equal opportunities and employment of disabled persons

Greenwich Community 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, abilities, class and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry. This policy is resourced, implemented and monitored on a planned basis. The College's Equal Opportunities Policy, Race Relations Policy and its Disability Equality scheme are published on the College's Internet site. In 2006/07 the college became a member of the Stonewall Diversity Champions Scheme.

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 Act 2001.

- a) As part of its accommodation strategy the College updated its accessibility. Experts in this field conducted a full access audit during 2003/04, and the results of this formed the basis of a bid to the LSC for funding capital projects aimed at improving access.
- b) The College has appointed a Head of Supported Learning, who provides information, advice and arranges support where necessary for students with disabilities.
- c) Specialist equipment, such as radio aids and a range of assistive technology, is available for use by students.
- 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 provide a variety of support for learning. There is continuing professional development of staff 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 the 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.
- h) The College works in partnership with a wide range of specialist partners to support learners with learning difficulties and/or disabilities.

Signed on behalf of the Corporation

Date

Mr I Smith BA (Hons) FCA
Chair of the Corporation

Report of the Members of the Corporation (continued)

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.

Name	Position
Mr G. Pine	Principal and Chief Executive
Ms C. Davidson	Vice Principal, Corporate Services
Ms M. Knights	Vice Principal, Information, Learning and Human Resources
Mr I. Mitton	Vice Principal, Curriculum

Professional advisers

Financial statement and regularity auditors:

Buzzacott LLP
12 Fetter Lane
London
EC4A 1AG

Internal auditors:

MacIntyre Hudson
New Bridge Street House
30 – 34 New Bridge Street
London EC4V 6BJ

Bankers:

Barclays Bank Plc
41 Woolwich New Road
London
SE18 6NU

Solicitors:

Eversheds
Cloth Hall Court
Infirmary Street
Leeds LS1 2JB

Auditors

On 30 September 2007, Buzzacott, the Corporation's auditors transferred their entire business to Buzzacott LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The members of the Corporation have consented to treating the appointment of Buzzacott as auditors as extending to Buzzacott LLP.

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 2003. Its purpose is to help the reader of the accounts understand how the principles have been applied.

In the opinion of the members of the Corporation, 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 2007.

The Corporation

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

Table 2: Members of the Corporation serving on the College Board during 2006/07.

Name	<i>Date of appointment</i>	<i>Term of Office</i>	<i>Date of resignation</i>	<i>Status of appointment</i>	<i>Committees Served</i>
Mr J Choy	14.10.2006	2 years		Business member	Audit
Mr A Doyle	31.03.2004	4 years		Business member	Chair: Finance & General Purposes Remuneration
Mrs S Elliott	Reappointed 14.10.2006	4 years		Business member	Finance & General Purposes
Mr J Gross	14.10.06	31.08.07		Student member	
Mr T Heath	Reappointed 07.12.2005	Until autumn 2007		Academic Staff	Standards
Cllr D Hyland	28.06.06	2 years		Local Authority	Chair: Standards
Mrs N Ishmael	Reappointed 01.04.2004	4 years		Business Member	Vice Chair: Corporation Audit: Chair: Remuneration
Mr R McMenemy	14.10.06	2 years		Co-opted Member	Finance & General Purposes Standards
Mr J Pearson	14.10.06	31.08.07		Student member	
Mr G Pine	Ex-officio			Principal	Finance & General Purposes Search
Mr T Ryatt	Reappointed 07.12.2005	Until autumn 2007	Term of office ended on 17.1.07	Support Staff	Audit Standards
Mr I Smith	Reappointed 01.04.2004	4 years		Business Member	Chair: Corporation Chair: Search Finance and General Purposes Remuneration

Statement of Corporate Governance and Internal Control (continued)

Name	Date of appointment	Term of Office	Date of resignation	Status of appointment	Committees Served
Mr S Steptoe	27.03.07	Until autumn 2009		Support Staff	Audit
Cllr Dr P Tyler	28.06.06	2 years		Local Authority	
Mr S Waggott	31.03.2004	4 years	30.10.06	Business member	
Mr R Wood	Reappointed 01.04.2004	4 years		Co-opted Member	Chair: Audit Remuneration
Mr A Lightbown is the clerk to the corporation					

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

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

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Finance and General Purposes, Remuneration, Search, Audit, Standards, Staff disciplinary, Staff appeals and Student Disciplinary appeals. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available from the clerk to the Corporation at:

Greenwich Community College
95 Plumstead Road
London
SE18 7DQ

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

All members of the Corporation 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 members of the Corporation 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 Chairman 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 two members of the Corporation, which is responsible for advising the Corporation on the appointment of members as required. The Corporation is responsible for ensuring that appropriate training is provided as required.

Statement of Corporate Governance and Internal Control (continued)

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

Remuneration committee

Throughout the year ending 31 July 2007, the College's remuneration committee comprised four members of the Corporation. The committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Principal and other senior post-holders, if any.

Details of remuneration for the year ended 31 July 2007 are set out in note 7 to the financial statements.

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 and provides a forum for reporting by the College's internal, regularity and financial statements auditors, who have access to the committee for independent discussion, without the presence of College management. The committee also receives and considers reports from the LSC 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.

Statement of Corporate Governance and Internal Control (continued)

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 Greenwich Community College and the LSC. 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 Greenwich Community College for the year ended 31 July 2007 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ended 31 July 2007 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 Corporation
- regular reviews by the Corporation 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.

Greenwich Community College has an internal audit service, which operates in accordance with the requirements of the LSC's *Audit Code of Practice*. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the audit committee. At minimum annually, the Head of Internal Audit (HIA) provides the Corporation 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.

Statement of Corporate Governance and Internal Control (continued)

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 LSC-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 risk committee, if appropriate), and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior management team and the audit committee also receive regular reports from internal audit, which include recommendations for improvement. The audit committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the audit committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2007 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2007 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2007.

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.

Signed _____

Signed _____

Date _____

Date _____

Chair

Principal

Statement of Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the Financial Memorandum agreed between the LSC 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 *Statement of Recommended Practice – Accounting for Further and Higher Education* 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.

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 LSC are used only in accordance with the Financial Memorandum with the LSC and any other conditions that the LSC 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 LSC are not put at risk.

Signed on behalf of the Corporation

Signed _____

Date _____

Chair

Independent Auditors' Report to the Corporation of Greenwich Community College

We have audited the financial statements of Greenwich Community College for the year ended 31 July 2007, which comprise the income and expenditure account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses and the related notes. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out therein.

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 auditors' 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 Members of the Corporation of Greenwich Community College and Auditors

As described in the Statement of Responsibilities the College's Corporation is responsible for preparing the Members Report and financial statements in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education, applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education. We also report to you if, in our opinion, the Members' Report is not consistent with the financial statements, if the College has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the Members' Report and consider the implications for our report if we become aware of any apparent misstatement within it.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and the Audit Code of Practice issued by the Learning and Skills Council. An audit includes examination, on a test basis, of evidence relevant to amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the College's Corporation in the preparation of the financial statements, and of whether the accounting policies are appropriate to the College's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the College as at 31 July 2007 and of the College's surplus of income over expenditure for the year then ended, and are properly prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.

Buzzacott LLP
Chartered Accountants
Registered Auditors
12 New Fetter Lane
London
EC4A 1AG

Date

**Income and Expenditure Account
For the year ended 31 July 2007**

	Notes	2007 £'000	As Restated 2006 £'000
Income			
Funding council grants	2	15,133	14,585
Tuition fees and education contracts	3	3,297	3,262
Other grants and contracts	4	22	28
Other income	5	460	690
Investment income	6	350	286
		<hr/>	<hr/>
Total income		19,262	18,851
Expenditure			
Staff costs	7	13,340	12,773
Other operating expenses	9	4,319	4,493
Depreciation	13	1,151	1,106
Interest Payable	10	225	27
		<hr/>	<hr/>
Total Expenditure		19,035	18,399
Surplus on continuing operations after depreciation of assets at valuation but before tax		227	452
Loss on disposal of assets	9,13	<hr/> (6)	<hr/> (112)
Surplus on continuing operations after depreciation of assets at valuation and disposal of assets but before tax		221	340
Taxation	11	-	-
		<hr/>	<hr/>
Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and tax	12	221	340
		<hr/>	<hr/>

**Statement of Historical Cost Surpluses and Deficits
For the year ended 31 July 2007**

	Notes	2007 £'000	2006 £'000
Surplus on continuing operations before taxation		221	340
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	18	87	87
Historical cost surplus for the year after taxation		308	427

Statement of Total Recognised Gains and Losses

	Notes	2007 £'000	2006 £'000
Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and tax		221	340
Actuarial gains/losses in respect of pension scheme	26	1,179	(124)
Total recognised gains relating to the period		1,400	216

Reconciliation

Opening reserves and endowments	7,927	7,737
Actuarial loss on enhanced pensions	-	(26)
Total recognised gains/(losses) for the year	<u>1,400</u>	<u>216</u>
Closing Reserves	<u>9,327</u>	<u>7,927</u>

Balance sheets as at 31 July

	Notes	2007 £'000	2006 £'000
Fixed assets			
Tangible assets	13	11,310	11,328
Total fixed assets		11,310	11,328
Current assets			
Stocks		25	17
Debtors	14	994	777
Investments – short term		7,703	6,775
Cash at bank and in hand		18	32
Total current assets		8,740	7,601
Less: Creditors – amounts falling due within one year	15	4,839	4,150
Net current assets		3,901	3,451
Total assets less current liabilities		15,211	14,779
Less: Provisions for liabilities and charges	16	319	286
Net assets excluding pension Liability		14,892	14,493
Net pension liability	26	(2,063)	(3,003)
NET ASSETS INCLUDING PENSION LIABILITY		12,829	11,490
Deferred capital grants			
	17	3,502	3,563
Income and expenditure account excluding pension Reserve	19	4,758	4,211
Pension reserve	26	(2,063)	(3,003)
Income and expenditure account including pension reserve	19	2,695	1,208
Revaluation reserve	18	2,330	2,417
Designated reserves	20	4,302	4,302
Total reserves		9,327	7,927
TOTAL		12,829	11,490

The financial statements on pages 16 to 41 were approved by the Corporation on 5th December 2007 and were signed on its behalf on that date by:

Chair

Principal

Cash Flow Statement
For the year ended 31 July 2007

	Notes	2007 £'000	2006 £'000
Cash inflow from operating activities	21	1,024	212
Returns on investments and servicing of finance	22	340	286
Capital expenditure and financial investment	23	(448)	(571)
Management of liquid resources	24	(928)	161
Decrease in net cash in the year		<u>(12)</u>	<u>88</u>
 Reconciliation of net cash flow to movement in net funds			
(Decrease)/increase in cash in the period		(12)	88
Cash (outflow)/inflow from liquid resources	24	928	(161)
Movement in net funds in the period		<u>916</u>	<u>(73)</u>
Net funds at 1 August		6,713	6,786
Net funds at 31 July	25	<u>7,629</u>	<u>6,713</u>

In this statement, figures in brackets refer to cash outflows and all other figures are cash inflows to the College.

Notes to the Financial Statements

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.

1. Accounting policies

Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2003* (the SORP) and in accordance with applicable Accounting Standards. They conform to guidance published by the LSC in the 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.

Basis of consolidation

The financial statements include the activities of the College. 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.

Recognition of income

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. Income from specific endowments not expended in accordance with the restrictions of the endowment is transferred from the income and expenditure account to specific endowments

Recurrent grants from the LSC and HEFCE are recognised in line with the latest estimates of grant receivable for the academic year. The final grant allocation from the LSC is determined in the subsequent November, following an audit of the College's activity.

Non-recurrent grants from the LSC or other 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.

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

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).

Contributions to the schemes are charged to the income and expenditure account, and 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 pension able payroll.

The contributions are determined by qualified actuaries on the basis of triennial valuations using the projected unit method for the LGPS and quinquennial valuations using a prospective benefit method for the TPS.

As stated in Note 26, 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.

Enhanced Pensions

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

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. Leasehold premises are depreciated over 10 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.

Notes to the Financial Statements (continued)

Finance costs which are directly attributable to the acquisition of land and construction of 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 in the future. These values are retained subject to the requirement to test assets for impairment in accordance with FRS 11.

Equipment

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

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:

- Plant – 6.7% per year
- Machinery – 12.5% per year
- General equipment – 20% per year
- Motor vehicles – 25% per year
- Computer equipment – 25% per year
- Equipment acquired for specific research or other projects - project life

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.

Leased assets

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

Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright and are capitalised at their fair value at the inception of the lease and depreciated over the shorter of the lease term or the useful economic lives of equivalently owned assets. The capital element outstanding is shown as obligations under finance leases.

The finance charges are allocated over the period of the lease in proportion to the capital element outstanding. Where finance lease payments are funded in full from funding council capital equipment grants, the associated assets are designated as grant-funded assets.

Stocks

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

Notes to the Financial Statements (continued)

Maintenance of premises

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

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 an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of section 506(1) of the Income and Corporation Taxes Act 1988 (ICTA 1988). Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 505 of ICTA 1988 or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

The College receives no similar exemption in respect of value added tax. For this reason the College is unable to recover input VAT it suffers on goods and services purchased. Non-pay expenditure is therefore shown inclusive of VAT.

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.

Agency arrangements

The College acts as an agent in the collection and payment of Learner Support Funds and Educational Maintenance Allowances. Related payments received from the LSC and subsequent disbursements to students are excluded from the Income and Expenditure account and are shown separately in Note 33, 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 Financial Statements (continued)

2 Funding council grants

	Learning and Skills Council	Total 2007	Total 2006
	£'000	£'000	£'000
Recurrent grant	13,864	13,864	13,837
Releases of deferred capital grants (note 17)	236	236	163
Ethnic minority student achievement grant	65	65	16
Local Intervention Development Funds	98	98	-
FE Standards fund	-	-	4
ESF co-financing	521	521	136
Other funds	349	349	429
Totals	15,133	15,133	14,585

3 Tuition fees and education contracts

	2007 £'000	2006 £'000
UK Higher Education students	210	133
UK Further Education students	1,123	860
Non-European Union students	220	202
Total fees paid by or on behalf of individual Students	1,553	1,195
Education contracts:		
Local education authorities	1,585	1,578
New Deal	1	438
University for Industry	133	51
Other contracts	25	-
Total education contracts	1,744	2,067
Total fees and education contracts	3,297	3,262

4. Other Grants and Contracts

	2007 £'000	2006 £'000
European Commission	22	28
Total other grants and contracts	22	28

Notes to the Financial Statements (continued)**5 Other income**

	2007 £'000	2006 £'000
Other grant income	39	37
Releases from deferred capital grants (non-funding council)	114	123
Other income	307	530
Total	460	690

6 Investment Income

Other interest receivable	350	286
Total	350	286

Notes to the Financial Statements (continued)

7 Staff costs

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

	2007 No.	2006 No.
Teaching departments – staff	203	196
Contracted Tuition services	3	3
Teaching support services	71	77
Other support services	14	14
Administration and central services	76	78
Premises	6	7
Other	14	12
	387	387

Staff costs for the above persons

	2007 £'000	As Restated 2006 £'000
Wages and salaries	10,929	10,520
Social Security costs	825	826
Other pension costs (including FRS 17 adjustment)	1,516	1,348
Contracted Out Lecturing services	70	79
	13,340	12,773
Teaching departments – staff	6,930	6,370
Contracted Tuition services	70	79
Teaching support services	2,309	2,443
Other support services	473	459
Administration and Central services	2,430	2,294
General Education Expenditure	187	219
Premises	206	227
Other income-generating activities	434	334
LSC Funded Franchise	31	23
Miscellaneous	-	83
Staff Restructuring	50	-
FRS 17 Retirement benefit charge	220	242
Total	13,340	12,773

Notes to the Financial Statements (continued)

Total staff costs, split by type of contract, were:

	2007 £'000	As restated 2006 £'000
Employment costs for staff on permanent contracts	12,508	11,780
Employment costs for staff on short-term and temporary contracts	522	672
Contracted out lecturing services	70	79
FRS 17 Retirement benefit charge	240	242
	13,340	12,773

Restatement of comparative information

In order to better present the results of the College, payments for contracted out lecturing services have been included within staff costs in 2007 and the comparative figures restated accordingly.

In addition, the previous year's treatment of the FRS 17 retirement benefit charge to apportion across relevant staff costs has been amended to disclose the charge as a single figure. The comparative figures have been restated accordingly.

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	
	2007 No.	2006 No.	2007 No.	2006 No.
£50,001 to £60,000	-	-	12	5
£60,001 to £70,000	-	-	1	-
£70,001 to £80,000	-	-	2	3
£120,001 to £130,000	-	1	-	-
£130,001 to £140,000	1	-	-	-
	1	1	15	8

A pay award of 2.0 per cent was approved by the Corporation and paid with effect from 1 August 2006 for all staff. A further 1.0% pay award was approved by the Corporation and paid with effect from 1 February 2007.

Notes to the Financial Statements (continued)

8 Senior post-holders' emoluments

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

	2007 No.	2006 No.
The number of senior post-holders including the Principal was:	<u>1</u>	<u>1</u>

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

	2007 £	2006 £
Salaries	112,250	110,521
Benefits in kind	6,281	4,793
Pension contributions	15,550	14,414
Total emoluments	<u>134,081</u>	<u>129,728</u>

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

	2007 £	2006 £
Salaries	112,250	110,521
Benefits in kind	6,281	4,793
Total salaries and Benefits in kind	<u>118,531</u>	<u>115,314</u>
Pension contributions	<u>15,550</u>	<u>14,414</u>

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

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

Notes to the Financial Statements (continued)

On the recommendation of the Corporation's Remuneration Committee, the Principal received a pay award of 4.34% in recognition of his achievements and having had regard to the recommended salary increase for other staff, the median salary increase for college principals in the previous year as quoted in the AoC's national remuneration survey and the upper quartile figure for London colleges as set out in the same survey. Other higher paid staff received pay awards of 2% and 1% in line with the general pay award. A bonus of £5,000 was paid to the principal following his achievement of performance targets in 2005/06.

Overseas activities

The following costs were incurred during the year ended 31 July 2007 in respect of overseas activities which were carried out in accordance with the strategy approved by the Governing body:

	Total cost	Contributions received	Net costs to College
	£	£	£
Members	-	-	-
Senior post-holders	14,671	-	14,671
Other higher paid staff	3,099	-	3,099
Total	<u>17,770</u>	<u>-</u>	<u>17,770</u>

9 Other operating expenses

	2007 £'000	As Restated 2006 £'000
Teaching departments	799	640
Teaching support services	263	211
Other support services	72	82
Administration and central services	420	520
General education	597	708
Premises costs	658	651
Premises costs	91	44
Premises costs	172	131
Planned maintenance	-	172
Other income-generating activities	270	37
Catering and residence operations	54	59
LSC Funded Franchised provision	880	1,183
Other expenses	43	55
Total	<u>4,319</u>	<u>4,493</u>

Surplus for continuing operations is stated after charging the following:

	£'000	£'000
Auditors' remuneration:		
Financial statements audit	20	20
Internal audit	20	18
Other services provided by the financial statements auditors	-	7
Losses on disposal of tangible fixed assets	<u>6</u>	<u>112</u>

Notes to the Financial Statements (continued)

10 Interest payable

	2007 £'000	2006 £'000
Pension finance costs (note 26)	20	27
Other Interest	205	-
Total	<u>225</u>	<u>27</u>

11 Taxation

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

12 Surplus on continuing operations for the period

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

	2007 £'000	2006 £'000
College's surplus for the period	221	340
Total	<u>221</u>	<u>340</u>

Notes to the Financial Statements (continued)

13 Tangible fixed assets

	Land and buildings		Equipment	Total
	Freehold	Long leasehold		
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2006	11,470	973	6,607	19,050
Additions	80	412	647	1,139
Disposals	-	-	(3,285)	(3,285)
At 31 July 2007	11,550	1,385	3,969	16,904
Depreciation				
At 1 August 2006	2,285	316	5,121	7,722
Charge for the year	269	99	783	1,151
Elimination in respect of disposals	-	-	(3,279)	(3,279)
At 31 July 2007	2,554	415	2,625	5,594
Net book value				
At 31 July 2007	8,996	970	1,344	11,310
At 31 July 2006	9,185	657	1,486	11,328
Inherited	2,438	-	-	2,438
Financed by capital grant	1,751	880	211	2,842
Other	4,807	90	1,133	6,030
Net book value at 31 July 2007	8,996	970	1,344	11,310

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

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

Notes to the Financial Statements (continued)

14 Debtors

	2007 £'000	2006 £'000
Amounts falling due within one year:		
Trade debtors	156	73
Prepayments and accrued income	801	699
Other Debtors	37	5
Total	<u>994</u>	<u>777</u>

15 Creditors: amounts falling due within one year

	2007 £'000	2006 £'000
Bank overdraft	92	94
Trade creditors	928	388
Other taxation and social security	418	378
Accruals and Commitments	2,523	2,443
Deferred Income	878	847
Total	<u>4,839</u>	<u>4,150</u>

Deferred income includes specific grants for projects completing in the next academic year.

Notes to the Financial Statements (continued)

16 Provisions for liabilities and charges

	2007 £'000	2006 £'000
At 1st August 2006	286	267
Expenditure in the period	(19)	(20)
Interest on enhanced pension provision	15	13
Actuarial Losses	37	26
At 31 July 2007	<u>319</u>	<u>286</u>

The provision is for enhanced pension liabilities and relates to the cost of staff who have already left the College's employ. This provision has been calculated in accordance with the LSC Circular 05/02.

17 Deferred capital grants

	Funding Council £'000	Other grants £'000	Total 2007 £'000
At 1 August 2006			
Land and buildings	1,982	665	2,647
Equipment	489	427	916
Cash received			
Land and buildings	121	-	121
Equipment	153	15	168
Released to income and expenditure account			
Land and buildings	(188)	-	(188)
Equipment	(48)	(114)	(162)
Disposal of grant funded Assets			
Land and buildings	-	-	-
Equipment	-	-	-
At 31 July 2007	<u>2,509</u>	<u>993</u>	<u>3,502</u>
Land and buildings	1,915	665	2,580
Equipment	594	328	922
Total	<u>2,509</u>	<u>993</u>	<u>3,502</u>

Notes to the Financial Statements (continued)

18 Revaluation reserve

	2007 £'000	2006 £'000
At 1 August 2006	2,417	2,504
Transfer from revaluation reserve to general reserve in respect of:		
Depreciation on revalued assets	(87)	(87)
At 31 July 2007	<u>2,330</u>	<u>2,417</u>

19 Movement on General Reserves

Income and Expenditure Account Reserve	2007 £'000	2006 £'000
At 1 August	1,208	931
Surplus retained for the year	221	340
Transfer from revaluation reserve		
- Depreciation	87	87
Actuarial gain/(loss) in respect of pension scheme	1,179	(124)
Enhanced Pension – Actuarial Loss	-	(26)
At 31 July	<u>2,695</u>	<u>1,208</u>
Balance represented by:		
Pension reserve	(2,063)	(3,003)
Income and Expenditure Reserve excluding pension reserve	4,758	4,211
At 31 July	<u>2,695</u>	<u>1,208</u>

Notes to the Financial Statements (continued)

20 Designated Reserves

At 1 August 2006	2007 £'000	2006 £'000
Planned Maintenance Reserve	677	677
Capital Reserve	<u>3,625</u>	<u>3,625</u>
At 31 July 2007	<u>4,302</u>	<u>4,302</u>

21 Reconciliation of Operating Surplus to Net Cash Inflow from operating activities

	2007 £'000	2006 £'000
Surplus on continuing operations after depreciation of assets at valuation	221	340
Depreciation (notes 1 and 13)	1,151	1,106
Deferred capital grants released to income (notes 2 and 5)	(350)	(286)
Loss on disposal of tangible fixed assets	6	112
Pension cost less contributions payable (Notes 26)	219	242
Enhanced pension adjustment	18	(8)
(Increase)/decrease in stocks	(8)	4
(Increase)/decrease in debtors	(208)	409
Increase/(decrease) in creditors	100	(1,421)
Interest payable (note 5)	225	-
Interest receivable (note 6)	(350)	(286)
Net cash inflow from operating activities	<u>1,024</u>	<u>212</u>

Notes to the Financial Statements (continued)

22 Returns on investments and servicing of finance

Other interest received	341	286
Bank interest paid	(1)	-
Net cash inflow from returns on investment and servicing of Finance	<u>340</u>	<u>286</u>

23 Capital expenditure and financial investment

	2007 £'000	2006 £'000
Purchase of tangible fixed assets	(737)	(571)
Deferred capital grants received	289	-
Net cash outflow/inflow from capital expenditure and financial investment	<u>(448)</u>	<u>(571)</u>

24 Management of liquid resources

	2007 £'000	2006 £'000
Withdrawal/Placing of deposits	(928)	161
Net cash (outflow)/inflow from management of liquid resources	<u>(928)</u>	<u>161</u>

25 Analysis of changes in net funds

	At 1 August 2006 £'000	Cash flows £'000	Other changes £'000	At 31 July 2007 £'000
Cash in hand, and at bank	32	(14)	-	18
Overdrafts	(94)	2	-	(92)
	<u>(62)</u>	<u>(12)</u>	<u>-</u>	<u>(74)</u>
Current asset investments	6,775	928	-	7,703
Total	<u>6,713</u>	<u>916</u>	<u>-</u>	<u>7,629</u>

Notes to the Financial Statements (continued)

26 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 Pension Fund Authority. Both are defined-benefit schemes.

The total pension cost to the College in 2006/07 was £1,510,005 (2006 – £1,348,000) of which £710,516 (2006 – £554,000) relates to the TPS and £ 799,489 (2006 – £794,000) relates to the LGPS. The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuations of the schemes were as at 31 March 2004 (TPS) and 31 March 2004 (LGPS).

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 assessed every five 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	31 March 2004
Actuarial method	Prospective benefits
Investment returns per annum	6.5 % per annum
Salary scale increases per annum	5.0 % 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 2004 to 31 July 2006 the employer contribution was 13.5 per cent. The rate increased to 14.1% from 1 January 2007. The employee rate increased from 6% to 6.4% at the same date. An appropriate provision in respect of unfunded pensioners' benefits is included in provisions.

FRS 17

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

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

Notes to the Financial Statements (continued)

26 Pension and similar obligations (continued)

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 2007 was £481,590 of which employer's contributions totalled £317,489 and employees' contributions totalled £164,101. The agreed contribution rates for future years are 12.4 per cent for employers and 6 per cent for employees.

FRS 17

The following information is based upon a full actuarial valuation of the fund at 31 March 2004 updated to 31 July 2007 by a qualified independent actuary.

	At 31 July 2007	At 31 July 2006	At 31 July 2005
Rate of increase in salaries	4.8%	4.6%	4.3%
Rate of increase for pensions in payment inflation	3.3%	3.1%	2.8%
Discount rate for liabilities	5.8%	5.1%	5.0%

The assets and liabilities in the scheme attributable to Greenwich Community College and the expected rates of return were:

	Long-term rate of return expected at 31 July 2007	Value at 31 July 2007	Long-term rate of return expected at 31 July 2006	Value at 31 July 2006	Long- term rate of return expected at 31 July 2005	Value at 31 July 2005
		£'000		£'000		£'000
Equities	7.9%	5,285	7.6%	4,498	7.3%	5,014
Bonds	6.6%	1,878	6.3%	1,418	4.7%	613
Property	7.0%	1,148	6.7%	876	5.4%	432
Cash	5.1%	275	4.8%	579	4.5%	297
Total market value of assets		8,586		7,371		6,356
Present value of scheme liabilities		(10,649)		(10,374)		(8,993)
Deficit in the scheme		(2,063)		(3,003)		(2,637)

Notes to the Financial Statements (continued)

26 Pension and similar obligations

Local Government Pension Scheme (continued)

Analysis of the amount charged to income and expenditure account

	2007 £'000	2006 £'000
Employer Service cost (net of employee contributions)	538	499
Total operating charge	<u>538</u>	<u>499</u>

Analysis of pension finance cost

Expected Return on pension scheme assets	529	441
Interest on pension liabilities	<u>(549)</u>	<u>(468)</u>
Pension Finance cost	<u>(20)</u>	<u>(27)</u>

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

	2007 £'000	2006 £'000
Actual return less expected return on pension scheme assets	372	295
Experience gains and losses arising on the scheme liabilities	(125)	-
Change in financial and demographic assumptions underlying the scheme liabilities	932	(419)
Actuarial gain/loss recognised in STRGL	<u>1,179</u>	<u>(124)</u>

Movement in surplus during year

(Deficit) in scheme at 1 August	(3,003)	(2,637)
Movement in year:		
Employer service cost (net of employee contributions)	(538)	(499)
Employer contributions	318	283
Contributions in respect of unfunded benefits	1	1
Net interest/return on assets	(20)	(27)
Actuarial gain or loss	1,179	(124)
Deficit in scheme at 31 July	<u>(2,063)</u>	<u>(3,003)</u>

Notes to the Financial Statements (continued)

History of experience gains and losses

	2007	2006	2005	2004	2003
Difference between the expected and actual return on assets:					
Amount £'000	372	295	651	3	(280)
percentage of scheme assets	4.3%	4.0%	10.2%	0.1%	(5.9)%
Experience gains and losses on scheme liabilities:					
Amount £'000	(125)	0	321	(1)	(94)
percentage of scheme liabilities	(1.2)%	0	3.5%	(0.0)%	(1.4)%
Total amount recognised in STRGL:					
Amount £'000	1,303	(124)	(211)	(9)	(1,299)
percentage of scheme liabilities	12.2%	(1.2)%	(2.3)%	(0.1)%	(19.2)%

28 Post-balance sheet events

Details of Post Balance sheet events are given in the report of the members of the Corporation.

29 Capital commitments

	2007 £'000	2006 £'000
Commitments contracted for at 31 July 2007	-	-
Authorised but not contracted for at 31 July 2007	703	1,100

30 Financial commitments

At 31 July the College had no annual commitments under non-cancellable operating leases.

31 Contingent liability

There are no significant contingent liabilities at 31 July 2007.

32 Related party transactions

Owing to the nature of the College's operations and the composition of the governing body 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.

No transaction were identified which should be disclosed under FRS 8 'Related Party disclosures'.

Notes to the Financial Statements (continued)

33 Learner support funds

	2007 £'000	2006 £'000
LSC grants – hardship funds	176	279
LSC grants – childcare	360	239
LSC grants – childcare	8	16
Interest earned	4	7
	<hr/> 548	<hr/> 541
Disbursed to students	(514)	(499)
Staffing	(34)	(45)
Balance unspent at 31 July, included in creditors	<hr/> <u>0</u>	<hr/> <u>(3)</u>

LSC 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.

Independent Auditors' Report on Regularity to the Corporation of Greenwich Community College ('the Corporation') and the Learning and Skills Council ('the LSC')

In accordance with the terms of our engagement letter dated 5 May 2006 and further to the requirements of the LSC, we have carried out a review to obtain assurance about whether, in all material respects, the expenditure and income of Greenwich Community College ('the College') for the year ended 31 July 2007 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 LSC. Our review work has been undertaken so that we might state to the Corporation and the LSC 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 LSC, for our review work, for this report, or for the opinion we have formed.

Respective responsibilities of the Members of the Corporation of Greenwich Community 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 LSC. We report to you whether, in our opinion, in all material respects, the College's expenditure and income for the year ended 31 July 2007 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 LSC. 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 2007 have been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Buzzacott LLP
Chartered Accountants
Registered Auditors
12 New Fetter Lane
London
EC4A 1AG

Date