

LEWISHAM COLLEGE

**Report and Financial Statements
for the Year Ended 31 July 2010**

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Operating and Financial Review

The members of the Corporation present their report and the audited financial statements for the year ended 31 July 2010.

NATURE, OBJECTIVES AND STRATEGIES**Legal status**

The Corporation was established under the Further and Higher Education Act 1992. The College is an exempt charity for the purposes of the Charities Act 1993 as amended by the Charities Act 2006.

Strategic Plan

In July 2010, the Corporation adopted a new Strategic Plan building on the success of the 2007 strategic intentions.

The College Mission is “creating successful futures” and the Vision is to “enrich our region by providing world class skills and learning”.

The strategic aims for 2010 – 2013 are expressed as follows:

a) Internally, we will:

- Drive up quality and effectiveness continually aiming to ensure that all our students succeed in achieving their qualifications and moving on in life
- Develop our curriculum to meet the needs of learners, employers and the economy across South London and beyond
- Become the first choice provider for the communities we serve
- Become truly an e – college maximising the use of new technology through the organisation
- Become financially secure, delivering our offer as efficiently as possible and protecting as far as possible front line services

b) Externally, we will:

- Explore and appraise a range of partnership options with the objective of developing a more effective and efficient system of learning and skills across South London. This could include:
 - Merger with other colleges
 - Federating with colleges and universities to provide a stronger and more effective system of skills training
 - Sponsoring schools to deliver high quality vocational provision
 - Acquiring training organisations
- Build a financially sound and stable organisation by working with others. This could include:
 - Sharing back office functions with other providers to reduce costs

Operating and Financial Review (continued)**Developments and achievements**

Achievements in 2009/10 included:

- The College focused on improving success rates to achieve a target of a 12% increase by 2011/12. Train to Gain saw success rates increase to 93% from 88% in 2008/09
- Recruitment targets were achieved and the College saw its students progress into employment
- New curriculum initiatives to meet the changing needs of employers, learners and funding bodies were introduced. Examples were the establishment of 13 diploma lines, foundation learning, hair and digital media courses and new programmes for the unemployed
- Significant strides were made towards becoming an e-College especially the development of e-Me the student learner portal delivering personalised programmes
- The College's work with employers continued to grow by delivering skills and qualifications to over 7,000 learners and 1,000 employers, engaging 1,500 new unemployed learners and launching Apprenticeships First a joint venture with the College of Haringey, Enfield and North East London (CHENEL)
- Following the collapse of the LSC capital programme, the College embarked on creating the best learning environment for students by developing long term maintenance plans to extend the use of current buildings, renewed its focus on sustainability and reduced electricity usage by 5%
- A significant organisational review was implemented to reduce staff costs by almost £2 million per annum.

Business and partnerships

The Skills People is the name of the College's employer services division. The College plays a key role in skills development for employers in the London region and beyond. Through building strong employer partnerships, the College ensures our partners, their employees, our students and the community can benefit from the regeneration opportunities offered by the 2012 Olympics and Thames Gateway.

The Skills People services also support and promote business success and sustainability in a difficult economic climate and in 2009/10 focused on expanding the apprenticeship business, establishing an Apprenticeship Training Agency in partnership with CHENEL.

In addition to the provision of skills development services, The Skills People increased its presence in the employability market, training over 1,500 unemployed learners to gain employment, becoming one of the leading providers in South London. As well as enabling the College to offer an integrated employment and skills service to its customers, this also enables the College to make a direct impact on the economic success of the community through tackling worklessness. Partnership working is important with both private and public partners, such as Serco, CDG and CHENEL. The Skills People in partnership with the London Borough of Bexley were regional award winners in the National Training Awards.

Partnership working is critical to the College's success overall. This year, the College has been proud to sign numerous progression agreements, with London Metropolitan University, London South Bank University, RADA and the Creative Way, which will enable smooth progression for our learners into higher education.

The College is also proud to be a founder College of The National Skills Academy for Creative and Cultural Skills. The NSA was set up by the UK government to address the need for a world class workforce with better skills than ever before and to increase the employment opportunities for those entering the creative sector. It is hoped that the College will work with other institutions in the region to scope a new system of skills delivery for South London.

Operating and Financial Review (continued)**Priorities for 2010/11**

The Corporation has agreed the following ten operating priorities for the year to 31 July 2011:

1. To **raise student success rates** to significantly above national benchmarks, ensuring that students are equipped to enter employment or higher education.
2. To **achieve or exceed all agreed targets** including those for recruitment, financial performance, progression and employer engagement. To measure our performance against these targets through regular monitoring.
3. To **develop responsive and innovative curriculum provision** to meet learner, employer and economic need; and to ensure Lewisham College is the provider of choice for all stakeholders.
4. To **build strong and secure partnerships** with private, public and voluntary stakeholders in South London, pan London and nationally that will benefit Lewisham College's learners and employees.
5. To **develop and implement systems and processes** that ensure the production of robust data and information with which to manage the College and make sound decisions.
6. To **embed an e-College ethos** in all the College does harnessing new technology to enhance teaching and learning; and to support efficient and effective delivery of support services.
7. To **find ways to rebuild the College's financial reserves** through growth in core and new income streams as well as exploring further efficiency and cost saving initiatives.
8. To **embed the College's single equalities scheme** and further develop an inclusive approach to working with learners and staff.
9. To **maintain the College's buildings and environment** to as high a standard as can be afforded, giving due consideration to environmental factors and to actively explore alternatives to its current accommodation.
10. To **ensure the College's agreed organisational structure is fully effective** to develop a high performing, innovative and engaged culture by equipping and supporting staff to achieve.

FINANCIAL POSITION**Financial objectives**

The College's financial objectives are:

- to achieve an annual operating surplus of 1% of income
- 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 maintain the College's short term liquidity
- to fund continued capital investment.

Financial results

The College generated an operating surplus (before exceptional items) in the year of £1,386,000 (2009: deficit of £27,000) and a surplus after property strategy transactions and exceptional items of £1,725,000 (2009: £1,746,000). Property strategy transactions relate to previous plans for redevelopment of the Deptford campus which had to be abandoned following the announcement by the Learning and Skills Council of the withdrawal of grant support for a number of FE College capital projects in England.

The College has accumulated reserves of £1,622,000 and net borrowings of £182,000 (see note 24). Tangible fixed asset additions during the year amounted to £586,000. The College places significant reliance on three funding sources and in 2009/10 these represented 99% of the College's total income (2009: 88%).

Operating and Financial Review (continued)

The College has one subsidiary company, Lewisham College Enterprise Services Limited which has remained dormant during the year.

During 2009/10, the College in partnership with the College of Haringey Enfield and North East London set up Apprenticeships First Ltd – an Apprenticeship Training Agency designed to increase the demand for young apprentices among employers, particularly SMEs.

The College holds a 50% share in Apprenticeships First Limited and these financial statements represent the consolidated position.

Treasury policies and objectives

Treasury management is the management of the College's cash flows, its banking and money 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 treasury management policy in place. The College has a £5m borrowing facility with Barclays Bank plc, which was used following the failure of the LSC to reimburse costs related to the Deptford redevelopment plans. This borrowing facility complies with the requirements of the SFA Financial Memorandum. The balance outstanding on the borrowing facility at 31 July 2010 was £350,000 (2009: £400,000).

Cash flows

The net debt position at 31 July 2010 is £182,000 (see note 24).

There has been an increase of £20,000 in the cash position during 2009/10 as a result of improved cash management.

Change of auditors

The College changed its external auditor from Buzzacott LLP to Grant Thornton UK LLP on 14 June 2010.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE**Student numbers**

In 2009/10 the College had approximately 16,000 students (2009: 15,500)

Student achievements

Group	Type	2009/10	2008/09	Change on previous year
College Overall	Retention	89%	87%	Up 2%
	Achievement	91%	91%	No change
16-18	Retention	87%	85%	Up 2%
	Achievement	89%	88%	Up 1%
19+	Retention	89%	88%	Up 1%
	Achievement	92%	92%	No change

Payment performance

The Late Payment of Commercial Debts (Interest) Act 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 2009 to 31 July 2010, the College paid 85 per cent of supplier invoices within 30 days.

Operating and Financial Review (continued)**RESOURCES**

The College has various resources that it can deploy in pursuit of its strategic objectives. Tangible resources include the main College sites, and well resourced teaching departments.

Financial The College has £2.904 million of net assets (after deducting the £12.632 million pension liability).

People The average number of people employed by the College during the year was 631 people (expressed as full time equivalents), of whom 246 were teaching staff.

Reputation The College has a good reputation locally and nationally. Maintaining a quality brand is essential for the College's success at attracting students and external relationships.

PRINCIPAL RISKS AND UNCERTAINTIES

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

Each term the Risk Management Steering Group undertakes a comprehensive review of the risks to which the College is exposed. The members identify systems and procedures, including specific actions to mitigate any potential impact on the College. The internal controls are then implemented and subsequent appraisals review the effectiveness and progress of risk mitigation actions. The Risk Management Steering Group also considers any risks which may arise as a result of new areas of work being undertaken by the College.

The College risk register is reviewed at least annually by the Audit Committee. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are ranked using a consistent scoring system.

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

Major public funding cuts

The present adverse economic environment and government focus on reducing public spending is likely to result in the College receiving reduced funding in the near future with the potential to impact negatively on course provision. The College has anticipated these changes and has a three year strategy to reduce cost and raise income to offset funding loss.

College instability arising from the organisational review

This could result in missed student recruitment, retention and achievement targets and is mitigated through good communication from senior management, detailed planning and advice from Human Resources supported by open communication with unions, adherence to well defined policies and a compassionate approach from managers.

Inaccurate employer responsive data

This could lead to inaccurate information being conveyed to management and funders that could compromise future funding to the College. In order to reduce data inaccuracies, staff are inducted in appropriate systems and there are ongoing processes of analysing and dealing with issues that arise and to correct deviations from action plans.

Systems failure

Such failures have potential to result in systems not being in line with College needs. The risk of this happening is reduced by way of monitoring contract compliance with suppliers, having well defined strategies for new systems and the existence of contingency and disaster recovery plans.

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

In line with other Colleges and with universities, Lewisham College has many stakeholders. These include students, the SFA, the YPLA, staff, employers, local and regional government, the local community and other Colleges and training providers. The College recognises the importance of these relationships and engages in regular communication with them.

EQUAL OPPORTUNITIES AND EMPLOYMENT OF DISABLED PERSONS

Lewisham College is committed to ensuring equality of opportunity for all who learn and work at the College. The College respects and values positively differences in race, gender, sexual orientation, ability, class, age, values, beliefs and faith. The College strives vigorously to remove conditions which place people at a disadvantage and will actively combat bigotry. This policy is resourced, implemented and monitored on a planned basis.

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.

The College has developed a Single Equality Scheme (2009-12) setting out priorities for development and supported by detailed annual Equalities Action Plans for each equality strand. These are published on the College's website

A champion has been selected for each equality strand to lead on the implementation of the action plan and to drive forward improvements within the College. The Disability Champion is the Vice Principal Business Development.

DISABILITY STATEMENT

The College seeks to achieve the objectives as set out in disability discrimination legislation.

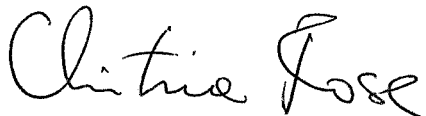
- a) As a result of a full access audit during 2002/3, a major programme of access works was carried out and completed during 2006/7 with further improvements to improve accessibility carried out each subsequent year. In the summer of 2010 an additional support centre was created at the entrance to the Lewisham Way Campus, accommodating the dyslexia support team and mental health and access co-ordinators to provide a single location for students requesting help for additional needs.
- b) 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;
- c) The College encourages applicants for courses to disclose any additional learning needs/disabilities during the application process so that any necessary support can be arranged as early as possible. Appeals against a decision not to offer a place are dealt with under the complaints policy;
- d) The College has made significant investment in the appointment of specialist lecturers to support students with learning difficulties and/or disabilities. There are a number of student support assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities;
- e) Specialist programmes are described in College prospectuses, and achievements and destinations are recorded and published;
- f) Counselling and welfare services are described in the Student Guide which is issued to students, together with complaints and disciplinary procedure leaflets, at induction

Operating and Financial Review (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.

**Approved by order of the members of the Corporation of Lewisham College on 15 December 2010
and signed on its behalf by:**

A handwritten signature in black ink that reads "Christine Rose". The signature is written in a cursive style with a large initial 'C'.

**Christine Rose
Chair**

Professional Advisors

Financial statement and regularity auditors:

Grant Thornton UK LLP
Grant Thornton House
Melton Street
Euston Square
London NW1 2EP

Internal auditors:

RSM Tenon Limited
Clifton House
Bunnian Place
Basingstoke RG21 7JE

Bankers:

The Royal Bank of Scotland PLC
2a Charing Cross Road
London WC2H 0NN

Barclays Bank PLC
1 Churchill Place
London E14 5HP

Solicitors:

Stephenson Harwood
One St Pauls Churchyard
London EC4M 8SH

Statement of Corporate Governance and Internal Control

The College is committed to 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 financial statements understand how the principles have been applied.

In the opinion of the members, the College complies with all the provisions of the Combined Code in so far as they apply to the Further Education Sector, and has complied throughout the year ended 31 July 2010.

The Corporation

Members who served the Corporation as governors during the year and up to the date of signature of this report were:

Mimi Asher	Student	Appointed 8 December 2009
John Curry	External	
Miranda Charles	Student	Appointed 8 Dec 2009, resigned 21 April 2010
Monica Duncan (Vice Chair)	External	
Kate English	External	
Douglas Hands (Chair)	External	Resigned 6 July 2010
Steve Hoquee	External	
John Litchfield	External	
Liz Jones	External	Appointed 16 March 2010
Robert Massey	External	
Marlene Oates-Hinds	External	
John O'Keefe	External	Appointed 13 October 2009
Jerry Robinson	Student	3 December 2008 – 7 December 2009
Maxine Room	Principal	Appointed 13 October 2009
Christine Rose (Chair)	External	Resigned 8 Dec 2009, re-appointed 6 Jul 2010
Mel Saunders	Staff – Academic	End of term of office 1 October 2009
Dame Ruth Silver DBE	Principal	Retired 31 August 2009
John Sunderland (Vice Chair)	External	
Fola Thomas	External	Resigned 31 August 2009
Simon Tolaram	Staff – Academic	Appointed 13 October 2009
Judith Williams	External	Resigned 27 February 2010
Juliet Williams-Siley	Staff – Non Academic	
Mike Fahey	Emeritus	Position discontinued 16 March 2010
Asquith Gibbes	Emeritus	Position discontinued 16 March 2010
Ken Langley	Emeritus	Position discontinued 16 March 2010

The members of the key committees of the Governing Body during the year, all of whom have been members for the whole of the year unless otherwise stated, were:

Audit Committee

Juliet Williams-Siley	Staff (non academic)	
Victor Romano	Co-opted	Resigned 8 December 2009
Fola Thomas	External	Resigned 31 August 2009
Monica Duncan	External	
John O'Keefe (Chair)	External	Co-opted until 12 October 2009, appointed to Audit Committee 13 October 2009, appointed as Chair 16 November 2009
Maureen Salmon	Co-opted	Appointed 13 March 2010

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

Mimi Asher	Student	Appointed 8 December 2009
Monica Duncan (Chair)	External	Appointed Chair March 2010
Kate English	External	
Liz Jones	External	Appointed 16 March 2010
Jerry Robinson	Student	End of term of office 8 December 2009
Maxine Room	Principal	Appointed 13 October 2009
Mel Saunders	Staff (academic)	End of term of office 1 October 2009
Dame Ruth Silver DBE	Principal	Retired 31 August 2009
Simon Tolaram	Staff – Academic	Appointed 13 October 2009
Judith Williams	External	Resigned 27 February 2010
Juliet Williams-Siley	Staff (non-academic)	Appointed October 2009

Human Resources Committee

Asquith Gibbes	Emeritus	Post discontinued 16 March 2010
John Litchfield	External	Appointed 18 March 2009
Marlene Oates-Hinds	External	
Maxine Room	Principal	Appointed 13 October 2009
Christine Rose	External	Appointed 13 October 2010
Dame Ruth Silver DBE	Principal	Retired 31 August 2009
John Sunderland (Chair)	External	

Finance and Estates Committee

John Curry (Chair)	External	
Katie Donnelly	Co-opted	Appointed 13 October 2009
Douglas Hands	External	Resigned 6 July 2010
Maxine Room	Principal	Appointed 13 October 2009
Dame Ruth Silver DBE	Principal	Retired 31 August 2009
John Sunderland	External	Resigned 6 October 2009

Search and Governance Development Committee

Asquith Gibbes	Emeritus	Post discontinued 16 March 2010
Douglas Hands (Chair)	External	Resigned 8 July 2010
Maxine Room	Principal	Appointed 13 October 2009
Christine Rose	External	Appointed 8 July 2010
Dame Ruth Silver DBE	Principal	Retired 31 August 2009
John Sunderland	External	Appointed 13 October 2009
Steve Hoquee	External	Appointed December 2009

Remuneration Committee

Asquith Gibbes	Emeritus	Post discontinued 16 March 2010
Douglas Hands	External	Resigned 6 July 2010
John Sunderland (Chair)	External	
Judith Williams	External	Resigned 23 Feb 2010
Robert Massey	External	Appointed 16 March 2010

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.

Statement of Corporate Governance and Internal Control (continued)

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 estates, remuneration, search and governance development, human resources, quality, and audit. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available from the College website.

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 Lewisham Way campus.

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 Corporation 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 in a timely manner, prior to meetings. Briefings are also provided on an ad hoc basis.

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

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

Appointments to the Corporation

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

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

Remuneration Committee

Throughout the year ending 31 July 2010, 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.

Details of remuneration for the year ended 31 July 2010 are set out in note 7 to the financial statements.

Audit Committee

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

The Audit Committee meets termly 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 SFA 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 audit plan and report their findings to management and the Audit Committee.

Management is responsible for the implementation of agreed audit recommendations and internal auditors undertake periodic follow-up reviews to ensure such recommendations have been implemented.

Statement of Corporate Governance and Internal Control (continued)

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

Internal control*Scope of responsibility*

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

The Corporation has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which she is personally responsible, in accordance with the responsibilities assigned to her in the Financial Memorandum between Lewisham College and the SFA. She 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 Lewisham College for the year ended 31 July 2010 and up to the date of approval of the annual report and financial statements.

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 year ended 31 July 2010 and up to the date of approval of the annual report and financial statements. 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 guidelines
- the adoption of formal project management disciplines, where appropriate
- financial regulations

Statement of Corporate Governance and Internal Control (continued)

Lewisham College uses an internal audit service, which operates in accordance with the requirements of the 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. The internal audit service provides the governing body with a report on internal audit activity in the College. The report includes an 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. Her 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 and regularity auditors in their management letters and other reports.

The Principal has been advised on the implications of the result of her review of the effectiveness of the system of internal control by the Audit Committee, which oversees the work of the internal auditor, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior management team and the Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control.

The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its 15 December 2010 meeting, the Corporation carried out the annual assessment check for the year ended 31 July 2010 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2010.

Going concern

After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. The two main reasons for this are that the College has access to a revolving £5 million credit facility until 2015 and the forecast cash position is positive over the next three years. 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 15 December 2010, and signed on its behalf by:



Christine Rose
Chair



Maxine Room
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 SFA 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 SFA, 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.

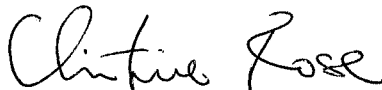
The Corporation is also required to prepare a Members' Report which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College.

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

The maintenance and integrity of Lewisham College website is the responsibility of the governing body 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.

Approved by order of the members of the Corporation on 15 December 2010 and signed on its behalf by:



Christine Rose
Chair

Report of the Independent Auditor to the Corporation of Lewisham College

We have audited the financial statements of Lewisham College for the year ended 31 July 2010, which comprise the income and expenditure account, the balance sheet, the consolidated cash flow statement, the consolidated statement of total recognised gains and losses, the consolidated statement of historical cost surpluses and deficits 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 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 members of the Corporation, of Lewisham College and the auditor

As described in the Statement of Responsibilities of the Members of the Corporation, on page 15, the College's Corporation is responsible for preparing the Members' Report and financial statements in accordance with the 2009/10 Accounts Direction, the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education, applicable law and 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 2007 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 whether it is consistent with the financial statements. We consider the implications for our report if we become aware of any apparent misstatements or inconsistencies with the financial statements.

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 Skills Funding Agency's Joint Audit Code of Practice (June 2010). 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 2010 and of the College's surplus of income over expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the 2009/10 Accounts Direction issued jointly by the Chief Executive of Skills Funding and the Young People's Learning Agency and the 2007 Statement of Recommended Practice - Accounting for Further and Higher Education.

Grant Thornton UK LLP

GRANT THORNTON UK LLP
STATUTORY AUDITOR
CHARTERED ACCOUNTANTS
Grant Thornton House
Melton Street
Euston Square
London NW1 2EP
17 December 2010

Independent Auditor's report on Regularity to the Corporation of Lewisham College ('The Corporation') and the Chief Executive of Skills Funding

In accordance with the terms of our engagement letter dated 14 June 2010 and further to the requirements of the Chief Executive of Skills Funding we have performed procedures to obtain assurance about whether, in all material respects, the expenditure disbursed and income received of Lewisham College ('the College') for the year ended 31 July 2010 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 Chief Executive of Skills Funding. Our work has been undertaken so that we might state to the Corporation and the Chief Executive of Skills Funding 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 Chief Executive of Skills Funding for our work, for this report, or for the opinion we have formed.

Respective responsibilities of the Members of the Corporation of Lewisham College and Auditors

The College's Corporation is responsible, under the requirements of the Further and 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 work are established in the United Kingdom by our profession's ethical guidance and the audit guidance set out in the Skills Funding Agency's Joint Audit Code of Practice (June 2010) and the Regularity Audit Framework issued by the Chief Executive of Skills Funding. We report to you whether, in our opinion, in all material respects, expenditure and income for the year ended 31 July 2010 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 work in accordance with the Skills Funding Agency's Joint Audit Code of Practice (June 2010) and the Regularity Audit Framework issued by the Chief Executive of Skills Funding. Our work 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 2010 have been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them.



GRANT THORNTON UK LLP
STATUTORY AUDITOR
CHARTERED ACCOUNTANTS
Grant Thornton House
Melton Street
Euston Square
London NW1 2EP
17 December 2010

Income and Expenditure Account

	Notes	2010 £'000	2009 £'000
INCOME			
Funding body income	2	33,907	35,113
Tuition fees and education contracts	3	2,676	2,872
Other grants and contracts	4	1,074	948
Other income	5	784	714
Investment income	6	-	55
Less: share in joint venture turnover		(287)	-
Total income		38,154	39,702
EXPENDITURE			
Staff costs	7	28,791	28,856
Exceptional restructuring costs	7	899	70
FRS17 constructive obligation adjustment	7	(1,779)	-
Other operating expenses	8	6,634	8,574
Depreciation	13	1,739	1,846
Interest and other finance costs	9	609	383
Total expenditure		36,893	39,729
Share of operating profit in joint venture		125	-
Surplus/(Deficit) on continuing operations prior to costs relating to the property strategy		1,386	(27)
Income relating to the property strategy	12	400	7,541
Expenditure relating to the property strategy	12	(61)	(5,768)
Surplus on continuing operations after depreciation of assets at valuation, exceptional items and disposal of assets but before tax		1,725	1,746
Taxation	10	-	-
Surplus on continuing operations after depreciation of assets at valuation and tax and retained within general reserves	11	1,725	1,746

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

Statement of Historical Cost Surpluses and Deficits

	Notes	2010 £'000	2009 £'000
Surplus on continuing operations after depreciation of assets at valuation and tax		1,725	1,746
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	19	328	328
		<u>2,053</u>	<u>2,074</u>
Historical cost surplus for the year after taxation		<u><u>2,053</u></u>	<u><u>2,074</u></u>

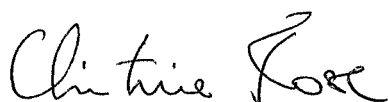
Statement of Total Recognised Gains and Losses

	Notes	2010 £'000	2009 £'000
Surplus on continuing operations after depreciation of assets at valuation and tax		1,725	1,746
Actuarial loss in respect of pension scheme	25	(822)	(5,766)
		<u>903</u>	<u>(4,020)</u>
Total recognised surplus/(losses) in the year		<u><u>903</u></u>	<u><u>(4,020)</u></u>
Reconciliation			
Opening reserves		596	4,616
Total recognised surplus/(losses) for the year		903	(4,020)
		<u>1,499</u>	<u>596</u>
Closing reserves		<u><u>1,499</u></u>	<u><u>596</u></u>

Balance Sheet as at 31 July

	Notes	2010 £'000	2009 £'000
Fixed assets			
Tangible assets	13	18,518	19,671
Investment in joint ventures	14	125	-
Total fixed assets		<u>18,643</u>	<u>19,671</u>
Current assets			
Stocks		18	2
Debtors	15	2,176	1,118
Cash at bank and in hand		168	148
Total current assets		<u>2,362</u>	<u>1,268</u>
Less: Creditors – amounts falling due within one year	16	<u>(4,393)</u>	<u>(4,200)</u>
Net current liabilities		<u>(2,031)</u>	<u>(2,932)</u>
Less:			
Provisions for liabilities	17	<u>(1,076)</u>	<u>(1,494)</u>
Net assets excluding pension liability		15,536	15,245
Net pension liability	25	<u>(12,632)</u>	<u>(13,006)</u>
NET ASSETS INCLUDING PENSION LIABILITY		<u>2,904</u>	<u>2,239</u>
Deferred capital grants	18	<u>1,405</u>	<u>1,643</u>
Income and expenditure account excluding pension reserve	20	7,921	7,064
Pension reserve	20	(12,632)	(13,006)
Income and expenditure account including pension reserve	20	(4,711)	(5,942)
Revaluation reserve	19	6,210	6,538
Total reserves		<u>1,499</u>	<u>596</u>
TOTAL		<u>2,904</u>	<u>2,239</u>

The financial statements on pages 19 to 40 were approved by the Corporation on 15 December 2010 and were signed on its behalf on that date by:



Christine Rose
Chair



Maxine Room
Principal

Cash Flow Statement

	Notes	2010 £'000	2009 £'000
Cash inflow/(outflow) from operating activities	21	570	(1,260)
Returns on investments and servicing of finance	22	(9)	53
Taxation	10	-	-
Capital expenditure and financial investment	23	(541)	(1,328)
		<hr/>	<hr/>
Increase/(decrease) in cash		<u>20</u>	<u>(2,535)</u>
Reconciliation of net cash flow to movement in net funds			
Increase/(decrease) in cash	24	20	(2,535)
Loans	24	50	(400)
		<hr/>	<hr/>
Movement in net funds in the period		70	(2,935)
Net funds at 1 August		(252)	2,683
		<hr/>	<hr/>
Net debt at 31 July	24	<u>(182)</u>	<u>(252)</u>

Notes to the Financial Statements

1. Accounting policies

Statement of accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2007* (the SORP) and in accordance with applicable Accounting Standards. They conform to guidance published by the SFA 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. The going concern basis has been used in preparing the financial statements as the College has access to a revolving £5million credit facility until 2015 and the forecast cash position is positive over the next three years.

Subsidiary undertaking

The financial statements exclude the College's wholly owned subsidiary, Lewisham College Enterprise Services Limited which remained dormant throughout the year.

Joint venture

The results of the joint venture with CHENEL acquired during the period are included in the income and expenditure account from the date of acquisition in accordance with FRS 9.

Recognition of income

Grants from the YPLA, SFA and HEFCE represent the funding allocations attributable to the current financial year and are credited direct to the income and expenditure account. Recurrent grants are recognised in line with planned activity. Any under-achievement against this planned activity is adjusted in-year and reflected in the level of recurrent grant recognised in the income and expenditure account.

Grants from the SFA 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.

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

Income from grants, contracts and other services rendered is included to the extent of the completion of the contract or service concerned.

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.

Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method. 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

Notes to the Financial Statements (continued)**Accounting policies (continued)**

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 on an annual basis.

Building improvements made since incorporation are included in the balance sheet at cost. Freehold land is not depreciated. Freehold buildings and major adaptations are depreciated over their expected useful economic life to the College as follows:

- purchased buildings – 50 years
- inherited buildings – 30 years
- building improvements – 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.

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.

Assets under construction

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs. They are not depreciated until they are brought into use.

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

Notes to the Financial Statements (continued)**Accounting policies (continued)**

- 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

Buildings owned by third parties

Where the College enjoys the use of an asset which it does not own and for which no rental or a nominal rental is paid, if practicable, a value is attributed to this benefit and capitalised, with a corresponding credit to deferred capital grants which are subsequently released to the income and expenditure account over the useful economic life of the asset at the same rate as the depreciation charge on the related asset(s).

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 computer equipment with an expected useful life exceeding one year 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. All other equipment is depreciated on a straight line basis over its useful economic life as follows:

- technical equipment – 6 years
- motor vehicles – 4 years
- computer equipment – 4 years
- furniture, fixtures and fittings – 6 years

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.

Investments

The balance sheet shows the investment in Apprenticeships First Limited, the joint venture with CHENEL.

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

Notes to the Financial Statements (continued)**Accounting policies (continued)****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.

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 as amended by the Charities Act 2006 and as such is a charity within the meaning of section 1119 of the Corporation Tax Act 2010. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by Part A of the Income Tax Act 2007 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 generally unable to recover input VAT it suffers on goods and services purchased. 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 and building societies.

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. Related payments received from the SFA and subsequent disbursements to students are excluded from the Income and Expenditure account and are shown separately in Note 29, except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant. The College employs an awards team dedicated to the administration of Learner Support Funds and other hardship funds.

Notes to the Financial Statements (continued)

2 Funding body income

	2010 £'000	2009 £'000
Recurrent grant - Skills Funding Agency	6,327	-
Recurrent grant - LSC	7,844	26,905
Recurrent grant - YPLA	12,674	-
Recurrent grant - Local Authority	37	-
Recurrent grant - HEFCE	170	259
Share of joint venture turnover	287	-
Non recurrent grants - Skills Funding Agency	400	-
Non recurrent grants - LSC	12	1,812
Train to Gain - Skills Funding Agency	2,141	-
Train to Gain - LSC	2,743	4,690
Employability Contracts - Skills Funding Agency	358	-
Employability Contracts - LSC	701	326
Releases of deferred capital grants (note 18)	213	427
Offender Education - LSC	-	694
Total	<u>33,907</u>	<u>35,113</u>

From April 2010, due to the change in the machinery of government, the College received grant funding for 16-18 year olds from the YPLA, and for adults from the Skills Funding Agency, where funds previously came from the LSC.

3 Tuition fees and education contracts

	2010 £'000	2009 £'000
Tuition fees	1,682	1,860
Education contracts	994	1,012
Total	<u>2,676</u>	<u>2,872</u>

4 Other grants and contracts

	2010 £'000	2009 £'000
Contracts indirectly funded by the LSC/Skills Funding Agency	289	-
Other grants and contracts	785	948
Total	<u>1,074</u>	<u>948</u>

Contracts indirectly funded by the LSC/Skills Funding agency includes £286,000 (2009 £nil) for Response to Redundancy, which is run on behalf of Croydon College.

5 Other income

	2010 £'000	2009 £'000
Training restaurants	132	151
Release of deferred capital grants (note 18)	70	4
Other income	582	559
Total	<u>784</u>	<u>714</u>

Notes to the Financial Statements (continued)

6 Investment income

	2010 £'000	2009 £'000
Interest receivable	0	55
Total	0	55

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:

	2010 No.	2009 No.
Teaching staff	246	236
Non teaching staff	385	395
	631	631

Staff costs for the above persons

	2010 £'000	2009 £'000
Wages and salaries	20,988	20,357
Social security costs	1,729	1,734
Other pension costs (including FRS 17 credit of £17,000 – 2009 £415,000) (note 25)	2,731	2,770
Payroll sub total	25,448	24,861
Contracted out staffing services	3,343	3,995
	28,791	28,856
Exceptional restructuring costs	899	70
FRS17 constructive obligation adjustment	(1,779)	-
	27,911	28,926

In the year to 31 July 2010 no staff costs (2009: £86,000) were incurred as part of the property strategy, included in note 12.

Contracted out staffing services include £1,130,000 (2009: £843,000) relating to costs of assessors classified in the current year as staff rather than teaching costs within other operating expenses.

The value of the College's LPFA pension fund has been prepared on the basis that future pension increases will be in line with CPI. The resulting gain of £1,779,000 has been viewed as a constructive obligation and therefore recognised in the income and expenditure account

Notes to the Financial Statements (continued)

7 Staff costs (continued)

Senior post-holders' emoluments

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	
	2010 No.	2009 No.	2010 No.	2009 No.
£60,001 to £70,000	-	-	16	14
£70,001 to £80,000	-	-	6	5
£80,001 to £90,000	-	-	2	3
£90,001 to £100,000	-	-	2	1
£100,001 to £110,000	-	-	2	2
£110,001 to £120,000	-	-	2	2
£120,001 to £130,000	-	-	1	1
£130,001 to £140,000	-	-	1	-
£160,001 to £170,000	1	-	-	-
£190,001 to £200,000	-	1	-	-
	<u>-</u>	<u>1</u>	<u>-</u>	<u>-</u>
	<u>1</u>	<u>1</u>	<u>32</u>	<u>28</u>

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 Corporation. Until 31 July 2010 the only senior post holder was the Principal. From 1 August 2010 the three Vice Principals were also appointed senior post holders.

	2010 No.	2009 No.
The number of senior post-holders including the Principal was:	1	1
	<u>1</u>	<u>1</u>

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

	2010 £'000	2009 £'000
Salaries	141	163
Benefits in kind	-	5
Pension contributions	20	23
	<u>20</u>	<u>23</u>
Total emoluments	161	191
	<u>161</u>	<u>191</u>

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

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

Notes to the Financial Statements (continued)**8 Other operating expenses**

	2010	2009
	£'000	£'000
Teaching costs	1,583	2,287
Non teaching costs	2,909	3,912
Premises costs	<u>2,142</u>	<u>2,375</u>
Total	<u>6,634</u>	<u>8,574</u>

Other operating expenses include:

	2010	2009
	£'000	£'000
Auditors' remuneration:		
Financial statements audit	27	27
Other services provided by the financial statements auditors	0	7
Internal audit	47	40
Other services provided by the internal auditors	6	0
Hire of other assets – operating leases	<u>168</u>	<u>120</u>

9 Interest payable

	2010	2009
	£'000	£'000
Interest payable on short term borrowing	9	2
Pension finance costs (note 25)	<u>600</u>	<u>381</u>
Total	<u>609</u>	<u>383</u>

10 Taxation

The College has charitable status for taxation purposes and the members of the Corporation consider that all the activities of the College during the year fell within qualifying categories. Profits of the subsidiary company, Lewisham College Enterprise Services Limited, are chargeable to corporation tax, however the Company remained dormant during the year. Accordingly no provision for corporation tax is made in the financial statements.

11 Surplus on continuing operations for the period

The surplus on continuing operations for the year arises from College activities alone.

Notes to the Financial Statements (continued)

12 Income and expenditure relating to the property strategy

On 30 July 2008 the LSC granted Approval in Principle for the redevelopment of the Deptford campus and the consequent sale of the Lewisham Way campus. During the first few months of the financial year ended 31 July 2009 significant fees were incurred with architects and other professional advisors in order to prepare an application for Approval in Detail from the LSC.

In addition a lease was taken out for a site to be used as a decant property for the Deptford activities. After some months of uncertainty it was confirmed that no funding would be available for the College. As a result the College had to write off costs incurred and make a provision for the onerous lease (note 17).

In order to compensate partially for the costs incurred, the College received a further £400,000 grant from the LSC in 2010.

	2010	2009
	£'000	£'000
Income		
LSC grants funding redevelopment costs	400	791
Other contributions to redevelopment costs	-	1
Reversal of impairment charge in relation to Deptford site (note 13)	-	6,749
	<u>400</u>	<u>7541</u>
Expenditure		
Redevelopment expenditure**	-	3798
Onerous lease provision in relation to the Stockholm Road site (note 17)	61	1,494
Reversal of release of capital grant on written down assets (note 18)	-	233
Write off of costs previously capitalised in relation to the Deptford site redevelopment	-	243
	<u>61</u>	<u>5,768</u>

** Redevelopment expenditure does not include any staff costs (2009: £86,000).

13 Tangible fixed assets

	Freehold Land and buildings	Building improve- ments	Computer equipment	Technical equipment and fittings	Furniture, fixtures and fittings	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
At 1 August 2009	23,098	7,438	3,652	3,571	2,017	39,776
Additions	-	97	432	42	15	586
Disposals	-	-	-	-	-	-
At 31 July 2010	<u>23,098</u>	<u>7,535</u>	<u>4,084</u>	<u>3,613</u>	<u>2,032</u>	<u>40,362</u>
Depreciation						
At 1 August 2009	7,743	4,785	2,693	3,131	1,753	20,105
Charge for the year	511	508	436	189	95	1,739
At 31 July 2010	<u>8,254</u>	<u>5,293</u>	<u>3,129</u>	<u>3,320</u>	<u>1,848</u>	<u>21,844</u>
Net book value at 31 July 2010	<u>14,844</u>	<u>2,242</u>	<u>955</u>	<u>293</u>	<u>184</u>	<u>18,518</u>
Net book value at 31 July 2009	15,355	2,653	959	440	264	19,671

Notes to the Financial Statements (continued)**13 Tangible fixed assets (continued)**

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.

The inherited freehold land and buildings were valued on 16 December 1992 at depreciated replacement cost of £15,200,000 by Messrs Edward Rishton, Chartered Surveyors for the purpose of transfer from the Local Education Authority. The historical cost of the properties of the College were £nil and, accordingly, the valuation was credited to the revaluation reserve. Other tangible fixed assets inherited from the Local Education Authority at incorporation have been valued by the Corporation on a depreciated replacement cost basis with the assistance of independent professional advice.

Land and Buildings with a net book value of £7,205,000 were funded from Local Education Authority sources and, should these assets be sold, the College would either have to surrender the sale proceeds to the Learning and Skills Council or use them in accordance with the College's Financial Memorandum with the Learning and Skills Council.

At 31 July 2010 the College did not hold any fixed assets purchased under finance leases. Accordingly, the full depreciation charge for the year of £1,739,000 relates to owned assets.

14 Investments

The College owns both the issued ordinary £1 shares of Lewisham College Enterprise Services Limited, a dormant company incorporated in England and Wales. The shares were purchased at par. The company remained dormant during the year.

During 2009/10, the College in partnership with the College of Haringey Enfield and North East London set up Apprenticeships First Limited – an Apprenticeship Training Agency designed to increase the demand for young apprentices among employers, particularly SMEs. As at 31 July 2010 the College's share of the assets and liabilities were as follows:

	2010	2009
	£'000	£'000
Share of gross assets (50%)	235	-
Share of gross liabilities (50%)	(110)	-
	<u>125</u>	<u>-</u>

15 Debtors

	2010	2009
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	360	258
Other debtors	39	96
Prepayments and accrued income	1,777	764
Total	<u>2,176</u>	<u>1,118</u>

Included within the above balances is amounts owed by the Skills Funding Agency of £1,369,000 (2009: £554,000).

Notes to the Financial Statements (continued)

16 Creditors: amounts falling due within one year

	2010 £'000	2009 £'000
Bank loan	350	400
Payments received in advance	393	604
Trade creditors	907	731
Taxation and social security	531	563
Other creditors	521	390
Accruals	1,691	1,512
Total	<u>4,393</u>	<u>4,200</u>

There is no figure included within payments received in advance (2009: £202,000) in relation to unspent funding body grants at the year end. The bank loan relates to a drawdown of an unsecured revolving credit facility of up to a maximum of £5,000,000, with interest charged at 0.375% above the base rate until 2015. The balance has been treated under creditors due within one year as the College anticipates repayment within the coming year.

In accordance with FRS12, accruals include a restructuring provision of £565,000.

17 Provisions against liabilities

	2010 £'000	2009 £'000
At 1 August	1,494	-
Onerous lease provision created in year	61	1,494
Onerous lease provision released in year	(479)	-
At 31 July	<u>1,076</u>	<u>1,494</u>

As a result of entering into a lease for decant premises as part of its plans to redevelop the Deptford site, and of the subsequent collapse of the LSC's programme to fund colleges' capital building programmes, the full costs are provided for as an onerous lease under the terms of 'FRS12 - Provisions, Contingent Liabilities and Contingent Assets'.

The provision has been increased by £61,000 in anticipation of the planned VAT increase from January 2011.

18 Deferred capital grants

	LSC grants £'000	Other grants £'000	Total £'000
At 1 August 2009	1,390	253	1,643
Cash received	-	45	45
Released to income and expenditure account	(213)	(70)	(283)
Total	<u>1,177</u>	<u>228</u>	<u>1,405</u>

Notes to the Financial Statements (continued)

19 Revaluation reserve

	2010 £'000	2009 £'000
At 1 August	6,538	6,866
Transfer from revaluation reserve to general reserve in respect of: Depreciation on revalued assets	(328)	(328)
At 31 July	<u>6,210</u>	<u>6,538</u>

20 Movement on general reserves

	2010 £'000	2009 £'000
Income and expenditure account reserve		
At 1 August	(5,942)	(2,250)
Surplus retained for the year	1,725	1,746
Transfer from revaluation reserve (note 19)	328	328
Actuarial loss in respect of pension scheme (note 25)	(822)	(5,766)
At 31 July	<u>(4,711)</u>	<u>(5,942)</u>
Balance represented by:		
Pension reserve	(12,632)	(13,006)
Income and expenditure account	7,921	7,064
At 31 July	<u>(4,711)</u>	<u>(5,942)</u>

21 Reconciliation of operating surplus to net cash inflow from operating activities

	2010 £'000	2009 £'000
Surplus on continuing operations after depreciation of assets at valuation	1,725	1,746
Depreciation (note 13)	1,739	1,846
Reversal of impairment charge on fixed assets (notes 12,13 and 26)	-	(6,749)
Deferred capital grants released to income (note 18)	(283)	(553)
Reversal of exceptional release of capital grants (note 18)	-	233
Write off of tangible fixed assets (note 13)	-	260
Interest payable (note 9)	609	383
Interest receivable (note 6)	-	(55)
FRS 17 pension cost less contributions payable (note 25)	(1,796)	(415)
Share of operating profit in joint venture	(125)	-
Increase in stocks	(16)	-
(Increase)/decrease in debtors (note 15)	(1,058)	1,105
Increase/(decrease) in creditors (note 16)	193	(555)
(Decrease)/increase in provisions (note 17)	(418)	1,494
Net cash inflow/(outflow) from operating activities	<u>570</u>	<u>(1,260)</u>

Notes to the Financial Statements (continued)

22 Returns on investments and servicing of finance

	2010 £'000	2009 £'000
Interest received (note 6)	-	55
Interest paid (note 9)	(9)	(2)
Net cash (outflow)/inflow from returns on investments and servicing of finance	(9)	53

23 Capital expenditure and financial investment

	2010 £'000	2009 £'000
Purchase of tangible fixed assets (note 13)	(586)	(1,398)
Deferred capital grants received	45	70
Net cash outflow from capital expenditure and financial investment	(541)	(1,328)

24 Analysis of changes in net debt

	At 1 August 2009 £'000	Cash flows £'000	At 31 July 2010 £'000
Cash in hand and at bank	148	20	168
Debt due within 1 year - bank loan (note 16)	(400)	50	(350)
Total	(252)	70	(182)

25 Pension and similar obligations

College 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 the London Pension Fund Authority (LPFA). Both are defined-benefit schemes.

Total pension cost for the year	2010 £'000	2009 £'000
Teachers Pension Scheme: contributions paid	1,298	1,308
Local Government Pension Scheme:		
Contributions payable	1,450	1,427
FRS 17 (credit)/charge	(1,796)	35
(Credit)/charge to the Income and Expenditure Account (staff costs) in relation to LGPS	(346)	1,462
Total pension cost for year (note 7)	952	2,770

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 2007. Total contributions amounting to £217,000 (2009 £226,000) for both schemes were payable by the College at 31 July and are included within creditors.

Notes to the Financial Statements (continued)**25 Pension and similar obligations (continued)****Teachers' Pension Scheme**

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

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

Latest actuarial valuation	31-Mar-04
Actuarial method	Prospective benefits
Investment returns per annum	6.5 per cent per annum
Salary scale increases per annum	5.0 per cent per annum
Notional value of assets at date of last valuation	£162,650 million
Proportion of members' accrued benefits covered by the notional value of the assets	98.88%

Following the implementation of Teacher's Pension (Employers' Supplementary Contributions) Regulations 2000, the Government Actuary carried out a further review on the level of employer contributions. For the period from 1 August 2009 to 31 July 2010 the employer contribution was 14.1%. The employee rate was 6.4% for the same period.

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 2010 was £1,982,000, of which employer's contributions totalled £1,450,000 and employees' contributions totalled £532,000. The agreed contribution rates for future years are 18.8% for employers and between 5.5% and 7.5% per cent for employees.

Notes to the Financial Statements (continued)

25 Pension and similar obligations (continued)

FRS 17

Principal actuarial assumptions

	2010	2009
Rate of increase in salaries	4.70%	5.10%
Rate of increase for pensions in payment / inflation (RPI basis)	3.20%	3.60%
Rate of increase for pensions in payment / inflation (CPI basis)	2.70%	N/A
Discount rate for scheme	5.40%	6.00%
Commutation of pensions to lump sums (pre April 08 membership)	20%	20%
Commutation of pensions to lump sums (post April 08 membership)	68%	N/A

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

	2010	2009
<i>Current Pensioners</i>		
Males	19.6 years	19.6 years
Females	22.5 years	22.5 years
<i>Future Pensioners</i>		
Males	20.7 years	20.7 years
Females	23.6 years	23.6 years

The assets and liabilities in the scheme (of which the College's share is estimated to be 0.8%) and the expected rates of return were:

	Long-term rate of return expected at 31 July 2010	Value at 31 July 2010	Long-term rate of return expected at 31 July 2009	Value at 31 July 2009
		£'000		£'000
Equities	7.30%	15,538	7.50%	12,958
Target return portfolio	4.50%	2,702	6.20%	1,957
Alternative Assets	6.30%	3,378	6.70%	2,793
Cash	3.00%	450	3.00%	1,292
Other bonds	5.40%	450	-	-
Total market value of assets		22,518		19,000
Present value of scheme liabilities				
- Funded		(35,008)		(31,831)
- Unfunded		(142)		(175)
Deficit in the scheme		(12,632)		(13,006)

Notes to the Financial Statements (continued)

25 Pension and similar obligations (continued)

Local Government Pension Scheme (continued)

Analysis of the amount charged to income and expenditure account

	2010 £'000	2009 £'000
Employer service cost (net of employee contributions)	1,377	1,118
Settlements or curtailments	(94)	-
Past service credit	(1,779)	-
Total operating (credit)/charge	<u>(496)</u>	<u>1,118</u>

Past service credit relates to a change in the inflation index used for pension increases.

Analysis of pension finance costs

Expected return on pension scheme assets	1,363	1,396
Interest on pension liabilities	(1,963)	(1,777)
Pension finance costs (note 9)	<u>(600)</u>	<u>(381)</u>

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

	2010 £'000	2009 £'000
Actuarial losses on pension scheme assets	609	(2,646)
Experience gain	27	-
Actuarial (losses)/gain on pension scheme liabilities	(1,458)	(3,120)
Actuarial losses recognised in STRGL	<u>(822)</u>	<u>(5,766)</u>

Movement in deficit during year

	2010 £'000	2009 £'000
Deficit in scheme at 1 August	(13,006)	(7,274)
Movement in year:		
Employer service cost (net of employee contributions)	(1,377)	(1,118)
Employer contributions	1,488	1,533
Past service cost	1,779	-
Net interest on assets	(600)	(381)
Settlements or curtailments	(94)	-
Actuarial losses	(822)	(5,766)
Deficit in scheme at 31 July	<u>(12,632)</u>	<u>(13,006)</u>

Notes to the Financial statements (continued)

25 Pension and similar obligations

Local Government Pension Scheme (continued)

Asset and liability reconciliation

	2010 £'000	2009 £'000
Reconciliation of liabilities		
Liabilities at 1 August	32,006	25,953
Service cost	1,377	1,118
Interest cost	1,963	1,777
Employee contributions	527	509
Actuarial losses	1,431	3,120
Benefits paid	(457)	(459)
Settlements or curtailments	94	-
Past Service credit	(1,779)	-
Estimated unfunded benefits paid	(12)	(12)
Liabilities at 31 July	<u>35,150</u>	<u>32,006</u>
Reconciliation of assets		
Assets at 1st August	19,000	18,679
Expected return on assets	1,363	1,396
Actuarial losses/(gains)	609	(2,646)
Employer contributions	1,488	1,533
Employee contributions	527	509
Benefits paid	(457)	(459)
Amounts paid for unfunded schemes	(12)	(12)
Assets at 31 July	<u>22,518</u>	<u>19,000</u>

The estimated value of employer contributions for the year ended 31 July 2011 is £1,581,000.

History of experience gains and losses

	2010	2009	2008	2007	2006
Difference between the expected and actual return on assets:					
Amount £'000	609	(2,646)	(3,589)	855	673
percentage of scheme assets	2.7%	(13.9%)	(19.2%)	4.3%	4.0%
Experience gains and losses on scheme liabilities:					
Amount £'000	27	-	2,321	(6)	-
percentage of scheme liabilities	0.1%	0.0%	8.9%	0.0%	0.0%
Total amount recognised in STRGL:					
Amount £'000	(822)	(5,766)	(1,375)	2,986	(292)
percentage of scheme liabilities	(2.3%)	(18.0%)	(5.3%)	11.6%	(1.1%)

Notes to the Financial Statements (continued)

26 Capital commitments

	2010 £'000	2009 £'000
Commitments contracted for at 31 July	407	56
Authorised but not contracted at 31 July	NIL	NIL

27 Financial commitments

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

	2010 £'000	2009 £'000
Land and buildings		
Expiring between one and five years	386	373
	<u>386</u>	<u>373</u>
Other		
Expiring within one year	5	14
Expiring between one and five years	104	105
	<u>109</u>	<u>119</u>

28 Related party transactions

Owing to the nature of the College's operations and the composition of the Corporation 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 Corporation 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 LSC and HEFCE are detailed in notes 2,12,15,16,18 and 29.

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

	2010 £'000	2009 £'000
LSC grants – hardship funds	617	796
LSC grants – childcare	420	666
Other funding bodies grants	3	3
Interest earned	-	-
	<u>1,040</u>	<u>1,465</u>
Disbursed to students	(979)	(1,356)
Staffing	(51)	(70)
Balance unspent as at 31 July, included in creditors	<u>10</u>	<u>39</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 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 students' behalf.

Reconciliation between July Management Accounts and Financial Statements for the Year Ended 31 July 2010

	£'000
Net surplus after exceptional costs reported in July management accounts	420
1 Share of joint venture (see note 1)	125
2 FRS17 adjustment (see appendix 3)	1,196
3 Other adjustments	(16)
Surplus on continuing operations reported in 2009/10 statutory accounts	<u><u>1,725</u></u>

Note 1 - This relates to 50% of the profit of Apprenticeships First, a Joint Venture with the College of Haringey, Enfield and North East London, entered into during 2009/10

Appendix 3

FRS17 adjustments

	2010		2009	
	£'000	£'000	£'000	£'000
Deficit in Scheme at 1 August		(13,006)		(7,274)
Employer service costs	(1,471)		(1,118)	
contributions paid	1,488		1,533	
Past service cost (see note 1)	1,779		0	
Net interest on assets	<u>(600)</u>		(381)	
Total I&E effect of FRS 17 adjustments		1,196		
Actuarial (loss)/gain	<u>(822)</u>		<u>(5,766)</u>	
Total STRGL effect of FRS 17 adjustments		(822)		(5,732)
Deficit in the Scheme at 31 July		<u><u>(12,632)</u></u>		<u><u>(13,006)</u></u>

Note 1 - This relates to a recalculation of the obligations of the pension fund, prepared on the basis that future pension increases will be in line with CPI.