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Longley Park Sixth Form College

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2008

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Operating and Financial Review

Nature, objectives and strategies

The members present their report and the audited financial statements for the year ended 31 July 2008.

Legal status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting Longley Park Sixth Form College. The College is an exempt charity for the purposes of the Charities Act 1993.

The Corporation was incorporated as Longley Park Sixth Form College. On 1 November 2002, the Secretary of State granted consent to the establishment of the Corporation.

The College Mission

The College's mission, as approved by its members, is:

Longley Park Sixth Form College will provide outstanding educational opportunities for the young people of NE Sheffield. We will work in active partnership with others to offer high quality teaching and learning for 16-19 year olds, which will raise participation and achievement. This will be delivered in a caring and supportive environment, which celebrates diversity. The College itself will be an innovative, creative and open community and will strive to play a full role in Lifelong Learning.

To achieve this Mission, the Governors of Longley Park Sixth Form College (LPSFC) are committed to the following strategic objectives. We will:

- Create and develop a new college campus providing a world class-learning environment for 16-19 years olds in NE Sheffield.
- Recruit, motivate and retain an outstanding staff team able to inspire and support learners.
- Communicate our vision of enhanced learning opportunities to parents and young people in order to attract students and meet recruitment targets.
- Develop a challenging but inclusive curriculum offer, which motivates learners and facilitates creativity.
- Establish robust partnership working with other local agencies and the community to ensure that the College maximises the contribution it makes to the development of NE Sheffield.
- Create highly effective student support structures which recognise our students as young adults whilst also involving parents and guardians who continue to have a vital role in maximising student achievement.
- Aim to meet and exceed benchmarks in attendance, retention and value-added achievement set by sixth form colleges nationally.
- Work in partnership with the Sheffield universities to raise participation in Higher Education.

Operating and Financial Review (continued)

Implementation of strategic plan

In March 2008 the College prepared a Quality Improvement Plan for the period 1 August 2007 to 31 July 2008. In addition, the College developed internal targets with regard to student performance and Key Performance Indicators (financial objectives) within the Financial Plan 2007-11. The Corporation monitors the performance of the College against these plans. The plans are reviewed and updated each year. The College's continuing operational objectives are:

- 1 16-18 Learner Responsive:
 - a) By 01.11.08 to have recruited 1,137 FT students, generating at least 1,832 Standard Learner Numbers (SLN)
 - b) Recruit 230 learners to full level 3 (advanced) and 175 to full level 2 (intermediate)
- 2 19+ Learner Responsive:
 - a) By 31.07.08 to have recruited 189 learners, each of which will have generated at least 1 SLN (total SLN generation to be no less than 165)
- 3 Achieve target success rates for full level 3 courses of 81%; and for full level 2 courses 85%.
- 4 Achieve specific success rate targets
 - a) GCE AS and A2 courses (92% for A2 and 71% for AS)
 - b) BTEC National (73% for Diploma and 71% for Award)
 - c) BTEC First Diploma (83%)
 - d) BTEC Introductory Diploma (85%)
- 5 All courses to meet LSC Performance Minimum Levels floor targets.
- 6 Annual average attendance to be 90% across College.
- 7 Maintain the financial viability of the college by maintaining the agreed financial plan with the LSC
- 8 Achieve Category A (Outstanding/Good) financial health status with the LSC by 31 July 2008

Operating and Financial Review (continued)

Financial objectives

The College's financial objectives are:

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

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

Key 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 2007-08 the College did **not** meet its LSC learner number target for 16-18, but exceeded the target for 19+ learners. (See below)

		Target	Actual	Variance
Under 19	Full-time	1149	1078	-71
	Part-time	26	7	-19
	Total	1175	1085	-90
19 and over	Full-time	40	72	32
	Part-time	0	16	16
	Total	40	88	48
		1173	1173	

Despite not meeting target for 16-18 learners, the College managed to achieve in excess of 98% of its funding target (see below¹). As a College in Plan Led Funding, we are unlikely to experience any claw back of 2007-08 funding based upon this performance.

Allocation 2007-08

	No. Learners	No. FTE	Funding
16-18	1175	1152	£5,640,592
19+	40	31	£129,900
ALS			£168,324
			£5,938,816

¹ Based on F05 return, November 2008

Operating and Financial Review (continued)

Performance indicators (continued)

Achieved 2007-08					
	No. Learners	No. FTE	Achieved	Variance	%
16-18	1084	1080	£5,278,179	-£362,413	-6%
19+	86	72	£396,725	£266,825	205%
ALS			£147,862	-£20,462	-12%
			£5,822,766	-£116,050	-2%

The LSC is also moving towards a new system of performance measures for colleges, the "Framework for Excellence". This framework is intended to be implemented across all providers in 2008/09 and in the intervening period, pilot institutions are developing the measures to be employed. The College will be monitored against the draft measures alongside the existing measures. The Framework has three dimensions:

- Responsiveness
- Effectiveness
- Finance

each of which has two or three Key Performance Areas. These Areas are further broken down into Performance Indicators supported by Performance Measures which are absolute measures of performance such as the outcome from a learner survey or a qualification success rate. In deriving the overall performance rating, the Framework gives equal weighting to each of the three dimensions.

The College is committed to observing the importance of the measures and indicators within the draft Framework and is monitoring these through the completion of the annual Finance Record for the LSC. As benchmarks develop so the College will be better placed to take appropriate action in the light of the overall performance rating. The current rating is **Good**.

Financial position

Financial results

The College received an LSC recurrent funding grant of £5,938,816 for 2007-08 to fund 1,152 full-time 16-18 year old learners and 18 full-time equivalent 19+ students. The College was also in receipt of an Exceptional Support Funding (revenue) grant of £450,000.

For 2007-08, the College achieved a surplus on operations of £185,000. This is slightly below the surplus of £206,000 on operations for 2006/07.

Net assets which were £11,929,000 as at 31 July 2007 were £11,857,000 excluding pension liability at the end of July 2008. This is due to fixed asset depreciation matched by deferred capital grant releases to Income and Expenditure Account.

Tangible fixed asset additions during the year amounted to £226,000. This was split between land and buildings acquired of £42,000 and equipment purchased of £184,000. In the main, this related to the addition of the college shop, environmental improvements and replacement equipment.

The College has significant reliance on the LSC for its principal funding source, largely from recurrent grants. In 2007/08 the LSC provided 94% of the College's total income.

Operating and Financial Review (continued)

Treasury policies and objectives

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

The College has a separate treasury management policy in place.

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

Cash flows

At £675,000 (2006/07 £305,000), operating cash in flow at bank was reasonably satisfactory.

Liquidity

The size of the College's total borrowing and its approach to interest rate have been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cashflow. During the year this margin was comfortably exceeded.

Current and future development and performance

Student numbers

In 2008-09 the College exceeded its learner number growth targets for 16-18 FTE. It is too early to discern whether the 19+ LR targets will be met, although initial recruitment has been good.

Performance against learner number targets are as follows:

Age Group	Target	Actual	Variance
16-18 Learner Responsive	1,137	1,177	+40
19+ Learner Responsive	168	66	-65
All	1,305	1,280	-25

In terms of attainment, success rates were marginally below target, although headline achievement rates were excellent - 97% achievement at GCE A level; 96% achievement at BTEC National Diploma; and 38% high grades (A and B). The College has refocused its support for learning, and is confident that 2008-09 targets are both challenging and achievable².

² Full details are contained in the College Development Plan for 2007-08

Operating and Financial Review (continued)

Learners with Disabilities

The expansion of opportunities in the College for supporting learning, together with an even greater focus on monitoring and supporting students learning through individualised (personalised) learning plans, combined to provide improved support for students' additional learning needs.

19+ Provision

Changing local priorities have resulted in the LSC once again funding 19+ learner responsive provision, both for daytime full- and part-time learners, and for evening and community provision. Although the bulk of the funding for 2008-09 will relate to the sixty or so daytime, full-time 19+ learners, we have an adult learner responsive target of over 160. It will be a challenge to achieve this target having started once again from scratch, although this time with only a few weeks notice to organise and publicise our community and evening class provision.

Skills for Life

The College delivers skills for life provision using a suite of specialist and appropriate qualification aims (including GCSE Maths and English, Adult Literacy and Numeracy; and Key Skills ICT). Success rates for these qualifications are good.

Operating and Financial Review (continued)

Performance against Financial Objectives was as follows:

Objective	College			All SFCs
	2007-08	2006-07	2005-06	2006-07
Achieve and maintain a general reserve equivalent to 8% of annual budgeted income	-1.79%	7.22%	3.10%	N/A
Achieve and maintain at least 20 cash days in hand	35.61	18.01	12.09	55.00
Maintain a current ratio of at least 1:1.5	2.10	2.46	1.09	2.00
Income from sources other than the LSC to be at least 5% of total income	6.18%	3.80%	5.12%	N/A
Pay costs to be no more than 75% of total income	70.06%	63.53%	61.18%	68.14%
Maintain an income and expenditure surplus of not less than 2% of budgeted income	2.52%	2.83%	-0.24%	0.10%

2007-08 represented maintenance of the improvement seen since 2005-06, when financial performance was adversely affected by significant student over-recruitment and issues surrounding budget setting and monitoring. Pay costs remain within target, and the College's operating surplus maintained the positive position seen in 2006-07, which bodes well for the future.

Resources

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

Tangible resources include the main college site and £770,000 held in current assets

Financial

The College has £11,005,000 of net assets (including £853,000 pension liability) and long term debt of £363,000.

People

The College employs 180 people, of whom 98 are teaching staff.

Operating and Financial Review (continued)

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.

Based on the strategic plan, the Risk Management Group undertakes a comprehensive review of the risks to which the College is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the College. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions. In addition to the annual review, the Risk Management Group will also consider any risks which may arise as a result of a new area of work being undertaken by the College.

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

This is supported by a risk management training programme to raise awareness of risk throughout the College.

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

1. Government funding

The College has considerable reliance on continued government funding through the LSC and HEFCE. In 2008, 93.58% of the College's revenue was ultimately public funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

The College is aware of two issues which may impact on future funding,

- The LSC is introducing a new demand led funding system to apply to FE colleges and other providers in respect of adult provision from August 2008. The funding methodology applies a series of factors such as guided learning hours and success rates to calculate an amount of funding to be received for each learner.
- The government is reviewing its priorities for the adult skills sector following the Leitch report into the skills needed for the UK to compete in the global economy.

This risk is mitigated in a number of ways:

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

Operating and Financial Review (continued)

Principal risks and uncertainties (continued)

2. Tuition fee policy

The LSC intend to raise individual contributions. Ministers have confirmed that the fee assumption will increase to 42.5% in 2008/09, 47.5% in 2009/10 and 50% in 2010/11. In line with the majority of other colleges, Longley Park College will increase tuition fees in accordance with the rising fee assumptions. The price elasticity of adult learning is not yet fully understood. The risk for the College is that demand falls off as fees increased. This will impact on the growth strategy of the College

This risk is mitigated in a number of ways:

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

3. Maintain adequate funding of pension liabilities

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

Stakeholder Relationships

In line with other colleges and with universities, Longley Park College has many stakeholders. These include:

- Students;
- Funding Councils;
- Staff;
- local employers (with specific links);
- local Authorities;
- Government Offices/ Regional Development Agencies;
- The local community;
- other FE institutions;
- Trade unions;
- professional bodies.

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

Operating and Financial Review (continued)

Staff and student involvement

The College senior management team (SMT) comprises the Principal, the Deputy Principal and the Vice Principal. The designated senior staff are the SMT together with the Corporation Clerk. In 2007-08, the College had four functional leadership teams for student activities – these were the Directorates of Teaching and Learning. In addition to these four Directors, cross-College (non-teaching) managers were responsible for support functions, including student services, ICT and premises. There were no unfilled vacancies.

The full-time daytime student body in 2007-08 was, as at 1 October 2007, 1,078 16-18 year olds and 72 19+ learners. This represented under-recruitment against the LSC target by 42. All of these students were directly funded by the LSC.

The College has an active body of student representatives, and holds elections in the spring term. The Student Council is active and meets regularly with senior managers. The leader of the Student Council (or their nominated deputy) is an active member of the Corporation.

There are two staff representatives on the Corporation, one drawn by election from teaching staff, the other by election from cross-College teams.

Equal opportunities and employment of disabled persons

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

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

The College considers all applications from disabled persons, bearing in mind the aptitudes of the individuals concerned. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion, which are, as far as possible, identical to those for other employees. An equalities plan is published each year and monitored by managers and governors.

Disability statement

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

- a) The College has a designed access team, comprising the Student services Manager and Learning Development Manager, who provide information, advice and arrange support where necessary for students with disabilities.
- b) There is a list of specialist equipment, such as radio aids, which the College can make available to use by students and a range of assistive technology is available in the learning centre.
- c) The admissions policy for all students is described in the College charter. Appeals against a decision not to offer a place are dealt with under the complaints policy.

Operating and Financial Review (continued)

Disability Statement (continued)

- d) 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 in the standard College format.
- f) Counselling and welfare services are described (together with the Complaints and Disciplinary Procedure) in the College Student Handbook, which is issued to students leaflet at induction, and in the Parent Information pack, issued to parents prior to enrolment.

Disclosure of information to auditors

The members who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the College's auditors are unaware; and each member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the College's auditors are aware of that information.

Approved by order of the members of the Corporation on 10th December 2008 and signed on its behalf by:

Doug Liversidge CBE
Chair of the Corporation

Professional advisers

Financial statement and regularity auditors:

Baker Tilly UK Audit LLP
Wilberforce Court
Alfred Gelder Street
Hull HU1 1YH

Internal auditors:

Bentley Jennison
St Matthew's House
6 Sherwood Rise
Nottingham NG7 6JF

Bankers:

Co-operative Bank
The Fountain Precinct
Balm Green
Sheffield S1 2JZ

Solicitors:

Walker Morris
Kings Court
12 King Street
Leeds LS1 2HL

Statement of Corporate Governance and Internal Control

The College is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the College has applied the principles set out in the revised Combined Code on Corporate Governance issued by the London Stock Exchange in July 2006. Its purpose is to help the reader of the accounts understand how the principles have been applied.

In the opinion of the governors, the College complies with all the provisions of the Combined Code in so far as they apply to the Further Education Sector, and it has complied throughout the year ended 31 July 2008.

The Corporation

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

Table 2: Governors serving on the College board during 2007/08.

	Date of appointment	Term of office	Date of resignation	Status of appointment	Committees served
Mr D Liversidge CBE	23 Nov 2004; re-appointed 9 Jul 2008	4 years		Independent member	Chair: Corporation; Chair: Search, Governance & Remuneration Member: Resources
Ms M Nisbet	–			Principal	
Mr O Abdulqader	1 Sep 2004; re-appointed 9 Jul 2008	4 years		Independent member	Resources
Mrs C Burnell	29 Sep 2004	4 years	15 Jul 2008	Independent member	Chair: Resources
Mr K Clifford	20 Nov 2002; re-appointed 12 Dec 2006	4 years		Independent member	Member: Audit; Search, Governance & Remuneration
Miss G Darlow	5 Mar 2008	1 year	17 Jun 2008	Student member	
Mrs S Draper	14 Jul 2005	4 years	18 Nov 2007	Co-opted member	Chair: Curriculum & Quality
Mr N Duggan	3 Mar 2005	4 years		Local Authority member	Chair: Curriculum & Quality
Mr R Ellis	3 Oct 2005	4 years		Staff member	Member: Resources
Mrs M Ferris	20 Nov 2002; re-appointed 12 Dec 2006	4 years		Independent member	Chair: Audit Member: Search, Governance & Remuneration
Mr A Ghalib	27 Jul 2004; re-appointed 3 Oct 2005	4 years		Staff member	Member: Curriculum & Quality; Resources

Statement of Corporate Governance and Internal Control (continued)

	Date of appointment	Term of office	Date of resignation	Status of appointment	Committees served
Ms M Greaves	14 Dec 2005; re-appointed 12 Dec 2006; re-appointed 5 Mar 2008	1 year	9 Jul 2008	Parent member	
Mr A Hancock	13 Dec 2006	4 years		Independent member	Member: Audit
Ms S Jackson	26 May 2004; re-appointed 3 Oct 2005	4 years		Staff member	Member: Curriculum & Quality
Clr A Law	1 Nov 2002; re-appointed 12 Dec 2006	4 years		Local Authority member	Member: Resources
Mr C Mallaband	1 Sep 2007	4 years		Co-opted member	Member: Curriculum & Quality
Mr S Robinson	13 Jul 2006	4 years		Co-opted member	Member: Curriculum & Quality
Mrs K Squires	1 Sep 2004; re-appointed 9 Jul 2008	4 years		Independent member	Member: Curriculum & Quality
Mrs A Sundaraj	13 Dec 2006	4 years		Community member	Member: Curriculum & Quality
Mr V Vallance	5 Mar 2008	1 year	9 Apr 2008	Student member	
Prof P White	1 Sep 2004; re-appointed 9 Jul 2008	4 years		Independent member	Member: Audit
Ms S Langridge acts as Clerk to the Corporation.					

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

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

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Audit, Curriculum & Quality, Resources and Search, Governance & Remuneration. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available from the clerk to the Corporation at:

Longley Park Sixth Form College
 Horninglow Road
 Sheffield S5 6SG

Statement of Corporate Governance and Internal Control (continued)

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

All governors are able to take independent professional advice in furtherance of their duties at the College's expense and have access to the Clerk to the Corporation, who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Clerk are matters for the Corporation as a whole.

Formal agendas, papers and reports are supplied to governors in a timely manner, prior to Board meetings. Briefings are also provided on an ad hoc basis.

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

There is a clear division of responsibility in that the roles of the 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, Governance & Remuneration committee, consisting of five 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.

Search, Governance & Remuneration committee

Throughout the year ending 31 July 2008, the College's remuneration committee comprised five 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 2008 are set out in note 6 to the financial statements.

Audit committee

The Audit Committee comprises four 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.

Statement of Corporate Governance and Internal Control (continued)

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

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

Internal control

Scope of responsibility

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

The Corporation has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which she is personally responsible, in accordance with the responsibilities assigned to her in the Financial Memorandum between Longley Park Sixth Form College and the LSC. 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 Longley Park Sixth Form College for the year ended 31 July 2008 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2008 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

Statement of Corporate Governance and Internal Control (continued)

The risk and control framework

The system of internal control is based on a framework of regular management information, administrative procedures including the segregation of duties, and a system of delegation and accountability. In particular, it includes:

- comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the governing body
- regular reviews by the governing body of periodic and annual financial reports which indicate financial performance against forecasts
- setting targets to measure financial and other performance
- clearly defined capital investment control guidelines
- the adoption of formal project management disciplines, where appropriate.

Longley Park Sixth Form College has an internal audit service, which operates in accordance with the requirements of the LSC's *Audit Code of Practice*. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the audit committee. At minimum annually, the Head of Internal Audit (HIA) provides the governing body with a report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Review of effectiveness

As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. 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 auditors, the 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 risk committee, if appropriate), and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Statement of Corporate Governance and Internal Control (continued)

The senior 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 10 December 2008 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2008 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2008.

Going concern

After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

Approved by order of the members of the Corporation on 10th December 2008 and signed on its behalf by:

Doug Liversidge CBE
Chair

Mo Nisbet
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 2007 *Statement of Recommended Practice – Accounting for Further and Higher Education Institutions* 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.

Approved by order of the members of the Corporation on 10th December 2008 and signed on its behalf by:

Doug Liversidge CBE
Chair

INDEPENDENT AUDITORS' REPORT TO THE CORPORATION OF LONGLEY PARK SIXTH FORM COLLEGE

We have audited the financial statements on pages 21 to 41.

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 Longley Park Sixth Form College and Auditors

The College's Corporation's responsibilities for preparing the Operating and Financial Review and financial statements in accordance with the Statement of Recommended Practice - Accounting for Further and Higher Education 2007, applicable law, and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Responsibilities.

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 2007. We also report to you if, in our opinion, the Operating and Financial Review 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 Operating and Financial Review 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.

INDEPENDENT AUDITORS' REPORT TO THE CORPORATION OF LONGLEY PARK SIXTH FORM COLLEGE (CONTINUED)

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 2008 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 2007.

Chartered Accountants
Registered Auditor
Hull

INCOME AND EXPENDITURE ACCOUNT

	Notes	2008 £'000	2007 £'000
INCOME			
Funding council income	2	6,882	7,027
Other income	3	420	226
Investment income	4	<u>33</u>	<u>15</u>
Total income		<u>7,335</u>	<u>7,268</u>
EXPENDITURE			
Staff costs	5	5,139	4,617
Other operating expenses	7	1,507	1,308
Depreciation	9	<u>504</u>	<u>1,137</u>
Total expenditure		<u>7,150</u>	<u>7,062</u>
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and before tax		185	206
Taxation	8	<u>-</u>	<u>-</u>
Surplus for the year retained within general reserves		<u>185</u>	<u>206</u>

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

STATEMENT OF HISTORICAL COST SURPLUSES AND DEFICITS

	Notes	2008 £'000	2007 £'000
Surplus on continuing operations before taxation		185	206
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	15	<u>-</u>	<u>-</u>
Historical cost surplus for the year before taxation		<u>185</u>	<u>206</u>
Historical cost surplus for the year after taxation		<u>185</u>	<u>206</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Notes	2008 £000	2007 £000
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and tax		185	206
Actuarial (loss)/gain in respect of pension scheme	22	<u>(841)</u>	<u>113</u>
Total recognised (losses)/gains since last report		<u>(656)</u>	<u>319</u>
Reconciliation			
Opening reserves		1,200	881
Total recognised (losses)/gains for the year		<u>(656)</u>	<u>319</u>
Closing reserves		<u>544</u>	<u>1,200</u>

BALANCE SHEET AS AT 31 JULY

	Notes	2008 £'000	2007 £'000
Fixed assets			
Tangible assets	9	11,829	12,107
Current assets			
Stock		5	-
Debtors	10	90	42
Cash at bank and in hand		<u>675</u>	<u>305</u>
Total current assets		770	347
Less: Creditors - amounts falling due within one year	11	<u>(379)</u>	<u>(141)</u>
Net current assets		<u>391</u>	<u>206</u>
Total assets less current liabilities		12,220	12,313
Less: Creditors - amounts falling due after more than one year	12	<u>(363)</u>	<u>(384)</u>
Net assets excluding pension (liability)/asset		11,857	11,929
Net Pension (liability)/asset		<u>(853)</u>	<u>21</u>
NET ASSETS INCLUDING PENSION (LIABILITY)/ASSET		<u>11,004</u>	<u>11,950</u>
Deferred capital grants Reserves	14	10,460	10,750
Income and expenditure account excluding pension reserve	16	722	504
Pension reserve	22	<u>(853)</u>	<u>21</u>
Income and expenditure account including pension reserve – adverse	16	(131)	525
Revaluation reserve	15	<u>675</u>	<u>675</u>
Total reserves		<u>544</u>	<u>1,200</u>
Total		<u>11,004</u>	<u>11,950</u>

The financial statements on pages 21 to 41 were approved and authorised for issue by the Board of Governors on 2008 and were signed on its behalf on that date by:

Mo Nisbet
Principal

Doug Liversidge CBE
Chair

CASH FLOW STATEMENT

	Notes	2008 £'000	2007 £'000
Cash inflow from operating activities	17	484	248
Returns on investments and servicing of finance	18	24	12
Capital expenditure and financial investment	19	<u>(119)</u>	<u>(539)</u>
Cash inflow/(outflow) before use of financing		389	(279)
Financing	20	<u>(19)</u>	<u>400</u>
Increase in cash in the year		<u>370</u>	<u>121</u>
Reconciliation of net cash flow to movement in net (debt)/funds			
Increase in cash in the period		370	121
Cash inflow from new unsecured loan	20	-	400
Cash inflow from repayments of loan		<u>19</u>	<u>-</u>
Movement in net debt in the period		389	(279)
Net (debt)/funds at 1 August 2007		<u>(95)</u>	<u>184</u>
Net funds/(debt) at 31 July 2008		<u>294</u>	<u>(95)</u>

NOTES TO THE ACCOUNTS

1 Accounting policies

Statement of accounting policies

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

Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2007* (the SORP) and in accordance with applicable Accounting Standards. They conform to guidance published 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.

Recognition of income

The recurrent grants from the LSC 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.

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.

Income from grants, contracts and other services rendered is included to the extent of the completion of contract or service concerned. All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned.

Post retirement benefits

Retirement benefits to employees of the College are provided by the Teachers Pension Scheme (TPS) and the South Yorkshire Pension Fund (SYPF). These are defined benefit schemes which are externally funded and contracted out of the State Earnings-Related Pension Scheme (SERPS).

Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 22, the TPS is a multi employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

NOTES TO THE ACCOUNTS (CONTINUED)

1 Accounting policies (continued)

A liability is recognised in the balance sheet in respect of the defined benefit scheme which represents the present value of the defined benefit obligation at the balance sheet date less the fair value of scheme assets. The assets of the SYPF are measured at current bid price. A full valuation of the liability is calculated by an independent actuary every 3 years and updated on an annual basis using the projected unit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of 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. Past-service costs are recognised immediately to operating surplus, unless the changes to the pension scheme are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period. Actuarial gains and losses are recognised in reserves in the year in which they arise.

Tangible fixed assets

Land and buildings

Buildings constructed 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.

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.

Where land and buildings are owned by a third party and occupied by the College for a nominal rent, the College capitalises the economic benefit of the use of this land and buildings. The capital value is depreciated over the period of 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
- Substantial improvement in the quality of output or reduction in operating costs
- Significant extension of the asset's life beyond that conferred by repairs and maintenance

NOTES TO THE ACCOUNTS (CONTINUED)

1 Accounting policies (continued)

Equipment

Equipment costing less than £2,000 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost.

All assets are depreciated over their useful economic life as follows:

Motor vehicles and general equipment	three years
Computer equipment	three years
Furniture and fittings	five 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.

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 the 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 generally unable to recover input VAT it suffers on goods and services purchased. Non-pay expenditure is therefore shown inclusive of VAT with any partial recovery netted off against these figures.

Liquid resources

Liquid resources include sums on short-term deposits with recognised banks.

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 LSC and subsequent disbursements to students are excluded from the income and expenditure account and are shown separately in note 26, except for the 5 per cent of the grant received which is available to the College to cover administrative costs relating to the grant.

NOTES TO THE ACCOUNTS (CONTINUED)

2	Funding council income		
		2008	2007
		£'000	£'000
	Recurrent grant - LSC	5,939	5,311
	Exceptional support funding - LSC	450	630
	Non recurrent grant - LSC	80	3
	Releases of deferred capital grants (note 14)	<u>413</u>	<u>1,083</u>
	Total	<u>6,882</u>	<u>7,027</u>
3	Other income		
		2008	2007
		£'000	£'000
	Other grant income	44	16
	Other income	<u>376</u>	<u>210</u>
	Total	<u>420</u>	<u>226</u>
4	Investment income		
		2008	2007
		£'000	£'000
	Interest receivable	<u>24</u>	<u>12</u>
		24	12
	Pension finance income (note 22)	<u>9</u>	<u>3</u>
	Total	<u>33</u>	<u>15</u>

NOTES TO THE ACCOUNTS (CONTINUED)

5 Staff costs

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

	2008	2007
	Number	Number
Teaching staff	89	88
Non teaching staff	<u>62</u>	<u>55</u>
	<u>151</u>	<u>143</u>
Staff costs for the above persons		
	2008	2007
	£'000	£'000
Wages and salaries	4,226	3,809
Social security costs	302	280
Other pension costs (including FRS 17 adjustments of £42,000 – 2007 £30,000)	<u>579</u>	<u>515</u>
Payroll sub-total	5,107	4,604
Contracted out staffing services	<u>32</u>	<u>13</u>
	<u>5,139</u>	<u>4,617</u>

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

	Senior post-holders		Other staff	
	2008	2007	2008	2007
	No.	No.	No.	No.
£60,001 - £70,000	2	2	-	-
£70,001 - £80,000	-	-	-	-
£80,001 - £90,000	-	-	-	-
£90,001 - £100,000	<u>1</u>	<u>1</u>	=	=
	<u>3</u>	<u>3</u>	=	=

NOTES TO THE ACCOUNTS (CONTINUED)

6 Senior post-holders' emoluments

Senior post-holders are defined as the Principal and holders of the other senior posts whom the Governing Body has selected for the purposes of the articles of government of the College relating to the appointment and promotion of staff who are appointed by the Governing Body.

	2008 Number	2007 Number
The number of senior post-holders including the Principal was:	<u>3</u>	<u>3</u>
Senior post-holders' emoluments are made up as follows:	2008 £000	2007 £000
Salaries	203	200
Pension contributions	<u>29</u>	<u>28</u>
Total emoluments	<u><u>232</u></u>	<u><u>228</u></u>

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

	2008 £000	2007 £000
Salary	78	-
Benefits in kind	<u>-</u>	<u>-</u>
	<u>78</u>	<u>-</u>
Pension contributions	<u>11</u>	<u>-</u>
(Former principal to 31 August 2007)	2008 £000	2007 £000
Salary	7	81
Benefits in kind	<u>-</u>	<u>-</u>
	<u>7</u>	<u>81</u>
Pension contributions	<u>1</u>	<u>11</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 member did not receive any payment from the College other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

NOTES TO THE ACCOUNTS (CONTINUED)

7 Other operating expenses

	2008 £'000	2007 £'000
Teaching costs	458	408
Non teaching costs	430	457
Premises	<u>619</u>	<u>443</u>
Total	<u>1,507</u>	<u>1,308</u>

	2008 £'000	2007 £'000
Other operating expenses include:		

Auditors' remuneration

- Financial statements audit	8	7
- Internal audit	11	10
- Other services provided by the financial statements auditors	5	5
Losses on disposal of tangible fixed assets	-	8
Hire of plant and machinery – operating leases	<u>55</u>	<u>65</u>

8 Taxation

The Governors do not believe the College was liable for any corporation tax arising out of its activities during the year.

9 Tangible fixed assets

	Leasehold land £'000	Freehold buildings £'000	Equipment £'000	Total £'000
Cost or valuation				
At 1 August 2007	675	12,007	2,742	15,424
Additions	-	42	184	226
Disposals	<u>-</u>	<u>-</u>	<u>(6)</u>	<u>(6)</u>
At 31 July 2008	<u>675</u>	<u>12,049</u>	<u>2,920</u>	<u>15,644</u>
Depreciation				
At 1 August 2007	-	866	2,451	3,317
Charge for the year	-	301	203	504
Eliminated in respect of disposals	<u>-</u>	<u>-</u>	<u>(6)</u>	<u>(6)</u>
As At 31 July 2008	<u>-</u>	<u>1,167</u>	<u>2,648</u>	<u>3,815</u>
Net book value at 31 July 2008	<u>675</u>	<u>10,882</u>	<u>272</u>	<u>11,829</u>
Net book value at 31 July 2007	<u>675</u>	<u>11,141</u>	<u>291</u>	<u>12,107</u>

NOTES TO THE ACCOUNTS (CONTINUED)

9 Tangible fixed assets (continued)

The College has entered into a lease for land, on which the College is built, with Sheffield City Council. A nominal rent is being charged for the use of this land. In accordance with the accounting requirements of the Further and Higher Education Statement of Recommended Practice (SORP) and the College accounting policy, the economic benefit of the use of the land has been capitalised. This cost is deemed to be open market value. The land was valued by independent external valuers, GVA Grimley, Chartered Surveyors, as at 31 July 2004, on the basis of Existing Use Value in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors.

Land and buildings with a net book value of £ 10,586,000 (2007 £10,529,000) have been financed by exchequer funds, through for example the receipt of capital grants. Should these assets be sold, the College may be liable, under the terms of the Finance Memorandum with the Council, to surrender the proceeds.

If land had not been revalued it would be included in the balance sheet at the following amounts:

Cost	Nil
Depreciation	<u>Nil</u>
Net book value based on cost	<u>Nil</u>

10 Debtors

	2008 £'000	2007 £'000
Amounts falling due within one year:		
Trade debtors	42	33
Other debtors	27	2
Prepayments and accrued income	<u>21</u>	<u>7</u>
Total	<u>90</u>	<u>42</u>

11 Creditors: amounts falling due within one year

	2008 £'000	2007 £'000
Bank loan	18	16
Trade creditors	146	83
Other creditors	175	-
Accruals	29	26
Amounts owed to the LSC	<u>11</u>	<u>16</u>
Total	<u>379</u>	<u>141</u>

NOTES TO THE ACCOUNTS (CONTINUED)

12 Creditors: amounts falling due after one year

	2008 £'000	2007 £'000
Bank loan	<u>363</u>	<u>384</u>
Total	<u>363</u>	<u>384</u>

13 Borrowings

Bank loans

Bank loans are repayable as follows:

	2008 £'000	2007 £'000
In one year or less	18	16
Between one and two years	19	17
Between two and five years	65	61
In five years or more	<u>279</u>	<u>306</u>
Total	<u>381</u>	<u>400</u>

The bank loan carries an interest charge of 1% above the banks base rate and is repayable by instalments falling due between 1 August 2007 and 31 July 2022.

14 Deferred capital grants

	LSC £'000
At 1 August 2007	10,750
Cash received	123
Released to income and expenditure account	<u>(413)</u>
Total	<u>10,460</u>

15 Revaluation reserve

	2008 £'000	2007 £'000
At 1 August 2007 and 31 July 2008	<u>675</u>	<u>675</u>

NOTES TO THE ACCOUNTS (CONTINUED)

16 Movement on general reserves

	2008 £'000	2007 £'000
Income and expenditure account reserve		
At 1 August	525	206
Surplus retained for the year	185	206
Actuarial (loss)/gain in respect of pension scheme	<u>(841)</u>	<u>113</u>
At 31 July - adverse	<u>(131)</u>	<u>525</u>
Balance represented by:		
Pension reserve	(853)	21
Income and expenditure account reserve excluding pension reserve	<u>722</u>	<u>504</u>
At 31 July - adverse	<u>(131)</u>	<u>525</u>

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

	2008 £'000	2007 £'000
Surplus on continuing operations after depreciation of assets at valuation	185	206
Depreciation (notes 1 and 9)	504	1,137
Deferred capital grants released to income (note 2)	(413)	(1,083)
Loss on disposal of tangible fixed asset	-	8
Pension cost less contributions payable (notes 5 and 22)	42	30
FRS 17 pension finance income	(9)	(3)
Increase in stock	(5)	-
Decrease/(increase) in debtors	(48)	47
Decrease/Increase in creditors	252	(82)
Interest receivable (note 4)	<u>(24)</u>	<u>(12)</u>
Net cash inflow from operating activities	<u>484</u>	<u>248</u>

18 Returns on investments and servicing of finance

	2008 £'000	2007 £'000
Other interest received	<u>24</u>	<u>12</u>
Net cash inflow from returns on investments and servicing of finance	<u>24</u>	<u>12</u>

NOTES TO THE ACCOUNTS (CONTINUED)

19 Capital expenditure and financial investment

	2008 £'000	2007 £'000
Purchase of tangible fixed assets	(242)	(663)
Deferred capital grant received	<u>123</u>	<u>124</u>
Net cash outflow from capital expenditure and financial investment	(119)	(539)

20 Financing

	2008 £'000	2007 £'000
Debt due beyond a year:		
New Unsecured loans repayable by 2022	-	400
Repayments of amounts borrowed	<u>(19)</u>	<u>-</u>
Net cash (outflow)/inflow from financing	(19)	400

21 Analysis of changes in net funds

	At 1 August 2007 £'000	Cashflows £'000	At 31 July 2008 £'000
Cash in hand, and at bank	305	370	675
Debt due within 1 year	(16)	(2)	(18)
Debt due after 1 year	<u>(384)</u>	<u>21</u>	<u>(363)</u>
Total	(95)	389	294

22 Pension and similar obligations

The College's employees belong to two principal pension schemes: the Teachers' Pensions Scheme England and Wales (TPS) for academic and related staff; and the South Yorkshire Pension Fund (SYPF) for non-teaching staff. Both are defined-benefit schemes.

	2007/08 £'000	2006/07 £'000
Total pension cost for the year		
Teachers Pension Scheme: contributions paid	401	356
SYPF:		
Contributions paid	136	129
FRS17 charge	<u>42</u>	<u>30</u>
Charge to the Income and Expenditure Account (staff costs)	<u>178</u>	<u>159</u>
Total pension cost for year	579	515

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuations of the TPS was 31 March 2004 and the SYPF 31 March 2007.

NOTES TO THE ACCOUNTS (CONTINUED)

22 Pension and similar obligations (continued)

Teachers' Pension Scheme

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

The pensions cost is 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 March 2004
Actuarial method	Projected benefits
Investment returns per annum	6.5 per cent annum
Salary scale increases per annum	5 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 per cent

Following the implementation of Teachers' Pensions (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 2007 to 31 July 2008 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 FRS 17 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 anticipated contribution rates.

South Yorkshire Pension Fund

The SYPF 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 2008 was £196,283.14 of which employer's contributions totalled £ 136,353.52 and employees' contributions totalled £ 59,929.62. The agreed contribution rates for future years are 13.9 % for employers and a variable percentage depending on the salary banding of the employees .

NOTES TO THE ACCOUNTS (CONTINUED)

22 Pension and similar obligations (continued)

FRS 17

Principal Actuarial Assumption

	At 31 July 2008	At 31 July 2007
Rate of increase in salaries	5.5%	4.95%
Rate of increase for pensions in payment/inflation	4.0%	3.2%
Discount rate for liabilities	6.0%	5.8%
Expected return on scheme assets at 31 July	7.5%	7.5%
Commutation of pensions to lump sums	50%	50%

The expected return on scheme assets was determined by considering the expected returns available on the assets underlying the current investment portfolio. Expected yield on bonds are based on gross redemption yields at the balance sheet date whilst the expected returns on the equity and property investments reflect the long-term rates of return experienced in the respective markets.

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

	At 31 July 2008	At 31 July 2007
<i>Retiring today</i>		
Males	20.3	19.7
Females	23.1	22.6
<i>Retiring in 20 years</i>		
Males	21.3	22.2
Females	24.0	25.0

The assets and liabilities in the scheme (of which the college's share is estimated at 0.03%) and the expected rates of return were:

NOTES TO THE ACCOUNTS (CONTINUED)

22 Pension and similar obligations (continued)

South Yorkshire Pension Fund (continued)

	Long-term rate of return expected at 31 July 2008	Value at 31 July 2008 £000	Long-term rate of return expected at 31 July 2007	Value at 31 July 2007 £000
Equities	7.5%	753	7.5%	633
Government bonds	4.81%	179	4.9%	142
Other bonds	5.81%	92	5.8%	61
Property	6.5%	129	6.5%	112
Cash	5.01%	<u>51</u>	5.75%	<u>13</u>
Total market value of assets		<u>1,204</u>		<u>961</u>
Present value of scheme liabilities		<u>(2,057)</u>		<u>(940)</u>
(Deficit)/surplus in the scheme		<u>(853)</u>		<u>21</u>

The College has applied the exemption in FRS 17 not to restate the comparative figures for quoted securities assets from mid market value to bid price.

Analysis of the amount charged to income and expenditure account

	2008 £000	2007 £000
Employer service cost (net of employee contributions)	151	159
Past service cost	<u>27</u>	<u>-</u>
Total operating charge	<u>178</u>	<u>159</u>

Analysis of pension finance income

Expected return on pension scheme assets	70	45
Interest on pension liabilities	<u>(61)</u>	<u>(42)</u>
Pension finance income	<u>9</u>	<u>3</u>

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

Actual return less expected return on pension scheme assets	(20)	43
Experience gains and losses arising on the scheme liabilities	(821)	-
Change in financial and demographic assumptions underlying the scheme liabilities	<u>-</u>	<u>70</u>
Actuarial (loss)/gain recognised in STRGL	<u>(841)</u>	<u>113</u>

The actual return on scheme assets was £89,000 loss (2007 £88,000 gain).

NOTES TO THE ACCOUNTS (CONTINUED)

22 Pension and similar obligations (continued)

	2008 £000	2007 £000
Movement in (deficit)/surplus during year		
Deficit/surplus in scheme at 1 August	21	(65)
Movement in year:		
Employer service cost (net of employee contributions)	(151)	(159)
Employer contributions	136	129
Past service cost	(27)	-
Net interest/return on assets	9	3
Actuarial (loss)/gain	<u>(841)</u>	<u>113</u>
(Deficit)/surplus in scheme at 31 July	<u>(853)</u>	<u>21</u>
Asset and Liability Reconciliation		
	2008 £'000	2007 £'000
Reconciliation of Liabilities		
Liabilities at start of period	940	677
Service cost	151	159
Interest cost	61	42
Employee contributions	60	56
Actuarial loss/(gain)	821	(70)
Benefits paid	(3)	76
Past Service cost	27	-
Curtailments and settlements		
Liabilities at end of period	<u>2,057</u>	<u>940</u>
Reconciliation of Assets		
Assets at start of period	961	612
Expected return on assets	70	45
Actuarial (loss)/gain	(20)	43
Employer contributions	136	129
Employee contributions	60	56
Benefits paid	(3)	76
Assets at end of period	<u>1,204</u>	<u>961</u>

NOTES TO THE ACCOUNTS (CONTINUED)

22 Pension and similar obligations (continued)

Amounts for the current and previous four periods are as follows:

Defined benefit pension scheme	2008	2007	2006	2005	2004
	£'000	£'000	£'000	£'000	£'000
Defined benefit obligation	(2057)	(940)	(677)	(314)	(46)
Scheme assets	1,204	961	612	275	49
(Deficit)/surplus	(853)	21	(65)	(39)	3
Experience adjustments on scheme liabilities	(699)	-	(15)	(15)	-
Experience adjustments on scheme assets	(19)	43	28	21	-

23 Capital commitments

	2008	2007
	£'000	£'000
Commitments contracted for at 31 July	<u>43</u>	<u>-</u>

24 Financial commitments

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

	2008	2007
	£'000	£'000
Expiring within two and five years inclusive	<u>104</u>	<u>37</u>

25 Related party transactions

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

Transactions with the LSC are detailed in notes 2, 11 and 14.

NOTES TO THE ACCOUNTS (CONTINUED)

26 Amounts disbursed as agent

	2008 £'000	2007 £'000
Learner support funds		
LSC grants	46	20
Disbursed to students	(38)	(9)
Administration costs	<u>(2)</u>	<u>(1)</u>
Balance unspent at 31 July, included in creditors	<u>6</u>	<u>10</u>

LSC grants are available solely for students. In the majority of instances, the College only acts as paying agent. In these circumstances, the grants and related disbursements are therefore excluded from the income and expenditure account.

INDEPENDENT REPORT TO THE CORPORATION OF LONGLEY PARK SIXTH FORM COLLEGE ('THE CORPORATION') AND THE LEARNING AND SKILLS COUNCIL ('THE LSC')

In accordance with the terms of our engagement letter 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 (disbursed) and income (received) of Longley Park Sixth Form College ('the College') during the year ended 31 July 2008 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 them 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 Longley Park Sixth Form College and Auditors

The College's Corporation is responsible, under the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations, for ensuring that expenditure disbursed and income received 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 2006/07 issued by the LSC. We report to you whether, in our opinion, in all material respects, expenditure disbursed and income received during the year ended 31 July 2008 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 2006/07 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 all material respects the expenditure disbursed and income received during the year ended 31 July 2008 have been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Chartered Accountants

Date: