

# The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of the Learning and Skills Council (LSC) for the year ended 31 March 2008 under the Learning and Skills Act 2000. These comprise the Net Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

## Respective responsibilities of the National Council, Chief Executive and auditor

The National Council and Chief Executive as Accounting Officer are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the Learning and Skills Act 2000 and directions made thereunder by the Secretary of State for Innovation, Universities and Skills, and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of the LSC's and Chief Executive's Responsibilities.

My responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Learning and Skills Act 2000 and directions made thereunder by the Secretary of State for Innovation, Universities and Skills. I report to you whether, in my opinion, the information, which comprises the "Our Story" and "Leadership and Governance" sections of the Annual Report, is consistent with the financial statements. I also report whether in all material respects the expenditure

and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the LSC has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal control reflects the LSC's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of the LSC's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

## Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the LSC and Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the LSC's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements

and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

## Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Learning and Skills Act 2000 and directions made thereunder by the Secretary of State for Innovation, Universities and Skills, of the state of the LSC's affairs as at 31 March 2008 and of its net expenditure for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Learning and Skills Act 2000 and directions made thereunder by the Secretary of State for Innovation, Universities and Skills; and
- information, which comprises the "Our Story" and "Leadership and Governance" sections of the Annual Report, is consistent with the financial statements.

## Opinion on Regularity

In my opinion, in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

## Report

I have no observations to make on these financial statements

**T J Burr**

Comptroller and Auditor General  
9 July 2008

National Audit Office  
151 Buckingham Palace Road  
London SW1W 9SS

# Net Expenditure Statement

## for the year to 31 March 2008

	Note	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
<b>Income</b>			
Other income	2	348,205	326,879
<b>Total income</b>		<b>348,205</b>	<b>326,879</b>
<b>Expenditure</b>			
Programme expenditure			
Learning participation	3	5,038,896	4,999,410
University for Industry (Ufi)	3	155,605	170,676
Work-based learning (WBL)	3	1,025,652	995,540
Learners with learning difficulties and/or disabilities	3	202,802	170,477
Train to Gain	3	312,959	200,937
School sixth forms	3	2,038,785	1,943,872
Personal and community development learning (PCDL)	3	223,378	201,178
Learner support	3	220,791	195,071
14–19 reform	3	177,253	135,504
Adult skills reform	3	217,690	190,510
Quality reform	3	171,498	134,611
Capacity and infrastructure	3	65,317	66,054
Programme capital	3	497,859	411,428
Education Maintenance Allowance (EMA)	3	532,900	502,923
European Social Fund (ESF) and other non-DCSF/DIUS-funded	3	347,623	324,916
Administration costs			
Staff costs	5a	132,378	137,482
Other costs	6a	63,968	74,276
Depreciation, impairment and losses on disposal	6b	15,154	15,043
<b>Total expenditure</b>		<b>11,440,508</b>	<b>10,869,908</b>
<b>Net expenditure before interest</b>		<b>(11,092,303)</b>	<b>(10,543,029)</b>
Cost of capital – notional income	8	11,612	8,762
<b>Net expenditure after interest</b>		<b>(11,080,691)</b>	<b>(10,534,267)</b>
Reversal of cost of capital		(11,612)	(8,762)
<b>Net expenditure for the year</b>		<b>(11,092,303)</b>	<b>(10,543,029)</b>

All activities are continuing.

There are no other gains or losses other than net expenditure for the year.

The notes on pages 54 to 76 form part of these accounts.

# Balance Sheet

as at 31 March 2008

	Note	As at 31 March 2008 £'000	As at 31 March 2007 £'000
<b>Fixed assets</b>			
Intangible assets	9	774	709
Tangible assets	10	53,680	45,639
<b>Total assets</b>		<b>54,454</b>	<b>46,348</b>
<b>Current assets</b>			
Debtors	11a	219,069	248,977
Cash at bank and in hand	12	98,346	50,156
		<b>317,415</b>	<b>299,133</b>
<b>Creditors</b>			
Amounts falling due within one year	13a	(568,215)	(607,018)
<b>Net current assets</b>		<b>(250,800)</b>	<b>(307,885)</b>
<b>Total assets less current liabilities</b>		<b>(196,346)</b>	<b>(261,537)</b>
Provisions for liabilities and charges	14	(23,899)	(34,334)
<b>Total net assets/(liabilities)</b>		<b>(220,245)</b>	<b>(295,871)</b>
Represented by			
<b>Capital and reserves</b>			
General reserve	19	(220,245)	(295,871)
<b>Total reserves</b>		<b>(220,245)</b>	<b>(295,871)</b>

The notes on pages 54 to 76 form part of these accounts.



**Mark Haysom CBE**  
**Chief Executive and Accounting Officer**  
Learning and Skills Council  
27 June 2008

# Cash Flow Statement

for the year to 31 March 2008

	Note	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
Net cash outflow from operating activities	20	(11,096,822)	(10,333,292)
<b>Capital expenditure</b>			
Payment for the purchase of fixed assets		(22,927)	(19,547)
Proceeds from sale of fixed assets		10	84
<b>Net cash outflow from capital expenditure</b>		<b>(22,917)</b>	<b>(19,463)</b>
<b>Financing</b>			
Grant-in-aid funding from DIUS	19	11,167,929	10,328,177
<b>Net current inflow (outflow)</b>	21	<b>48,190</b>	<b>(24,578)</b>

The notes on pages 54 to 76 form part of these accounts.

# Notes to the Accounts

## Accounting policies

### 1 Statement of accounting policies

The financial statements have been prepared in line with the Accounts Direction given by the Secretary of State for Innovation, Universities and Skills, with approval of the Treasury, in accordance with the Learning and Skills Act 2000. This requires the LSC to comply with the Government Financial Reporting Manual (FRoM) issued by the Treasury which, in turn, requires the LSC to comply with the accounting and disclosure requirements of the Companies Act and applicable accounting standards issued or adopted by companies (UK Generally Accepted Accounting Practices) to the extent that it is meaningful and appropriate to the public sector. The particular accounting policies adopted by the LSC are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

#### 1.1 Going concern

The sponsoring department's estimates and forward plans include provision for the continuation of the LSC's activities; there is no reason to believe this future funding will not be forthcoming. The accounts have therefore been prepared on a going concern basis.

#### 1.2 Accounting convention

These accounts are prepared under the modified historical cost convention, whereby fixed assets, current asset investments and stocks (where material) are reflected at current values.

#### 1.3 Intangible fixed assets

Intangible fixed assets mainly comprise licences to use software developed by third parties. However, computer software that has been developed exclusively for the LSC and accounted for as an asset is classified as tangible. Intangible fixed assets are valued at historical cost (or revalued to market value where this is readily ascertainable) and are accounted for as follows.

- Computer software licences are capitalised as intangible assets where they are capable of being used for more than one year and have a cost – either individually or as a group – equal to or greater than £5,000.
- These licences are amortised on a straight-line basis over the specified life of the software licence – or over three years where no life is given.

#### 1.4 Tangible fixed assets

Tangible fixed assets are stated at the lower of replacement cost and recoverable amount. Costs of acquisition comprising only those costs that are directly attributable to bringing the asset into working condition for its intended use are capitalised.

For the purposes of calculating the current value of tangible fixed assets, revaluation is applied (using indices prepared by the Office for National Statistics) to the closing carrying value of assets in use at 31 March. Tangible fixed assets are also subject to impairment reviews.

The minimum level for capitalisation of a tangible fixed asset is £5,000.

All assets falling into the following categories are capitalised:

- Tangible assets that are capable of being used for more than one year, and have a cost equal to or greater than £5,000.
- Groups of tangible assets that individually may be valued at less than £5,000, but which together form a single collective asset because the items fulfil all of the following criteria:
  - the items are functionally interdependent;
  - the items are acquired at about the same date and are planned for disposal at about the same date;
  - the items are under single managerial control; and
  - each individual asset thus grouped has a value of over £1,000.

Tangible fixed assets are depreciated on a straight-line basis in order to write off the value of the assets over their estimated useful economic lives. These are detailed for each category of asset in Table 1.

**Table 1: Depreciation of tangible fixed assets.**

Category	Asset	Life
IT	Desktop IT	3 years
	Other IT (for example, servers and computer software)	5 years or the life of the system – whichever is the lower
Plant and machinery	Plant and machinery	3 years
Furniture and fittings	Furniture	5 years
	Fitting out	10 years or the life of the building lease involved – whichever is the lower
Vehicles	Vehicles	4 years

### 1.5 Leases

Operating leases and the rentals are charged to the Net Expenditure Statement on a straight-line basis over the lease term, even if the payments are not made on such a basis.

### 1.6 Cost of capital

A charge reflecting the cost of capital is included in the Net Expenditure Statement. This charge is calculated at the Government's standard rate of 3.5 per cent in real terms on all assets less liabilities, except for bank balances at the Office of the Paymaster General. When the average capital employed over the year is negative, the cost of capital becomes notional income.

### 1.7 Provisions

Provisions are recognised when it is probable that the LSC will be required to settle a present obligation and a reliable estimate can be made of that obligation. The obligation is normally the amount that the LSC would pay to settle the obligation at the balance sheet date or to transfer it to a third party at that time.

### 1.8 Grant-in-aid from the sponsoring department

All grant-in-aid has been recorded as financing as it is a contribution from the LSC's controlling party giving rise to a financial interest. It is recorded as financing in the Cash Flow Statement and credited to the general reserve.

### 1.9 Programme accounting basis

#### *Learning participation*

Learning participation programme expenditure is recognised in the accounts when the grant is paid to colleges in line with an agreed profile for the academic year.

The LSC sometimes pays advances of funding to colleges that experience cash flow difficulties. These are repayable, usually over a short term, through profiled deductions from future payments. Where they have not been recovered by the year end, the balances are included within advances and further education (FE) college debtors.

#### *Exceptional funding support*

Exceptional funding support provided to colleges in difficulty is charged to expenditure over the life of the agreed recovery plan, which will typically cover a period of four years. Where the plan is for a period of greater than one year, this element of the funding is shown in FE college prepayments.

#### *Youth and adult analysis*

For the academic year ending 31 July 2007, allocations to FE institutions were mainly assigned between youth and adult. Only a small element of the allocations required apportionment into both youth and adult, and this was based on the allocations already detailed in the age bands.

#### *Apprenticeships*

Apprenticeships programme expenditure is accounted for on the basis of providers' actual delivery (subject to contract value) in the financial year concerned.

#### *Personal and community development learning*

Personal and community development learning (PCDL) expenditure is accounted for on the basis of the utilisation of funds paid to local authorities. The LSC will recognise a debtor at each year-end representing amounts of unspent funds, based on use of funds statements submitted by local authorities for the academic year that has ended in the financial year of account. The LSC may recover any unspent funds or may allow local authorities to utilise the unspent funds in the following year.

#### *School sixth forms*

School sixth form programme expenditure is accounted for on the basis of amounts that are due to local authorities in order to pay school sixth forms in their locality. The amounts due are based on the LSC formula funding and the Government's Real Terms Guarantee.

#### *Education Maintenance Allowance*

Education Maintenance Allowance (EMA) expenditure is recognised in the accounts when the administrator

of the scheme is reimbursed by the LSC for allowance payments to learners. Costs associated with administering the scheme are charged to the accounts on the basis of activity completed by the end of the financial year.

### 1.10 Other income

#### *European Social Fund*

Funding for certain projects is received from the European Commission. This income is matched to the expenditure profile for each project concerned and any balance at the end of the financial year transferred to deferred income (or income may be accrued where the expenditure exceeds income received for any particular financial year as appropriate). Other income principally comprises fees and charges for goods or services provided and is stated after deducting recoverable Value Added Tax (VAT).

### 1.11 Pension and superannuation costs

Present and past employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), which is non-contributory and unfunded. Although the scheme is a defined benefit scheme, liability for payment of future benefits is a charge to the PCSPS and the LSC is unable to identify its share of the underlying assets and liabilities. The cost of pension cover provided for the staff employed by the LSC is met by payment of charges calculated on an accruing basis. The accruing cost of providing for future benefits for current employees is charged to the Net Expenditure Statement so as to spread the total cost over the estimated remaining service lives of employees in each scheme. For unfunded schemes such as the PCSPS, this is achieved by charging the actuarially calculated accruing superannuation liability charges paid by each individual body.

There is a separate scheme statement for the PCSPS as a whole.

# Notes to the Accounts

## 1.12 Early retirement costs

Where the LSC is required to meet the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early, provision is made in full for this cost when the early retirement programme has been announced and is binding. In certain circumstances, settlement of some or all of the liability may have been made in advance by making a payment to the Paymaster General's account at the Bank of England for the credit of the Civil Superannuation Vote. The prepayment and provision are disclosed separately.

## 1.13 VAT

Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged or input tax is recoverable, the amounts are stated net of VAT.

## 2 Other income

	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
<b>Other funding for activities</b>		
European Social Fund (ESF) funding	292,469	294,823
Other programme income	55,139	30,293
	<b>347,608</b>	<b>325,116</b>
<b>Income from activities</b>		
Sub-letting of part of premises	469	1,472
Other activities income	128	291
	<b>597</b>	<b>1,763</b>
<b>Total other income</b>	<b>348,205</b>	<b>326,879</b>

### 3a Programme expenditure

	Funding department	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
<b>Programmes</b>			
<b>3.01 Learning participation</b>			
FE participation 16–18	DCSF	2,932,221	2,815,729
FE participation 19+	DIUS	1,688,477	1,753,052
FE participation 16–18 (additional learning support (ALS))	DCSF	228,233	217,783
FE participation 19+ (ALS)	DIUS	133,256	141,826
Other learning participation	DCSF	754	0
Exceptional support and other learning participation	DIUS	24,584	50,194
First Steps provision	DIUS	31,371	20,826
<b>Total learning participation</b>		<b>5,038,896</b>	<b>4,999,410</b>
<b>3.02 Ufi</b>			
Ufi – programme	DIUS	100,154	129,232
Ufi – administration	DIUS	55,451	41,444
<b>Total Ufi</b>		<b>155,605</b>	<b>170,676</b>
<b>3.03 Work-based learning</b>			
Work-based learning (WBL) – young people	DCSF	603,524	587,732
WBL – adult	DIUS	223,175	216,884
Entry to Employment (e2e)	DCSF	174,853	186,815
Basic skills via WBL providers	DIUS	18,381	4,109
WBL 25+ Apprenticeships	DIUS	5,719	0
<b>Total work-based learning</b>		<b>1,025,652</b>	<b>995,540</b>
<b>3.04 Learners with learning difficulties and/or disabilities</b>			
	DCSF	202,802	170,477
<b>Total learners with learning difficulties and/or disabilities</b>		<b>202,802</b>	<b>170,477</b>
<b>3.05 Train to Gain</b>			
Train to Gain (delivery – includes wage compensation)	DIUS	256,034	164,927
Train to Gain (brokerage)	DIUS	38,630	28,465
Train to Gain (Level 3 pilots)	DIUS	5,574	576
Train to Gain (higher skills for women)	DIUS	2,416	90
Train to Gain (marketing)	DIUS	9,652	6,879
Train to Gain (evaluation)	DIUS	653	0
<b>Total Train to Gain</b>		<b>312,959</b>	<b>200,937</b>
<b>3.06 School sixth forms</b>			
School sixth forms	DCSF	1,967,341	1,875,830
School sixth forms (teachers' pay grant)	DCSF	71,444	68,042
<b>Total school sixth forms</b>		<b>2,038,785</b>	<b>1,943,872</b>
<b>3.07 Personal and community development learning (PCDL)</b>			
PCDL (adult and community learning (ACL) providers)	DIUS	127,085	139,610
Family learning	DIUS	12,221	12,369
Neighbourhood learning in deprived communities	DIUS	20,243	19,508
Family literacy, language and numeracy	DIUS	25,721	26,154
PCDL by FE providers	DIUS	38,108	3,537
<b>Total personal and community development learning</b>		<b>223,378</b>	<b>201,178</b>

# Notes to the Accounts

	Funding department	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
<b>3.08 Learner support</b>			
School sixth form hardship	DCSF	3,856	3,914
16–18 hardship	DCSF	31,322	17,800
16–18 residential bursaries	DCSF	4,745	6,006
Care to Learn	DCSF	30,003	23,873
19+ hardship	DIUS	42,076	48,058
19+ FE students in higher education institutions	DIUS	949	1,024
19+ residential bursaries	DIUS	2,928	3,850
19+ childcare	DIUS	34,655	31,681
School sixth form childcare	DIUS	2,202	2,382
Local education authority (LEA) transport partnership	DCSF	12,000	12,000
Dance and Drama Awards	DCSF	14,178	13,830
Adult Learning Grant	DIUS	17,519	10,674
Career Development Loans	DIUS	19,432	19,979
Discretionary Fund	DIUS	4,926	0
<b>Total learner support</b>		<b>220,791</b>	<b>195,071</b>
<b>3.09 14–19 reform</b>			
Education business links	DCSF	24,597	25,668
NEET and NET learning agreements	DCSF	17,857	0
Increasing flexibility for 14- to 16-year-olds	DCSF	21,065	35,210
Young Apprenticeships	DCSF	29,918	15,278
Learner agreement pilots	DCSF	19,217	12,668
14–19 agenda	DCSF	33,556	6,868
Enterprise advisors	DCSF	20	2,537
Area inspections	DCSF	15,738	33,900
Key Stage 4 engagement	DCSF	7,828	3,375
Parents-to-be scheme	DCSF	3,445	0
14–19 Apprenticeship improvements	DCSF	420	0
Pre-Apprenticeships	DCSF	3,592	0
<b>Total 14–19 reform</b>		<b>177,253</b>	<b>135,504</b>
<b>3.10 Adult skills reform</b>			
Adult information, advice and guidance	DIUS	32,496	33,227
Train to Gain infrastructure	DIUS	42,829	39,108
Offender Learning	DIUS	115,551	100,748
New Entrepreneur scholarships	DIUS	6,135	7,308
Centre of vocational excellence (CoVE) revenue	DIUS	6,732	10,119
Adult Learner Account trials	DIUS	4,058	0
New Standard	DIUS	3,133	0
Skills for Jobs	DIUS	2,078	0
Skills for Life marketing	DIUS	4,678	0
<b>Total adult skills reform</b>		<b>217,690</b>	<b>190,510</b>

	Funding department	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
<b>3.11 Quality reform</b>			
Local initiatives fund	DIUS	71,302	85,435
Raising disability access	DIUS	2,468	3,950
Marketing	DIUS	19,988	6,395
Front-line service delivery – health and safety recharge	DIUS	2,319	2,329
'Golden hellos'	DIUS	6,926	5,613
Research	DIUS	4,787	4,393
Learning Group Development Fund	DIUS	4,914	2,613
Communications	DIUS	6,328	3,770
New Measures for Success	DIUS	4,705	3,156
Mathematics in Education and Industry	DIUS	2,191	2,161
Managing Information Across Partners	DIUS	11,061	9,883
Initial teacher training	DIUS	29,985	0
Other quality reform	DIUS	4,524	4,913
<b>Total quality reform</b>		<b>171,498</b>	<b>134,611</b>
<b>3.12 Capacity and infrastructure</b>			
Sector skills pilots	DIUS	13	7,431
National skills academies	DIUS	9,117	8,266
Leadership and management	DIUS	5,165	5,876
Information and learning technology (ILT) revenue	DIUS	26,586	0
Skills coaching	DIUS	4,444	3,997
Training and Enterprise Council legacy	DIUS	21	6,158
Union learning	DIUS	0	12,610
External financial assurance	DIUS	6,619	4,892
Aimhigher	DIUS	9,338	11,413
National Employer Service delivery	DIUS	1,112	2,753
Other capacity and infrastructure	DIUS	2,902	2,658
<b>Total capacity and infrastructure</b>		<b>65,317</b>	<b>66,054</b>
<b>3.13 Programme capital</b>			
FE capital buildings	DIUS	322,820	224,678
FE CoVE capital	DIUS	3,856	18,516
ACL capital buildings	DIUS	5,754	5,442
FE/ACL DDA	DIUS	11,090	37,463
Neighbourhood learning in deprived communities	DIUS	10,055	9,207
FE 16–18 sector rationalisation	DCSF	46,880	29,801
Colleges in difficulty	DIUS	35,306	26,271
Systems development	DIUS	21,778	13,208
Capital – ILT	DIUS	36,017	42,352
LEA loan liabilities	DIUS	4,303	4,490
<b>Total programme capital</b>		<b>497,859</b>	<b>411,428</b>
<b>3.14 Education Maintenance Allowance</b>			
Student payments	DCSF	489,174	468,708
Sector administration	DCSF	36,903	25,675
Local co-ordinators	DCSF	4	2,251
Marketing	DCSF	6,819	6,289
<b>Total Education Maintenance Allowance</b>		<b>532,900</b>	<b>502,923</b>

# Notes to the Accounts

	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
<b>3.15 European Social Fund and other non-DCSF/DIUS funded</b>		
ESF expenditure	292,786	294,675
Other initiatives	54,837	30,241
<b>Total European Social Fund and other non-DCSF/DIUS funded</b>	<b>347,623</b>	<b>324,916</b>
<b>Total programme expenditure</b>	<b>11,229,008</b>	<b>10,643,107</b>

Note: the descriptions and classifications of some programmes have been changed in 2007–08 to reflect the grant letter and reporting requirements of both DIUS and the DCSF. Comparatives for 2006–07 have been amended to ensure consistency. There is no financial impact, as the change represents a reanalysis of the same programmes. Grants to the private sector totalling £1,771,262 (2006–07: £1,626,980) are included in the values above.

## 3b Summary programme expenditure by funding department

Programmes	Funded by DCSF £'000	Funded by DIUS £'000	Non-DCSF/ DIUS-funded £'000	Year ended 31 March 2008 £'000
<b>3.01 Learning participation</b>				
<b>Total learning participation</b>	<b>3,161,208</b>	<b>1,877,688</b>		<b>5,038,896</b>
<b>3.02 Ufi</b>				
<b>Total Ufi</b>		<b>155,605</b>		<b>155,605</b>
<b>3.03 Work-based learning</b>				
<b>Total work-based learning</b>	<b>778,377</b>	<b>247,275</b>		<b>1,025,652</b>
<b>3.04 Learners with learning difficulties and/or disabilities</b>				
<b>Total learners with learning difficulties and/or disabilities</b>	<b>202,802</b>			<b>202,802</b>
<b>3.05 Train to Gain</b>				
<b>Total Train to Gain</b>		<b>312,959</b>		<b>312,959</b>
<b>3.06 School sixth forms</b>				
<b>Total school sixth forms</b>	<b>2,038,785</b>			<b>2,038,785</b>
<b>3.07 Personal and community development learning</b>				
<b>Total personal and community development learning</b>		<b>223,378</b>		<b>223,378</b>
<b>3.08 Learner support</b>				
<b>Total learner support</b>	<b>96,104</b>	<b>124,687</b>		<b>220,791</b>
<b>3.09 14–19 reform</b>				
<b>Total 14–19 reform</b>	<b>177,253</b>			<b>177,253</b>

	Funded by DCSF £'000	Funded by DIUS £'000	Non-DCSF/ DIUS-funded £'000	Year ended 31 March 2008 £'000
<b>3.10 Adult skills reform</b>				
<b>Total adult skills reform</b>		<b>217,690</b>		<b>217,690</b>
<b>3.11 Quality reform</b>				
<b>Total quality reform</b>		<b>171,498</b>		<b>171,498</b>
<b>3.12 Capacity and infrastructure</b>				
<b>Total capacity and infrastructure</b>		<b>65,317</b>		<b>65,317</b>
<b>3.13 Programme capital</b>				
<b>Total programme capital</b>	<b>46,880</b>	<b>450,979</b>		<b>497,859</b>
<b>3.14 Education Maintenance Allowance</b>				
<b>Total Education Maintenance Allowance</b>	<b>532,900</b>			<b>532,900</b>
<b>3.15 European Social Fund and other non-DCSF/DIUS funded</b>				
<b>Total European Social Fund and other non-DCSF /DIUS funded</b>			<b>347,623</b>	<b>347,623</b>
<b>Total programme expenditure</b>	<b>7,034,309</b>	<b>3,847,076</b>	<b>347,623</b>	<b>11,229,008</b>

### 3c Programme expenditure by regional office

Region	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
East of England	1,068,596	1,004,944
East Midlands	930,280	861,557
Greater London	1,857,877	1,785,551
North East	666,993	640,735
North West	1,577,542	1,481,475
South East	1,660,131	1,541,786
South West	1,038,498	1,028,717
West Midlands	1,331,930	1,254,357
Yorkshire and the Humber	1,097,161	1,043,985
<b>Total programme expenditure by region</b>	<b>11,229,008</b>	<b>10,643,107</b>

# Notes to the Accounts

## 4 Assurances on entitlement to, and the proper use of, Learning and Skills Council funds

In order to gain assurance over the proper use of public funds by learning providers, the LSC has established regional and National Office audit teams within the provider financial management function. As set out in the Accounting Officer's Statement on Internal Control, the national and regional audit teams are responsible for planning, co-ordinating and delivering a programme of work to secure this assurance. The outcomes of audit work are scrutinised by regional and national LSC audit committees.

The approaches used to obtain assurance depend on the risks associated with providers and funding streams, and are designed to minimise bureaucracy for providers. In broad terms, where grant funding is provided to other public bodies such as FE colleges, the LSC relies on audit work carried out by the public bodies' auditors, working to an audit code of practice and standards set by the LSC. For private sector and other training providers funded under contract, the LSC's national and regional audit teams undertake their own audit work to ensure that funds have been properly applied in the delivery of those contracts.

### Assurance on grants

Included in these financial statements are grants to FE learning providers that the LSC has paid for the academic years ending 31 July 2007 (four months) and 31 July 2008 (eight months).

The mismatch between the accounting periods means that certain formal assurances on entitlement and the proper use of the funds will only be received from these providers in line with their own annual accounts reporting timetable, which extends beyond that for these financial statements. Alternative arrangements have therefore been put in place to provide interim assurance as at 31 March 2008. The overall picture is described below.

### 4a FE colleges and institutions

During the financial year 2007–08, the LSC paid grants of £5,495 million (2006–07: £5,359 million) to colleges and other institutions for the provision of FE on the basis of agreed development plans. The LSC implemented plan-led funding for 2004–05 and, under this initiative, the majority of colleges and other institutions were no longer subject to an annual funding audit. However, colleges are required to return a year-end funding claim certified by the principal. An enhanced regularity

audit has been established for all FE colleges, and these colleges and institutions are also now subject to cyclical reviews of learner existence and eligibility. Therefore, for the majority of colleges, the primary sources of assurance for the LSC's 2007–08 financial statements are audit opinions on their accounts for the academic year ended 31 July 2007. Final funding claims for the 17 colleges not eligible for plan-led funding in 2006–07 were also required to be audited.

To provide assurance in respect of funds paid to FE colleges for the period 1 August 2007 to 31 March 2008, colleges provided to the LSC a statement on regularity, propriety and compliance, signed by the chair and principal on behalf of the governing body. As at 14 May 2008, 373 colleges have submitted the required statement.

The position in respect of the 2006/07 academic year is shown in Tables 2 and 3.

**Table 2: 2006/07 position of FE colleges (£5,213 million) (2005/06: £4,950 million)**

	Due	Received	Outstanding
Audited final funding claims	17	17	–
Financial statements	376	373	3
Final regularity opinions	376	373	3

There are three colleges that have both their financial statements and regularity opinion outstanding.

**Table 3: 2006/07 position of other educational institutions (£249 million) (2005/06: £254 million)**

	Due	Received	Outstanding
Audited final funding claims	173	173	–

**Ufi and learndirect**

Throughout 2007–08, the responsibility for the audit of learndirect activity rested with Ufi Ltd. Ufi Ltd has established an adequate assurance framework that the LSC intends to place reliance on. The National Office audit team monitors the outcomes of Ufi Ltd assurance work and also undertakes its own programme of work.

**4b Personal and community development learning**

The LSC paid £240 million (2006–07: £237 million) for PCDL to local authorities in England in the financial year 2007–08. Four months of this relates to the academic year ending 31 July 2007 and eight months relates to the academic year ending 31 July 2008.

For the year ending 31 July 2007, each local authority was required to submit an externally audited statement on the use of ACL funding. Of the 149 local authorities that received ACL funding in this period, 21 audited statements are still outstanding.

A similar assurance process will operate for the year ending 31 July 2008, with audited use of funds statements due to be received by December 2008.

**4c School sixth forms**

The LSC paid local authorities £2,039 million (2006–07: £1,944 million) for school sixth forms in the financial year 2007–08. Four months of this relates to the 12-month period ending 31 July 2007. Eight months relates to the academic year ending 31 July 2008. During 2007–08 all schools were required to make two returns to DIUS

through local authorities in September and January. The LSC calculated funding for each school sixth form in the year ending 31 July 2008 using data from the September 2006 return, pupil numbers using the September 2006 census count and January 2007 pupil level annual school census (PLASC). September 2006 pupil census data was audited in summer 2007 at a sample of 319 schools.

**Assurance on contracts**

Note 3a of these financial statements includes payments made in respect of programmes including Apprenticeships and e2e, Train to Gain, local initiatives fund and ESF. The LSC's audit teams deliver assurance over learning providers' use of funds based on audit plans which are approved by the LSC's audit committees. Coverage of providers and funding streams is dependent on a detailed risk assessment, and audits take place on a cyclical basis. Where audit teams identify funds at risk, the LSC takes action to recover funding.

# Notes to the Accounts

## 5a Staff costs

Information in respect of board members' and senior employees' emoluments and pension entitlements is provided in the Remuneration Report on pages 42 to 47.

	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
The aggregate payroll costs for the LSC were as follows:		
Salaries	117,319	115,884
Social security	10,597	10,317
Pension costs	23,574	22,540
Redundancies and payments in lieu of notice	1,153	4,454
	<b>152,643</b>	<b>153,195</b>
Other staff (includes agency/contract/seconded staff)	4,882	7,122
	<b>157,525</b>	<b>160,317</b>
Staff costs related to programmes	(25,147)	(22,835)
<b>Total staff costs</b>	<b>132,378</b>	<b>137,482</b>

## 5b Pension costs – Principal Civil Service Pension Scheme employer contributions

Pension benefits are provided through the PCSPS. The PCSPS is an unfunded multi-employer defined benefit scheme. The LSC is unable to identify its share of the underlying assets and liabilities. The Scheme Actuary valued the scheme as at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

For 2007–08, employers' contributions of £22,681,830 were paid to the PCSPS by 31 March 2008 (2006–07: £21,647,840) at one of four rates in the range 17.1 per cent and 25.5 per cent of pensionable pay (2006–07: 17.1 per cent and 25.5 per cent), based on salary bands. The scheme actuary reviews employer contributions every four years following a full scheme valuation.

The contribution rates are set to meet the cost of the benefits accruing during 2007–08 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account – a stakeholder pension with an employer contribution. Employers' contributions of £174,126 (2006–07: £143,840) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3 per cent to 12.5 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £13,998 (2006–07: £12,782) representing 0.8 per cent of pensionable pay were payable to PCSPS to cover the cost of future provision of lump-sum benefits on death in service and ill-health retirement.

No contributions were outstanding to the partnership pension providers at the balance sheet dates of 31 March 2008 and 31 March 2007.

## 5c Average number of staff employed

### (i) Year ended March 2008

	Senior management staff number	Payroll staff number	Inward seconded staff number	Agency/temporary staff number	Year ended 31 March 2008 total staff number
The average number of staff employed during the year, including the Chief Executive, was:					
Group					
Learning		121		18	139
Skills	1	92	1	10	104
Resources	1	283	2	65	351
Strategy and communications	2	43		7	52
Human resources	1	70		14	85
Regional and local LSCs	10	2,553	2	155	2,720
<b>Total</b>	<b>15</b>	<b>3,162</b>	<b>5</b>	<b>269</b>	<b>3,451</b>

### (ii) Year ended March 2007

	Senior management staff number	Payroll staff number	Inward seconded staff number	Agency/temporary staff number	Year ended 31 March 2007 total staff number
The average number of staff employed during the year, including the Chief Executive, was:					
Group					
Learning	1	107		4	112
Skills	1	79		7	87
Resources	1	356	1	39	397
Strategy and communications	2	41		1	44
Human resources		104		38	142
Regional and local LSCs	10	2,779	2	168	2,959
<b>Total</b>	<b>15</b>	<b>3,466</b>	<b>3</b>	<b>257</b>	<b>3,741</b>

## 6a Administration (other costs)

	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
National and local council members' emoluments	37	53
National and local council members' associated travel and subsistence costs	58	85
Travel and subsistence – staff	10,038	8,403
Recruitment and training	4,772	5,533
Furniture and office equipment	1,667	636
IT and computer maintenance	15,984	10,075
Telecommunications and postage	3,844	6,020
Publications, printing and publicity	2,097	2,135
General administration expenditure	3,275	3,091
Premises	22,053	32,203
External audit fee*	184	176
Legal fees and other audit fees	4,322	9,866
	<b>68,331</b>	<b>78,276</b>
Non-pay costs related to programmes	(4,363)	(4,000)
<b>Total</b>	<b>63,968</b>	<b>74,276</b>

\* No other services were provided by external audit during the year.

# Notes to the Accounts

## 6b Depreciation, impairment and losses on disposal

	Note	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
Intangible fixed assets	9		
Depreciation charge for period		462	421
Loss on disposal		0	160
Tangible fixed assets	10		
Depreciation charge for period		12,467	12,247
Loss on disposal		923	808
Loss on impairment		1,302	1,407
<b>Total charged for period</b>		<b>15,154</b>	<b>15,043</b>

## 7 Operating lease commitments

	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
The LSC had annual commitments under non-cancellable operating leases at 31 March as detailed below:		
a) Land and buildings		
Leases expiring:		
Within one year	178	2,319
Between two and five years	4,191	2,530
More than five years	11,437	11,599
<b>Total</b>	<b>15,806</b>	<b>16,448</b>
b) Others		
Leases expiring:		
Within one year	1,734	3,038
Between two and five years	9,277	3,945
More than five years	0	0
<b>Total</b>	<b>11,011</b>	<b>6,983</b>

The annual charge for the above leases is included in note 6a and consists of the following amounts:

Land and buildings (rents and service charges)	13,685	17,191
Other leases (includes telecommunications and lease cars)	4,854	6,058
<b>Total operating lease commitments</b>	<b>18,539</b>	<b>23,249</b>

## 8 Cost of capital

Guidance given by the Treasury in the Financial Reporting Manual requires non-departmental public bodies (NDPBs) to disclose the full cost of their activities in their accounts. The LSC has therefore included in its accounts charges for the cost of capital.

The cost of capital has been arrived at by calculating a rate of 3.5 per cent of the average capital employed.

	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
Capital employed as at 1 April	(345,142)	(155,565)
Capital employed as at 31 March	(318,411)	(345,142)
Average capital employed	(331,777)	(250,354)
<b>Interest on capital at 3.5 per cent per annum</b>	<b>(11,612)</b>	<b>(8,762)</b>

# Notes to the Accounts

## 9 Intangible fixed assets

	IT Software £'000	Total £'000
<b>Cost or valuation</b>		
At 1 April 2007	1,932	1,932
Additions	527	527
Disposals	(55)	(55)
<b>At 31 March 2008</b>	<b>2,404</b>	<b>2,404</b>
<b>Depreciation</b>		
At 1 April 2007	(1,223)	(1,223)
Disposals	55	55
Charge for period	(462)	(462)
<b>At 31 March 2008</b>	<b>(1,630)</b>	<b>(1,630)</b>
<b>Net book value (NBV)</b>		
At 1 April 2007	709	709
<b>Total NBV intangible fixed assets at 31 March 2008</b>	<b>774</b>	<b>774</b>

## 10 Tangible fixed assets

	IT assets under construction £'000	Vehicles £'000	Furniture and fittings £'000	Plant and machinery £'000	Computers and other IT £'000	Total £'000
<b>Cost or valuation</b>						
At 1 April 2007	10,052	11	20,903	742	48,932	80,640
Reclassification of assets under construction	(15,231)	0	0	0	15,231	0
Additions	12,179	0	5,270	54	5,233	22,736
Disposals	0	(4)	(1,762)	(53)	(2,114)	(3,933)
Impairment	0	0	0	0	(2,087)	(2,087)
<b>At 31 March 2008</b>	<b>7,000</b>	<b>7</b>	<b>24,411</b>	<b>743</b>	<b>65,195</b>	<b>97,356</b>
<b>Depreciation</b>						
At 1 April 2007	0	(10)	(8,827)	(607)	(25,557)	(35,001)
Disposals	0	3	1,080	51	1,873	3,007
Charge for period	0	0	(2,371)	(119)	(9,977)	(12,467)
Impairment	0	0	0	0	785	785
<b>At 31 March 2008</b>	<b>0</b>	<b>(7)</b>	<b>(10,118)</b>	<b>(675)</b>	<b>(32,876)</b>	<b>(43,676)</b>
<b>Net book value (NBV)</b>						
At 1 April 2007	10,052	1	12,076	135	23,375	45,639
<b>Total NBV tangible fixed assets at 31 March 2008</b>	<b>7,000</b>	<b>0</b>	<b>14,293</b>	<b>68</b>	<b>32,319</b>	<b>53,680</b>

## 11a Debtors

	As at 31 March 2008 £'000	As at 31 March 2007 £'000
<b>Due in one year</b>		
Advances and other FE college debtors	5,284	9,134
WBL debtors	6,109	2,570
School sixth form debtors	55	173
Trade debtors	1,089	1,246
ESF and other debtors	61,491	53,931
<b>Sub-total debtors</b>	<b>74,028</b>	<b>67,054</b>
ESF and other accrued income	89,476	110,441
FE college prepayments	41,706	46,210
Administration cost prepayments	5,500	6,664
Other prepayments	8,357	17,849
<b>Sub-total accrued income and prepayments</b>	<b>145,039</b>	<b>181,164</b>
<b>Sub-total debtors, accrued income and prepayments</b>	<b>219,067</b>	<b>248,218</b>
Capital debtors (sale proceeds of fixed assets)	2	9
<b>Sub-total due in one year</b>	<b>219,069</b>	<b>248,227</b>
<b>Due in more than one year</b>		
Advances and other FE college debtors	0	750
<b>Total debtors</b>	<b>219,069</b>	<b>248,977</b>

**Note** – Debtors include a provision for doubtful debts of £9.4 million at 31 March 2008 (2006–07: £9.1 million).

## 11b Debtors: analysed by type of organisation

The following note provides an analysis of the debtors, accrued income and prepayments detailed above by type of organisation:

	As at 31 March 2008 £'000	As at 31 March 2007 £'000
<b>Due in one year</b>		
Local authorities	17,174	35,180
NHS trusts	28	28
Public corporations and trading funds	978	1,968
Other central government bodies	87,993	42,936
<b>Balances with other government bodies</b>	<b>106,173</b>	<b>80,112</b>
Balances with non-governmental bodies	112,896	168,115
<b>Sub-total due in one year</b>	<b>219,069</b>	<b>248,227</b>
<b>Due in more than one year</b>		
Balances with non-governmental bodies	0	750
<b>Total debtors by organisation type</b>	<b>219,069</b>	<b>248,977</b>

# Notes to the Accounts

## 12 Cash at bank and in hand

	As at 31 March 2008 £'000	As at 31 March 2007 £'000
Cash held at the Office of Paymaster General	98,166	49,277
Cash held at other banks and in hand	180	879
<b>Total</b>	<b>98,346</b>	<b>50,156</b>

DIUS authorises a working balance at 31 March of 1 per cent of the total resource budget agreed for the financial year. This working balance excludes funding for ESF, which is also included in the cash held at the Office of Paymaster General above.

The performance against the DIUS working balance target is detailed below:

	As at 31 March 2008 £'000	As at 31 March 2007 £'000
Total resource budget	11,279,319	10,690,386
1% thereof	112,793	106,904
<b>Paymaster General account balance for DIUS funding within the above</b>	<b>29,894</b>	<b>29,682</b>

### 13a Creditors: amounts falling due within one year

	As at 31 March 2008 £'000	As at 31 March 2007 £'000
Trade creditors	8,604	10,139
FE college creditors	13,706	43,800
WBL creditors	133,539	117,826
School sixth form creditors	611	1,125
Tax and social security	25	4,046
ESF and other creditors	37,837	44,945
<b>Sub-total creditors</b>	<b>194,322</b>	<b>221,881</b>
ESF and other deferred income	64,635	121,853
WBL accruals	11,082	11,467
Other accruals	295,274	249,251
<b>Sub-total deferred income and accruals</b>	<b>370,991</b>	<b>382,571</b>
<b>Sub-total creditors, deferred income and accruals</b>	<b>565,313</b>	<b>604,452</b>
Capital creditors	2,902	2,566
<b>Total creditors</b>	<b>568,215</b>	<b>607,018</b>

### 13b Creditors: analysed by type of organisation

The following note provides an analysis of the creditors, deferred income and accruals detailed above by type of organisation:

	As at 31 March 2008 £'000	As at 31 March 2007 £'000
Local authorities	37,483	44,330
NHS trusts	436	1,430
Public corporations and trading funds	11,694	17,190
Other central government bodies	129,378	83,104
<b>Balances with other government bodies</b>	<b>178,991</b>	<b>146,054</b>
Balances with non-governmental bodies	389,224	460,964
<b>Total creditors by organisation type</b>	<b>568,215</b>	<b>607,018</b>

# Notes to the Accounts

## 14 Provisions

	Early retirement £'000	agenda for change Theme 7 £'000	Funding claims £'000	Project Connect £'000	Total £'000
Provision balance at 1 April 2007	391	32,413	1,530	0	34,334
Additional charge in year	0	713	0	3,383	4,096
Provision utilised in year	(97)	(14,434)	0	0	(14,531)
<b>Provision balance at 31 March 2008</b>	<b>294</b>	<b>18,692</b>	<b>1,530</b>	<b>3,383</b>	<b>23,899</b>

### Early retirement

This covers the LSC's additional pension contributions that are charged against administration expenditure. These are defined by and made to the scheme administrator for the period up to normal retirement age for individuals who retired early under the LSC's Reshaping programme.

### agenda for change: Theme 7

This relates to the costs of reorganising the LSC under the *agenda for change* programme that are charged against administration expenditure. The majority of the balance relates to the liabilities associated with aligning our property portfolio to match our ongoing needs and is based on assumptions from property professionals about the timing of lease reassignments. The remaining element covers the LSC's additional pension contributions to the scheme administrator in relation to individuals who retired early as part of *agenda for change*.

### Funding claims

This relates to entitlement to Programme funding. No further disclosure is provided to avoid prejudice in future negotiations.

### Project Connect

The LSC has recently consolidated the IT services provided to it into a single contract. A consequence of this is a probable outflow to cover the redundancy costs of some former LSC staff who have transferred into the new supplier organisation with TUPE rights. £1,908,120 of this provision is related to administration expenditure with the balance charged against programme expenditure.

## 15 Capital commitments

Commitments for capital expenditure administered by the LSC at the end of the period were as follows:

	As at 31 March 2008 £'000	As at 31 March 2007 £'000
<b>Payable within one year</b>		
Authorised and contracted for	0	9,922
<b>Total capital commitments</b>	<b>0</b>	<b>9,922</b>
<b>Payable between two and five years</b>		
Authorised and contracted for	0	0
<b>Total capital commitments</b>	<b>0</b>	<b>0</b>

## 16 Commitments to make grants to colleges and schools

Commitments to make grants to colleges and schools at 31 March for FE participation and school sixth forms funding related to the remaining period of the academic year from April to July, together with capital commitments, were as follows:

	As at 31 March 2008 £'000	As at 31 March 2007 £'000
<b>Payable within one year</b>		
FE participation	1,835,310	1,790,792
School sixth forms	659,626	647,815
FE capital project support	582,206	274,759
Other capital grants (accessibility and CoVE)	15,880	40,745
	<b>3,093,022</b>	<b>2,754,111</b>
<b>Payable between two and five years</b>		
FE capital project support	399,097	213,913
	<b>399,097</b>	<b>213,913</b>

## 17 Contingent liabilities

	As at 31 March 2008 £'000	As at 31 March 2007 £'000
<b>The LSC had no material contingent liabilities as at 31 March 2008</b>	<b>0</b>	<b>0</b>

## 18 Financial instruments

Financial Reporting Standard (FRS)13 requires organisations to disclose information on the possible impact of financial instruments on its risk profile and how these might affect the organisation's performance and financial condition. As an NDPB, with no borrowings and almost wholly funded by DIUS and the DCSF, the LSC can confirm that it is not exposed to any liquidity or interest rate risks.

It also has no material deposits and all material assets and liabilities are denominated in sterling, hence it is not exposed to interest rate or currency risk.

The book value of the LSC's financial assets and financial liabilities are considered to be equivalent to their fair values at 31 March 2008.

# Notes to the Accounts

## 19 General reserve

	As at 31 March 2008 £'000	As at 31 March 2007 £'000
<b>Balance at 1 April</b>	<b>(295,871)</b>	<b>(81,019)</b>
Deficit before interest	(11,092,303)	(10,543,029)
Grant-in-aid funding	11,167,929	10,328,177
<b>Balance at 31 March</b>	<b>(220,245)</b>	<b>(295,871)</b>

## 20 Reconciliation of net expenditure before interest to net cash flow from operating activities

	Note	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
Net expenditure before interest		(11,092,303)	(10,543,029)
Depreciation charges	6b	12,929	12,668
Loss on disposal of fixed assets	6b	923	968
Loss on impairment	6b	1,302	1,407
Decrease in debtors – excludes capital debtors	11a	29,901	47,041
(Decrease)/increase in creditors – excludes capital creditors	13a	(39,139)	169,589
Decrease in provisions for liabilities and charges	14	(10,435)	(21,936)
<b>Net cash outflow from operating activities</b>		<b>(11,096,822)</b>	<b>(10,333,292)</b>

## 21 Reconciliation of net cash flow to movement in cash balance held

	Note	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
Cash at bank and in hand at 1 April	12	50,156	74,734
Increase/(decrease) in cash for the year – per cash flow statement		48,190	(24,578)
<b>Cash at bank and in hand at 31 March</b>		<b>98,346</b>	<b>50,156</b>

## 22 Related party transactions

The LSC is a NDPB funded by DIUS and the DCSF, both of which are regarded as related parties.

During the year, the LSC entered into transactions with organisations that can be considered as related because of the nature of the involvement of LSC National Council members and Management Group directors, or their close family members. The table below details the most material transactions and the relationship of the organisations to the LSC. All transactions were in the normal course of business and were conducted at arm's length.

LSC Council member/director/close family member	LSC role/relationship	Related organisation role/relationship	Related organisation	Transaction(s)	Value (£ million)
John Merry	National Council member	Councillor	Salford City Council	LSC provided funding allocations	1.2
Partner of Rob Wye	Partner of National Director	Director of Strategy (secondment) April to December 2007; Vice Principal from December 2007	Warwickshire College	LSC provided funding allocations	34.6
Partner of Rob Wye	Partner of National Director	Executive Director (secondment)	Stoke on Trent College (Self-Regulation Project)	LSC provided funding allocations	5.9
Spouse of Malcolm Gillespie	Spouse of Regional Director	Principal	City College Plymouth	LSC provided funding allocations	24.7
John Taylor	National Council member	Chief Executive	Sheffield College	LSC provided funding allocations	19.5

# Notes to the Accounts

## 23 Losses and special payments

### 23a Losses statement

The LSC incurred the following material losses in the period to 31 March 2008. The losses have been charged to the relevant programme in Note 3a.

Description	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
WBL provision		
2007–08 – cases below £250,000 individually	906	
2006–07 – cases below £250,000 individually		756
	<b>906</b>	<b>756</b>
ESF provision		
2007–08 – cases above £250,000 individually	597	
2007–08 – cases below £250,000 individually	762	
2006–07 – cases below £250,000 individually		791
	<b>1,359</b>	<b>791</b>
Other programme provision		
2007–08 – cases below £250,000 individually	211	
2006–07 – cases below £250,000 individually		50
	<b>211</b>	<b>50</b>
<b>Total cash losses</b>	<b>2,476</b>	<b>1,597</b>

At 31 March 2008 there were 59 cases (29 WBL provision, 23 ESF provision and 7 other programme provision), one of which was above the reporting threshold of £250,000 individually. The majority of these losses relate to overpayments to providers who have gone into liquidation and are subject to approval from the relevant authority below.

The Chief Executive of the LSC has delegated authority to approve the write-off of cash losses with an item value of up to £10,000 and subject to an overall limit of £250,000 in any one year. The LSC has requested DIUS and HM Treasury approval to write off the cases above, within their respective delegated authorities as summarised below:

Authority	Item value	Number of cases	31 March 2008 Loss £'000
LSC	Up to £10,000	28	111
DIUS	£10,000 to £100,000	26	1,139
HM Treasury	Over £100,000	5	1,226
<b>Total losses</b>		<b>59</b>	<b>2,476</b>

### 23b Special payments

The LSC incurred no special payments in the period to 31 March 2008 (2006–07: nil).

## 24 Post-balance sheet events

There have been no events after the balance sheet date that have had a material impact on the financial statements.

The financial statements were authorised for issue by Mark Haysom CBE, Accounting Officer on 9 July 2008.

# Glossary and Further Information

This is a brief guide to the main strategies, initiatives, partners and programmes with which the LSC is involved and which are mentioned in this Report.

There's a great deal about our policies and activities that can be accessed online – so please visit the LSC's website at [www.lsc.gov.uk](http://www.lsc.gov.uk) and <http://research.lsc.gov.uk/for> up-to-date news about the LSC and about education and training in England. Alternatively, call 0870 900 6800 for information about your nearest LSC office..

## 14–19 reforms

The 14–19 reforms will give all young people the opportunity to choose a mix of learning that motivates, interests and challenges them, and that gives them the knowledge, skills and attitude they need in order to succeed in education, work and life.

## Adult and community learning (ACL)

We maintain a national programme of leisure and occupational courses for adults through local further education colleges. We also provide extra funding for other ACL such as family and neighbourhood projects.

## Adult Learning Grant (ALG)

An allowance of up to £30 per week that is given to adults on low incomes studying full time for their first full Level 2 qualification and to young adults on low incomes studying full time for their first full Level 3 qualification.

## Apprenticeships

Apprenticeships offer training in the workplace. Young Apprenticeships allow 14- to 16-year-olds to spend two days a week learning a trade, while Apprenticeships (equivalent to GCSE level) give people aged 16 and over on-the-job training to NVQ Level 2 while they receive a wage. (Some may also gain a technical certificate.) Advanced Apprenticeships (equivalent to A-levels) give people aged 16 and over training to NVQ Level 3,

as well as a technical certificate. The LSC funds Apprenticeship training and assessment costs. [www.apprenticeships.org.uk](http://www.apprenticeships.org.uk)

## Career Development Loan (CDL)

A CDL is a bank loan designed to help people pay for work-related learning. It can help people gain the experience, training and qualifications needed to improve their job skills or even launch a new career. It can be used to fund a variety of vocational (work-related) courses with a wide range of organisations, and is available to people who are employed, self-employed or unemployed.

## Care to Learn

Care to Learn offers support for childcare and travel costs to individuals under the age of 20 who want to return to learning. Learners can apply for and receive payments through the Learner Support Service.

## Connexions

An information and advice service for young people aged between 13 and 19. It covers career and learning options as well as issues relating to health, housing, relationships with family and friends, and money. [www.connexions.gov.uk](http://www.connexions.gov.uk)

## Demand-led funding

This is a move towards more funding being driven directly by employer and learner choice and making sure the FE system is as responsive as possible to their needs. Lord Leitch's report (December 2006) endorsed this direction of travel. The LSC has introduced three new funding models for adult skills, employer skills and 14–19 learning, all of which aim to put purchasing power into the hands of the customer – whether employer or individual learner.

## Department for Children, Schools and Families (DCSF)

<http://www.dcsf.gov.uk>

## Department for Innovation, Universities and Skills (DIUS)

[www.dius.gov.uk](http://www.dius.gov.uk)

## Department for Work and Pensions (DWP)

[www.dwp.gov.uk](http://www.dwp.gov.uk)

## Education Maintenance Allowance (EMA)

EMA offers up to £30 a week to people aged 16 to 18 who need financial help to carry on learning. <http://ema.direct.gov.uk/htmlLanding.html>

## Entry to Employment (e2e)

A programme for people aged 16 to 18 who have become disillusioned with learning and are not in any sort of education, employment or training. It helps them to move into an Apprenticeship, education at NVQ Level 2, or a job.

## Framework for Excellence (FfE)

FfE is an approach to managing performance. It is a single framework that will help increase the quality of FE provision and the way in which that provision meets the needs of users. It will also help employers and learners to choose the provider best suited to their needs.

## Further education (FE)

There are two streams of education for people over 16: further education and higher education. Further education covers learning opportunities up to A-level and NVQ Level 3 standard.

## Higher education (HE)

Higher education includes courses above A-level or NVQ Level 3 standard. Examples include degree courses, postgraduate courses and Higher National Diplomas (HNDs). The Higher Education Funding Council for England (HEFCE) distributes public money for teaching and research to universities and colleges and aims to promote high-quality education and research that meets the needs of students, the economy and society.

### **Investors in People**

The national standard of good practice for workplace training and development. The Small Firms Initiative helps small firms (with between five and 49 employees) in England to develop their workforces. So far, only 2 per cent of small firms have achieved the Investors in People standard, compared with 45 per cent of medium-sized and large organisations. [www.investorsinpeople.co.uk](http://www.investorsinpeople.co.uk)

### **Jobcentre Plus**

Gives advice on jobs and training for people who can work, and financial help for those who can't.

### **Local authorities**

These are legislative organisations that deliver essential services to residents in a defined geographical area. Local authorities are responsible for meeting the learning needs of all young people up to the age of 18. They develop strategic commissioning plans for their area, working with neighbouring authorities, assessing demand for and required supply of 16–18 provision – including the academic route, Diplomas, Apprenticeships and the Foundation Learning Tier.

### **Local Employment Partnerships (LEPs)**

LEPs aim to give 250,000 people the skills that local employers need by 2010. They will also give people from local communities genuine opportunities to come off benefits and really change their lives. The LEPs that exist between Jobcentre Plus and employers are supported by DWP, DIUS and the LSC.

### **Managing Information Across Partners (MIAP)**

MIAP aims to streamline how information on learning and achievement is collected, handled and shared across the education sector so that excellent services are made available to individuals, employers and communities. MIAP, delivered by the LSC, will introduce an internet-based Learner Registration Service and a unique learner number for every

person in education and training – allowing individuals to build a lifelong record of their learning participation and achievements.

### **National Skills Academies (NSA)**

A network of employer-led, world-class centres of excellence delivering the skills required by each sector of the economy. Employers take control of the design and delivery of learning in their industry, working in partnership with government and top training providers, from both the public and private sectors. It means higher standards of training delivery, as employers know the levels of performance they need from their people to keep ahead of the competition, whether at home or abroad. <http://www.nationalskillsacademy.gov.uk/>

### **National Vocational Qualifications (NVQs)**

NVQs are work-related qualifications, at the following levels:  
Level 1 – equal to five GCSEs at grades D to G  
Level 2 – equal to five GCSEs at grades A\* to C  
Level 3 – equal to two A-levels or one vocational A-level  
Level 4/5 – equal to Higher National Certificate, Higher National Diploma or degree level.

### **Not in Education and Employment (NEET)**

The Government has set a PSA target for reducing the numbers of young people who are not in education, employment or training. The LSC has an important role and contribution to make – along with local authorities – in ensuring that suitable provision is available, accessible, well understood by young people and is of high quality. The target requires that the percentage of young people who are not in education, employment or training is reduced to 8% by 2010.

### **Public Service Agreement (PSA)**

Progress is measured by key indicators, agreed at Comprehensive Spending Review 2007, to be achieved by 2011 and 2014.

Indicators by 2011:

- 89 per cent of people of working age possessing functional literacy; 81 per cent possessing functional numeracy skills
- 79 per cent of working-age adults qualified to at least full Level 2
- 56 per cent of working-age adults qualified to at least full Level 3
- 130,000 apprentices to complete the full Apprenticeship framework in 2010/11.

Indicators by 2014:

- 36 per cent of working-age adults qualified to Level 4 and above by 2014, with an interim milestone of 34 per cent by 2011
- participation in HE increased towards 50% of those aged between 18 and 30 with growth of at least a percentage point every two years to the academic year 2010/11.

### **Qualifications and Curriculum Agency (QCA)**

QCA is responsible for developing the national curriculum, which defines the knowledge, understanding and skills to which children and young people are entitled. They review it and evaluate its appropriateness and relevance to the changing needs of learners and society. [www.qca.org.uk](http://www.qca.org.uk) Ofqual – the new regulator of qualifications, exams and tests in England – began its interim work on April 8 2008. The government will be bringing in legislation to establish Ofqual as the regulator of qualifications. Until this legislation is passed, they will operate as part of the Qualifications and Curriculum Authority. <http://www.ofqual.gov.uk/>

### **Quality Improvement Agency (QIA)**

The Quality Improvement Agency (QIA) is responsible for innovation and excellence in the Further Education and skills sector. They aim to challenge those involved in teaching, learning and training to lift their performance and implement the government's reforms for learning and skills. During

2008 QIA, together with the Centre for Excellence in Leadership (CEL), will transfer to a new sector-owned improvement body. [www.qia.org.uk](http://www.qia.org.uk)

### **Regional Development Agencies (RDAs)**

These bodies are responsible for economic development and regeneration in the nine regions of England.

### **School sixth forms**

The LSC became responsible for funding school sixth forms in April 2002 and funds 1,760 school sixth forms in 138 local education authorities (LEAs). In the remaining 12 LEAs, the education of over-16s takes place mainly in FE colleges and sixth-form colleges.

### **Sector Skills Councils (SSCs)**

Independent UK-wide organisations representing groups of employers, SSCs exist to improve skills and productivity in their sector.

### **September guarantee**

The guarantee ensures that all young people have an opportunity to engage in learning for at least two more years after they leave compulsory education. In 2008, the guarantee applies to all 16-year-olds completing compulsory education and 17-year-olds who are enrolled on one-year or short courses or who have left the activity they chose on leaving school. The agreed start date can be after the end of September, but should be no later than the beginning of the January 2009 term.

### **Skills Campaign**

The most ambitious skills communications initiative ever to raise the aspirations of millions of people was launched in July 2007. [www.lsc.gov.uk/inourhands](http://www.lsc.gov.uk/inourhands)

### **Skills for Life**

The Government's strategy to help adults who have missed out on educational achievement. It aims to improve the literacy, language and numeracy skills of 1.5 million adults.

### **Skills Funding Agency (SFA)**

This agency, with some regional capacity, will oversee the distribution of funds to the sector and manage the performance of FE colleges. It will also house the National Apprenticeship Service (NAS), the National Employer Service and the Adult Careers and Advancement Agency.

### **Skills Pledge**

The Skills Pledge is a public commitment; a promise to drive your business forwards by training your employees. The Skills Pledge is voluntary – you fulfil it in your own time and your own way. And you're supported with impartial advice from the Government's Train to Gain service. When you make the Skills Pledge you make skills mean business. <http://inourhands.lsc.gov.uk/employersSkillsPledge.html>

### **Skills Strategy**

The Government launched its Skills Strategy in July 2003, promising to improve support for businesses that develop their workforces.

### **Train to Gain**

Train to Gain is a service, managed and funded by the LSC, that helps employers to find the training they need for their staff. A dedicated skills broker analyses individual business needs and works with each employer to help them to plan a tailored training programme. Because Train to Gain skills brokers do not work for any training organisation, the advice that they give to employers is impartial. The aim is to make sure that employers are able to find the training that they need to increase productivity and to develop more competitive businesses. The Train to Gain brokerage service will transfer to the Regional Development Agencies in April 2009. [www.traintogain.gov.uk](http://www.traintogain.gov.uk)

### **Training Quality Standard (TQS)**

An assessment framework designed to recognise and celebrate the best organisations delivering training and development solutions to employers. <http://www.trainingqualitystandard.co.uk/page.php?p=75>

### **UK Commission for Employment and Skills (CFES)**

Led by Sir Michael Rake (Chairman BT Group plc) and around 20 influential Commissioners, the CFES will ensure that employers have a pivotal role in ensuring the UK's employment and skills system responds well to the needs of business and the public services, as well as promoting increased investment in workforce skills by employers for a more highly skilled and productive economy. The CFES replaces the Skills Alliance in England.

### **Young People's Learning Agency (YPLA)**

This new national non-departmental public body, with some regional capacity, will support local authorities in their new role in commissioning and funding 14–19 provision. Local capacity on 14–19 will therefore, as expected, be with local authorities.

# List of Related Documents

**14-19 Education and Skills White Paper (published February 2005)** [www.dfes.gov.uk/publications/14-19educationandskills/index.shtml](http://www.dfes.gov.uk/publications/14-19educationandskills/index.shtml)

**Building Colleges for the Future (published March 2008)** <http://dius.gov.uk/publications/LSCLayout.pdf>

**Delivering World-class Skills in a Demand-led System (published January 2007)** <http://readingroom.lsc.gov.uk/lsc/national/nat-deliveringworldclassskills-jan07.pdf>

**Framework for Excellence: How the Framework Will Work (published June 2007)** <http://ffe.lsc.gov.uk/Framework+for+Excellence+How+the+Framework+will+work++June+2007.htm>

**From Here to Sustainability (published September 2005)** <http://readingroom.lsc.gov.uk/lsc/2005/ourbusiness/strategy/from-here-to-sustainabilitylsc-strategy-for-sustainabledevelopment.pdf>

**Further Education: Raising Skills, Improving Life Chances (published March 2006)** [www.dfes.gov.uk/publications/furthereducation/docs/6514-FE%20White%20Paper.pdf](http://www.dfes.gov.uk/publications/furthereducation/docs/6514-FE%20White%20Paper.pdf)

**Learner Health, Safety and Welfare: Safe Learner Blueprint (published September 2007)** [www.safelearner.info/downloads/LSCHealthSafety%204-10-07.pdf](http://www.safelearner.info/downloads/LSCHealthSafety%204-10-07.pdf)

**LSC Single Equality Scheme: Our strategy for Equality and Diversity (published April 2007)** <http://readingroom.lsc.gov.uk/lsc/National/nat-singleequalityscheme-30apr07.pdf>

**LSC Grant Letter 2007-08** <http://readingroom.lsc.gov.uk/lsc/National/nat-lscgrantletter0708-le-oct2006.pdf>

**LSC Grant Letter 2008-09** <http://www.dius.gov.uk/publications/LSC-Grant-Letter-2008-09.pdf>

**National Employer Skills Survey 2007 (published May 2008)** <http://readingroom.lsc.gov.uk/lsc/National/nat-nessurvey2007mainreport-may08.pdf>

**National Learner Satisfaction Survey 2007 (published July 2008)** <http://research.lsc.gov.uk>

**Our Statement of Priorities – Better skills, Better jobs, Better lives (published November 2007)** <http://readingroom.lsc.gov.uk/lsc/National/nat-statementofpriorities-nov07.pdf>

**The Learning and Skills Council's Proposed Statutory Intervention Policy: Consultation Document (published January 2008)** <http://readingroom.lsc.gov.uk/Lsc/National/nat-LSCproposedinterventionpolicyjan2008.pdf>

**Prosperity for all in the global economy – world class skills (published December 2006)** [www.hm-treasury.gov.uk/media/6/4/leitch\\_finalreport051206.pdf](http://www.hm-treasury.gov.uk/media/6/4/leitch_finalreport051206.pdf)

**Raising Expectations: enabling the system to deliver (published March 2008)** [www.dfes.gov.uk/consultations/downloadableDocs/Raising%20Expectations%20pdf.pdf](http://www.dfes.gov.uk/consultations/downloadableDocs/Raising%20Expectations%20pdf.pdf)

**Skills in England 2007 (published September 2007)** [http://readingroom.lsc.gov.uk/lsc/National/SiE\\_Volume1final\\_12Sept07.pdf](http://readingroom.lsc.gov.uk/lsc/National/SiE_Volume1final_12Sept07.pdf)

**Train to Gain: A Plan for Growth (published November 2007)** [www.dius.gov.uk/publications/Train-to-Gain-Executive-Summary.pdf](http://www.dius.gov.uk/publications/Train-to-Gain-Executive-Summary.pdf)

**World Class Skills: Implementing the Leitch Review of Skills in England (published July 2007)** [www.dius.gov.uk/publications/worldclassskills.pdf](http://www.dius.gov.uk/publications/worldclassskills.pdf)

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