



REPORT AND FINANCIAL STATEMENTS

31 JULY 2009

Contents

	Pages
Introduction	1
Report of the members of the Corporation Board	2 - 10
Statement of corporate governance and internal control	11 - 14
Statement of the responsibilities of the members of the Corporation	15
Independent auditors' report	16 - 17
Independent auditors' report on regularity	18
Income and expenditure accounts	19
Statement of historical cost surpluses and deficits	20
Statement of total recognised gains and losses	21
Balance sheets	22
Cash flow statement	23
Notes to the financial statements	24 - 58



COLCHESTER INSTITUTE

INTRODUCTION

To say that the academic, business and financial year of 2008-09 was a challenging one could be construed as something of an understatement. Success rates and similar outcomes all showed improving trends. The Minorities completed a good first year and a merger with Braintree College has been proposed. Unfortunately for Colchester Institute, its building programme was terminated in March 2009 when the College was unexpectedly instructed by the Learning and Skills Council to cease work. Until then the College had been working closely with the area and regional LSC officers and urged to expedite the programme in a phased fashion and to undertake preparatory design and groundwork in anticipation of final phase approval. The national capital investment programme was mismanaged by the LSC, both generally and specifically, leaving the College with unfunded costs and with an unavoidable exceptional £10.4m write-off requirement. This is reflected in the financial statements. It has also meant that implementation of the Property Strategy for the College has had to be delayed although some important construction activity has already been undertaken, notably a new West Wing and a new Engineering Block. Given the lingering negative economic climate, it is unlikely that further significant building will be feasible for a number of years. It is, therefore, to the credit of Colchester Institute colleagues that the underlying monetary trend is one of modest profitability.

2008-09 was the first full year of Colchester Institute operation of The Minorities, Colchester's Art Gallery facility. Not only has it proven to be a popular resource for Art, Design and Media activity, it also provides a further example of the College establishing "niche provisions" for "niche markets". This is likely to continue with the prospect of a Hotel School being established in the relatively near future. 2009-10 could well see a merger taking place between Colchester Institute and Braintree College. The latter would be rebranded as The College at Braintree, from the day of merger. There will be a need to deal with issues relating to finance and quality, as a direct consequence of integration.

On matters associated more closely with learners and students, it was pleasing to establish that success rates - a combination of retention rates and achievement rates - had improved from 2007-08 to 2008-09. All major areas, including Further Education, Higher Education, Work Based Learning and Key Skills, reported upward trends. This was of particular significance for Higher Education programmes. As the size of the learner/student population has also been growing, year-on-year, this set of results is particularly noteworthy for Colchester Institute. The College continues to prioritise the attainment of "outstanding" status at a future OFSTED inspection, currently being rated as "good" with some outstanding features, although the relevant timescale could be lengthened by the aforementioned merger process.

Colchester Institute remains very much a people-based organisation and a growing focus has been placed on customer service activity. The "learner voice" has been strengthened in terms of feedback being registered and then acted upon while employer engagement has led the College to seek Training Quality Standard (TQS) accreditation. To use the jargon word, stakeholders have been identified ever more clearly and strategies for working with them implemented actively.

No Annual Report and Financial Statements can be left without full recognition of the hard work displayed by learners/students, staff, Governors and the many users and supporters of Colchester Institute who have contributed positively to collegiate life over 2008-09.

2009-10 beckons!

DANNY CLOUGH
Principal & Chief Executive

DAVID PRIEST
Chairman, Colchester Institute Corporation

COLCHESTER INSTITUTE

REPORT OF THE MEMBERS OF THE CORPORATION

The members present their report and the audited financial statements for the year ended 31 July 2009.

CORPORATION BOARD ORGANISATION AND LEGAL STATUS

- 1 The Corporation was established under the auspices of The Further and Higher Education Act 1992 for the purpose of conducting Colchester Institute. Colchester Institute is an exempt charity for the purposes of the Charities Act 1993 as amended by the Charities Act 2006.
- 2 The Corporation Board is responsible for the governance of the Institute and comprises 17 Members, the majority of whom are drawn from a wide range of industry, commerce and education and from those who have experience of service in the community. These together with the Principal and Chief Executive and four other Members drawn from staff (two) and students (two) form the Board under the Instrument of Government.
- 3 It is the Corporation's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct as applied in meeting its responsibilities set down in the Articles of Government.
- 4 The full Board meets formally as required (currently 6 times a year) to discharge specific responsibilities. These responsibilities include determining the academic character of the Institute, the approval of the Strategic Plan and the annual Corporation budget, and appointments to all designated senior posts. The Board sets the framework for pay and conditions of all other staff, and oversees the proper use of public funds in conformity with national Financial Memorandum and the Accounting Policies.
- 5 The Board has established a number of Standing Committees to examine and handle decisions on more detailed matters and to monitor their progress. Specifically these are a Finance and General Purposes Committee (finance, accounting and property matters), a Search and Constitution Committee (to review the composition of the Board and consider the appointment of all members to it), a Senior Staff Remuneration Committee (recruitment to and performance review for all designated Senior Posts), a Personnel Committee (staff pay and conditions, and employment policies for all employees except Senior Posts), a Quality and Standards Committee (to monitor the effectiveness of the Institute's quality assurance systems and the self assessment of the Board) and an Audit and Compliance Committee.
- 6 Individual Board Members are linked to Centres of Study/Business Support areas and report through the Principal to the Quality and Standards Committee on visits and contacts they have made. Once a year the full Board reviews the effectiveness of its work. Minutes of meetings of the Corporation are open for inspection by any member of the public or staff except on those matters relating to an individual employee or student or other matters where the Board has ruled the records to be confidential (e.g. sensitive negotiations on property).
- 7 The Board regularly reviews its statutory requirements, including the Health and Safety policy. Staff appropriately qualified in Health and Safety and First Aid at Work exist throughout the Institute.

- 8 In response to Lord Nolan's report on Standards in Public Life, the Corporation has a code of conduct which must be subscribed to by all Members and a Register of Members' interests is held by the Secretary and is available for public inspection.
- 9 The Board annually holds a Public Meeting where members of the public and other stakeholders can hear a review of the Institute for the previous year and the plans and developments for the forthcoming year.

MISSION

- 10 Through the planning cycle employed by the Colchester Institute Corporation Board, Governors agreed that the College's Mission Statement should remain in place for 2008-09, namely:

"Colchester Institute's purpose is to meet the needs of customers through effective learning, teaching and development of skills."

VISION AND IMPLEMENTATION OF STRATEGIC PLAN

- 11 Alongside the College Mission Statement, a Vision Statement has been confirmed by the Corporation Board:

"Colchester Institute's aim is to be the first choice provider of top quality vocational education and training throughout the communities it serves."

- 12 In order for the Plan to be dealt with operationally, five Key Themes were identified:

- (i) Putting better learning and teaching at the heart of what we do
- (ii) Creating a truly vocational College (FE and HE)
- (iii) Getting better at "Putting Learners and Customers First"
- (iv) Leading (leadership & management), and,
- (v) Building the right facilities and human resources we need to do the learning and teaching better.

- 13 2008-09 represented the second and middle year of the three year Colchester Institute Strategic Plan 2007-10. Selected targets (that followed from the Plan) covered full-time 16-18 FE learner recruitment (3,360 target; 3609 actual), Long FE success rates (75% target; 76% actual) and annual income/turnover (£34,791,200 target; £35,228,000 actual). A lack of progress in Teaching and Learning Observation grading will require careful analysis ready for 2009-10 reality. In total, some 22 targets were established for, and monitored throughout, 2008-09 (see the Performance Indicators section).

FINANCIAL OBJECTIVES

- 14 In support of the above Vision and Mission the College must remain financially sound. In order that this can be achieved and despite the current challenging situation, strict financial objectives have been set:

1. To operate within financial covenants to Barclays Bank:
 - Debt servicing costs not to exceed 7% of total income in any year.
 - Historical Cost Deficit not to exceed £500,000 or 0.5% of turnover (whichever is less) for any two consecutive 12 months periods, unless such deficit is covered by distributable reserves.

2. To grow non LSC funded income.
 3. To generate a positive cash flow before investment in fixed assets.
 4. To have a current ratio of better than 1-5 at each year end, after adjusting for the short-term element of long-term loans. This will not be achieved whilst loan repayments are being made and cash is being run down but does remain a long term objective.
 5. To plan cash flow in order to meet the loan repayment schedule.
 6. To ensure that LSC, Framework for Excellence measure does not fall below satisfactory and returns to a minimum of good in the longer term.
- 15 A series of performance indicators have been agreed to monitor the successful implementation of the policies and to ensure that the College is rated as satisfactory within the Learning and Skills Council Framework for Excellence assessment.

PERFORMANCE INDICATORS

- 16 Although the LSC request for and use of College (three-year) development plans has lapsed, Colchester Institute has continued to establish and utilise six sets of indicators and targets, covering recruitment, success, staff productivity, teaching, financial performance and employer engagement. Performance was generally sound, with a number of genuine highlights, but there is a need to reflect on the use of Teaching and Learning Observations and the outcomes that follow. The self-assessment process has been enhanced for the review of 2008-09: this will take place towards the start of 2009-10 and to an agreed action plan.

STUDENT NUMBERS

- 17 For 2008-09, Colchester Institute delivered a level of FE activity that earned, fully, the College's main allocation from LSC. HE in FE funding – via HEFCE and The University of Essex – was also in such a position. Work-Based Learning, involving Apprenticeships and Train to Gain, was affected, negatively, by the recession.

STUDENT ACHIEVEMENTS

- 18 As referred to earlier, there was evidence of some success rate improvement for all of FE, HE in FE, WBL and Key Skills. Further improvement will remain a priority for 2009-10.

CURRICULUM DEVELOPMENTS

- 19 Colchester Institute is supportive of the motion that a “ladder” of qualifications is necessary to ease progress for learners (FE) and students (HE). A premium has been placed on ensuring that there is greater level 2 coverage, prior to level 3 programmes, across the College's curriculum offer. It has also reinforced its level 1 provision, including some curriculum areas not catered for previously. At differing ends of the spectrum, level 0 and levels 5 (foundation degrees) plus 7 (postgraduate degrees) have also seen an increased availability. The goals of remaining an “all through College”, a “mixed economy College” and a “College of Further and Higher Education” have been advanced.

FINANCES

- 20 The College generated an operating surplus (pre-FRS17) of £115,000. Post FRS17 the deficit is £638,000 and the historical deficit before exceptional items is £380,000.
- 21 It was necessary to write off costs incurred in pursuing the property strategy, before the Learning and Skills Council (LSC) withdrew support, together with expenditure required to recover the site. The net charge to the income and expenditure account after reversal of impairment provision made last year is £10,004,000. This is explained in note 12 to the accounts.
- 22 The strain caused by LSC mis-management of Capital Funding of Colleges has caused the grading of Colchester Institute within the LSC Framework for Excellence to deteriorate from outstanding to satisfactory.

TREASURY POLICIES AND OBJECTIVES

- 23 Treasury management is the management of the College's cashflows and its banking, and the risks associated with those activities and the pursuit of optimum performance consistent with those risks. Borrowing in order to fund the Property Strategy has been sanctioned by the Corporation and is authorised by the Principal and Director of Corporate Services and Finance. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum of the LSC.

POST- BALANCE SHEET EVENTS

- 24 Colchester Institute has been confirmed as the preferred merger partner for Braintree College. Our proposal rests with the Department for Business, Innovation and Skills (DBIS) and should feedback prove to be favourable merger will take place on 1 January 2010.

PLANNED MAINTENANCE PROGRAMME AND PROPERTY STRATEGY

- 25 Currently a policy of writing off maintenance and refurbishment costs as incurred is followed. No long term maintenance plan has been set up as it is likely that most of the site would be replaced. Now that it is unlikely that new build will occur in the short term a plan of refurbishment and preventative maintenance will be drawn up.

PAYMENT PERFORMANCE

- 26 The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. This is being implemented and monitored at Colchester Institute.

CHARITABLE AND TAXATION STATUS

- 27 The Corporation is an exempt charity for the purposes of the Charities Act 1993 and within the meaning of Section 506(1) of the Taxes Act 1988. Accordingly the Corporation is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 505 of the Taxes Act 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 Corporation enjoys no exemption from VAT and consequently input tax on vatatable purchases is largely irrecoverable. The subsidiary company is, however, not exempt from Corporation Tax and may recover input VAT against output VAT where this is appropriate on services supplied to the Corporation.

PRINCIPAL RISKS AND UNCERTAINTIES

- 28 The College has further improved its Risk Management procedures during the year by embedding risk management as an agenda item on all departmental meetings. Risks are discussed by The Risk Management Group which includes Board and Internal audit representation and a Significant Risk Action Plan has been drawn up to agree procedures to mitigate against any financial or operating threats to Colchester Institute achieving its strategic plan and to guard against risks to the colleges assets and reputation.
- 29 There is a comprehensive list of threats reviewed on the significant risk action plan, the principal risks are identified as follows:-
- **Lack of Funds.** The large write off in the year arising from LSC handling of the building programme has left the College reliant on substantial bank borrowing. Agreements are in place with the College bankers to meet identified shortfalls. Cash flow is being managed with even closer scrutiny.
 - **Loss of IT Systems.** The College, like most businesses is heavily reliant on its IT infrastructure and detailed risk management systems and data recovery plans are in existence. This is part of a comprehensive Business Recovery plan.
 - **Government Funding.** Machinery of Government funding changes give rise to areas of concern over levels and types of funding. College management are consulting with the Local Authority and aim to keep abreast of changes as announced and to monitor enrolments assiduously in order to compensate for any areas of funding shortfall.
 - **Major Health Outbreak.** A robust Code of Practice is in place to guard against serious effects of a major health outbreak
 - **Merger.** Merger with Braintree College is planned early in 2010. Whilst giving many opportunities for learners and potential for financial strength of the joint organisation the merger will present many challenges. A detailed plan to manage the merger and mitigate against financial and operating risks during the merger process is in existence and support funding has been agreed with the Learning and Skills Council.

STAKEHOLDER RELATIONSHIPS

- 30 In line with other colleges and universities, Colchester Institute has many stakeholders. These include learners and students, funding councils, staff, employers, local authorities, Government offices, the local community, trade unions and professional bodies and other FE institutions. The College recognises the importance of these relationships and engages in regular communication.

STAFF AND STUDENT INVOLVEMENT

- 31 Colchester Institute has Investors in People and Investors in People Leadership and Management accreditation. Reassessment saw the highest grade possible awarded for leadership and management. The College prioritises good communication with its staff and, to this end, employs such techniques as providing a twice-monthly staff newsletter (Insight) and undertaking staff surveys with resultant action planning. Student-to-staff links are also strong. Involvement of both staff and students in the work of College/Corporation committees is encouraged, including full Board membership for two staff members and two student members.

DISABILITY EQUALITY

- 32 The College celebrates and values the diversity brought to its workforce and learners/students by individuals and believes that the College will benefit from engaging staff of all abilities, thus allowing it to meet the needs of a diverse student population within a diverse society. The College treats all employees and students with respect and dignity, and seeks to provide a positive working and learning environment free from disability discrimination, harassment or victimisation.

DISABILITY EQUALITY STATEMENT

- 33 Colchester Institute responded to the Disability Discrimination Act 1995, as amended by the Special Education Needs and Disability Act 2001 and the Disability Discrimination Act 2005, and consulted with a cross-section of disabled staff, students and stakeholders to prepare a Disability Equality Scheme. This has been reviewed and made available to the College community.

MEMBERS

- 34 No Members of the Corporation Board (except the Principal and staff members as employees) receive any remuneration for their services, but may claim reimbursement of out-of-pocket expenses incurred on Corporation business.
- 35 The members who served the Corporation during the year and up to the date of signature of this report were:

Name	Appointment Details	Current Term of Office	Date of Leaving	Status of Appointment	Committees Served
C. Bridge	April 93, last re-appointed January 07	4 years		Member	Chr Q&S and A&C, member S&C and SSRC
A Butcher	July 09	1 year		Student	Q&S
D. Clough	November 01	Ex-officio		Principal	All except A&C
M. Dew	October 07	4 years		Member	A&C and Personnel
S. Drummond	April 06	4 years		Member	Personnel
N Edoe	November 08	1 year	31.07.09	Student	Q&S
C. Favre	November 01, re-appointed November 05	4 years		Staff	Q&S and F&GP
T. Fisher	January 07	4 years		Member	F&GP
H. Freeman	December 07, re-appointed July 08	1 year	30.06.09	Student	Q&S
R. McKay	February 08	4 year		Member	A&C and Personnel
P. Minder	March 07	4 years		Member	Personnel
D. Priest	April 93 last re-appointed January 08	2 years		Member	Chr of Board, and member of all Committees except A&C, Chr of S&C and SSRC
K Prince	January 08	4 year		Member	A&C and Q&S
G. Pyman	August 06	4 years		Member	A&C and Q&S
G. Randall	June 01, last re-appointed June 09	4 years		Member	Chr F&GP, member S&C and SSRC

Name	Appointment Details	Current Term of Office	Date of Leaving	Status of Appointment	Committees Served
T. Rich	June 99 re-appointed January 08	4 years		Member	F&GP
D. Rodwell	January 02, re-appointed January 06	4 years		Staff	S&C and Personnel
C Scott	December 09	1 year		Student	Q&S
B. Smith	September 96 re-appointed January 08	4 years		Member	Chr Personnel; member Q&S, S&C and SSRC

Key to Committees:

A&C Audit and Compliance
F&GP Finance and General Purposes Committee
Q&S Quality and Standards Committee
S&C Search and Constitution Committee
SSRC Senior Staff Remuneration Committee

OFFICERS AND PROFESSIONAL ADVISORS

36 The officers and professional advisors were:

Corporation Secretary: Hazel Paton ACIS

Financial Statements Auditors:

Scrutton Bland
820 The Crescent
Colchester Business Park
Colchester

Internal Auditor:

Myroulla West CPFA
Colchester and Essex Internal
Audit Consortium
Colchester Institute
Sheepen Road
Colchester

Bankers:

Barclays Bank plc
Barclays Commercial Bank, Eastern
Mortlock House
PO Box 885
Histon
Cambridge

Solicitors:

Birkett Long
42 Crouch Street
Colchester

Surveyors:

Nicholas Percival
Chartered Architects
Beacon End Farmhouse
London Road
Colchester

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.

DAVID PRIEST
Chairman

Date:

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

- 1 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.
- 2 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 2009

THE CORPORATION

- 3 The composition of the Corporation is set out in para 33 above. It is the Corporation's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.
- 4 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. The Corporation meets six times each year.
- 5 The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Finance and General Purposes, Senior Staff Remuneration, Search and Constitution, Audit and Compliance, Quality and Standards and Personnel. Full minutes of Board and Committee meetings except those deemed to be confidential by the Corporation are published in the Governance section of the College website and are available from the Clerk to the Corporation at:

Colchester Institute, Sheepen Road, Colchester, Essex, CO3 3LL
- 6 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.
- 7 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 compliance with all applicable procedures and regulations. The appointment and dismissal of the Clerk are matters for the Corporation as a whole.
- 8 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.
- 9 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.
- 10 There is a clear division of responsibility in that the roles of the Chairman and Principal are separate.

APPOINTMENTS TO THE CORPORATION

- 11 Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search and Constitution Committee comprised of 6 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.
- 12 Members of the Corporation are appointed for a term of office not exceeding four years.

SENIOR STAFF REMUNERATION COMMITTEE

- 13 Throughout the year ending 31 July 2009, the Senior Staff Remuneration Committee comprised the Chairman of the Board, and the Chairmen of other Committees, excluding Audit and Compliance, the Finance and General Purposes, Personnel and Quality and Standards Committee. The Principal is a member of the Committee, however he is not present at discussions concerning his own remuneration or benefits. The Committee's responsibilities are to consider the remuneration and benefits of the Principal and other senior postholders.
- 14 Details of remuneration for the year ended 31 July 2009 are set out in note 10 to the financial statements.

AUDIT AND COMPLIANCE COMMITTEE

- 15 The Audit and Compliance Committee comprises five members of the Corporation (excluding the Principal and Chair) and two members who are not Members of the Corporation Board. Two Members of the Committee have relevant financial and audit experience. The Committee operates in accordance with written terms of reference approved by the Corporation.
- 16 The Audit and Compliance Committee meets at least once a term and provides a forum for reporting by the college's internal 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.
- 17 The College's internal auditors monitor the systems of internal control, risk management controls and governance processes in accordance with an agreed plan and report their findings to management and to the Audit and Compliance Committee. Management is responsible for the implementation of agreed recommendations and internal audit undertake periodic follow up reviews to ensure that such recommendations have been implemented.
- 18 The Audit and Compliance Committee also advises the Corporation on the appointment of internal and financial statements auditors and their remuneration for both audit and non-audit work.

INTERNAL CONTROL

Scope of responsibility

- 19 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, not absolute assurance, against material mis-statement or loss.
- 20 The Corporation has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with the responsibilities assigned to him in the Financial Memorandum between Colchester Institute and the LSC. He is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control

- 21 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 risk 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 Colchester Institute for the year ended 31 July 2009 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

- 22 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 2009 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

- 23 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.

24 The 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 and Compliance Committee. Annually, the Internal Auditor provides the governing body with a report on internal audit activity in the college. The report includes the Internal Auditor's independent opinion on the adequacy and effectiveness of the college's system of risk management, controls and governance processes.

Review of effectiveness

25 As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. The Principal's 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 and the LSC-appointed ILR auditors in their management letters and other reports.

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

27 The senior leadership and 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 leadership and management team and the Audit and Compliance Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit and Compliance Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Audit and Compliance Committee agenda includes a regular item for consideration of risk and control and receives reports thereon to the Corporation Board. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At the December 2009 meeting, the Corporation will carry out the annual assessment for the year ended 31 July 2009 by considering documentation from the senior leadership and management team and internal audit, recommendations from the Audit and Compliance Committee and taking account of events since 31 July 2009.

Going Concern

28 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.

DAVID PRIEST
Chairman

DANNY CLOUGH
Principal & Chief Executive

Date:

Date:

STATEMENT OF THE RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION

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

Within the terms and conditions of the Financial Memorandum agreed between the Learning and Skills Council (the LSC) and the Corporation of the College, the Corporation, through its Principal, is required to prepare consolidated financial statements for each financial year in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education Institutions and with the Accounts Direction issued by the Learning and Skills Council, and which give a true and fair view of the state of affairs of the college and the group and the result of the College and the group 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; and
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the College or its subsidiary undertaking 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 the group, 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 its subsidiary undertaking and to prevent and detect fraud and other irregularities.

The maintenance and integrity of the College website is the responsibility of the Corporation of the College; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from the 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 and its subsidiary undertaking's resources and expenditure, so that the benefits that should be derived from the application of public funds by the LSC are not put at risk.

Signed on behalf of the Corporation

DAVID PRIEST

Chairman

Date:

INDEPENDENT AUDITORS' REPORT TO THE CORPORATION OF COLCHESTER INSTITUTE

We have audited the financial statements of Colchester Institute for the year ended 31 July 2009 which comprise the income and expenditure account, the balance sheets, the cash flow statement, the statement of total recognised gains and losses and the related notes. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out therein.

This report is made solely to the College's 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 Colchester Institute and Auditors

As described in the Statement of Responsibilities the College's Corporation is responsible for preparing the Members' Report and financial statements in accordance with the Accounts Direction issued by the Learning and Skills Council, the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education, applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education. We also report to you if, in our opinion, the Members' Report is not consistent with the financial statements, if the College has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the Members' Report and consider 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 circumstances of the College and are consistently applied and adequately disclosed.

INDEPENDENT AUDITORS' REPORT TO THE CORPORATION OF COLCHESTER INSTITUTE - (continued)

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the College and the group as at 31 July 2009 and of the group's deficit of expenditure over income for the year then ended; and
- the financial statements have been properly prepared in accordance with the 2008/09 Accounts Direction issued by the Learning and Skills Council and the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education.

SCRUTTON BLAND

Accountants and
Registered Auditors

Colchester

Date:

ON REGULARITY TO THE CORPORATION OF COLCHESTER INSTITUTE (“THE CORPORATION”) AND THE LEARNING AND SKILLS COUNCIL (“THE LSC”)

In accordance with the terms of our engagement letter dated 11 August 2006 and further to the requirements of the LSC, we have carried out a review to obtain assurance about whether, in all material respects, the expenditure and income of Colchester Institute (“the College”) for the year ended 31 July 2009 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 Colchester Institute and Auditors

The College’s Corporation is responsible, under the requirements of the Further and Higher Education Act 1992, subsequent legislation and related regulations, for ensuring that expenditure and income are applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this review are established in the United Kingdom by our profession’s ethical guidance and the audit guidance set out in the Audit Code of Practice and the Regularity Audit Framework issued by the LSC. We report to you whether, in our opinion, in all material respects, the College’s expenditure and income for the year ended 31 July 2009 have been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Basis of opinion

We conducted our review in accordance with the Audit Code of Practice and the Regularity Audit Framework issued by the LSC. Our review includes examination, on a test basis, of evidence relevant to the regularity and propriety of the College’s income and expenditure.

Opinion

In our opinion, in all material respects the expenditure and income for the year ended 31 July 2009 have been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

SCRUTTON BLAND

Accountants and
Registered Auditors
Colchester

Date:

**INCOME AND EXPENDITURE ACCOUNTS
YEAR ENDED 31 JULY 2009**

		Colchester		Colchester	
	Notes	Consolidated 2009	Institute 2009	Consolidated 2008	Institute 2008
		£000	£000	(As restated) £000	(As restated) £000
Income					
Funding Council income	2	26,430	26,430	23,949	23,941
Education contracts	3	2,737	2,737	2,444	2,444
Tuition fees and charges	4	4,542	4,056	4,057	3,360
Other operating income	5	1,474	1,742	1,378	1,661
Investment income	6	45	70	167	305
Total income		35,228	35,035	31,995	31,711
Expenditure					
Staff costs	8	22,765	22,765	20,814	20,814
Other operating expenses	11	10,420	10,225	9,535	9,258
Depreciation	14	1,606	1,603	953	917
Interest payable	9	559	559	32	32
Interest expense – FRS17	24	516	516	181	181
Total expenditure		35,866	35,668	31,515	31,202
(Deficit)/surplus on continuing operations prior to costs relating to property strategy		(638)	(633)	480	509
Property strategy costs	12	(10,004)	(10,004)	(2,194)	(2,194)
(Deficit) on continuing operations after depreciation of assets at valuation and before exceptional income		(10,642)	(10,637)	(1,714)	(1,685)
Exceptional income	7	-	-	369	369
(Deficit) on continuing operations after depreciation of assets at valuation		(10,642)	(10,637)	(1,345)	(1,316)

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

**STATEMENT OF HISTORICAL COST SURPLUSES AND DEFICITS
YEAR ENDED 31 JULY 2009**

		Colchester		Colchester	
	Notes	Consolidated 2009 £000	Institute 2009 £000	Consolidated 2008 £000	Institute 2008 £000
(Deficit) on continuing operations after depreciation of assets at valuation		(10,642)	(10,637)	(1,345)	(1,316)
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	21	258	258	354	354
Revaluation reserve release relating to disposal of land and buildings	21	-	-	73	73
Historical cost losses for the year		(10,384)	(10,379)	(918)	(889)

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
YEAR ENDED 31 JULY 2009**

	Notes	Colchester		Colchester	
		Consolidated	Institute	Consolidated	Institute
		2009	2009	2008	2008
		£000	£000	£000	£000
(Deficit) on continuing operations after depreciation of assets at valuation		(10,642)	(10,637)	(1,345)	(1,316)
Revaluation loss in respect of impairment of revalued fixed assets		-	-	(7,647)	(7,647)
Revaluation gain in respect of impairment reversal of revalued fixed assets		4,238	4,238	-	-
Actuarial gain/(loss) in respect of pension scheme	24	214	214	(4,528)	(4,528)
Total recognised losses since last report		<u>(6,190)</u>	<u>(6,185)</u>	<u>(13,520)</u>	<u>(13,491)</u>

**BALANCE SHEETS
AS AT 31 JULY 2009**

	Notes	Colchester		Colchester	
		Consolidated 2009 £000	Institute 2009 £000	Consolidated 2008 £000	Institute 2008 £000
Fixed assets					
Tangible assets	14	51,321	51,147	41,210	41,033
Investments	15	-	312	-	1,145
		<u>51,321</u>	<u>51,459</u>	<u>41,210</u>	<u>42,178</u>
Current assets					
College shop stock		11	11	11	11
Debtors	16	1,371	1,331	3,728	3,820
Cash at bank and in hand		2,369	2,352	2,337	2,235
		<u>3,751</u>	<u>3,694</u>	<u>6,076</u>	<u>6,066</u>
Creditors: amounts falling due within one year	17	(5,909)	(5,955)	(4,860)	(5,788)
Net current (liabilities)/assets		(2,158)	(2,261)	1,216	278
Total assets less current liabilities		49,163	49,198	42,426	42,456
Creditors: amounts falling due after more than one year	18	(17,000)	(17,000)	(7,386)	(7,386)
Provision for liabilities	19	(748)	(748)	-	-
Net assets excluding pension liability		31,415	31,450	35,040	35,070
Net pension liability	24	(10,968)	(10,968)	(10,429)	(10,429)
Net assets including pension liability		20,447	20,482	24,611	24,641
Deferred capital grants	20	14,778	14,778	12,752	12,752
Reserves					
Income and expenditure account excluding pension reserve	23	2,334	2,369	3,318	3,348
Pension reserve	23	(10,968)	(10,968)	(10,429)	(10,429)
Income and expenditure account including pension reserve	23	(8,634)	(8,599)	(7,111)	(7,081)
Revaluation reserve	21	13,303	13,303	9,323	9,323
Capital reserve	22	1,000	1,000	9,647	9,647
Total reserves		5,669	5,704	11,859	11,889
Total		20,447	20,482	24,611	24,641

The financial statements on pages 19 to 58 were approved by the corporation on _____ and were signed on its behalf by:

D Priest - Chairman

D Clough - Principal and Chief Executive

- 22 -

COLCHESTER INSTITUTE

CASH FLOW STATEMENT

YEAR ENDED 31 JULY 2009

	Notes	Colchester		Colchester	
		Consolidated 2009 £000	Institute 2009 £000	Consolidated 2008 £000	Institute 2008 £000
Cash inflow from operating activities	25	1,538	1,484	1,447	1,324
Returns on investments and servicing of finance	27	45	184	167	308
Capital expenditure and financial investment	27	(14,051)	(14,051)	(9,569)	(9,569)
Financing – New loan	26	12,500	12,500	4,500	4,500
Increase/(decrease) in cash in the year		32	117	(3,455)	(3,437)

Reconciliation of net cash flow to movement in net funds

	£000	£000	£000	£000
Increase/(decrease) in cash in the year	32	117	(3,455)	(3,437)
Cash inflow from new loan	(12,500)	(12,500)	(4,500)	(4,500)
Net funds at 1 August 2008	(2,163)	(2,265)	5,792	5,672
Net funds at 31 July 2009	<u>(14,631)</u>	<u>(14,648)</u>	<u>(2,163)</u>	<u>(2,265)</u>

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 Institutions 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 have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets.

Property strategy costs – true and fair override

During the year the College incurred a significant cost relating to an aborted property strategy, as detailed in note 12. The 2009 Accounts Direction Handbook published by the LSC requires that property strategy costs are reflected as an exceptional item after the results of continuing operations. The (deficit)/surplus on continuing operations prior to costs relating to property strategy therefore reflects the College results on the basis that the aborted element of the property strategy had not occurred. These property strategy costs do not meet the definition of exceptional items in FRS 3 'Reporting financial performance' which are allowed to be treated in this way. However the impact of the aborted property strategy is so material to the results of the College that we consider that the presentation required by the 2009 Accounts Direction Handbook is necessary to show a true and fair view of the results of the College for the year. Note 12 shows the impact of this true and fair override on the results for the year.

Restatement

The income and expenditure account for the year ended 2008 has been restated to appropriately reflect property strategy costs in line with the 2009 Accounts Direction Handbook. These costs were previously reported as exceptional expenditure and deducted in arriving at the deficit on continuing operations.

Basis of consolidation

The consolidated financial statements incorporate all the activities of the Corporation and its subsidiary undertaking, Colchester Institute Enterprise Limited. Intra-group sales and profits are eliminated fully on consolidation. The consolidated financial statements include all income earned from third parties. In accordance with FRS 2, the activities of the student union have not been consolidated because the college does not control those activities. All financial statements are made up to 31 July 2009.

1 ACCOUNTING POLICIES - (continued)

Recognition of income

Income from tuition fees is recognised in the period for which it is received and includes all fees payable by students or their sponsors. The costs of any fees waived by the College are included as expenditure in note 11.

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

The recurrent grant from HEFCE represents the funding allocations attributable to the current financial year and is credited direct to the income and expenditure account.

LSC recurrent grants are recognised in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the LSC adult learner responsive funding element is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the LSC at the end of November following the year end. Employer responsive grant income is recognised based on a year end reconciliation of income claimed and actual delivery with the LSC. 16-18 learner-responsive funding is not normally subject to a reconciliation and is therefore not subject to contract adjustments.

Non-recurrent grants from the LSC and 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.

Post retirement benefits

Retirement benefits to employees of the College are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit schemes, which are contracted out of the State Earnings-Related Pension Scheme (SERPS).

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

The assets of LGPS are measured using closing market values. LGPS liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the operating surplus. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in pension finance costs. Additional gains and losses are recognised in the statement of total recognised gains and losses.

1 ACCOUNTING POLICIES - (continued)

Post retirement benefits - (continued)

Under the definitions set out in Financial Reporting Standard 17 (Retirement Benefits), the TPS is a multi-employer pension scheme. The college is unable to identify its share of the underlying (notional) assets and liabilities of the scheme. Accordingly, as required by FRS 17, the College has accounted for its contributions to the scheme as if it were a defined contribution scheme.

Tangible fixed assets

(a) Land and buildings

Land and buildings inherited from the local education authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable. Building improvements made since incorporation are included in the balance sheet at cost.

Freehold buildings are depreciated over their useful lives of between 15 and 73 years from the date of the revaluation or date of acquisition, whichever is later. Leasehold buildings are depreciated over the term of the lease. No depreciation is provided on buildings until they are brought into use. Freehold land is not depreciated.

Where land and buildings are acquired with the aid of specific grants they are capitalised and the buildings are 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.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. Provisions for the impairment of buildings are made as appropriate.

The transitional rules set out in FRS 15 Tangible Fixed Assets have been applied on implementing FRS 15. Accordingly, the book values at implementation have been retained and in future it is not intended to update this valuation.

Buildings under construction are accounted for at cost, based on the value certified and other direct costs incurred to 31 July. They are not depreciated until they are brought into use.

1 ACCOUNTING POLICIES - (continued)

Tangible fixed assets – (continued)

(a) Land and buildings – (continued)

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.

(b) Equipment

Equipment costing less than £3,000 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost.

Equipment is depreciated on a straight line basis over 3 to 5 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.

Maintenance of premises

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

Taxation

The College is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 as amended by the Charities Act 2006 and as such is a charity within the meaning of Section 506(1) of ICTA 1988. Accordingly the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 505 of ICTA 1988 or Section 256 of the TCGA 1992 to the extent that such income or gains are applied to exclusively charitable purposes.

The College is exempted from levying Value Added Tax on most of the services it provides to students. For this reason the college is unable to recover a large proportion of input Value Added Tax it suffers on goods and services purchased.

The subsidiary company is subject to corporation tax and VAT.

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.

Investments

Fixed asset investments that are not listed on a recognised stock exchange are carried at historical cost less any provision for impairment in their value.

Stock

Stock is stated at the lower of cost or net realisable value.

Learner Support Fund

The Learner Support Fund grant from the LSC is available solely for students; the College acts only as a paying agent. The grants and related disbursements are therefore excluded from the income and expenditure account, except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant.

	and Skills Council £000	Education Funding Council £000	Total 2009 £000	Total 2008 £000
Recurrent grant	19,070	3,500	22,570	20,808
Additional learning support	-	-	-	209
Releases of deferred capital grants:				
- land and buildings	426	-	426	99
- equipment	8	-	8	24
Crèche Provision	73	-	73	75
Work based learning – Colchester Institute	1,525	-	1,525	1,606
Tendring 14-19 Group	61	-	61	146
Train 2 Gain	416	-	416	91
Centre of Vocational Excellence	123	-	123	176
ESF co financing	91	-	91	76
Employer Engagement	-	-	-	6
E 2 E (Entry to Employment)	193	-	193	268
Increased flexibility	97	-	97	161
Braintree Merger	64	-	64	-
Capital Restructuring	-	468	468	-
Sundry	228	87	315	196
Colchester Institute	22,375	4,055	26,430	23,941
Release of deferred capital grant	-	-	-	8
Consolidated	22,375	4,055	26,430	23,949

The Higher Education Funding Council grants are received via University of Essex.

The College is the lead partner in a consortium to deliver Work Based Learning in the area. The income shown above includes that earned by the College in its capacity as both a provider and as the consortium lead. All other income claimed from the LSC and payable to the consortium partners has been excluded from these accounts. Total income claimed in the year under this arrangement and the related payments to partners was as follows:

Work Based Learning Consortium

	2009 £000	2008 £000
Work Based Learning Income	2,825	3,019
Payments to non college partners	(1,146)	(1,066)
Payments to FE college partners	(154)	(347)
	1,525	1,606

COLCHESTER INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS - (continued) YEAR ENDED 31 JULY 2009

2 FUNDING COUNCIL GRANTS – (continued)

The College is the lead partner in a consortium to deliver Train to Gain activity in the area. The income shown above includes that earned by the College in its capacity as both a provider and as the consortium lead. All other income claimed from the LSC and payable to the consortium partners has been excluded from these accounts. Total income claimed in the year under this arrangement and the related payments to partners was as follows:

Train To Gain

	2009	2008
	£000	£000
Train To Gain Income	1,802	235
Payments to non college partners	(1,367)	(127)
Payments to FE college partners	(19)	(17)
	<u>416</u>	<u>91</u>

3 EDUCATION CONTRACTS

	Colchester		Colchester	
	Consolidated	Institute	Consolidated	Institute
	2009	2009	2008	2008
	£000	£000	£000	£000
School franchises	450	450	443	443
Youth training	194	194	247	247
NHS Delivery	1,059	1,059	1,387	1,387
HE Contracts	145	145	34	34
Ufi	156	156	144	144
ESF income	58	58	20	20
Other income	675	675	169	169
	<u>2,737</u>	<u>2,737</u>	<u>2,444</u>	<u>2,444</u>

4 TUITION FEES AND CHARGES

	Colchester		Colchester	
	Consolidated	Institute	Consolidated	Institute
	2009	2009	2008	2008
	£000	£000	£000	£000
UK FE students	1,696	1,210	1,964	1,267
UK HE students	2,846	2,846	2,093	2,093
	<u>4,542</u>	<u>4,056</u>	<u>4,057</u>	<u>3,360</u>

- 30 -

COLCHESTER INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS - (continued)
YEAR ENDED 31 JULY 2009

5 OTHER OPERATING INCOME

	Colchester	Colchester
	Consolidated	Consolidated
	Institute	Institute

	2009 £000	2009 £000	2008 £000	2008 £000
Catering and residence operations	54	54	34	34
Other income	<u>1,420</u>	<u>1,688</u>	<u>1,344</u>	<u>1,627</u>
	<u><u>1,474</u></u>	<u><u>1,742</u></u>	<u><u>1,378</u></u>	<u><u>1,661</u></u>

Other income for Colchester Institute includes recharges made to its subsidiary, Colchester Institute Enterprises Limited in respect of services provided. Such income is eliminated on consolidation.

6 INVESTMENT INCOME

	Colchester		Colchester	
	Consolidated	Institute	Consolidated	Institute
	2009	2009	2008	2008
	£000	£000	£000	£000
Income from investments :				
Gift Aid	-	27	-	141
Other interest received	<u>45</u>	<u>43</u>	<u>167</u>	<u>164</u>
	<u><u>45</u></u>	<u><u>70</u></u>	<u><u>167</u></u>	<u><u>305</u></u>

The Gift Aid income in Colchester Institute represents the taxable surplus of income over expenditure which has arisen in its subsidiary company, Colchester Institute Enterprises Limited. A gift aid payment is made to Colchester Institute and this income is then eliminated on consolidation.

7 EXCEPTIONAL INCOME

	Colchester		Colchester	
	Consolidated	Institute	Consolidated	Institute
	2009	2009	2008	2008
	£000	£000	£000	£000
Profit on disposal of assets	<u>-</u>	<u>-</u>	<u>369</u>	<u>369</u>

COLCHESTER INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS - (continued) YEAR ENDED 31 JULY 2009

8 STAFF COSTS

Colchester	Colchester
Consolidated Institute	Consolidated Institute

	2009	2009	2008	2008
	£000	£000	£000	£000
Teaching departments - teaching staff	12,531	12,531	11,692	11,692
Teaching departments - other staff	2,972	2,972	2,709	2,709
Teaching support services	1,556	1,556	1,427	1,427
Other support services	529	529	437	437
Administration and central services	3,649	3,649	3,148	3,148
Premises and maintenance	540	540	523	523
Other	471	471	367	367
FRS 17 adjustment	237	237	199	199
	<hr/>	<hr/>	<hr/>	<hr/>
Payroll sub-total	22,485	22,485	20,502	20,502
Contracted out staffing services	262	262	217	217
	<hr/>	<hr/>	<hr/>	<hr/>
Sub-total	22,747	22,747	20,719	20,719
Exceptional restructuring costs	18	18	95	95
	<hr/>	<hr/>	<hr/>	<hr/>
Total	22,765	22,765	20,814	20,814
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Wages and salaries	18,719	18,719	17,101	17,101
Social security costs	1,368	1,368	1,251	1,251
Other pension costs	2,161	2,161	1,951	1,951
FRS 17 adjustment	237	237	199	199
	<hr/>	<hr/>	<hr/>	<hr/>
Contracted out staffing services	22,485	22,485	20,502	20,502
Exceptional restructuring costs	262	262	217	217
	<hr/>	<hr/>	<hr/>	<hr/>
	18	18	95	95
	<hr/>	<hr/>	<hr/>	<hr/>
	22,765	22,765	20,814	20,814
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The restructuring costs were approved by the Colchester Institute Board.

COLCHESTER INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS - (continued) YEAR ENDED 31 JULY 2009

8 STAFF COSTS - (continued)

Staff numbers

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

	Colchester		Colchester	
	Consolidated 2009 Number	Institute 2009 Number	Consolidated 2008 Number	Institute 2008 Number
Teaching departments - teaching staff	363	363	350	350
Teaching departments - other staff	117	117	107	107
Teaching support services	60	60	58	58
Other support services	19	19	17	17
Administration and central services	87	87	83	83
Premises and maintenance	22	22	21	21
Other	17	17	15	15
	685	685	651	651

The average number of staff, including senior post holders but excluding the principal, who received emoluments in the following ranges was :

	Consolidated and Colchester Institute		Consolidated and Colchester Institute	
	Senior post holders 2009 Number	Other staff 2009 Number	Senior post holders 2008 Number	Other staff 2008 Number
£60,001 to £70,000	-	-	1	-
£70,001 to £80,000	-	-	2	-
£80,001 to £90,000	4	-	2	-
£90,001 to £100,000	1	-	-	-
	5	-	5	-

COLCHESTER INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS - (continued) YEAR ENDED 31 JULY 2009

8 STAFF COSTS - (continued)

For 2008/09, a general pay award of 3.2% was made from October 2008, which was approved by the Corporation. Staff not at the top of the range for their pay scale were awarded further increases in pay as they progressed through their salary scales.

Overseas activities

The following costs were incurred during 2008/09 in respect of overseas activities which were carried out in accordance with the strategy approved by the governing body :

	Consolidated and Colchester Institute		
	Total cost £	Contributions received £	Net costs to College £
Senior post-holders	-	-	-
Other staff and students	131,653	113,865	17,788
	131,653	113,865	17,788

9 INTEREST PAYABLE

	Consolidated and Colchester Institute	
	2009 £000	2008 £000
On bank loans:		
Repayable wholly or partly in more than five years	559	32

COLCHESTER INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS - (continued) YEAR ENDED 31 JULY 2009

10 EMOLUMENTS OF SENIOR POST-HOLDERS AND MEMBERS

Senior post-holders are defined as the principal (or chief executive) and holders of other senior posts whom the board have 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 board of governors.

	Colchester		Colchester	
	Consolidated	Institute	Consolidated	Institute
	2009	2009	2008	2008
	Number	Number	Number	Number
The number of senior post-holders including the principal was :	8	8	7	7
(Full time equivalents)	<u>(7.5)</u>	<u>(7.5)</u>	<u>(6.5)</u>	<u>(6.5)</u>

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

	Colchester		Colchester	
	Consolidated	Institute	Consolidated	Institute
	2009	2009	2008	2008
	£000	£000	£000	£000
Salaries	604	604	517	517
Pension contributions	74	74	64	64
Total emoluments	<u>678</u>	<u>678</u>	<u>581</u>	<u>581</u>

The Principal's emoluments were:

	Consolidated and Colchester Institute	
	2009	2008
	£000	£000
Salaries	138	126
Pension contributions	19	18
	<u>157</u>	<u>144</u>

COLCHESTER INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS - (continued) YEAR ENDED 31 JULY 2009

10 EMOLUMENTS OF SENIOR POST-HOLDERS AND MEMBERS - (continued)

The pension contributions in respect of the Principal and certain 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 staff members did not receive any payment from the Institute other than the reimbursement of expenses incurred in the course of their duties.

The remuneration of senior post-holders (including the Principal) is determined by the Senior Staff Remuneration Committee appointed and confirmed by the Corporation. Pay consists of a "spot" base salary plus a discretionary non-consolidated element in the range of 0% to 10% of previous annual base salary. Discretionary elements are awarded according to the measured achievement of agreed group and personal targets for the year under review. Adjustments to base salary take into account merit and cost of living factors in a single figure. During 2007/2008 (paid in the 2008/2009 financial year), remuneration decisions for senior post-holders were based upon :

- (a) a combined responsibilities and cost of living rise from 5.6% to 6.7% of base salary;
- (b) individual discretionary non-consolidated performance related awards of 9% of base salary.

For the Principal and Chief Executive the same approach was applied. The 2007/2008 review (paid in the 2008/2009 financial year) was based upon a discretionary non-consolidated performance related award of 9.2%.

- 36 -

COLCHESTER INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS - (continued) YEAR ENDED 31 JULY 2009

11 OTHER OPERATING EXPENSES

	Colchester	Colchester	Colchester	Colchester
	Consolidated	Institute	Consolidated	Institute
	2009	2009	2008	2008
	£000	£000	£000	£000

Teaching departments	3,284	3,089	2,754	2,477
Teaching support services	1,144	1,144	995	995
Other support services	221	221	247	247
Administration and central services	2,846	2,846	2,865	2,865
Premises costs - running costs	1,541	1,541	1,276	1,276
Premises costs - maintenance	368	368	335	335
Premises costs - rents and leases	191	191	105	105
Franchised provision	397	397	757	757
Bursary payments to HE students	403	403	148	148
Other expenses	25	25	53	53
	<u>10,420</u>	<u>10,225</u>	<u>9,535</u>	<u>9,258</u>

£000 £000 £000 £000

Other operating expenses include :

Auditors' remuneration				
- financial statements audit	21	21	20	20
- other services	5	5	13	13
	<u>26</u>	<u>26</u>	<u>33</u>	<u>33</u>

12 PROPERTY STRATEGY COSTS

	Colchester		Colchester	
	Consolidated	Institute	Consolidated	Institute
	2009	2009	2008	2008
	£000	£000	£000	£000
(Reversal of impairment)/impairment of buildings to be demolished (Net Book Value)	(6,032)	(6,032)	10,272	10,272
Reinstatement/(release) of capital grant	431	431	(431)	(431)
Reinstatement/(release) of revaluation reserve	4,238	4,238	(7,647)	(7,647)
Write off Property Strategy capital costs incurred	10,395	10,395	-	-
Rent of temporary buildings	972	972	-	-
	<u>10,004</u>	<u>10,004</u>	<u>2,194</u>	<u>2,194</u>

- 37 -

COLCHESTER INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS - (continued) YEAR ENDED 31 JULY 2009

12 PROPERTY STRATEGY COSTS - (continued)

In the year to 31 July 2006 the College embarked on a major building programme, which had an estimated cost of £90m. The building programme was split in to 3 distinct phases. At 31 July 2008 the College had incurred costs of £23m in relation to the building programme, and had received LSC grant funding in respect of the building programme of £8m.

The costs incurred were capitalised in the balance sheet as fixed assets, assets under the course of construction, with the associated LSC capital grant carried forward as deferred capital grant.

The building programme included the planned demolition of part of the College's existing buildings and as the commitment had been made to demolish the buildings these were subject to an impairment review at 31 July 2008. It was considered that the impairment of the assets scheduled to be demolished was due to reasons other than the consumption of economic benefits and therefore the impairment write down of these assets was reflected in either the income and expenditure account or as an adjustment to the revaluation reserve where the impairment of the assets related to building carried at a valuation rather than at cost.

The impairment costs reflected in the income and expenditure account were classed as an exceptional item, in accordance with the provisions of Financial Reporting Standard 3 ("FRS3") 'Reporting Financial Performance'.

This accounting treatment was adopted on the basis that the building programme had received Approval in Principle from the LSC in December 2006. Taking into account the fact that the College had received Approval in Principle and had positive discussions with the LSC, it was considered that the building programme was almost certain to go ahead.

In March 2009 the College was instructed by the LSC to cease work on the building programme following a review by the LSC of its funding programme. In June 2009 the College was formally advised that no additional LSC funding was to be made available for its building programme.

As a direct result of the LSC's decision not to grant Approval in Detail for phases 2 or 3 of the building programme and provide the associated funding, the College is now unable to complete phases 2 and 3 of the building programme. As a result of the decision not to complete the building programme the costs previously capitalised for phase 2, such as professional and construction costs, have been accounted for as an impairment of previously acquired fixed assets. In addition rent for temporary buildings, which would not have been incurred if the property strategy had not commenced, is shown as property strategy costs. This is to ensure that the total costs of the property strategy costs are shown separately and that a true and fair view of the results of ordinary activities can be shown for the year, as per the accounting policy detailed on page 23.

In order to ensure comparability of the financial statements, the income and expenditure account for the year ended 31 July 2008 has been restated. The impairment charge of £2,194,000 in 2008 that was previously disclosed as an exceptional item has now been disclosed as a property strategy cost.

- 38 -

COLCHESTER INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS - (continued) YEAR ENDED 31 JULY 2009

12 PROPERTY STRATEGY COSTS - (continued)

If the true and fair override had not been taken the consolidated income and expenditure account would have been presented as follows:

	2009	2008
	£000	£000
Income	35,228	31,995

Expenditure	45,870	31,515
(Deficit)/Surplus on continuing operations after depreciation of assets at valuation and before exceptional income	(10,642)	480
Exceptional income	-	369
Exceptional expenditure	-	(2,194)
Deficit on continuing operations after depreciation of assets at valuation	(10,642)	(1,345)

13 (DEFICIT) ON CONTINUING OPERATIONS FOR THE YEAR

The (deficit) on continuing operations for the year is made up as follows :

	Consolidated	
	2009	2008
	£000	£000
College's (deficit) for the year	(10,669)	(1,486)
Surplus generated by the subsidiary undertaking and transferred to the College under Gift Aid	27	141
	£ (10,642)	(1,345)

- 39 -

COLCHESTER INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS - (continued) YEAR ENDED 31 JULY 2009

14(a) TANGIBLE FIXED ASSETS (CONSOLIDATED)

	Assets under the course of construction £000	Land and buildings freehold £000	Land and buildings leasehold £000	Equipment £000	Total £000
Cost or valuation					
At 1 August 2008	23,161	25,143	1,323	3,274	52,901
Additions	-	14,215	186	1,679	16,080
Transfer to new build	(23,161)	23,161	-	-	-

Impairment reversal	-	4,238	-	-	4,238
Impairment relating to property strategy	-	(10,395)	-	-	(10,395)
Disposals	-	(177)	-	(118)	(295)
		<hr/>		<hr/>	<hr/>
At 31 July 2009	-	56,185	1,509	4,835	62,529
		<hr/>		<hr/>	<hr/>
Depreciation					
At 1 August 2008	-	8,852	287	2,552	11,691
Charge for the year	-	1,034	81	491	1,606
Impairment reversal	-	(1,794)	-	-	(1,794)
Disposals	-	(177)	-	(118)	(295)
		<hr/>		<hr/>	<hr/>
At 31 July 2009	-	7,915	368	2,925	11,208
		<hr/>		<hr/>	<hr/>
Net book values					
At 31 July 2009	-	48,270	1,141	1,910	51,321
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 July 2008	23,161	16,291	1,036	722	41,210
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Inherited	-	13,303	-	-	13,303
Financed by capital grant	-	14,478	438	-	14,916
Other	-	20,489	703	1,910	23,102
		<hr/>	<hr/>	<hr/>	<hr/>
	-	48,270	1,141	1,910	51,321
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The reasons for the impairment adjustments included above are included in note 12.

Land and buildings were revalued as at 1 August 1996 at depreciated replacement cost by Mr N J Percival BSc ARICS.

If land and buildings had not been revalued, they would have been included at the following amounts :

	£000
Cost	38,376
Depreciation based on cost	(3,384)
	<hr/>
Net book value based on cost	34,992
	<hr/> <hr/>

- 40 -

COLCHESTER INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS - (continued) YEAR ENDED 31 JULY 2009

14(b) TANGIBLE FIXED ASSETS (COLCHESTER INSTITUTE)

	Assets under the course of construction £000	Land and buildings freehold £000	Land and buildings leasehold £000	Equipment £000	Total £000
Cost or valuation					
At 1 August 2008	23,161	24,932	1,323	3,275	52,691
Additions	-	14,215	186	1,679	16,080
Transfer to New Build	(23,161)	23,161	-	-	-

Impairment reversal	-	4,238	-	-	4,238
Impairment relating to property strategy	-	(10,395)	-	-	(10,395)
Disposals	-	(177)	-	(118)	(295)
		<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2009	-	55,974	1,509	4,836	62,319
		<hr/>	<hr/>	<hr/>	<hr/>
Depreciation					
At 1 August 2008	-	8,818	287	2,553	11,658
Charge for the year	-	1,031	81	491	1,603
Impairment reversal	-	(1,794)	-	-	(1,794)
Disposals	-	(177)	-	(118)	(295)
		<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2009	-	7,878	368	2,926	11,172
		<hr/>	<hr/>	<hr/>	<hr/>
Net book values					
At 31 July 2009	-	48,096	1,141	1,910	51,147
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 July 2008	23,161	16,114	1,036	722	41,033
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Inherited	-	13,303	-	-	13,303
Financed by capital grant	-	14,340	438	-	14,778
Other	-	20,453	703	1,910	23,066
		<hr/>	<hr/>	<hr/>	<hr/>
	-	48,096	1,141	1,910	51,147
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

- 41 -

COLCHESTER INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS - (continued) YEAR ENDED 31 JULY 2009

14(b) TANGIBLE FIXED ASSETS (COLCHESTER INSTITUTE) – (continued)

Land and buildings were revalued as at 1 August 1996 at depreciated replacement cost by Mr N J Percival BSc ARICS.

If land and buildings had not been revalued, they would have been included at the following amounts :

	£000
Cost	38,376
Depreciation based on cost	(3,384)

Net book value based on cost

34,992

15 INVESTMENTS

	Colchester Institute	
	2009 £000	2008 £000
Investment in subsidiary company at cost at 1 August 2008	1,550	1,550
Preference shares redeemed	(833)	-
Investment in subsidiary company at cost at 31 July 2009	717	1,550
Amount written off investment at 1 August 2008 and 31 July 2009	(405)	(405)
Net book value of investment at 31 July 2009	312	1,145

The College owns 200,100 ordinary £1 shares and 516,497 redeemable preference shares of £1 each representing 100% of the share capital of Colchester Institute Enterprises Limited, a company incorporated in the United Kingdom.

The principal activity of Colchester Institute Enterprises Limited is the carrying on of the Professional Training Centre, the leasing of assets to its parent corporation and supplying reprographics services to its parent corporation.

- 42 -

COLCHESTER INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS - (continued) YEAR ENDED 31 JULY 2009

16 DEBTORS

	Colchester		Colchester	
	Consolidated 2009 £000	Institute 2009 £000	Consolidated 2008 £000	Institute 2008 £000
Amounts falling due within one year :				
Trade debtors	282	242	250	201
Amount owed by group undertakings	-	-	-	141
Prepayments and accrued income	1,059	1,059	858	858
Amounts owed by the LSC	30	30	2,620	2,620

<u>1,371</u>	<u>1,331</u>	<u>3,728</u>	<u>3,820</u>
--------------	--------------	--------------	--------------

17 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Colchester		Colchester	
	Consolidated	Institute	Consolidated	Institute
	2009	2009	2008	2008
	£000	£000	£000	£000
Payments received in advance	1,229	1,209	1,360	1,302
Trade creditors & accruals	2,215	2,215	2,323	2,323
Amounts owed to group undertakings	-	66	-	986
Other creditors	249	249	603	603
Other taxation and social security	554	554	509	509
Loan – Colchester Institute Foundation Trust	69	69	65	65
Property costs	1,593	1,593	-	-
	<u>5,909</u>	<u>5,955</u>	<u>4,860</u>	<u>5,788</u>

- 43 -

COLCHESTER INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS - (continued) YEAR ENDED 31 JULY 2009

18 CREDITORS: AMOUNTS FALLING AFTER MORE THAN ONE YEAR

	Colchester		Colchester	
	Consolidated	Institute	Consolidated	Institute
	2009	2009	2008	2008
	£000	£000	£000	£000
Bank loan	17,000	17,000	4,500	4,500
Trade creditors	-	-	2,886	2,886
	<u>17,000</u>	<u>17,000</u>	<u>7,386</u>	<u>7,386</u>

The original bank loan facility was for £19.2m covering the whole property strategy. The interest rate was .2925% above LIBOR. As a result of the termination of the property strategy Barclays Bank PLC have sought to split the loan between phase 1 and the later aborted stages of the property strategy.

£12.5m of the loan is to be repaid by May 2036 with repayments starting in August 2013. The interest rate has now been fixed for the full period of the loan at 4.59%.

The remaining £4.5m is due for repayment by July 2014 with quarterly repayments commencing in October 2010. A loan agreement for this part of the loan is still awaited and is being held up due to continuing negotiations about the interest rate. The Board are confident that the repayment terms now agreed will not be altered when the final documentation is received and on this basis they do not believe that the lack of a formal loan agreement gives rise to any going concern issues.

19 PROVISIONS

	Total £000
Property Strategy	
At 1 August 2008	-
Amount charged to income and expenditure account in the year	<u>748</u>
At 31 July 2009	<u><u>748</u></u>

The provision for property strategy costs relates to the demolition of buildings which as a result of the property strategy, see note 12, are no longer habitable and the costs of asbestos removal. As at 31 July 2009 the College had not contracted with a supplier for these works, so the timing of the cash flow relating these costs is uncertain.

- 44 -

COLCHESTER INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS - (continued) YEAR ENDED 31 JULY 2009

20 DEFERRED CAPITAL GRANTS

Consolidated and Colchester Institute

	LSC £000	HE £000	EEDA £000	Total £000
At 1 August 2008 :				
Land and buildings	12,269	-	475	12,744
Equipment	8	-	-	8
Cash received :				
Land and buildings	2,029	-	-	2,029
Equipment	-	-	-	-

Released to income and expenditure account :				
Land and buildings	(345)	-	(81)	(426)
Equipment	(8)	-	-	(8)
Reversal of capital grant previously impaired	431	-	-	431
At 31 July 2009 :				
Land and buildings	14,384	-	394	14,778
Equipment	-	-	-	-
	<u>14,384</u>	<u>-</u>	<u>394</u>	<u>14,778</u>
Total	<u>14,384</u>	<u>-</u>	<u>394</u>	<u>14,778</u>

- 45 -

COLCHESTER INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS - (continued) YEAR ENDED 31 JULY 2009

21 REVALUATION RESERVE

	Colchester Consolidated 2009 £000	Colchester Institute 2009 £000	Colchester Consolidated 2008 £000	Colchester Institute 2008 £000
At 1 August 2008	9,323	9,323	17,397	17,397
Transfer to income and expenditure account				
- Depreciation	(258)	(258)	(354)	(354)
Impairment charge	-	-	(7,647)	(7,647)
Impairment reversal	4,238	4,238	-	-
Disposal of assets	-	-	(73)	(73)
	<u>9,323</u>	<u>9,323</u>	<u>17,397</u>	<u>17,397</u>

At 31 July 2009	<u>13,303</u>	<u>13,303</u>	<u>9,323</u>	<u>9,323</u>
-----------------	---------------	---------------	--------------	--------------

The revaluation reserve arose on the acquisition of land, buildings and equipment inherited from the local education authority, as amended by a further revaluation in 1996.

22 CAPITAL RESERVE

	Colchester		Colchester	
	Consolidated	Institute	Consolidated	Institute
	2009	2009	2008	2008
	£000	£000	£000	£000
At 1 August 2008	9,647	9,647	9,647	9,647
Transfer to income and expenditure account	<u>(8,647)</u>	<u>(8,647)</u>	-	-
At 31 July 2009	<u>1,000</u>	<u>1,000</u>	<u>9,647</u>	<u>9,647</u>

The capital reserve has been set up to provide funds for the future replacement of capital assets.

- 46 -

COLCHESTER INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS - (continued) YEAR ENDED 31 JULY 2009

23 INCOME AND EXPENDITURE ACCOUNT

	Colchester		Colchester	
	Consolidated	Institute	Consolidated	Institute
	2009	2009	2008	2008
	£000	£000	£000	£000
At 1 August 2008	(7,111)	(7,081)	(1,665)	(1,664)
(Deficit)/surplus on continuing Operations	(638)	(633)	480	509
Transfer from revaluation reserve	258	258	354	354
Transfer from capital reserve	8,647	8,647	-	-
Profit on disposal of land and buildings	-	-	369	369
Disposal of land and buildings	-	-	73	73
Property strategy costs	<u>(10,004)</u>	<u>(10,004)</u>	<u>(2,194)</u>	<u>(2,194)</u>

Actuarial gain/(loss) in respect of pension scheme	<u>214</u>	<u>214</u>	<u>(4,528)</u>	<u>(4,528)</u>
At 31 July 2009	<u><u>(8,634)</u></u>	<u><u>(8,599)</u></u>	<u><u>(7,111)</u></u>	<u><u>(7,081)</u></u>
Balance represented by :				
Pension reserve	<u>(10,968)</u>	<u>(10,968)</u>	<u>(10,429)</u>	<u>(10,429)</u>
Income and expenditure account reserve excluding pension reserve	<u>2,334</u>	<u>2,369</u>	<u>3,318</u>	<u>3,348</u>
At 31 July 2009	<u><u>(8,634)</u></u>	<u><u>(8,599)</u></u>	<u><u>(7,111)</u></u>	<u><u>(7,081)</u></u>

- 47 -

COLCHESTER INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS - (continued) YEAR ENDED 31 JULY 2009

24 PENSION AND SIMILAR OBLIGATIONS

The Institute's employees belong to two principal pension schemes, the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS), which are of the defined benefit type.

Total pension cost for the year

	2008/09		2007/08	
	£000	£000	£000	£000
TPS: Contributions paid		1,304		1,199
LGPS: Contributions paid	857		752	
FRS 17 charge	<u>237</u>		<u>199</u>	
Charge to the income and expenditure account		<u>1,094</u>		<u>951</u>
Total pension cost for year		<u>2,398</u>		<u>2,150</u>

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 LGPS 31 March 2007.

Contributions amounting to £249,000 (2008: £217,000) were payable to the scheme at 31 July 2009 and are included within creditors.

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. Actuarial valuations are carried out on a notional set of investments.

Under the definitions set out in Financial Reporting Standard 17 (Retirement Benefits), the TPS is a multi-employer pension scheme. The college is unable to identify its share of the underlying (notional) 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 below the information available on the deficit in the scheme and the implications for the college in terms of the anticipated 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	Prospective Benefits
Investment returns per annum	6.5% per annum
Salary scale increases per annum	5.0% per annum
Value of notional assets at date of last valuation	£162,650 million
Proportion of members accrued benefits covered by the notional value of the assets	98.88%

- 48 -

COLCHESTER INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS - (continued) YEAR ENDED 31 JULY 2009

24 PENSION AND SIMILAR OBLIGATIONS – (continued)

Teachers' Pension Scheme – (continued)

Following the implementation of Teachers' Pensions (Employers' Supplementary Contributions) Regulations 2000 the government actuary carried out a further review on the level of employer's contributions. For the period from 1 August 2008 to 31 July 2009 the employer contribution was 14.1%. The employee rate was 6.4% for the same period.

The total Teachers' Pension Scheme cost for the group was £1,321,000 (2008 : £1,199,000).

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with the assets held in a separately administered fund. The total contribution made for the year ended 31 July 2009 was £1,216,469 (2008 : £1,062,778) of which employer's contributions totalled £857,469 (2008 : £751,331) and employees' contributions totalled £359,000 (2008 : £311,447). The

current contribution rates are 10.1% for employers and between 5.5% and 7.5% for employees depending on basic earnings level.

The following information is based upon the latest actuarial valuation of the Fund as at 31 March 2009, updated to 31 July 2009, by a qualified independent actuary. The major assumptions used by the actuary were:

	At 31.7.09 %	At 31.7.08 %	At 31.7.07 %
Rate of increase in salaries	5.2%	5.3%	4.7%
Rate of increase in pension payments	3.7%	3.8%	3.2%
Discount rate for scheme liabilities	6.3%	5.9%	5.8%
Inflation assumptions	3.7%	3.8%	3.2%

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

	At 31.7.09	At 31.7.08
Retiring today:		
Males	22.0	22.0
Females	24.9	24.8
Retiring in 20 years:		
Males	23.1	23.1
Females	25.9	25.9

- 49 -

COLCHESTER INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS - (continued) YEAR ENDED 31 JULY 2009

24 PENSION AND SIMILAR OBLIGATIONS – (continued)

Local Government Pension Scheme – (continued)

The assets in the scheme and the expected rates of return were:

	Long term rate of return expected at 31.7.09 %	Value at 31.7.09 £000	Long term rate of return expected at 31.7.08 %	Value at 31.7.08 £000
Equities	7.5%	10,442	7.5%	10,457
Gilts	4.5%	848	4.8%	1,402
Other bonds	5.8%	1,272	5.9%	1,158
Property	6.5%	1,112	6.5%	1,540
Cash	0.5%	951	5.0%	686

Total market value of assets	14,625	15,243
Present value of scheme liabilities	(25,593)	(25,672)
Deficit in the Scheme	(10,968)	(10,429)

Analysis of the amount charged to income and expenditure account

	2009 £000	2008 £000
Employer service cost (net of employee contributions)	1,094	791
Past service cost	-	160
Total operating charge	1,094	951
Contributions payable	(857)	(751)
FRS17 adjustment	237	199
Analysis of pension finance costs		
Expected return on pension scheme assets	1,021	1,074
Interest on pension liabilities	(1,537)	(1,255)
Pension finance costs	(516)	(181)

- 50 -

COLCHESTER INSTITUTE

**NOTES TO THE FINANCIAL STATEMENTS - (continued)
YEAR ENDED 31 JULY 2009**

24 PENSION AND SIMILAR OBLIGATIONS – (continued)

Local Government Pension Scheme – (continued)

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

	2009 £000	2008 £000
Actual return less expected return on pension scheme assets	(2,148)	(2,124)
Experience gains and losses arising on the scheme liabilities	2,362	(2,087)
Change in financial and demographic assumptions underlying the scheme liabilities	-	(317)
Actuarial gain/(loss) recognised in STRGL	214	(4,528)

Movement in deficit during year

Deficit in scheme at 1 August 2008	(10,429)	(5,521)
Movement in year:		
Employer service cost (net of employee contributions)	(1,094)	(790)
Employer contributions	857	751
Past service cost	-	(160)
Net interest	(516)	(181)
Actuarial gain/(loss)	214	(4,528)
	<hr/>	<hr/>
Deficit in scheme at 31 July 2009	(10,968)	(10,429)
	<hr/> <hr/>	<hr/> <hr/>

- 51 -

COLCHESTER INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS - (continued) YEAR ENDED 31 JULY 2009

24 PENSION AND SIMILAR OBLIGATIONS – (continued)

Local Government Pension Scheme – (continued)

Asset and liability reconciliation

	2009	2008
	£000	£000
Reconciliation of liabilities		
Liabilities at start of period	25,672	21,418
Service cost	1,094	790
Interest cost	1,537	1,255
Employee contributions	359	311
Experience gains and losses on scheme liabilities	-	317
Actuarial (gain)/loss	(2,362)	2,087
Benefits paid	(707)	(666)
Past Service cost	-	160
	<hr/>	<hr/>

Liabilities at end of period	25,593	25,672
	<hr/> <hr/>	<hr/> <hr/>
Reconciliation of assets		
Assets at start of period	15,243	15,897
Expected return on assets	1,021	1,074
Actuarial (loss)	(2,148)	(2,124)
Employer contributions	857	751
Employee contributions	359	311
Benefits paid	(707)	(666)
	<hr/>	<hr/>
Assets at end of period	14,625	15,243
	<hr/> <hr/>	<hr/> <hr/>

- 52 -

COLCHESTER INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS - (continued) YEAR ENDED 31 JULY 2009

24 PENSION AND SIMILAR OBLIGATIONS – (continued)

Local Government Pension Scheme – (continued)

History of experience gains and losses

	Year ended 31.7.09 £000	Year ended 31.7.08 £000	Year ended 31.7.07 £000	Year ended 31.7.06 £000	Year ended 31.7.05 £000
Difference between the expected and actual return on assets:					
Amount	(2,148)	(2,124)	650	943	1,445
% of scheme assets	14.09%	13.93%	4.1%	6.74%	12.25%
Experience gains and losses on scheme liabilities:					
Amount	2,362	(2,087)	-	(398)	(127)
% of scheme assets	15.50%	13.69%	-	1.99%	0.72%
Change in assumptions:					

Amount	-	(317)	111	(637)	(1,301)
% of scheme assets	-	2.08%	0.5%	3.20%	7.3%
<hr/>					
Total amount recognised in STRGL:					
Amount	214	(4,528)	761	(92)	17
% of scheme assets	1.40%	29.71%	3.6%	0.46%	0.14%
<hr/>					
Cumulative amount recognised in the statement of total recognised gains and losses		(3,628)			
<hr/>					

Return on scheme assets

The overall expected rate of return on scheme assets was expected to be 6.6% in 2008/09. This figure will vary year on year depending on the assumptions made and the underlying distribution of the funds assets which will vary during the year and as a result it is not appropriate to break down the expected return on assets across the different asset categories which will vary during the year. Actual returns on the scheme assets have been negative with an actuarial loss on assets of £2,148,000 for the year to 31 July 2009, being 14.7% of the year end asset value.

- 53 -

COLCHESTER INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS - (continued) YEAR ENDED 31 JULY 2009

25 RECONCILIATION OF OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Colchester		Colchester	
	Consolidated	Institute	Consolidated	Institute
	2009	2009	2008	2008
	£000	£000	£000	£000
Deficit on continuing operations after depreciation of assets at valuation	(10,642)	(10,637)	(1,345)	(1,316)
Depreciation	1,606	1,603	953	917
Impairment reversal	(1,362)	(1,362)	-	-
Impairment of buildings	10,395	10,395	2,194	2,194
Profit on disposal of assets	-	-	(369)	(369)
Investment income	(45)	(70)	(167)	(305)
Pension cost less contributions payable	752	752	380	380
Deferred capital grants released to Income	(434)	(434)	(131)	(123)
Increase in stock	-	-	(1)	(1)

Decrease/(increase) in debtors	2,357	2,489	(2,484)	(2,551)
(Decrease)/increase in creditors	(1,837)	(2,000)	2,417	2,498
Increase in provisions	748	748	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net cash inflow from operating activities	1,538	1,484	1,447	1,324
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

26 ANALYSIS OF CHANGES IN NET FUNDS

	At 1 August 2008 £000	Cash flows £000	At 31 July 2009 £000
Consolidated			
Cash in hand and at bank	2,337	32	2,369
Debt due after 1 year	(4,500)	(12,500)	(17,000)
	<u> </u>	<u> </u>	<u> </u>
Total	(2,163)	(12,468)	(14,631)
	<u> </u>	<u> </u>	<u> </u>

- 54 -

COLCHESTER INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS - (continued) YEAR ENDED 31 JULY 2009

27 ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	Colchester Consolidated 2009 £000	Colchester Institute 2009 £000	Colchester Consolidated 2008 £000	Colchester Institute 2008 £000
Returns on investments and servicing of finance				
Income from investments :				
Gift Aid	-	141	-	144
Other interest received	45	43	167	164
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net cash inflow from returns on investments and servicing of finance	45	184	167	308
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Capital expenditure and financial investment				
Funds received on disposal of assets	-	-	441	441
Payments to acquire tangible				

fixed assets	(16,080)	(16,080)	(20,832)	(21,305)
Deferred capital grants received	2,029	2,029	10,822	10,822
Deferred capital grant transferred from subsidiary company	-	-	-	473
	<u>-</u>	<u>-</u>	<u>-</u>	<u>473</u>
Net cash outflow for capital expenditure and financial investment	<u>(14,051)</u>	<u>(14,051)</u>	<u>(9,569)</u>	<u>(9,569)</u>

- 55 -

COLCHESTER INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS - (continued) YEAR ENDED 31 JULY 2009

28 CASH FLOW RELATING TO EXCEPTIONAL ITEM

	Colchester		Colchester	
	Consolidated	Institute	Consolidated	Institute
	2009	2009	2008	2008
	£000	£000	£000	£000
Income and expenditure account (income)	-	-	369	369
Net book value of fixed assets sold	-	-	73	73
	<u>-</u>	<u>-</u>	<u>73</u>	<u>73</u>
Cash (outflow)/inflow relating to exceptional Items	-	-	442	442
	<u>-</u>	<u>-</u>	<u>442</u>	<u>442</u>

29 CASH FLOW RELATING TO PROPERTY STRATEGY

	Colchester	Colchester
	Consolidated	Consolidated
	Institute	Institute

	2009	2009	2008	2008
	£000	£000	£000	£000
Income and expenditure account (charge)	(10,004)	(10,004)	(2,194)	(2,194)
Impairment charge	-	-	2,194	2,194
Impairment reversal	(1,362)	(1,362)	-	-
Increase in provisions	748	748	-	-
Increase in creditors	1,593	1,593	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Cash outflow relating to property strategy	(9,025)	(9,025)	-	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

- 56 -

COLCHESTER INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS - (continued) YEAR ENDED 31 JULY 2009

30 RELATED PARTY TRANSACTIONS

Due to the nature of the Institute's operations and the composition of the board of governors (some 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 organisations in which a member of the board of governors may have an interest are conducted at arms length and in accordance with the Institute's financial regulations and normal procurement procedures. No transactions were identified which should be disclosed under Financial Reporting Standard 8 (Related Party Disclosures).

Members are required to declare all outside business interests and these are formally recorded on a register of interests held by the Corporation Secretary which is open to public inspection. When an item arises in which a member has an interest, it must be declared and the member concerned may not take part in that debate or any related decisions.

Transactions with the LSC and HEFCE are detailed in notes 2, 16 and 20.

31 CAPITAL COMMITMENTS

	2009	2008
	£000	£000
Commitments contracted for at 31 July	-	8,110
	<hr/> <hr/>	<hr/> <hr/>

32 FINANCIAL COMMITMENTS

Colchester Institute had the following commitments under operating leases:

	2009		2008	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Annual commitments which expire :				
In the second to fifth years inclusive	-	-	-	77.1
After five years	-	-	49.0	-

- 57 -

COLCHESTER INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS - (continued) YEAR ENDED 31 JULY 2009

33 POST BALANCE SHEET EVENTS

Colchester Institute and Braintree College are currently in advanced discussions to merge.

Final approval for the merger is expected to be given in December 2009 with an effective merger date of 1 January 2010.

34 AMOUNTS DISBURSED AS AGENT

Learner support funds

	2009 £000	2008 £000
Access Funds		
Learning and Skills Council grants	279	175
Disbursed to students	280	(175)
Balance as at 31 July 2009	(1)	-

LSC Grants are available solely for students. In the majority of instances, the College only acts as a paying agent. In these circumstances, the grants and related disbursements are therefore excluded from the income and expenditure account. The income and expenditure consolidated in the College's financial statements relates to the purchase of some

equipment from the access fund and the payment of accommodation by the College on the student's behalf.