



REPORT AND FINANCIAL STATEMENTS

31 JULY 2019

Contents

	Pages
<i>Introduction</i>	1 - 2
<i>Report of the Members of the Corporation Board</i>	3 - 18
<i>Statement of corporate governance and internal control</i>	19 - 25
<i>Governing Body's statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding</i>	26
<i>Statement of the responsibilities of the Members of the Corporation</i>	27
<i>Independent auditors' report</i>	28 - 30
<i>Reporting Accountants Assurance Report on Regularity</i>	31 - 32
<i>Consolidated and College statements of comprehensive income</i>	33
<i>Consolidated statement of changes in reserves</i>	34
<i>College statement of changes in reserves</i>	35
<i>Consolidated and College balance sheets</i>	36
<i>Consolidated statement of cash flows</i>	37
<i>Notes to the financial statements</i>	38 - 64

COLCHESTER INSTITUTE

INTRODUCTION

The 2018/19 academic was the middle year of the three-year strategic plan, crafted under the strapline '*Better Careers Begin Here*'. The plan focusses on five key priorities:

- Excellence in Teaching, Learning and Assessment;
- driving local economic growth;
- being valued as a good employer;
- building further financial resilience;
- brand recognition – synonymous with academic and commercial success.

A second one-year plan to deliver on these priorities was produced and shared with governors, who through their committee structure monitored progress against the relevant actions throughout the year. Good progress was made in almost all areas of the plan, and against Key Performance Indicators set for both quality and finance, the outturns for 2018/19 were very positive.

This said, the year did not start well. We saw disappointing enrolments, in particular, for our 16-18 year old students, where numbers fell some 400 students shorter than in the previous year. Demography was not on our side, and the June 2018 school leavers were by some way the smallest year group locally for very many years. Two other factors are believed to have played a significant part in this dip. Firstly, the transition to two year A Levels, which considerably reduced the number of students joining the College in Year 13 following disappointing AS results. Secondly, increasing volumes of Applied General qualifications offered in growing local school sixth forms, are believed to have impacted, in particular, enrolments on Level 3 programmes. Higher Education numbers also fell by almost 200 students, again, increased competition and a well-documented lowering of the entry tariff nationally (including growing numbers of unconditional offers) is believed to have had a significant impact.

This position set the tone for a year in which significant cost reductions would need to be found in readiness for reduced grant funding income, in particular, in 2019/20. Senior Leaders, supported by governors, set about identifying a series of high level cost reduction strategies which focused in particular on reducing payroll expenditure, but also further efficiencies in curriculum delivery and estates.

Alongside this, in November 2018, an Ofsted inspection took place in which the College was judged to 'require improvement'. This judgement was largely based on student outcomes in classroom-based learning over the previous three years, which, whilst having improved over that period, still did not compare favourably, overall, with national averages.

A Post Inspection Action Plan was developed and leaders and managers very quickly implemented the key priorities within this. Early activity centred around more robust in-year checking of student progress, which alongside a range of additional strategies to improve teaching, learning and assessment was instrumental in a further significant increase in student outcomes. Achievement rates for classroom-based learning overall were very strong – indeed these are likely to place the College in the top 20% of all Colleges when comparative data are produced. In May 2019, the College was notified of its success in the bidding process to the Strategic College Improvement Fund and an exciting plan of improvement activities including additional roles and extensive CPD is now underway to address in particular Teaching and Learning, English and maths and Support for Students.

The College continues to pay particular attention to matching curriculum content to the needs of students and local employers, whose views inform curriculum planning and delivery. There remain strong links with the area's theatre, hospital, local schools, manufacturers and a very wide range of other businesses and organisations, which enable students to access high quality industrial and commercial work experience and to attend guest lectures and visits to support their development. Such links also provide hundreds of apprenticeship opportunities and some very significant sponsorship arrangements which allow students to access state of the art industry

INTRODUCTION

standard resources. The College was actively engaged with well over 1,500 employers in 2018/19.

On the Estates front, work was underway all year to build Braintree's new Learning and Technology Centre -opening in November 2019. This is a two storey building housing first class teaching accommodation, including specialist facilities for Creative and Digital Media and Wood Occupations. Alongside this, new teaching facilities, a student centre - including library - and new staff rooms were created in the STEM Innovation Centre and a new, separate, refectory was created. By November 2019, the total campus transformation will be complete, and the Braintree Campus will host some of the very best facilities in any College in the region.

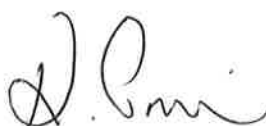
At the Colchester campus, following employer feedback, brand new facilities were developed to enable the College to offer Apprenticeships in Groundworks. Work also commenced later in the year on the new 1,000sqm Health and Care Development Centre. This Centre, which adds a fifth storey to the campus's newest building, will include realistic work environments to support studies in both health (a clinical ward) and care (a domiciliary/care home setting) and will make extensive use of immersive technologies to enhance learning. The Centre opens at Easter 2020.

At the Clacton on Sea campus, employer intelligence identified a significant need for Construction skills, and the campus's ground floor was reconfigured to create a multi-skills workshop where flexible learning opportunities are now offered to adults to gain much needed construction and maintenance skills.

Both the College Executive and the Corporation Board continue to recognise and appreciate the hard work and commitment of the staff of Colchester Institute; many members of the student body; governors; and the very wide range of partner stakeholders who make such valuable contributions to our important work, assisting the achievement of core deliverables which support health, well-being, tolerance, skills development and life chances in the communities in which we serve.



ALISON ANDREAS
Principal and Chief Executive



KEVIN PRINCE
Chairman, Colchester Institute Corporation

COLCHESTER INSTITUTE

REPORT OF THE MEMBERS OF THE CORPORATION BOARD

The Members present their report and the audited financial statements for the year ended 31 July 2019.

CORPORATION BOARD ORGANISATION, LEGAL STATUS

- 1 The Corporation was established under 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 2011.
- 2 The Corporation Board is responsible for the governance of the Institute and comprises 16 Members drawn from a wide range of industry, commerce and education and from those who have experience of service in the community, the Principal and Chief Executive and four other Members drawn from staff (two) and students (two).
- 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 5 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. 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/Funding Agreement 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 Resources Committee (finance, accounting, human resources and property matters), a Remuneration and Search Committee (recruitment to and performance review for all designated Senior Posts, staff pay and conditions, composition of the Board and the appointment of all members to it), a Curriculum and Quality Committee (to monitor the effectiveness of the College's quality assurance systems and the self-assessment of the Board) and an Audit and Compliance Committee.
- 6 Individual Board Members are linked to curriculum areas and report through the Principal to the Curriculum and Quality 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 College.
- 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.

VISION, MISSION AND VALUES

- 9 2018-19 was the second year covered by the Strategic Plan, 'Better Careers Begin Here' launched in September 2017 for the three-year period from 2017 – 2020. The vision, mission, values and key priorities are detailed below.

COLCHESTER INSTITUTE

REPORT OF THE MEMBERS OF THE CORPORATION BOARD

VISION

- 10 To be an outstanding college, highly acclaimed by students and employers as central to their future success.

MISSION

- 11 To deliver first-class education, professional development and technical skills training to develop careers and strengthen the local economy.

VALUES

- 12 Colchester Institute's values are:
- We place the **success and wellbeing of students** and **an outstanding student experience** at the heart of our choices, decisions and priorities.
 - We have **high expectations** of ourselves, our students and our partners and aim for **excellence** in all aspects of our work.
 - We **value and recognise** the skills and significant contribution made by **all our staff**, in achieving our goals.
 - We **respect** each other, promote **equality**, celebrate **diversity** and **break down barriers** to success.
 - We are **responsive**, and **adapt our provision** to meet the needs of our students, the local economy and local and national priorities for skills development.
 - We act responsibly, with **honesty, integrity and openness**, safeguarding the future health and success of our organisation.

STRATEGIC PRIORITIES

- 13 Five strategic priorities were identified in that plan. Each was dealt with in more detail in the full Strategic Plan document, which included a set of sub-aims for each ambition and the associated success indicators.

The top level Strategic Priorities are:

1. Colchester Institute will be known for its excellence in teaching, learning and assessment. This will be evidenced by exceptional rates of student progress, achievement and progression with outstanding destinations a known characteristic of the College.
2. Colchester Institute will play a greater role in driving local and regional economic growth.
3. Colchester Institute will be valued as a great place to work by staff and recognised as a good employer within the community.
4. Colchester Institute will build further financial resilience. This will allow for greater capital and capacity development, safeguard provision for the future and enable fair reward for staff.

REPORT OF THE MEMBERS OF THE CORPORATION BOARD

5. Colchester Institute will be a brand that is recognised locally and regionally. The brand will be synonymous with academic and commercial success.

A one year plan outlining the actions required to achieve the strategic ambitions was developed and regular reviews of progress were presented to governors throughout the year at the relevant committees.

FINANCIAL OBJECTIVES

- 14 In support of the Vision and Mission the College must remain financially stable. In order that this can be achieved the following financial objectives have been set that will maintain sustainable financial health:
- To continue to develop financial strategies that will ensure year on year improvement in college financial health as measured under ESFA methodology.
 - To target a return to 'Good' financial health within the rolling four-year financial plan.
 - To operate within all current and future financial loan covenants agreed with principal bankers or any other lending institution.
 - To maintain available cash holding at the commencement of each financial year at no less than 100% of debt servicing costs for such relevant period (c£1m).
 - To ensure the ratio of borrowings at the end of each financial year to adjusted operating surplus for each financial year does not exceed 5:1.
 - To generate positive cash flow before fixed asset investment.
 - To plan cash flow in order to meet the needs of on-going debt service payments (interest and capital), and future capital investment to improve operating performance without the requirement for Exceptional Financial Support.
 - To continually review, update and improve monthly management reporting to help provide further information to improve decision making and overall financial management and control.
 - To improve the College estate, facilities and equipment by:
 - Generating sufficient funds to ensure that the College can undertake its specified programme of planned maintenance.
 - Generating sufficient funds to ensure that the College can invest in the new technology and equipment required to support learning programmes and business support activities.
 - Ensuring adequate procedures are in place to protect assets from loss, theft and neglect.
 - Strengthen procedures for testing the desirability and affordability of proposals which have a financial implication.
 - To maintain confidence of bankers, funding agencies, suppliers, professional advisors by:
 - Providing financial and non-financial returns on time and in the agreed format.
 - Ensuring all returns requiring certification by auditors are unqualified and submitted on time.
 - Adhering to the College's policy to pay all suppliers within 30 days of receipt of invoice or to within negotiated supplier terms.
 - Raising awareness of financial issues by providing advice, guidance and training to staff, management and governors on funding, funding methodologies, budgeting and financial procedures.
 - Providing adequate information to ensure that staff, management and governors are kept up-to-date with the financial position of the College.

COLCHESTER INSTITUTE

REPORT OF THE MEMBERS OF THE CORPORATION BOARD

PERFORMANCE INDICATORS

- 15 Colchester Institute has continued to establish and utilise a series of indicators and targets, covering such key variables as recruitment volumes, achievement rates and financial ratios. Although not every qualitative target was achieved, outcomes in almost every area improved on the previous year's performance, with some very notable improvements in both financial and quality indicators. For our 3,700 Study Programme learners, outcomes are likely to place the College in the top 20% of Colleges nationally.
- 16 Below are a selection taken from the 50 aspirational KPIs for 2018/19 set and agreed by the Corporation Board and monitored both at management and Board level throughout the year. The quality KPIs were once again set in line with the College's "stretch and challenge" agenda – reflecting the very best outcomes that would be expected in a "Good" college.

Target	Full Year Target 2018/19	Outturn 2018/19	Outturn 2017/18
Student Attendance – FE	90%	86%	87%
Achievement rate – all further education qualifications	85%	89%	81.3%
Success rate - Apprenticeships	80%	67%	73.8%
Retention – all FE enrolments	93%	94%	91.8%
HE - Good Degrees	70%	78%	71%
16-19 FE learner numbers	4131	3707	4140
Apprenticeship Numbers	681	700	570
HE Enrolments (FT and PT)	741	713	915
Operating Surplus	£266K	£305K	£841K

- 17 The College is committed to observing the importance of sector measures and indicators and uses both its own extensive data sources as well as external sources, such as the National Achievement Rate Tables (NARTs), the Performance League Tables, MIDES and the NSS (National Student Survey) to benchmark its performance. Feedback in the NSS survey was again improved on the previous year in the areas of 'Teaching on my Course' and 'Learning Opportunities'. Overall, scores improved in five out of eight areas. The most significant improvement was seen in questions under the heading 'Learning Community'. Results fell most significantly in the area of Organisation and Management and action plans are in place to address both areas in 2019/20.
- 18 Progress against College KPIs is reported monthly to governors through a written report provided by the Principal. Progress towards financial KPIs is also tracked through detailed monthly reporting to the board in the Monthly Monitoring Report, compiled by the Executive Vice Principal: Finance and Corporate Development. These reports are discussed at Curriculum and Quality Committee and at Resources Committee respectively, and then further at Corporation Board meetings. The KPIs are cross-referenced to the one year plan to meet Strategic Priorities, and this plan is monitored at both management meetings and Board Committee meetings.

REPORT OF THE MEMBERS OF THE CORPORATION BOARD

STUDENT NUMBERS

- 19 2018/19 represented the bottom of a local demographic dip with significantly fewer sixteen to nineteen year olds than in previous years, in all of the districts served by the College. Recruitment of school leavers fell, and numbers of students joining the College in Year 13 were also reduced, most likely as a result of the re-introduction of two-year A Level programmes. Competition from school sixth forms increased, with significant numbers of Applied General Qualifications being offered in local schools – one of which had recently established a new sixth form, and a number of others are actively seeking to grow their sixth form provision. Internal progression rates remained very similar to the previous year with around two thirds of students who were in Year 12 in 17/18, remaining on a further education programme in 2018/19. There was a significant increase in apprenticeship enrolments in the year, from 570 in 17/18 to 700 in 18/19, with much of this growth as a result of the College securing some large levy contracts and the introduction of apprenticeships in professional areas such as Human Resources, Procurement and Management. Higher Education numbers fell slightly short of target, but through subcontracted provision the College was able to address this shortfall.

STUDENT ACHIEVEMENTS

- 20 Achievement rates in 18/19 improved significantly, with overall rates for 16-18 year olds rising to 89% (8 percentage points above 17/18), and adults also showing a steady upward trend to 86%. Apprenticeship results dipped from 74% to 67%, largely impacted by the transition from frameworks to standards. It is likely that a similar dip will be seen in the national rate (most recent rate 67%) as a result of this major change. Progress measures for English and maths improved, however those attaining the threshold of grade 4 or above, while again increasing, still needs to improve.
- 21 Apprenticeship achievement rates for frameworks performed significantly better than standards, with the latter seeing more apprentices take longer to complete the programme and achieve the End Point Assessment. Apprentices did particularly well in Engineering, Motor Vehicle, Dental Nursing, Plumbing and Electrical.
- 22 For programmes of further education, the overall headlines for young learners are significantly above recent national averages, with 18 areas improving on previous year. The majority of subjects reached or exceeded 88% with Art and Design, Beauty Therapy, Plumbing, Business, Sport, Hospitality, Engineering and Wood Occupations are of particular note. Also worthy of note, in terms of a significant improvement over the previous year on Study Programmes, were Early Years, Painting and Decorating and Motor Vehicle.
- 23 In UCC, the number of degree students who gained first class and upper second class degrees rose to 78%, the highest results recorded.

CURRICULUM DEVELOPMENTS

- 24 In 18/19 the College consolidated its programme offer in the STEM Innovation Centre at the Braintree Campus concentrating training opportunities in Engineering Manufacture, Creative and Digital, Computing, Business, Early Years, Public Services and Construction trades. The second building, with state of the art facilities, is due to open in October 2019. A particular strength of the College as a whole is its offer which includes a wide ranging FE curriculum and a well-developed apprenticeship offer that meets the needs of local employers and the local economy, and the routes through to employment or higher education. At the Colchester Campus, health and media courses continued to expand, and a new Degree in Policing Studies was put in place for September 2019 start. New

COLCHESTER INSTITUTE

REPORT OF THE MEMBERS OF THE CORPORATION BOARD

apprenticeship standards were introduced in further areas including Procurement, Human Resources and Firefighting.

- 25 Apprenticeships continue to be an area of growth and priority, and College has particularly worked closely with levy employers to develop flexible programmes to meet their training needs.
- 26 University Centre Colchester (UCC) entered a new validating partnership with University of East Anglia in 2018 and successfully validated a range of degree and diploma programmes throughout 2018/19. UCC students also benefit from partnerships with University of Huddersfield (Initial Teacher Education), Pearson (Higher National Certificates/Diplomas) and other awarding bodies offering professional higher qualifications.

FINANCES

- 27 The Group has accumulated cash reserves of £2,732,000 and net assets (before defined benefit pension obligations) of £26,184,000. The Corporation is determined to accumulate cash reserves in order to further improve financial resilience whilst investing in the College estate to support improved teaching, learning and assessment conditions.
- 28 Fixed asset investment continues and total additions during the year amounted to £5,910,000. This was split between new build projects totalling £5,034,000 and equipment purchases of £876,000. Assets under construction included activities supporting delivery of the approved capital projects at the Braintree and Colchester Campuses that are planned to complete in 2019 and 2020 respectively.
- 29 The Group has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In the year, FE funding bodies provided 71% of the Group's total income.
- 30 The College has a subsidiary company, Colchester Institute Enterprises Limited. The principal activity of which is the provision of commercial training of employees for local businesses. Any surpluses generated by the subsidiary are transferred to the College under deed of covenant. In the current year, the subsidiary recorded a profit of £83,459 prior to a gift aid transfer (2018: £13,500).
- 31 The Group generated operating income of £39,365,000, which was a fall of £1,008,000 on the previous year. Funding body grants increased by £110,000 whilst tuition fees and grants fell by £736,000 on the previous year. Operating expenditure decreased by £862,000 on the previous year. Staff pay costs decreased by £633,000 and other operating non-pay expenditure fell by £292,000 on the previous year. Excluding FRS102 staff pension costs, the underlying operating position was in line with budget expectations at £270,000, a reduction of £571,000 on the previous year.
- 32 Key performance indicators were monitored throughout the year and finished in line with expectations. Satisfactory financial health was recorded under current ESFA financial health methodology and it is forecasted that this will continue to improve over future years.
- 33 The Group was compliant with all loan covenant conditions during the year, and these continue to be monitored.
- 34 A budget has been approved by the Corporation with an operating surplus (pre-defined benefit obligations) of £162,000 predicted for 2019-20. This reduction in expectations is brought by lower FE recurrent grant and HE income, whilst pay costs are expected to remain constant.

COLCHESTER INSTITUTE

REPORT OF THE MEMBERS OF THE CORPORATION BOARD

- 35 A long term financial plan has been prepared to consider a response to a range of future scenarios. The College Executive will be working to develop further medium-term projections and models to respond to uncertainties in the current political climate. The financial forecast has, in addition to the secured savings to date, included further savings and efficiencies, enhanced by the delivery of accommodation and estates masterplan strategies.

CASHFLOWS AND LIQUIDITY

- 36 The Group delivered on positive net cash flow on operating activities to the value of £2,153,000. There is currently considerable ongoing investment in new facilities at Braintree and Colchester campuses that will complete in 2019 and 2020 respectively. As a result of this, and the ongoing cost of prior year debt servicing on behalf of the Learning and Skills Councils aborted 2008 scheme, there was a decrease in cash reserves of £719,000 in the year.
- 37 The College met its bank loan covenant test for cash holding requirements at year end and it does not intend to seek further long term borrowing in the future. Future capital plans are not requiring of further long-term loan finance.

TREASURY AND RESERVES POLICIES AND OBJECTIVES

- 38 Treasury management is the management of the College's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. Treasury management policy is detailed within the College's Financial Reporting and Accounting Procedures handbook. Any short term borrowing for temporary revenue purposes is authorised by the Accounting Officer and the Corporation, in compliance with the requirements of the Financial Memorandum.
- 39 The Group has no formal Reserves Policy but recognises the importance of reserves in the financial stability of the organisation, and it ensures that there are adequate reserves to support the College's core activities. The Group reserves include £1,000,000 held as designated reserves. As at the balance sheet date the Income and expenditure account reserve fell as a result of the increased FRS102 defined benefit obligation on the Local Government Pension Scheme. The balance was a deficit of £870,000 (2018: surplus £3,135,000).
- 40 It is the Corporation's intention to increase pre-FRS102 reserves over the life of the strategic plan through the generation of annual operating surpluses, and this was the case for the year.

POST- BALANCE SHEET EVENTS

- 41 During the year the College continued to deliver two SE LEP Local Growth Fund capital projects totalling £10m. As at the balance sheet date the position of the projects was as follows:
- New Learning and Technology Centre, Braintree Campus – Due for completion in November 2019 with remaining estimated costs of £2.6m with £1.4m funded through SELEP capital grant.
 - South Wing fifth storey extension, Colchester Campus – Due for completion in April 2020 with remaining estimated costs of £3.8m with £2.6m funded through SELEP capital grant

COLCHESTER INSTITUTE

REPORT OF THE MEMBERS OF THE CORPORATION BOARD

- 42 To support the above capital investment projects, the Corporation entered into a Braintree land sale agreement in March 2018 that will complete once vacant possession is provided. At this stage, it is anticipated that the sale will complete in December 2019.

PLANNED MAINTENANCE PROGRAMME AND PROPERTY STRATEGY

- 43 Currently a policy of writing off maintenance and refurbishment costs as incurred is followed. Planned maintenance is carried out throughout the year to support the ongoing provision of high quality teaching facilities, alongside other strategies included in the College estates plan that is approved by the Corporation.

PAYMENT PERFORMANCE

- 44 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 has been implemented and monitored at Colchester Institute.

CHARITABLE AND TAXATION STATUS

- 45 The Corporation is an exempt charity for the purposes of the Charities Act 2011 and within the meaning of Chapter 3 Part 11 Corporation Tax Act 2010. Accordingly the Corporation is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 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 VATable purchases is largely irrecoverable. The subsidiary company is not exempt from Corporation Tax.
- 46 The College has a policy to embed risk management into day to day operations. Risks identified at departmental level are discussed regularly by the Risk Management Committee which includes representation from the Corporation. The Corporate Risk Register is constantly used as a management tool for day to day business operations. It records controls and mitigations against financial, operational or strategic risks that may threaten the non-achievement of corporate ambitions.

PRINCIPAL RISKS AND UNCERTAINTIES

- 47 There is a comprehensive list of risks reviewed on the Corporate Risk Register, the principal risks during the year were identified as follows:-
- **Capital Project Development.** Separate risk registers, devoted to the individual scheme developments are reviewed and further actions initiated where appropriate
 - **Failure to improve quality measures including achievement rates.** The College's quality improvement plan was further developed in order to ensure sustained improvement in key performance indicators.
 - **Enrolment shortfall leading to income reduction.** A high focus of attention was placed on all key funding streams including an apprenticeship action plan that continued to be monitored during the year.
 - **Poor progress prohibiting financial recovery.** There remained a high focus to continue to improve financial outcomes as far as possible.

COLCHESTER INSTITUTE

REPORT OF THE MEMBERS OF THE CORPORATION BOARD

- **Failure to recruit appropriate teaching staff in priority areas.** The College Executive continued to develop a number of initiatives to mitigate against this risk.
- **Braintree Masterplan Development.** The Corporation has been regularly updated on mitigating activities being undertaken to ensure timely vacant possession of the buildings allocated under the sale agreement including measures to support any emerging cashflow risks.

STAKEHOLDER RELATIONSHIPS

- 48 Colchester Institute continues to enjoy productive relationships with many key stakeholders. These include students, parents, staff, employers, local authorities, funding agencies, governmental organisations, local community groups, schools, trade unions, professional bodies and other FE institutions. The College is a member of the Haven Gateway Partnership which promotes the importance of the distinct economic sub-region of North Essex and South Suffolk, within which the College operates. The Principal and Chief Executive continued as Chair of the Federation of Essex Colleges (FEDEC) an important group for sharing of best practice and increasingly for collaborative working. The FEDEC-led Essex-wide hub for Apprenticeship End Point Assessment (EPA) continued into its second year. This enables the seven member Colleges to 'trade' EPA opportunities and gain access to facilities and assessors beyond the range available within their own organisations. The College continued to build on its excellent employer relationships in a number of skills sectors. Ad hoc employer groups met to inform curriculum developments – particularly worthy of note was the development of a Level 6 Engineering course as a Honours level 'top up' to the popular Higher National programmes at employers' requests. In 2019/20 there are plans to formalise such groups by piloting Sector Advisory Boards in a number of skills subject areas.
- 49 The College has established sound communications with its staff and employs such techniques as providing a monthly Core Brief and utilising staff surveys with consequent action planning. The Principal meets with the whole staff body on at least two occasions during each year to provide updates on key aspects of the College's performance and priorities. Student-to-staff links are also strong. The "Learner Voice" is given particular credence and Principal's Question Time and the Course Representatives programme are just two of ways in which students can contribute their views and ideas to College decision-making. 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. The College continues to recognise relevant trade unions, UCU and Unison, and holds regular meetings/consultations with them.

STAFF AND STUDENT INVOLVEMENT

EQUALITY AND DIVERSITY

- 50 The College celebrates and values diversity within both the workforce and the student body and believes that it benefits from engaging staff of all backgrounds, thus allowing it to meet the needs of a diverse student population within a diverse society. The College aims to provide a welcoming environment in which all learners and employees are encouraged to realise their full potential, where every individual is valued and offered equal opportunity to progress. To this end, the College aims to ensure that all actual or potential learners and employees are treated in an equivalent fashion, regardless of: age, disability; family responsibility, marital status, race, colour, ethnicity, nationality, religion or belief, gender, sexual orientation, trade union activity, and any other irrelevant criteria. Learners engage in a range of activities encouraging them to be responsible and respectful citizens; British Values are promoted within a context which ensures increased understanding and

COLCHESTER INSTITUTE

REPORT OF THE MEMBERS OF THE CORPORATION BOARD

appreciation of diversity. Most staff and Study Programme learners undertook a small qualification in this subject during 2018/19.

- 51 The College's Equality Policy is published on the College's Intranet site, along with the Annual Equality and Diversity Report and action plan. This is resourced, implemented and monitored on a planned basis, including by College Governors.
- 52 The College is also a 'Positive About Disabled People' employer and has committed to the principles and objectives of the Positive About Disabled People standard. The College considers all employment applications from disabled persons, bearing in mind the aptitudes of the individuals concerned, and guarantees an interview to any disabled applicant who meets the essential criteria for the post. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion which, as far as possible, provide identical opportunities to those of non-disabled employees.

DISABILITY STATEMENT

- 53 The College seeks to achieve the objectives set down in the Equality Act 2010:
- a) The Facilities team review accessibility to all parts of the College to ensure ease of access for all staff, students and visitors including those with disabilities.
 - b) If there are changes to walking routes, or major campus works or development, accessibility and signage is checked to be suitable for all, in liaison with staff and students.
 - c) The Additional Learning Support Team are able to provide information and advice and are available to arrange support where necessary for students with disabilities and learning difficulties.
 - d) The College Admissions and Additional Learning Support policies are available on request, which includes details of Admissions Review Panels and the appeals process.
 - e) The College has a wide range of specialist support for students with disabilities including: In-class support or 1:1 support; Note taking, interpreting and signing support; Support for those who have a medical condition; Tutors for learners with specific learning difficulties; Specialist 1:1 study skills support, and non-medical help, for learners who have applied through the DSA process at HE level.
 - f) The College Student Services Team provides a range of pastoral care and welfare support including the provision of dedicated student counsellors.

SECURITY AND WELFARE

- 54 The College takes seriously its duty to safeguard and promote the welfare and well-being of both young people and vulnerable adults and aims to provide a welcoming, safe and secure environment in which all students – and staff - are respected, valued and encouraged to realise their potential. A comprehensive Safeguarding and Child Protection policy is in place, which incorporates the Prevent duties, and this is reviewed annually.
- 55 Access/security ID systems are employed on main college campuses to support the safeguarding of our learners on site and students, in addition to staff and visitors, are required to wear ID at all times on college premises. There is a robust security system on site to support staff and students with any concerns or incidents which may arise. With external, expert support, the College has also developed its Critical Incident Plan and

COLCHESTER INSTITUTE

REPORT OF THE MEMBERS OF THE CORPORATION BOARD

Senior leaders, and others with particular responsibilities within this plan, have received externally facilitated training in this area.

TRADE UNION FACILITY TIME

- 56 The Trade Union (Facility Time Publication Requirements) Regulations 2017 came into force on the 1st April 2017.

These regulations place a legislative requirement on relevant employers, including Colchester Institute, to collate and publish, on an annual basis, a range of data on the amount and cost of facility time within their organisation.

Colchester Institute recognises two trade unions: UCU and UNISON.

For the period 1 April 2018 to 31 March 2019 the following applies

Number of employees who were trade union officials: 7

Full-time equivalent number of employees who were trade union officials: 6.7

Percentage of working hours spent on facility time:

0%	0
1-50%	7
51-99%	0
100%	0

Total cost of facility time: £11,300

Total pay bill: £24,000,000

Percentage of total pay bill spent on facility time: 0.05%

Time spent on paid trade union activities as a percentage of total paid facility hours: 0%

FUTURE DEVELOPMENTS

- 57 Following an announcement late in 2017 by the University of Essex, that their future strategy for Academic Partnerships would focus on national and international partnerships in preference to local arrangements, UCC sought a new validating partner for its degree programmes. In October 2018, an Institutional Approval event took place with the University of East Anglia, and Colchester Institute (UCC) was successfully validated as a partner for the development and delivery of University of East Anglia degrees. Following a small number of subject validations during 2018/19, the first students to enrol on UEA degrees did so in September 2019, with many more to follow from September 2020. There has been a positive start to this important relationship and we look forward to seeing the partnership flourish over the coming years.
- 58 On the capital projects front, the College anticipates opening the all new Health and Care Development Centre in April 2020. This will provide outstanding facilities, including extensive use of immersive technologies, for training and education in this rapidly growing, high demand, sector area. In addition to this, further work to complete the Groundworks facilities for Apprenticeships is scheduled for early 2020.
- 59 The College continues to plan for the national moves towards courses and curricula meeting the recommendations of the Sainsbury Report and the Post 16 Skills plan, and

REPORT OF THE MEMBERS OF THE CORPORATION BOARD

looks forward to supporting the ambitions laid out in that plan by delivering a 'world class technical option' for students selecting technical and professional training post-16. For these students there will be two options: either a high quality apprenticeship programme, or a full time programme of technical education, combining Technical Qualifications with substantial work-experience (315 hours per year). The College's preparations are underway for this significant shift and hundreds of Study Programme learners will be engaging in substantial industry placements during 2019/20. The College looks forward to being able to offer T Levels in the future, although we echo the concerns voiced by many, nationally, about the realistic proposition of providing such substantial industry placements in large volumes to full-time learners. In some industry areas this is already proving challenging. The College is watching with interest the current national review of qualifications at Level 3 and below. Applied General Qualifications at levels 2 and 3 are of particular value to many young people, and prepare those students who are unsure at the outset of their programme well into work, apprenticeships or higher education.

- 60 Brexit continues to cast uncertainty across UK Education, not the least in relation to staffing. It is proving increasingly difficult, sector-wide, to attract teachers either from industry or from schools into teaching roles in Further Education, with a notable pay differential in both cases. A ministerial announcement in September 2019 provides fresh hope that additional funding will be available to 16-18 education from September 2020 (the first increase to the funding rate in seven years) with a small increase to the per-capita funding for students and additional monies for students studying at Level 3 but without Grade 4s in maths and English and further uplifts for 'higher value' courses. The Review of Post-18 Education and Funding, led by Philip Augar was published in late May and made a number of positive suggestions regarding the funding and delivery of both further and higher education. The timing of its publication, in the midst of political turmoil dampened its impact and we await further news on its implementation.
- 61 On the positive, concerns around the availability of sufficient skills post-Brexit, continue to provide a new and welcome focus on the skills agenda for students of all ages. The College continues to develop and deliver new programmes aimed at those adults wishing to upskill, re-skill or return to learning. The Clacton Construction Skills Centre and the Harwich Energy Skills Centre are good examples of this approach. Employer needs will also continue to be met through a responsive and comprehensive programme of professional development events, in the form of both open courses and a bespoke offer for individual organisations.
- 62 Locally proposals for three new Garden Communities are gathering momentum. If approved, these could deliver 43,000 new homes over the next fifty years – all within twelve miles of one of the College's main campuses. Initially, the development of such communities would create increased demand for construction and engineering skills locally. In due course, as the communities begin to grow, the increase in population coupled with the associated infrastructure, industry and commerce, would place new and additional demand on the Colchester Institute's services, creating exciting growth opportunities for the future.
- 63 The College fully recognises that all of the above will only be achieved through a continued focus on maintaining financial health. The good work underway to ensure efficient curriculum delivery and estates utilisation will continue, alongside strategies to continue to maintain payroll spending at a percentage of income close to the sector norm. This will only be achieved through a continued review of business processes to enable efficiencies that the College's current systems and processes do not allow. A key focus for 2019/20 will be on Human Resources systems designed to streamline a range of HR processes, reducing staff and manager time spent on these. Continued attention will also be paid to maximising income – for all provision types and business activities.

COLCHESTER INSTITUTE

REPORT OF THE MEMBERS OF THE CORPORATION BOARD

MEMBERS

- 64 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.
- 65 The Members who served the Corporation during the year and up to the date of signature of this report were:

Name	Date of Appointment	Current Term of Office	Date of Leaving	Status of Appointment	Committees Served	Attendance in 2018/19*
A Andreas	January 2014	Ex-officio		Principal	C&Q and Resources	5 out of 5
B Baker	December 2011 Re-appointed December 2015	4 years		Independent	Resources	4 out of 5
C Bridge	April 1993, last re-appointed July 2014	4 years	31.12.18	Independent	Chr of Board, and member of all Committees except A&C, Chr of R&S	2 out of 2
L Clampin	May 2019	4 years		Independent	C&A	0 out of 1
D Clarke	July 2018	1 year	30.06.19	Student	C&Q	2 out of 4
M Davies	January 2017	4 years		Independent	Chr A&C	4 out of 5
L Ellam	October 2019	4 years		Staff	C&Q	0 out of 0
M Fordham	October 2017	4 years	01.09.19	Staff	C&Q	5 out of 5
D Gask	January 2010 last re-appointed January 2016	4 years		Independent	Chr of C&Q member R&S	5 out of 5
P Giddings	Nov. 2019	4 years		Independent	Resources	0 out of 0
L Goodall	August 2018	4 years		Staff	Resources	3 out of 5
D Gronland	January 2010 last re-appointed 2016	4 years		Independent	A&C and C&Q	3 out of 5
K Moule	January 2019	4 years		Independent	C&Q	1 out of 3
S Piper	July 2018	1 year	30.06.19	Student	C&Q	3 out of 4

COLCHESTER INSTITUTE

REPORT OF THE MEMBERS OF THE CORPORATION BOARD

K Prince	January 2008 last re- appointed January 2016	4 years		Independent	Chr of Board, and member of all Committees except A&C	5 out of 5
N Riddiough	October 2019	1 year		Student	C&Q	0 out of 0
T Smyth	July 2018	4 years		Independent	C&Q	5 out of 5
S Thompson- Arnold	July 2014 Re-appointed July 2018	4 years	19.06.19	Member	A&C and R&S	1 out of 4
I Thurgood	October 2017	4 years	20.11.18	Member	Resources	0 out of 1
R Wainwright	October 2011 Re-appointed October 2019	4 years		Independent	Chr Resources and member of R&S	4 out of 5

* Attendance relates to attendance at Corporation Board meetings during the year under review. (1 August 2018 to 31 July 2019). It does not include attendance at Committee and other meetings.

Key to Committees:

A&C	Audit and Compliance
Resources	Resources Committee
C&Q	Curriculum and Quality Committee
R&S	Remuneration and Search Committee

- 66 The Board has agreed a target of 70% attendance at Board and Committee meetings, which is monitored by the Remuneration and Search Committee. Overall attendance in 2018-19 was 80.47%.

COLCHESTER INSTITUTE

REPORT OF THE MEMBERS OF THE CORPORATION BOARD

KEY MANAGEMENT PERSONNEL, OFFICERS AND PROFESSIONAL ADVISORS

67 The key management personnel, officers and professional advisors were:

Key Management Personnel:

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College. They were represented in the year by:

Alison Andreas, Principal and CEO, Accounting Officer
Gary Horne, Executive Vice Principal: Finance and Corporate Development
Jill Wognum, Executive Vice Principal: Curriculum, Quality and Planning
Jason Peters, Vice Principal: Curriculum and Delivery
Shaun McConnell, Executive Director of Human Resources
Maeve Borges, Vice Principal: Student Services and Support

Corporation Secretary:

Hazel Paton LLB ACIS

Financial Statements Auditor:

Scrutton Bland LLP
Chartered Accountants
820 The Crescent
Colchester Business Park
Colchester

Internal Auditor:

RSM Risk Assurances Services LLP
The Pinnacle
170 Midsummer Boulevard
Milton Keynes
Buckinghamshire
MK9 1BP

Bankers:

Barclays Bank plc
Mortlock House
PO Box 885
Histon
Cambridge
CB24 9DE

Solicitors:

Birkett Long LLP
42 Crouch Street
Colchester

Surveyors:

Nicholas Percival
Chartered Architects
Beacon End Farmhouse
London Road
Colchester

COLCHESTER INSTITUTE

REPORT OF THE MEMBERS OF THE CORPORATION BOARD

Disclosure of Information to Auditors

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



KEVIN PRINCE
Chairman

Date:

18/12/2019

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 UK Corporate Governance Code issued by the London Stock Exchange in June 2016. 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 Code in so far as they apply to the further education sector, and it has complied throughout the year ended 31 July 2019. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted on 21 July 2015.
- 3 Colchester Institute is an exempt charity under Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education. The members of the Governing Body, who are Trustees of the Charity, are disclosed on pages 15 and 16. In setting and reviewing the College's strategic objectives the Governing Body has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. In delivering its mission, the College provides the following identifiable public benefits through the advancement of education:
 - Delivery of programmes specifically aimed at NEET reduction and tackling long term unemployment
 - Excellent pastoral support for students, to help remove practical and emotional barriers to learning
 - Consistently high levels of success for students in securing work, with excellent destination data
 - Significant ladders of opportunity allowing students to progress to higher levels of learning across a broad range of vocational areas
 - Strong employer partnerships, supporting workforce development and positive impact on the local and regional economy
 - Significant primary and secondary employment levels, through supplier chain development
 - A community nucleus providing access to high quality facilities for quiet enjoyment by local people and groups

THE CORPORATION

- 4 The composition of the Corporation is set out in para 65 above. It is the Corporation's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.
- 5 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 at least once each term.
- 6 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 Resources, Remuneration and Search, Audit and Compliance, and Curriculum and Quality. Full minutes of Board and Committee meetings except those

COLCHESTER INSTITUTE

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

deemed to be confidential by the Corporation are published on the College's website (www.colchester.ac.uk/governance) and are available from the Clerk to the Corporation at:

Colchester Institute, Sheepen Road, Colchester, Essex, CO3 3LL

- 7 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.
- 8 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, evaluation and dismissal of the Clerk are matters for the Corporation as a whole.
- 9 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.
- 10 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.
- 11 There is a clear division of responsibility in that the roles of the Chairman and Accounting Officer are separate.

APPOINTMENTS TO THE CORPORATION

- 12 Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Remuneration and Search Committee consisting of the Chair and Vice Chairs of the Corporation, Committee Chairs plus one Independent member of the Board. The Committee 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.
- 13 Members of the Corporation are appointed for a term of office not exceeding four years.

CORPORATION PERFORMANCE

- 14 A review of Corporation performance and assessment of its own effectiveness is carried out annually. The review, which is overseen by the Remuneration and Search Committee, is framed around the areas of evaluation examined by the Inspectors of OFSTED when the College is inspected and the guidance contained in the Good Governance Standard for Public Service, and is benchmarked against other colleges. In 2018-19 the Corporation assessed the Governance arrangements as Good.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

REMUNERATION AND SEARCH COMMITTEE

Statement on Senior Post Holder Remuneration

- 15 The Board adopted the Association of Colleges' Senior Post Holder Remuneration Code (Remuneration Code) at its meeting on 26 July 2019 and will work towards full compliance with the Code during 2019-20. In line with the requirements of the Remuneration Code, this statement on Senior Post Holder remuneration is based on the Remuneration and Search Committee annual report to the Board 2018-19.
- 16 For the year ending 31 July 2019, the determined membership of the Remuneration and Search Committee was six members of the Corporation. Two members retired during the year, and the actual membership at 31 July 2019 was four members. The Committee's responsibilities include consideration of the remuneration and benefits of four designated senior post holders:
- the Principal and Chief Executive
 - the Executive Vice Principal: Curriculum, Planning and Quality
 - the Executive Vice Principal: Finance and Corporate Development
 - the Clerk to the Governors
- 17 The Remuneration and Search Committee will consider a draft Senior Post Holder Remuneration Policy in November 2019 which will be presented to the Board for approval following consultation with all senior post holders. The Senior Post Holder Remuneration Policy will include the Board's policy on income derived from external activities.
- 18 In determining the remuneration of senior post holder the Board has regard to the benchmark data for general further education colleges published by the Association of Colleges and other available sources external comparator data. Benchmark data published in March 2019, shows that for a College in the £30m - £40m income bracket the median College Principal salary in 2018 was £145,000, with the upper quartile at £156,487 and the lower quartile at £140,636. By comparison the salary for the Principal and Chief Executive at Colchester Institute was £122,000 on 31st July 2019. It should be noted that it has not been the wish of the Corporation Board to maintain the Principal's pay at a level below published comparators. This has been the preference of the Principal and Chief Executive, in light of the College's challenging financial situation, and the fact that in the six years of her tenure, there have been only two very small pay increases for staff at large.
- 19 Details of remuneration for the year ended 31 July 2019 are set out in note 6 to the financial statements.

AUDIT AND COMPLIANCE COMMITTEE

- 20 The Audit and Compliance Committee comprises four Members, three of whom are members of the Corporation (excluding the Principal and Chair) and one is a co-opted non Board member. 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.

COLCHESTER INSTITUTE

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

- 21 The Audit and Compliance Committee meets at least once a term and provides a forum for reporting by the College's internal, reporting accountants 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 main FE funding bodies as they affect the College's business.
- 22 The College's internal auditors review 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 audit recommendations and internal audit undertake periodic follow up reviews to ensure that such recommendations have been implemented.
- 23 The Audit and Compliance Committee also advises the Corporation on the appointment of internal, reporting accountants and financial statements auditors and their remuneration for both audit and non-audit work as well as reporting annually to the Corporation.

RESOURCES COMMITTEE

- 24 The Resources Committee comprises at least six Members of the Corporation. It is responsible for advising the Board on all aspects of the Corporation's financial policies including detailed consideration of the annual income and expenditure estimates and regular monitoring of the corporation's financial position. The Committee also considers and advises the Board on property and land matters, franchise arrangements and tuition and other fees payable to the Corporation.

CURRICULUM AND QUALITY COMMITTEE

- 25 The Curriculum and Quality Committee comprises at least six Members of the Corporation. It is responsible for monitoring the academic standards of the College, reporting to the Board on all aspects of student performance and the effectiveness of learning and teaching, and the College Self-Assessment Report.

INTERNAL CONTROL

Scope of responsibility

- 26 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.
- 27 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 or she is personally responsible, in accordance with the responsibilities assigned to him or her in the Funding Agreement between Colchester Institute and the funding bodies. He/She is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

The purpose of the system of internal control

- 28 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 2019 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

- 29 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 2019 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

- 30 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 Corporation of monthly 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.
- 31 The College has an internal audit service, which operates in accordance with the requirements of the ESFA's Post 16 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 Corporation 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.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

Review of effectiveness

- 32 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, the reporting accountant for regularity assurance and any funding council-appointed ILR auditors in their management letters and other reports.
- 33 The Principal has been advised on the implications of the result of his or her review of the effectiveness of the system of internal control by the Audit and Compliance Committee which oversees the work of the internal auditor, the Risk Management Committee, and other sources of assurance, and a plan to address weaknesses and ensure continuous improvement of the system is in place.
- 34 The College Executive 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 College Executive 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's agenda includes a regular item for consideration of risk and control and 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 2019 meeting, the Corporation will carry out the annual assessment for the year ended 31 July 2019 by considering documentation from the College Executive and internal audit, recommendations from the Audit and Compliance Committee and taking account of events since 31 July 2019.
- 35 During the year, the Corporation received a number of internal audit reports regarding the adequacy and effectiveness of the College's arrangements for governance, risk management and control. Six assignments were undertaken during the course of the year. These were focused on known areas of risk as highlighted by the corporate risk register. All assignments received a level of assurance from the third party provider and reasonable progress was confirmed against follow up actions from previous reports.
- 36 Based on the advice of the Audit and Compliance Committee and the Principal, the Corporation is of the opinion that the College has an adequate and effective framework for governance, risk management and control, and has fulfilled its statutory responsibility for "the effective and efficient use of resources, the solvency of the institution and the body and the safeguarding of their assets".

**STATEMENT OF CORPORATE GOVERNANCE AND
INTERNAL CONTROL**

Going Concern

- 37 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.
- 38 The College continues to repair balance sheet reserves from the effects of the 2009 Property Strategy collapse. As a result of a significant improvement over three financial years, the College has now regained an improved satisfactory financial health. However, it is noted that further focus is still required in order to continue to improve cash reserves to a sustainable level. The College has set out within its four year financial plan (aligned to the Strategic Plan) as to how this will be achieved. This will require further renewed focus on the cost of delivery in all areas. There will be further efficiencies within the management structure and business processes are being reviewed to ensure efficiencies are achieved. There will be further rationalisation of estates delivered through the accommodation masterplan implementation at Braintree and Colchester campuses, to further reduce operating overheads.

The College continues to regularly review principal strategic risks and operational risks presented within the detailed corporate risk register. The Corporation understands these risks and is content that the controls and mitigating actions are appropriate to the prevailing conditions. As such the Corporation considers it appropriate that the College will continue to meet its liabilities as they fall due and continue in operational existence for the foreseeable future. For this reason it continues to adopt the going concern basis in preparing the financial statements. This decision is based on the prevailing conditions and current circumstances as at the date of signature below.

Approved by order of the Members of the Corporation on 18/12/19 and signed on its behalf by:



KEVIN PRINCE
Chairman

Date:

18/12/2019



ALISON ANDREAS
Principal, Chief Executive
and Accounting Officer

Date:

18/12/19

COLCHESTER INSTITUTE

GOVERNING BODY'S STATEMENT ON THE COLLEGE'S REGULARITY, PROPRIETY AND COMPLIANCE WITH FUNDING BODY TERMS AND CONDITIONS OF FUNDING

The Corporation has considered its responsibility to notify the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of funding, under the college's grant funding agreement and contracts with ESFA. As part of its consideration the Corporation has had due regard to the requirements of the grant funding agreements and contracts with ESFA.

We confirm, on behalf of the Corporation, that after due enquiry, and to the best of our knowledge, we are not able to identify any material irregular or improper use of funds by the College, or material non-compliance with the terms and conditions of funding under the College's grant funding agreements and contracts with ESFA.

We confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date. If any instances are identified after the date of this statement, these will be notified to the Education and Skills Funding Agency.

Approved by order of the Members of the Corporation on 18/12/19 and signed on its behalf by:



KEVIN PRINCE
Chairman

Date: 17/12/2019



ALISON ANDREAS
Principal and Chief Executive
and Accounting Officer

Date: 18/12/19

COLCHESTER INSTITUTE

STATEMENT OF THE RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION

The Members of the Corporation, as charity trustees, are required to present consolidated audited financial statements for each financial year.

Within the terms and conditions of the college's grant funding agreements and contracts with the Education and Skills Funding Agency, the Corporation, through its accounting officer, is required to prepare consolidated financial statements and an operating and financial review for each financial year in accordance with the *2015 Statement of Recommended Practice – Accounting for Further and Higher Education*, *ESFA's College Accounts Direction* and the *UK's Generally Accepted Accounting Practice*, and which give a true and fair view of the state of affairs of the College and the group and its surplus/deficit of income over expenditure for that period.

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 undertakings 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 information about 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 relevant legislation including the Further and Higher Education Act 1992 and Charities Act 2011, and relevant accounting standards. It is responsible for taking steps that are reasonably open to it to safeguard its assets and to prevent and detect fraud and other irregularities.

The Corporation is responsible for the maintenance and integrity of the College's website; 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 ESFA are used only in accordance with the ESFA's grant funding agreements and contracts and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place to safeguard public and other funds and 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 from the ESFA are not put at risk.

Approved by order of the Members of the Corporation on 13/11/2019 and signed on its behalf by:

KEVIN PRINCE
Chairman



Date:

18/12/2019

COLCHESTER INSTITUTE

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION

Opinion

We have audited the financial statements of the Group and Colchester Institute (the 'Institute') for the year ended 31 July 2019 which comprise the Consolidated and College Statements of Comprehensive income, the Consolidated and College Statement of Changes in Reserves, the Consolidated and College Balance Sheets, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including; the *Statement of Recommended Practice: Accounting for Further and Higher Education 2015* (the 2015 FE HE SORP), the *College Accounts Direction for 2018 to 2019* and in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- Give a true and fair view of the state of the Group and the Institute's affairs as at 31 July 2019 and of its deficit of income over expenditure for the year then ended.
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Institute in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- The Corporation's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Corporation has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Institute's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

COLCHESTER INSTITUTE

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION

Other information

The Corporation is responsible for the other information. The other information comprises the information included in the Institute's Report and Financial Statements other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Post 16 Audit Code of Practice issued by the Education and Skills Funding Agency requires us to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- all the information and explanations required for the audit were not received; or
- conclusions relating to appropriateness of the use of the going concern basis of accounting and disclosures of material uncertainties, subject to the requirements of ISA 570 Going Concern, and whether the auditor has concluded that there is a material misstatement in other information, subject to the requirements of ISA 720 The Auditor's Responsibilities Relating to Other Information

Responsibilities of the Members of the Corporation of Colchester Institute

As explained more fully in the Statement of the Responsibilities of the Members of the Corporation's set out on page 27 the Corporation is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporation is responsible for assessing the Institute's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Corporation intend to cease operations, or have no realistic alternative but to do so.

COLCHESTER INSTITUTE

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Corporation, as a body, in accordance with Article 22 of the Institute's Articles of Government. Our audit work has been undertaken so that we might state to the Corporation those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

Scrutton Bland LLP

Scrutton Bland LLP

Chartered Accountants and Statutory Auditor
820 The Crescent
Colchester Business Park
Colchester
Essex, CO4 9YQ

Date: 11/12/19

Scrutton Bland LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

COLCHESTER INSTITUTE

REPORTING ACCOUNTANTS ASSURANCE REPORT ON REGULARITY

THE CORPORATION OF COLCHESTER INSTITUTE AND SECRETARY OF STATE FOR EDUCATION ACTING THROUGH THE DEPARTMENT FOR EDUCATION ("THE DEPARTMENT")

In accordance with the terms of our engagement letter and further to the requirements of the financial memorandum/funding agreement with the Education and Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Colchester Institute during the period 1 August 2018 to 31 July 2019 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Post 16 Audit Code of Practice ("the Code") issued by the Department. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record (ILR) returns, for which the Department has other assurance arrangements in place.

This report is made solely to the corporation of Colchester Institute and Department in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the corporation of Colchester Institute and the Department those matters we are required to state 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 of Colchester Institute and the Department for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Colchester Institute and the reporting accountant

The corporation of Colchester Institute is responsible, under the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2018 to 31 July 2019 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Code issued jointly by the Department. We performed a limited assurance engagement as defined in that framework.

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity.

A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

COLCHESTER INSTITUTE

REPORTING ACCOUNTANTS ASSURANCE REPORT ON REGULARITY

THE CORPORATION OF COLCHESTER INSTITUTE AND SECRETARY OF STATE FOR EDUCATION ACTING THROUGH THE DEPARTMENT FOR EDUCATION ("THE DEPARTMENT")

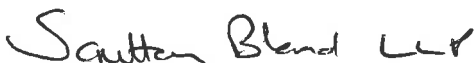
Our engagement includes examination, on a test basis, of evidence relevant to the regularity of the college's income and expenditure.

The work undertaken to draw to our conclusion includes:

- A review of the Colleges Self-Assessment Questionnaire for the period 1 August 2018 to 31 July 2019.
- A review of the evidence supplied by the College to support the Self-Assessment Questionnaire and discussions with members of the Colleges staff.
- Tests of detail.

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2018 to 31 July 2019 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



**Scrutton Bland LLP
Chartered Accountants
Colchester**

Date: 19/12/19

COLCHESTER INSTITUTE

CONSOLIDATED AND COLLEGE STATEMENTS OF TOTAL COMPREHENSIVE INCOME AND EXPENDITURE YEAR ENDED 31 JULY 2019

	Notes	Group 2019 £000	College 2019 £000	Group 2018 £000	College 2018 £000
Income					
Funding body grants	2	28,510	28,510	28,400	28,400
Tuition fees and education contracts	3	8,796	8,399	9,532	9,229
Other income	4	2,040	1,915	2,436	2,313
Investment income	5	19	18	5	4
Total income		39,365	38,842	40,373	39,946
Expenditure					
Staff costs	6	25,844	25,725	26,477	26,175
Other operating expenses	7	11,272	10,961	11,564	11,352
Depreciation	9	2,705	2,702	2,571	2,568
Interest and other finance costs	8	1,366	1,366	1,437	1,437
Total expenditure		41,187	40,754	42,049	41,532
Deficit for the year		(1,822)	(1,912)	(1,676)	(1,586)
Actuarial (loss)/gain in respect of pension scheme	21	(2,183)	(2,183)	8,523	8,523
Total comprehensive (expenditure)/income for the year		(4,005)	(4,095)	6,847	6,937
Additional disclosure					
Surplus for the year as above		(4,005)	(4,095)	6,847	6,937
Holiday pay accrual release		(35)	(35)	(83)	(83)
Staff costs - FRS 102	21	1,551	1,551	1,855	1,855
Interest expense - FRS 102	21	576	576	745	745
Actuarial loss/(gain) - FRS 102	21	2,183	2,183	(8,523)	(8,523)
Operational surplus pre FRS 102 and one off income and costs		270	180	841	931

The comprehensive income/(expenditure) is unrestricted, wholly attributable to the group and in respect of continuing activities.

The notes on pages 38 to 64 form part of these financial statements.

COLCHESTER INSTITUTE

CONSOLIDATED STATEMENT OF CHANGES IN RESERVES YEAR ENDED 31 JULY 2019

	Income and expenditure account £000	Capital reserve £000	Total £000
Balance at 1 August 2017	(3,712)	1,000	(2,712)
Deficit from the income and expenditure account	(1,676)	-	(1,676)
Other comprehensive income	8,523	-	8,523
Total comprehensive income for the year	6,847	-	6,847
Balance at 31 July 2018	3,135	1,000	4,135
Balance at 1 August 2018	3,135	1,000	4,135
Deficit from the income and expenditure account	(1,822)	-	(1,822)
Other comprehensive income	(2,183)	-	(2,183)
Total comprehensive expenditure for the year	(4,005)	-	(4,005)
Balance at 31 July 2019	(870)	1,000	130

The notes on pages 38 to 64 form part of these financial statements.

COLCHESTER INSTITUTE

STATEMENT OF CHANGES IN COLLEGE RESERVES YEAR ENDED 31 JULY 2019

	Income and expenditure account £000	Capital reserve £000	Total £000
Balance at 1 August 2017	(3,737)	1,000	(2,737)
Deficit from the income and expenditure account	(1,586)	-	(1,586)
Other comprehensive income	8,523	-	8,523
Total comprehensive income for the year	6,937	-	6,937
Balance at 31 July 2018	3,200	1,000	4,200
Balance at 1 August 2018	3,200	1,000	4,200
Deficit from the income and expenditure account	(1,912)	-	(1,912)
Other comprehensive income	(2,183)	-	(2,183)
Total comprehensive income for the year	(4,095)	-	(4,095)
Balance at 31 July 2019	(895)	1,000	105

The notes on pages 38 to 64 form part of these financial statements.

COLCHESTER INSTITUTE

CONSOLIDATED AND COLLEGE BALANCE SHEETS AS AT 31 JULY 2019

	Notes	Group 2019 £000	College 2019 £000	Group 2018 £000	College 2018 £000
Non-current assets					
Tangible assets	9	70,645	70,504	67,440	67,296
Investments	10	-	312	-	312
Total non- current assets		70,645	70,816	67,440	67,608
Current assets					
Stocks		39	35	50	46
Trade and other receivables	11	1,900	1,803	2,286	2,192
Cash and cash equivalents	16	2,732	2,625	3,451	3,447
Total assets		4,671	4,463	5,787	5,685
Less: Creditors - amounts falling due within one year	12	(10,117)	(10,105)	(10,497)	(10,498)
Net current (liabilities)		(5,446)	(5,642)	(4,710)	(4,813)
Total assets less current liabilities		65,199	65,174	62,730	62,795
Creditors: amounts falling due after more than one year	13	(38,100)	(38,100)	(35,982)	(35,982)
Provisions					
Defined benefit obligations	21	(26,054)	(26,054)	(21,744)	(21,744)
Other provisions	15	(915)	(915)	(869)	(869)
Total net assets		130	105	4,135	4,200
Unrestricted reserves					
Income and expenditure account		(870)	(895)	3,135	3,200
Capital reserve	17	1,000	1,000	1,000	1,000
Total unrestricted reserves		130	105	4,135	4,200

The financial statements on pages 31 to 64 were approved and authorised for issue by the Corporation on 18/12/19 and were signed on its behalf on that date by:

K Prince - Chairman



A Andreas - Principal, Chief Executive and
Accounting Officer



COLCHESTER INSTITUTE

CONSOLIDATED STATEMENT OF CASH FLOWS YEAR ENDED 31 JULY 2019

	Notes	2019 £000	2018 £000
Cash inflow from operating activities			
(Deficit) for the year		(1,822)	(1,676)
Adjustment for non-cash items			
Depreciation		2,705	2,571
Decrease/ (increase) in stock		11	(9)
Decrease/ (increase) in debtors		386	(170)
(Decrease)/ increase in creditors due within one year		(1,209)	1,682
(Decrease) in creditors due after one year		(862)	(1,113)
Increase in provisions		46	43
Pension costs less contributions payable		2,127	2,600
Adjustment for investing or financing activities			
Investment income		(19)	(5)
Interest payable		790	692
Net cash flow from operating activities		<u>2,153</u>	<u>4,615</u>
Cash flows from investing activities			
Capital grants received		3,456	310
Investment income		19	5
Payments made to acquire fixed assets		(5,017)	(1,871)
		<u>(1,542)</u>	<u>(1,556)</u>
Cash flows from financing activities			
Interest paid		(749)	(650)
Interest element of finance lease rental payments		(41)	(42)
Repayments of amounts borrowed		(391)	(374)
Capital element of finance lease rental payments		(149)	(349)
		<u>(1,330)</u>	<u>(1,415)</u>
(Decrease)/Increase in cash and cash equivalents in the year		<u>(719)</u>	<u>1,644</u>
Cash and cash equivalents at the beginning of the year	16	3,451	1,807
Cash and cash equivalents at the end of the year	16	2,732	3,451

COLCHESTER INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 JULY 2019

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 2015* (the 2015 FE HE SORP), the College Accounts Direction for 2018/19 and in accordance with Financial Reporting Standard 102 – “*The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland*” (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the College’s accounting policies.

Basis of accounting

The financial statements have been prepared under the historical cost convention as modified by the use of previous valuations as deemed cost at transition for certain fixed assets.

Going Concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Report of the Members of the Corporation Board. The financial position of the College, its cash flow, liquidity and borrowings are described in the Financial Statements and accompanying Notes.

The College currently has £10.4m of loans outstanding with bankers on terms negotiated in 2009. The terms of the existing agreement are for up to another 17 years. The College’s forecasts and financial projections indicate that it will be able to operate within the existing agreement and it can be confident of supporting any new agreement in the future.

Accordingly the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

COLCHESTER INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS - *(continued)* YEAR ENDED 31 JULY 2019

1 ACCOUNTING POLICIES - *(continued)*

Basis of consolidation

The consolidated financial statements incorporate all the activities of the Corporation and its subsidiary undertaking, Colchester Institute Enterprises 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 102, 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 2019.

Recognition of income

Funding body 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 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 Funding body 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 Funding body. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

In years in which the College is subject to a funding audit, the recurrent grant from the funding bodies is that receivable as determined by the results of the funding audit undertaken.

Non-recurrent grants from the funding bodies or other bodies received in respect of the acquisition of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

The recurrent grant from Office for Students (OfS) represents the funding allocations attributable to the current financial year and is credited direct to the income and expenditure account.

Income from tuition fees is recognised in the period for which it relates and includes all fees payable by students or their sponsors. The costs of any bursaries paid to students are included as expenditure in note 3.

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

Post-employment benefits

Post-employment 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 plans, which are externally funded and contracted out of the State Second Pension.

COLCHESTER INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS - (continued) YEAR ENDED 31 JULY 2019

1 ACCOUNTING POLICIES - (continued)

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the college in such a way that the pension cost is a substantially level percentage of current and future pensionable payrolls. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method. The TPS is a multi-employer scheme and the college is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the period during which services are rendered by employees.

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at a current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the cost of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in interest and other finance costs.

Actuarial gains and losses are recognised immediately in actuarial gains and losses.

Short term Employment benefits

Short term employment benefits such as salaries and compensated absences (holiday pay) are recognised as an expense in the year in which the employees render the service to the College. Any unused benefits are accrued and measured as an additional amount the College expects to pay as a result of the unused entitlement.

Enhanced Pensions

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

NOTES TO THE FINANCIAL STATEMENTS - (continued) YEAR ENDED 31 JULY 2019

1 ACCOUNTING POLICIES - (continued)

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. An impairment review will also be carried out if there have been favourable events or changes in circumstances since the impairment loss was recognised that would indicate that the impairment loss no longer exists or may have decreased.

On adoption of FRS 102, the college followed the transitional provision to retain the book value of land and buildings, which were revalued as deemed cost but not to adopt a policy of revaluations of these properties in the future.

In these accounts, to align with the requirements of FRS 102, the college has transferred the revaluation reserve to income and expenditure reserve.

Assets under construction are accounted for at cost, based on the value of architect's certificates and other direct costs, incurred to 31 July. They are not depreciated until they are brought into use.

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.

COLCHESTER INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS - *(continued)* YEAR ENDED 31 JULY 2019

1 ACCOUNTING POLICIES - *(continued)*

(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 15 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.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the Statement of Comprehensive Income and Expenditure.

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term to the Statement of Comprehensive Income and Expenditure. Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright and are capitalised at their fair value at the inception of the lease and depreciated over the shorter of the lease term or the useful economic lives of equivalently owned assets. The capital element outstanding is shown as obligations under finance leases. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding. Where finance lease payments are funded in full from funding council capital equipment grants, the associated assets are designated as grant-funded assets.

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 considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The College is partially exempt in respect of Value Added Tax, so that it can only recover a minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

The College's subsidiary company is subject to corporation tax and VAT in the same way as any commercial organisation.

COLCHESTER INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS - *(continued)* YEAR ENDED 31 JULY 2019

1 ACCOUNTING POLICIES - *(continued)*

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.

Where the effect of time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as finance cost in the statement of comprehensive income in the period it arises.

Investments

Investments are stated at the lower of their cost and net realisable value.

Cash and Cash Equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practise available within 24 hours without penalty.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value. An investment qualifies as a cash investment when it has a maturity of 3 months or less from the date of acquisition.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations rather than the financial instruments legal form.

All loans, investments and short term deposits held by the Group are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction cost (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost; however the Group has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instruments are stated on the balance sheet at historical cost. Loans and investments that are payable or receivable within one year are not discounted.

Stock

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

Learner Support Fund

The Learner Support Fund grant from the funding bodies 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 and are shown separately in note 23, except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant.

COLCHESTER INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS - *(continued)* YEAR ENDED 31 JULY 2019

1 ACCOUNTING POLICIES - *(continued)*

Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, management have made the following judgements:

- Determine whether leases entered into by the College as a lessee are operating or finance leases. These decisions depend on an assessment of whether the risk and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the group's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty:

- *Tangible fixed assets*

Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programs are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 19 will impact the carrying amount of the pension liability. The actuary has used a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 to value the pensions liability at 31 July 2019. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

COLCHESTER INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS - (continued) YEAR ENDED 31 JULY 2019

2 FUNDING BODY GRANTS

	Group 2019 £000	College 2019 £000	Group 2018 £000	College 2018 £000
Recurrent grants				
Education and Skills Funding Agency- adult	2,479	2,479	2,570	2,570
Education and Skills Funding Agency- 16-18	19,610	19,610	19,531	19,531
Education and Skills Funding Agency- apprenticeships	4,367	4,367	4,329	4,329
Office for Students	565	565	608	608
Specific grants				
Education and Skills Funding Agency	620	620	451	451
Releases of Government capital grants	869	869	878	878
HE grant	-	-	33	33
	28,510	28,510	28,400	28,400

In the year, all Higher Education funding was received direct from the Higher Education Funding Council for England (HEFCE).

The College sub-contracts a proportion of its Education and Skills Funding Agency contract allocation to a number of Work Based Learning providers in the area. The income shown above includes that earned by the College in its capacity as both a provider and also the gross amount of any sub-contractual provision.

3 TUITION FEES AND EDUCATION CONTRACTS

	Group 2019 £000	College 2019 £000	Group 2018 £000	College 2018 £000
Adult education fees	992	595	1,079	776
Apprenticeship fees and contracts	253	253	60	60
Fees for FE loan supported courses	634	634	682	682
Fees for HE loan supported courses	6,631	6,631	7,373	7,373
European (excluding UK) students	24	24	12	12
International students fees	26	26	13	13
Total tuition fees	8,560	8,163	9,219	8,916
Education contracts	236	236	313	313
Total	8,796	8,399	9,532	9,229

Included within the above amounts are tuition fees funded by bursaries of £10,155 (2018 : £42,364).

COLCHESTER INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS - *(continued)* YEAR ENDED 31 JULY 2019

4 OTHER INCOME

	Group 2019 £000	College 2019 £000	Group 2018 £000	College 2018 £000
Catering and residences	189	189	213	213
Other income generating activities	1,646	1,537	2,032	1,916
Miscellaneous income	205	189	191	184
	<u>2,040</u>	<u>1,915</u>	<u>2,436</u>	<u>2,313</u>

5 INVESTMENT INCOME

	Group 2019 £000	College 2019 £000	Group 2018 £000	College 2018 £000
Other interest received	<u>19</u>	<u>18</u>	<u>5</u>	<u>4</u>

COLCHESTER INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS - (continued) YEAR ENDED 31 JULY 2019

6 STAFF COSTS

Staff numbers

The average number of persons (including key management personnel) employed by the College during the year, expressed as full-time equivalents, was:

	Consolidated 2019 Number	2018 Number
Teaching staff	310	312
Non-teaching staff	284	305
	594	617

Staff costs for the above persons

	Consolidated 2019 £000	2018 £000
Wages and salaries	19,032	19,351
Social security costs	1,743	1,693
Other pension costs	4,664	5,010
Redundancy costs	158	220
	25,597	26,274
Contracted out staffing services	247	203
	25,844	26,477

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the Senior Leadership Team which comprises the Principal, all the Vice Principals, the Executive Director of HR and the Assistant Principal Student Services.

Emoluments of key management personnel, Accounting Officer and other higher paid Staff

	2019 Number	2018 Number
The number of key management personnel including the Accounting Officer was:	6	6

COLCHESTER INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS - (continued) YEAR ENDED 31 JULY 2019

6 STAFF COSTS - (continued)

The number of key management personnel and other staff who received annual emoluments, excluding pension contributions and employer's national insurance but including benefits in kind, in the following ranges was:

	Key management personnel		Other Staff	
	2019	2018	2019	2018
£ 40,001 to £ 50,000	1	-	-	N/A
£ 50,001 to £ 60,000	-	1	-	N/A
£ 60,001 to £ 70,000	2	2	-	-
£ 80,001 to £ 90,000	2	2	-	-
£110,001 to £120,000	-	1	-	-
£120,001 to £130,000	1	-	-	-
	<u>6</u>	<u>6</u>	<u>-</u>	<u>-</u>

Key management personnel compensation is made up as follows:

	2019 £000	2018 £000
Salaries - gross of salary sacrifice and waived emoluments	470	474
Employers National Insurance	58	59
Benefits in Kind	-	1
	<u>528</u>	<u>534</u>
Pension contributions	74	75
Total emoluments	<u>602</u>	<u>609</u>

There were no amounts due to key management personnel that were waived in the year, nor any salary sacrifice arrangements in place.

The above compensation includes amounts payable to the Accounting Officer (who is also the highest paid officer) of:

	Consolidated	
	2019 £000	2018 £000
Salaries	122	119
Employers National Insurance	16	15
	<u>138</u>	<u>134</u>

COLCHESTER INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS - *(continued)* YEAR ENDED 31 JULY 2019

6 STAFF COSTS - *(continued)*

	2019 £000	2018 £000
Pension contributions	<u>19</u>	<u>19</u>

Relationship of Principal/Chief Executive pay and remuneration expressed as a multiple
Principal and CEO's basic salary as a multiple of the median of all staff 4.3.
Principal and CEO's total remuneration as a multiple of the median of all staff 4.4.

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

The Corporation adopted AoC's Senior Staff Remuneration Code in the year and it will assess future pay levels for senior postholders in line with its principles in future.

The remuneration package of the Principal and Chief Executive is subject to annual review by the Remuneration Committee of the governing body who also use benchmarking information to provide objective guidance.

The Principal and Chief Executive reports to the Chair of the Corporation, who undertakes an annual review of performance against the college's overall objectives using both qualitative and quantitative measures of performance.

COLCHESTER INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS - (continued) YEAR ENDED 31 JULY 2019

7 OTHER OPERATING EXPENSES

	Group 2019 £000	College 2019 £000	Group 2018 £000	College 2018 £000
Teaching costs	5,166	5,043	4,915	4,870
Non-teaching costs	3,419	3,235	3,730	3,624
Premises costs	2,687	2,683	2,919	2,858
	<u>11,272</u>	<u>10,961</u>	<u>11,564</u>	<u>11,352</u>
Other operating expenses include:				
Auditor's remuneration:				
- Financial statements audit	27	25	29	24
- Internal audit fees	27	27	23	23
- Other services provided by financial statements auditors	-	-	3	3
	<u>-</u>	<u>-</u>	<u>3</u>	<u>3</u>

Auditor's remuneration for financial statements audit includes £24,720 in respect of the College (2018: £24,240).

8 INTEREST AND OTHER FINANCE COSTS

	Consolidated 2019 £000	2018 £000
On bank loans, overdrafts and other loans	749	650
On finance leases	41	42
Net interest on defined benefit pension liability (note 19)	576	745
	<u>1,366</u>	<u>1,437</u>

COLCHESTER INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS - (continued) YEAR ENDED 31 JULY 2019

9(a) TANGIBLE ASSETS

GROUP

	Land and Buildings				
	Assets in the course of Construction	Freehold	Leasehold	Equipment	Total
	£000	£000	£000	£000	£000
Cost or valuation					
At 1 August 2018	894	88,400	738	8,332	98,364
Additions	4,983	51	-	876	5,910
Disposals	-	-	-	(22)	(22)
Transfers	(146)	109	-	37	-
	<u>5,731</u>	<u>88,560</u>	<u>738</u>	<u>9,223</u>	<u>104,252</u>
At 31 July 2019					
Depreciation					
At 1 August 2018	-	23,955	422	6,547	30,924
Charge for the year	-	1,944	16	745	2,705
Elimination in respect of disposals	-	-	-	(22)	(22)
	<u>-</u>	<u>25,899</u>	<u>438</u>	<u>7,270</u>	<u>33,607</u>
At 31 July 2019					
Net book values					
At 31 July 2019	<u>5,731</u>	<u>62,661</u>	<u>300</u>	<u>1,953</u>	<u>70,645</u>
At 31 July 2018	<u>894</u>	<u>64,445</u>	<u>316</u>	<u>1,785</u>	<u>67,440</u>

Land and buildings were revalued as at 1 August 1996 at depreciated replacement cost by Mr N J Percival BSc ARICS. Land and buildings acquired upon the merger with Braintree College were valued on 1 January 2010 at depreciated replacement cost by Mr N J Percival BSc ARICS.

COLCHESTER INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS - (continued) YEAR ENDED 31 JULY 2019

9(b) TANGIBLE ASSETS

COLLEGE

	Land and Buildings				
	Assets in the course of Construction	Freehold	Leasehold	Equipment	Total
	£000	£000	£000	£000	£000
Cost or valuation					
At 1 August 2018	894	88,188	738	8,335	98,155
Additions	4,983	51	-	876	5,910
Disposals	-	-	-	(22)	(22)
Transfers	(146)	109	-	37	-
At 31 July 2019	<u>5,731</u>	<u>88,348</u>	<u>738</u>	<u>9,226</u>	<u>104,043</u>
Depreciation					
At 1 August 2018	-	23,890	422	6,547	30,859
Charge for the year	-	1,941	16	745	2,702
Eliminated in respect of disposals	-	-	-	(22)	(22)
At 31 July 2019	<u>-</u>	<u>25,831</u>	<u>438</u>	<u>7,270</u>	<u>33,539</u>
Net book values					
At 31 July 2019	<u>5,731</u>	<u>62,517</u>	<u>300</u>	<u>1,956</u>	<u>70,504</u>
At 31 July 2018	<u>894</u>	<u>64,298</u>	<u>316</u>	<u>1,788</u>	<u>67,296</u>

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

Land and buildings acquired upon the merger with Braintree College were valued on 1 January 2010 at depreciated replacement cost by Mr N J Percival BSc ARICS.

The net book value of equipment includes an amount of £ 510,619 (2018 : £638,724) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £125,795 (2018 : £125,140).

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

	£000
Cost	70,046
Depreciation based on cost	(14,110)
Net book value based on cost	<u>55,936</u>

COLCHESTER INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS - (continued) YEAR ENDED 31 JULY 2019

10 NON-CURRENT INVESTMENTS

COLLEGE

	2019 £000	2018 £000
Investment in subsidiary company at cost at 1 August 2018 and 31 July 2018	717	717
Amount written off investment at 1 August 2018 and 31 July 2019	(405)	(405)
Net book value of investment at 31 July 2019	<u>312</u>	<u>312</u>

The College owns 200,100 ordinary £1 shares representing 100% of the share capital of Colchester Institute Enterprises Limited, a company incorporated in England and Wales.

The principal activity of Colchester Institute Enterprises Limited is the carrying on of the Professional Training Centre, now known as Colchester Institute Business Solutions, and supplying reprographics services to its parent corporation.

11 TRADE AND OTHER RECEIVABLES

	Group 2019 £000	College 2019 £000	Group 2018 £000	College 2018 £000
Amounts falling due within one year :				
Trade receivables	970	873	855	802
Amounts owed by the ESFA	240	240	344	344
Other taxation and social security	-	-	437	398
Prepayments and accrued income	690	690	650	648
	<u>1,900</u>	<u>1,803</u>	<u>2,286</u>	<u>2,192</u>

COLCHESTER INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS - (continued) YEAR ENDED 31 JULY 2019

12 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2019 £000	College 2019 £000	Group 2018 £000	College 2018 £000
Payments received in advance	798	798	1,269	1,267
Trade payables	1,101	1,089	890	877
Capital creditors	893	893	-	-
Accruals and deferred income	3,794	3,778	4,501	4,495
Deferred income – Government capital grants	869	869	877	877
Deferred income – government revenue grants	141	141	-	-
Other payables	943	945	346	346
Other taxation and social security	834	846	1,810	1,810
Loan – Colchester Institute Foundation Trust	51	51	47	47
Amounts owed to group undertakings	-	2	-	22
Obligations under finance leases	286	286	365	365
Bank loan	407	407	392	392
	10,117	10,105	10,497	10,498

Net obligations under finance leases are secured on the assets to which they relate. Included in the liability for other taxation and social security is an amount of £215,623 due to HM Revenue & Customs in respect of a claim made by the College under the Lennartz Scheme. The liability represents the College's best estimate of the amount repayable to HM Revenue & Customs under the provisions of this Scheme.

13 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group 2019 £000	College 2019 £000	Group 2018 £000	College 2018 £000
Bank loan	9,997	9,997	10,403	10,403
Obligations under finance leases	415	415	485	485
Deferred income – Government capital grants	27,688	27,688	25,094	25,094
	38,100	38,100	35,982	35,982

Net obligations under finance leases are secured on the assets to which they relate.

COLCHESTER INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS - (continued) YEAR ENDED 31 JULY 2019

14 MATURITY OF DEBT

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	Group 2019 £000	College 2019 £000	Group 2018 £000	College 2018 £000
In one year or less	407	407	392	392
Between one and two years	431	431	406	406
Between two and five years	1,418	1,418	1,356	1,356
In five years or more	8,147	8,147	8,641	8,641
	10,403	10,403	10,795	10,795

At 31 July 2019 the total bank loan to be repaid was £10,403,215. The loan is to be repaid by May 2036 with repayments having started in August 2013. Under the agreement currently in place, the loan interest is fixed at 5.59% until 31 July 2018; and 6.59% thereafter until full term of the loan; the loan is secured against the campuses at Sheepen Road, Colchester and Church Road, Clacton.

(b) Finance leases

The net finance lease obligations to which the institution is committed are:

	Group 2019 £000	College 2019 £000	Group 2018 £000	College 2018 £000
In one year or less	286	286	363	363
Between one and two years	189	189	207	207
Between two and five years	226	226	280	280
In five years or more	-	-	-	-
	701	701	850	850

Finance lease obligations are secured on the assets to which they relate.

COLCHESTER INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS - (continued) YEAR ENDED 31 JULY 2019

15 PROVISIONS

GROUP AND COLLEGE

	Defined benefit obligations £000	Enhanced pensions £000	Total £000
At 1 August 2018	21,744	869	22,613
Utilised in the period	2,127	(45)	2,082
Charge in the period	2,183	91	2,274
At 31 July 2019	<u>26,054</u>	<u>915</u>	<u>26,969</u>

The enhanced pension provision relates to the cost of former Braintree College staff that have already left the College's employ prior to college merger. This provision has been recalculated in accordance with ESFA requirements.

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government Pension Scheme. Further details are given in Note 21.

16 CASH AND CASH EQUIVALENTS

	At 31 Aug 2018 £000	Cash flows £000	Other changes £000	At 31 July 2019 £000
Cash and cash equivalents	3,451	(719)	-	2,732
	<u>3,451</u>	<u>(719)</u>	<u>-</u>	<u>2,732</u>

17 CAPITAL RESERVE

	Group 2019 £000	College 2019 £000	Group 2018 £000	College 2018 £000
At 1 August 2018 and 31 July 2019	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>

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

COLCHESTER INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS - (continued) YEAR ENDED 31 JULY 2019

18 LEASE OBLIGATIONS

At 31 July 2019 the College had minimum lease payments under non-cancellable operating leases as follows:

	2019 £000	2018 £000
Land and buildings:		
Not later than one year	37	37
Later than one year and not later than five years	94	120
Later than five years	126	137
	<u>257</u>	<u>294</u>
Other:		
Not later than one year	80	93
Later than one year and not later than five years	124	204
Later than five years	-	-
	<u>204</u>	<u>297</u>
Total lease payments due	<u>461</u>	<u>591</u>

19 CAPITAL COMMITMENTS

	2019	2018
Commitments contracted for at July	<u>3,275</u>	<u>-</u>

20 EVENTS AFTER THE REPORTING PERIOD

During the year the College continued to deliver two SE LEP Local Growth Fund capital projects totalling £10m. As at the balance sheet date the position of the projects was as follows:

- New Learning and Technology Centre, Braintree Campus – Due for completion in November 2019 with remaining estimated costs of £2.6m with £1.4m funded through SELEP capital grant.
- South Wing fifth storey extension, Colchester Campus – Due for completion in April 2020 with remaining estimated costs of £3.8m with £2.6m funded through SELEP capital grant

To support the above capital investment projects, the Corporation entered into a Braintree land sale agreement in March 2018 that will complete once vacant possession is provided. At this stage, it is anticipated that the sale will complete in December 2019.

COLCHESTER INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS - (continued) YEAR ENDED 31 JULY 2019

21 Defined benefit obligations

The Institute's employees belong to two principal post-employment benefit plans, the Teachers' Pension Scheme (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff. Both are multi-employer defined-benefit plans.

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest format actuarial valuation of the TPS was 31 March 2016 and of the LGPS 31 March 2016.

Total pension cost for the year

	2019 £000	2019 £000	2018 £000	2018 £000
TPS: Contributions payable		1,431		1,495
LGPS: Contributions payable	1,656		1,570	
FRS 102 (28) charge	1,551		1,855	
Charge to the statement of comprehensive income		3,207		3,425
Enhanced Pension charge to comprehensive income		91		90
Total pension cost for year		4,729		5,010

Contributions amounting to £325,534 (2018: £346,211) were payable to the schemes at 31 July 2019 and are included within creditors.

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools, colleges and other educational establishments. Membership is automatic for teachers and lecturers at eligible institutions. Teachers and lecturers are able to opt out of the TPS.

The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act. Retirement and other pension benefits are paid by public funds provided by Parliament.

Under the definitions set out in FRS 102 (28.11), the TPS is a multi-employer pension plan. The College is unable to identify its share of the underlying assets and liabilities of the plan.

21 Defined Benefit obligations – (continued)

The Teachers' Pension Scheme continued

Accordingly, the College has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined-contribution plan. The College has set out above the information available on the plan and the implications for the College in terms of the anticipated contribution rates.

The valuation of the TPS is carried out in line with regulations made under the Public Service Pension Act 2013. Valuations credit the teachers' pension account with a real rate of return assuming funds are invested in notional investments that produce that real rate of return.

The latest actuarial review of the TPS was carried out as at 31 March 2016. The valuation report was published by the Department for Education (the Department in April 2019). The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £198 billion giving a notional past service deficit of £22 billion.

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/9. DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2019-20 academic year.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website.

The pension costs paid to TPS in the year amounted to £1,431,000 (2018: £1,495,000)

COLCHESTER INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS - (continued) YEAR ENDED 31 JULY 2019

21 Defined Benefit obligations – (continued)

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with the assets held in separate funds administered by Essex County Council. The total contribution payable for the year ended 31 July 2019 was £2,181,670 (2018: £2,136,269) of which employer's contributions totalled £1,656,801 (2018: £1,570,856). The agreed contribution rates for future years for employers was 13% up until March 2017 and then 15.6% from April 2017 onwards. The range for employee contributions is from 5.5% to 12.5% depending on salary. The following information is based upon the latest actuarial valuation of the Fund as at 31 March 2016, updated to 31 July 2019, by a qualified independent actuary. The major assumptions used by the actuary were:

	At 31.7.19	At 31.7.18	At 31.7.17
Rate of increase in salaries	2.35%	2.35%	2.7%
Rate of increase in pension payments	2.35%	2.35%	2.7%
Discount rate for scheme liabilities	2.10%	2.65%	2.7%
Inflation assumptions (CPI)	2.35%	2.35%	2.7%

Members will exchange half of their commutable pension for cash; members will retire at one retirement age for all tranches of benefit and 10% of active members will take up the option under the new LGPS to pay 50% of contributions for 50% of benefits.

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

	At 31.7.19	At 31.7.18
Retiring today:		
Males	21.3	22.3
Females	23.6	24.8
Retiring in 20 years:		
Males	23.0	24.5
Females	25.4	27.1

	At 31.7.19 £000	At 31.7.18 £000
Sensitivity analysis on Present Value of Total Obligation:		
Discount rate +0.1%	84,282	75,364
Discount rate -0.1%	87,853	78,540
Long term salary increase +0.1%	86,222	77,104
Long term salary increase -0.1%	85,876	76,768
Pension increases and deferred revaluation +0.1%	87,673	78,375
Pension increases and deferred revaluation -0.1%	84,456	75,525
Mortality assumption – 1 year increase	89,687	79,734
Mortality assumption – 1 year decrease	82,563	74,237

COLCHESTER INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS - (continued) YEAR ENDED 31 JULY 2019

21 Defined Benefit obligations – (continued)

Local Government Pension Scheme – (continued)

The College's share of the assets in the plan at the balance sheet date and the expected rates of return were:

	Fair Value at 31.7.19 £000	Fair Value at 31.7.18 £000
Equities	37,818	35,140
Gilts	3,299	2,950
Other bonds	3,375	3,226
Property	4,799	4,921
Cash	1,751	1,880
Alternative assets	5,873	4,952
Other	3,079	2,122
Total market value of assets	59,994	55,191
Weighted average return expected	8%	10%
Actual return on plan assets	4,276	4,821

The amount included in the balance sheet in respect of the defined benefit pension plan is:

	2019 £000	2018 £000
Fair value of plan assets	59,994	55,191
Present value of plan liabilities	(86,048)	(76,935)
Net pensions liability	(26,054)	(21,744)

Amounts recognised in the Statement of Comprehensive Income in respect of the plan are as follows:

	2019 £000	2018 £000
Amounts included in staff costs		
Current service cost	3,178	3,425
Past service cost	29	-
Total	3,207	3,425
Amounts included in interest and other finance costs		
Net interest cost	576	745
	576	745

COLCHESTER INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS - (continued) YEAR ENDED 31 JULY 2019

21 Defined Benefit obligations – (continued)

Local Government Pension Scheme – (continued)

Amounts recognised in Other Comprehensive Income

	2019 £000	2018 £000
Return on pension plan assets	2,806	3,466
Changes in assumptions underlying the present value of plan Liabilities	(9,568)	5,057
Changes in demographic assumptions	4,579	-
Amount recognised in Other Comprehensive Income	(2,183)	8,523

Movement in net defined benefit liability

	2019 £000	2018 £000
Net defined benefit in scheme at 1 August 2018	(21,744)	(27,667)
Movement in year:		
Current service cost	(3,178)	(3,425)
Past service cost	(29)	-
Employer contributions	1,656	1,570
Net interest on the defined liability	(576)	(745)
Actuarial (loss) / gain	(2,183)	8,523
Net defined benefit liability at 31 July 2019	(26,054)	(21,744)

Deficit contributions

The College has entered into an agreement with the LGPS to make additional contributions of £209,972 from April 2017 until March 2018; £296,328 until March 2019 and £307,884 until March 2020. This is in addition to normal funding levels until the next full valuation at which point the situation will be reviewed again.

COLCHESTER INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS - (continued) YEAR ENDED 31 JULY 2019

21 Defined Benefit obligations – (continued)

Local Government Pension Scheme – (continued)

Asset and liability reconciliation

Changes in the present value of defined benefit obligation

	2019 £000	2018 £000
Defined benefit obligation at start of period	76,935	77,635
Current service cost	3,178	3,425
Interest cost	2,024	2,081
Contributions by scheme participants	545	538
Change in financial assumptions	9,568	(5,057)
Change in demographic assumptions	(4,579)	-
Estimated benefits paid	(1,652)	(1,687)
Past service cost	29	-
Defined benefit obligation at end of period	86,048	76,935

The estimated impact of the recent McCloud judgement has been allowed for as a past service Cost. The estimated impact on the total liabilities as at 31 July 2019 is £29,000 (or 0.1% of total liabilities).

Changes to fair value of plan assets

	2019 £000	2018 £000
Fair value of assets at start of period	55,191	49,968
Interest on plan assets	1,470	1,355
Return on plan assets less interest	2,806	3,466
Employer contributions	1,656	1,570
Contributions by scheme participants	545	538
Administration expenses	(22)	(19)
Estimated benefits paid	(1,652)	(1,687)
Fair value of plan assets at end of period	59,994	55,191

COLCHESTER INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS - (continued) YEAR ENDED 31 JULY 2019

22 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 arm's length and in accordance with the Institute's financial regulations and normal procurement procedures.

The total expenses paid to or on behalf of the Governors during the year was £328 to a total of 1 Governor (2018 : £754; 2 Governors). This represented travel and subsistence expenses and other out of pocket expenses incurred in attending Governor Meetings and events in their official capacity.

No Governor has received any remuneration or waived payments from the College or its subsidiary during the current or previous year.

Transactions with the ESFA and OfS are detailed in notes 2 and 11.

Subsidiary companies

At 31 July 2019 Colchester Institute owed Colchester Institute Enterprises Limited £2,000 (2018: £21,900).

23 AMOUNTS DISBURSED AS AGENT

Learner support funds

	2019 £000	2018 £000
Access Funds		
Funding body grants	431	638
Disbursed to and on behalf of students	(431)	(638)
	<hr/>	<hr/>
Balance as at 31 July 2019	<hr/> - <hr/>	<hr/> - <hr/>

Funding body 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.

