Colchester Institute

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2022

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COLCHESTER INSTITUTE

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Clerk to the Governors
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College Executive

A Andreas	Principal and Chief Executive
G Horne	Deputy Chief Executive
J Wognum	Executive Vice Principal: Curriculum, Quality and Planning
M Borges	Vice Principal: Student Services and Support
J Peters	Vice Principal: Curriculum Delivery and Performance

Principal and Registered Office: Sheepen Road, Colchester, CO3 3LL

Professional Advisors

External auditor	Scrutton Bland LLP, Colchester
Internal auditors	TIAA Ltd
Solicitors	Birkett Long LLP, Colchester
Bankers	Barclays Bank plc, Cambridge
Surveyors	Nicholas Percival, Colchester

COLCHESTER INSTITUTE

STRATEGIC REPORT

OBJECTIVES AND STRATEGY

The governing body present their annual report together with the financial statements and Auditor's Report for Colchester Institute for the year ended 31 July 2022.

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 Part 3 of the Charities Act 2011.

MISSION, VISION, VALUES, STRATEGY AND OBJECTIVES

2. In January 2021 College leaders agreed and launched a new Strategic Plan, and in doing so agreed a revised Vision, Mission ('Purpose') Statement and revised College values. In addition to this ten new Strategic Goals were identified.

VISION

3. By 2024 Colchester Institute will be celebrated as an outstanding provider of education and training in the Eastern region, recognised for its significant contribution to the social and economic recovery of individuals and organisations following the events of 2020.

PURPOSE

4. Education transforms and enriches lives. Colchester Institute's purpose is to develop students' academic, technical and professional skills, and the knowledge and behaviours to succeed in life, work, and to support the local economy.

VALUES

5. It matters to us that we're...

- **Student-focused** with students at the heart of our decisions, choices and priorities
- **Ambitious** for our students, our staff and for our College's future
- **Inclusive** – welcoming staff and students from all walks of life on programmes from entry to degree level
- **Collaborative** – working in partnership with others to achieve our goals
- **Open and honest** - acting with responsibility and integrity in all that we do
- **An employer** that recognises, values and develops our staff

OUR GOALS

6. Over the period of the plan (2021 – 2024) we will produce an annual programme of activity that will enable us to:

- Provide an outstanding experience which enables students to succeed in their qualification goals, progress to the highest levels of learning and move on to destinations that fully reflect their achievements at Colchester Institute.

- Create a teaching and learning environment that encourages reflection on learners and learning, methods and approaches, and allows us to challenge and change the way we do things whether in a classroom, workshop or virtual environment.

- Offer a curriculum that not only provides the skills needed for successful careers, but also supports and develops the whole person towards being an active, effective and valued member of their community.

- Seek new ways to promote equality, diversity and inclusivity in all our operations, ensuring they are fully embedded into the curriculum for all students, and aspiring to parity of recruitment, achievement and opportunity for both students and staff.

- Become a provider of choice for more employers to meet not only their training and workforce requirements, but other business development needs.

- Fulfil our social and environmental responsibility through our actions as an organisation and through our privileged position as an influencer of young people and adults, including contributing to the drive towards net zero carbon

- Become an employer of choice, which recognises, trusts, empowers and develops its workforce; and takes positive steps to ensure that the workforce is truly representative of the communities we serve.

- Maximise the recent re-development of the Braintree Campus, through increased stakeholder engagement and a curriculum, across all provision types, that fully reflects the needs of the district.

- Further develop the digital and physical resources that support the ambitions of this plan; delivering sector leading advances through ongoing strategic digital transformation and ensuring that physical resources reflect modern and future work environments.

- Secure the future of our organisation through strategic investment; sound financial planning and control; careful risk management and appropriate commercial decision-making.

A one-year plan outlining the actions required to achieve the goals was developed for the calendar year 2021 and again for 2022, and reviews of progress were presented to governors throughout the year at the relevant committees.

COLLEGE CONTEXT

7. The College provides professional and technical education and training for the largely rural and coastal populations of the Colchester Borough and the districts of Braintree and Tendring in North Essex.

8. In 2021/22, the College operated from two main delivery sites (Colchester and Braintree) and four outreach centres, the latter enabling adults to enter, re-enter or improve their employment. Three of these sites are in Tendring, with a job density ratio of 0.57, significantly lower than the Essex average of 0.77 and the UK average of 0.84. Indeed, all three districts have lower than average jobs density, and residents of the Braintree and Tendring Districts have significantly lower 'highest qualification' levels than the national average. The fourth outreach site, at Witham, was withdrawn in Spring 2022 owing to overlap with other local authority provision in the town, allowing the College to focus on its Tendring activity and a discrete offer for the adult unemployed on each of its main campuses.

9. There is a clear divide in Colchester's Post-16 offer, with the opportunity for 16-year olds to pursue either a largely academic (A Level) route at The Sixth Form College, or at one of four school sixth forms; or to take up professional and technical education and training - either classroom based or work-based - at Colchester Institute.

10. The curriculum offer profile of local institutions explains a significant and notable characteristic of Colchester Institute's student body - an unusually low profile of Level 2 achievement on entry to the College. An analysis of all known prior results of 16 – 18-year-olds shows that the average GCSE grade on entry (across all subjects) is a Grade 3. In 2021-22, 47% of 16-18 students arrived at Colchester Institute without a grade 4 in Maths and English compared to 52% in GFE colleges generally. Learners whose main qualification was at Level 2 or below made up 51% of all 16-18 Classroom based enrolments, significantly above the national figure of 37%.

11. In April 2021, the College had been subject to a cyber security attack, which continued to impact business operations to some extent into 2021/22, business support areas and the ability for staff to access certain college systems remotely. Teaching and learning was largely unaffected.

12. A key characteristic of the 2021/22 academic year, seen not only in Colchester Institute, but nationally was the key need to focus on educational recovery for its students. Students demonstrated uncharacteristic difficulties socially, emotionally, academically and behaviourally which placed strain on both teaching staff and support services. Additional support was put in place for almost 600 students through small group learning sessions, funded by the government's Tuition Group 'catch up' grant.

13. Another notable characteristic of this 'post-pandemic' year was the slower than expected return by employers to offering apprenticeship opportunities with many citing recent business interruptions as a reason to proceed with caution. The impact of the pandemic on many businesses also led to a slowing of learning progress for some apprentices, with delays in reaching Gateway, leading to more apprentices than usual needing to continue their learning into the 2021/22 academic year.

14. The College's traditionally buoyant activities to support unemployed adults were impacted in 2021/22 by higher levels of employment, and the Job Centres' ability to refer adults directly into work, without the need for training. In response to a changing market for adult outreach work, and the new and different demands of those participating, the College broadened its offer by providing a wider range of online and face to face programmes, providing more focused training and skills development opportunities to support specific career destinations. Later in 2022, the College's Learning Shops were rebadged as Adult Skills Centres, with a relocation of the Clacton centre to a new bespoke training facility at the hospital site in the town, and a full modernisation of the Dovercourt Centre upon renewal of the lease.

15. The pandemic had also severely interrupted Ofsted's inspection schedule and the re-inspection that had been due to take place in the winter of 2020 finally took place in May 2022. Inspectors recognised the very many strengths of the College, highlighting in their report: the well-designed curriculum; strong governance; strong support for teacher CPD and effective teaching and learning; high quality resources and facilities; ambitious and well-planned apprenticeship programmes; effective safeguarding arrangements and the positive promotion of healthy living and health and safety among students; positive student attendance and attitudes; and strong support for students, including those with high needs. In all eight judgement categories, the College was deemed to be Good, giving an overall effectiveness grade of Good.

RESPONSE TO COVID-19

16. With the pandemic still of significant concern, government guidance remained in place during the winter and spring terms for those testing positive for Covid to remain away from work/education. Higher than usual levels of sickness (and other Covid related absence) were seen among the staff and student body, in particular through the winter months. The College supported those students struggling to access their learning from home, by supplying devices or setting work to be completed remotely

17. Staff in support areas continued to work as best they could to keep the College's business operations running and to support students and teachers in new and different ways.

18. In April 2022 with most Covid restrictions dropped, and advice, rather than a mandate to stay at home with symptoms or a positive test, things felt more 'normal' but there remained a higher than usual level of sickness absence among staff, who acted responsibly in curbing infection rates by staying away from busy classrooms and staff rooms.

FINANCIAL OBJECTIVES

19. To be in a position to deliver on strategic priorities, the College must continue to improve financial stability. In order that this can be achieved the following financial objectives have been set:

    - To continue to develop financial strategies that will ensure year on year improvement in financial health as measured under ESFA methodology.
    - To target 'Good' financial health within each year of the rolling three-year financial plan.
    - To operate within all current and future financial loan covenants agreed with principal bankers.
    - 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£1.1m).
    - To ensure the ratio of borrowings at the end of each financial year to adjusted operating surplus for each financial year does not exceed 3:1.
    - To generate positive operating cash flow during each year before capital expenditure.
    - To plan cash flow in order to meet the needs of on-going debt service payments, and future capital investment to improve operating performance.
    - 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 reduce operating costs over the medium term.
    - To ensure adequate procedures are in place to protect assets from loss, theft and neglect.
    - To 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 and training to staff, management and governors on funding methodologies, budgeting and financial procedures.
- Providing adequate information to ensure that relevant stakeholders are kept up to date with the financial position.

EMPLOYED RESOURCES

Staff Numbers

20. The table below shows the headcount of core and hourly paid staff at the College as at 31 July 2022.

	Headcount on 31 July 2022
Teaching staff	316
Non Teaching staff	434
Total	750

21. Good relations exist between College leaders and the recognised Trade Unions. The College has a well-established Reward and Recognition Policy, with monthly and annual staff awards made for outstanding contributions.

Student Numbers 2021/22

Provision Type	Number of learners	Number of learning aims
Education Programmes for Young People (16 – 18)	3694	6222
Adult Learning Programmes	1978	2527
Apprenticeships	1644	n/a
High Needs Students	82	186
Higher Education – Full Time	444	n/a
Higher Education - Part Time	122	n/a

22. The College's balance of young learners to adults on non-apprenticeship programmes has shifted over the last year – with 35% of adults and 65% young learners making up the provision in 2021/22 (previous year only 28% were adults). This is mainly due to a reduction in the young learner numbers for the year. One of the key reasons for this reduction was the use of Teacher Assessed Grades in 20/21 enabling more young learners to obtain the grades to continue onto A level programmes at their local 6th forms or 6th Form Colleges. Adult learner numbers were also reduced in 21/22. Employment opportunities are very high and there are a reduced number of adults wishing or needing to embark on training programmes. The College works in close partnership with the Department for Work and Pensions and the National Careers Service to support adults to pursue training options to prepare them better to secure meaningful destinations, however due to the high number of vacancies for employment, many of these adults have gone

straight to work, or embarked on programmes with a guaranteed job outcome.

23. The College has a large apprenticeship offer (from Level 2 to Level 7) and works in partnership with over one thousand employers across a variety of sectors both locally and regionally. The College has established a number of apprenticeship programmes to meet specific employer requests, a number of these at Higher levels. The College offers Apprenticeships in Human Resources at levels 5 and 7, Procurement at Levels 3 and 4, Improvement Practice at Level 4, and Project Management at Level 4. Business Administration (at Level 3) saw particular growth in 2021/22. The Construction Trades and Engineering continue to attract large numbers at Levels 2 and 3, with Higher Apprenticeship numbers strong in Engineering.

24. The College has a long history of offering Higher Education and does so under the banner of University Centre Colchester (UCC). Degree programmes are validated by the University of East Anglia, with a small number of students completing programmes with the College's previous validating university, the University of Essex. The University of Huddersfield continues to validate UCC's Initial Teacher Education programmes and Higher National Certificates and Diplomas are validated by Pearson. UCC's awards range from higher certificates to honours degrees and postgraduate qualifications and are all vocational in their nature. They offer progression routes from many Level 3 vocational subject areas into Higher Education programmes, as well as a range of higher and degree apprenticeships. 2021/22 saw a continued decline in student numbers on more traditional degree programmes believed to be as a result of the recent growth in vocational degrees and apprenticeships available locally - in particular in the Creative and Digital Arts, Health and Policing. Numbers on Higher and Degree Apprenticeships and part time programmes in Construction and Engineering remained strong as did numbers on programmes in Counselling and Initial Teacher Education.

Key financial assets

Main Tangible Assets

25. The College owned freehold land, buildings and equipment at a net book value of £72m and held net assets of £25.8m (before defined benefit pension obligations). The College has freehold ownership of a large main campus at Sheepen Road, Colchester and a smaller campus at Church Lane, Braintree. It also has freehold title to nursery premises in Braintree and Spring Lane Sports Ground in Colchester. Within the freehold sites and in three other leasehold premises, the College owns equipment with a net book value of £1.5m.

26. Included within total current assets amounting to £6.5m, are cash reserves amounting to £4.8m. Within the year, a short-term restriction on cash, held by Barclays Bank as a replacement for a loan security on fixed assets previously sold, was lifted.

College Reputation

27. The College has a strong reputation for delivering the vocational skills, knowledge and behaviours needed by the individuals to achieve gainful employment and support businesses locally and regionally. This resolute focus on professional and technical education across all provision types makes the College unusual among General Further Education Colleges nationally, where a blend of academic and technical programmes at Level 3 and above is more often the norm.

28. This clear vocational identity is supported and achieved through a teaching workforce of highly skilled and experienced specialists who enthusiastically share their wealth of industrial and workplace experience and expertise with future generations of employees

in their skills sector. It is further supported through a significant list of over 1,000 local employers who lend their support to the College and its students through temporary and permanent work, work experience and apprenticeship opportunities, guest lectures and input to curriculum development. In return employers' benefit from a pipeline of locally available talent, and significant development opportunities for existing staff largely through the College's commercial 'CI Business Solutions' offer.

29. The work-readiness agenda permeates all aspects of the student experience at Colchester Institute, with clearly articulated expectations of students around the attributes highly valued by employers such as strong attendance, the ability to work with others, teamwork, communication and working to produce their best work. Such expectations are introduced to students as part of their induction and developed throughout the year through the tutorial programme.

Inspections and Reviews

30. The College was inspected by Ofsted in May 2022, when a team of twelve inspectors spent four days in the College, observing and judging all aspects of provision, and speaking extensively to students and staff. The inspection concluded that Colchester Institute was 'Good' in all eight judgement areas as follows:

• Education Programmes for Young People	Good
• Apprenticeships	Good
• Adult Provision	Good
• High Needs Students	Good
• Quality of Education	Good
• Behaviour and Attitudes	Good
• Personal Development	Good
• Leadership and Management	Good

31. The College continues to be accredited through the Register of Apprenticeship and Training Providers (RoATP) and on a range of other 'frameworks' from which, in particular public sector employers, can procure Apprenticeship provision. The College successfully achieved re-accreditation on the Register in February 2022.

32. The College holds Matrix accreditation for the quality of its Careers Education, Information, Advice and Guidance and this was updated most recently in March 2022.

STAKEHOLDERS

33. 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 remains a committed member of the Federation of Essex Colleges (FEDEC) an important group for sharing of best practice, joint lobbying and collaborative working. The Principal also sits on the One Colchester Strategic Board, a multi-agency group which provides a strategic framework locally, working in partnership on significant targeted issues affecting communities within the Colchester Borough. Senior leaders sit on a wide range of local Boards and Committees including the North Essex Energy Board, the Braintree District Education and Skills Board, the Tendring Post 16 Education and Skills Board and the (Colchester) Strategic Sports Board. The College continued to build on its excellent employer relationships in a number of skills sectors.

STRATEGIC REPORT

34. The College has established sound communications with its staff and employs such techniques as providing a fortnightly written briefing, a staff suggestions scheme, 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. The end of the 2021/22 academic saw a return to a face-to-face presentation to all staff (after two years of on-line addresses) as part of a staff wellbeing day at which staff annual award winners were once again announced and celebrated for their special achievements. The College continues to recognise relevant trade unions, UCU and Unison, and holds regular meetings and consultations with them. The Trade Unions contributed to (and supported) the plans for Covid safety throughout the various stages of the pandemic.

35. Student-to-staff links are also strong. The "Learner Voice" is given particular credence and the Course Representatives programme is a key way 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 student app 'CI Connect' continues to widen the options for the College to communicate with students 'en-masse' and in sub-groups (area, course etc) and provides for students a single central point to access all key college functions such as their timetable, the online shop, the absence line and their emails and to receive notifications about college events and activities or their own engagements such as examinations and careers appointments.

36. In November 2021, a Memorandum of Understanding (MoU) was signed between the College and ESNEFT (the East Suffolk and North Essex NHS Foundation Trust). The purpose was to agree and document the many ways in which the two organisations could work together to enrich the experience of Health, Care and Science students and better prepare them for roles within the Trust, whilst supporting the Trust in addressing the staff recruitment challenges that they in common with other NHS employers experience. In this latter regard, a ground-breaking and hugely successful project was established, initially funded by the Community Renewal Fund, in which the two organisations worked together to recruit and train local people for roles at the newly opened Community Diagnostic Centre in Clacton-on-Sea. In other initiatives, a 'Career Start' programme was launched to give selected Level 3 students on Health and Science courses enhanced work experience, mentoring and masterclass opportunities, and guaranteed job interviews at the end of their programme or Higher-level study. Another workstream involved the recruitment of ESNEFT staff into part time teaching roles in the College.

PUBLIC BENEFIT

37. 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 22 and 23. 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 a range of identifiable public benefits through the advancement of education. Indeed, education has been identified as one of the key determinants of health, improving individuals' lives and reducing demand on public services. In addition to this 'umbrella' benefit, the College provides the following public benefits:

- 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, and appropriate university places, with strong destination data

- Significant ladders of opportunity allowing students to progress to the highest possible levels of learning across a broad range of vocational areas, widening their options to embark on further study or higher-level employment
- Strong employer partnerships, supporting workforce development and positive impact on the local and regional economy
- Significant primary and secondary employment through the normal course of business operations, and capital developments
- An anchor institution in the community providing access to high quality facilities for the use of individuals, other employers and groups.
- Through its charity, CIFT (the Colchester Institute Foundation Trust) providing support to students and apprentices whose financial circumstances might otherwise mean that they need to leave the College.

FINANCES

38. The 2021-22 financial result outperformed the budget set for the year and demonstrated a further strengthening of the College's balance sheet and financial health, following on from the positive trading performance of the prior year. Income levels rose by £0.7m as a result of higher funding grants and improved opportunities for income generation following on from the Covid-19 business interruption in prior years. An operating surplus pre FRS102 and one-off income and costs of £0.9m was recorded.

39. The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In the year, Government recurrent and specific grants accounted for £29.3m (80%) of total income.

40. Funding body grants increased by £0.5m made up of an increase in FE 16-19 funding of £0.3m and apprenticeship income of £0.4m, offset by a fall in HE funding of £0.2m. Tuition fee income overall fell by £1.2m, which was attributed to lower enrolments within Higher Education. Other income generating activities rose by £1.4m as a result of the return to normal campus operations £0.5m alongside a VAT refund receipt of £0.9m. This was in relation to a long running appeal against the treatment of VAT associated with a previous property strategy development.

41. During the year, pay costs were kept in line with expectations, and despite an inevitable increase in operating costs as campuses returned to full service, this additionality was well managed. As a result, the deficit for the year before asset disposals and impairments reduced by £0.1m on the prior year to £2.7m. Due to a significant movement in discount rates applicable to the FRS102 Local Government Pension Scheme annual valuation, there was an actuarial gain of £39.2m recorded which brought total comprehensive income back to £36.5m for the year.

42. The net book value of fixed assets increased by £2.7m as a result of the large-scale capital refurbishment projects commissioned by the Corporation Board to improve student experience alongside decarbonisation and improving estates efficiency. The flagship £5.1m project supporting renovation and decarbonisation of blocks B and D will complete by the end of the 2022. This was supported by a £3.7m grant from the Salix Public Sector Decarbonisation Scheme.

43. Current asset values reduced by £1.0m on the previous year, made up of a reduction in debtor values of £0.2m and cash balances also reduced by £0.8m to £4.8m. This was anticipated as the College continued to invest in buildings and IT equipment in the year. The value of creditors also fell by £1.0m in the year, largely as a result of a reduction in accruals and deferred income, mirroring the overall reduction in current assets, and as a result the net current liability position remains constant. It is worth noting that the education specific current ratio calculation (which excludes certain liabilities) improved in the year to positively impact ESFA financial health calculation.

44. Key performance indicators were monitored by the Corporation Board throughout the year and the improved operating outturn, supported by a further improved Balance Sheet position the College maintained its financial health rating of 'Good' that it restored in 2020-21.

45. Following a decision taken to close the wholly owned subsidiary company as at 31 July 2021, Colchester Institute Enterprises Limited remained dormant throughout 2021-22. The College was compliant with all loan covenant conditions during the year, and these continue to be monitored on a monthly basis, alongside formal annual reporting to the bank.

46. The Corporate Budget for 2022-23 was approved by the Corporation in July 2022 with an operating surplus (pre-defined benefit obligations and exceptional items) of £0.1m predicted. This is in line with the budgeted operational surplus for 2021-22, with due consideration for the impacts of rising inflation, including higher energy costs. The College is working with a new energy brokerage to ensure that it can procure energy at the best possible rates via flexible agreements. A senior management led programme to reduce energy consumption is also underway alongside appraisals to maximise off-grid energy generation. The College Executive continue to develop medium-term projections and models to respond to current uncertainties brought by national and international developments.

CASHFLOWS AND LIQUIDITY

47. The College delivered on positive net cash flow on operating activities to the value of £3.8m prior to investment and financing activities. This was increased from £2.5m in the prior year. Of a total of £5.1m investment in capital assets, £2.7m was received in capital grants in the year. Cash paid to support existing financing activities held at £1.5m (2021: £1.4m)

48. 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 foreseeable future. Future capital plans are not requiring of further long-term loan finance. No exceptional cashflow support has ever been received from ESFA or other funders.

49. The College holds cash reserves amounting to £4.8m compared to £5.7m in the prior year (of which £0.5m was held as restricted cash).

FUTURE DEVELOPMENTS

50. Despite a more 'normal' delivery mode in 2021/22 the key challenge exists in supporting education recovery for students whose educational and social experiences, at a critical stage were significantly disrupted by the pandemic. It is anticipated that this will continue for some years to come, as still in early 2022/23, many students are struggling to adapt to the educational and social demands of Post 16 education.

51. The role of all colleges in their local communities remains vitally important, as the country braces itself for significant financial pressures. Soaring inflation, a cost-of-living crisis and recent Bank of England predictions of a very long recession, will lead to significant pressures on individuals, households and businesses. Colchester Institute understands its key responsibility for providing the programmes that individuals and local businesses need to remain productive and profitable, as well as the skills to support those sectors still fighting the impact of the pandemic on the front line, such as Health, Care and other Public Services. It is quite possible that the trend seen in September 2022 of young students prioritising work over education may continue as households place growing reliance on income from all working-age members.

52. In addition to the pressures on students and employers, College staff will also keenly feel the impact of the current, and future, financial crisis. Following a 2% pay rise in May 2021, there has so far been no announcement of a pay increase for the 2022/23 academic year. The College is determined to make the best possible award to staff to address one of the greatest risks facing all FE Colleges - the recruitment and retention of teachers and support staff. in the more recent past, staff recruitment difficulties were mainly seen in skills-shortage teaching positions, but there are now challenges in relation to roles of all types and at all levels and this will only worsen if pay and conditions fall further behind other sectors and other similar organisations. At the time of writing, the College is currently looking to re-balance in-year spending in order to make a recommendation to governors of a more significant pay rise than has been possible in the recent past. It is unlikely that such pressures will abate in the coming few years and this will remain a key priority for some time.

53. The Post 16 Education Act 2022 places a new duty on governing bodies to review how well the education and training provided by the institution meets local needs. The Ofsted inspection framework updated for the 2022/23 academic year also places a greater focus on meeting local skills needs. As a vocational College and a large apprenticeship provider, this is a strength of Colchester Institute, but there is no room for complacency and the College must ensure that in <u>all</u> curriculum areas, (and across <u>all</u> provision types) students are being properly prepared for future careers. The College is introducing formal Curriculum Advisory Boards in every subject area, made up of both employers and other relevant partners, to ensure that there is positive dialogue about student opportunities such as work placements, workplace visits etc, but critically that the curriculum is adapted to ensure that students are gaining the skills, knowledge and behaviours needed to meet employers' (and the sector's) future skills needs.

54. In this same regard, it will remain a key priority to develop number and scale of key employer partnerships such as those recently developed with ESNEFT (the East Suffolk and North Essex NHS Foundation Trust). The work highlighted in and with Hutchison Ports, at Felixstowe. Such relationships have involved the College supporting these organisations to address skills shortfalls – in the case of ESNEFT by assisting in the recruitment and training of staff for a Community Diagnostic Centre in Clacton-on-Sea. Plans are now underway to take a similar programme to new clinical settings and new geographies within the Suffolk and North East Essex Integrated Care System. In the case of Hutchison Ports, plans are currently underway for a bespoke and large-scale Apprenticeship programme to commence in September 2023 - to progressively address the anticipated shortage of skilled workers over the next few years at one of the busiest ports in Europe.

55. As the government continues to promote the Levelling Up agenda, a range of opportunities are arising through initiatives such as the Shared Prosperity Fund. The College will continue to seek to support all such opportunities and is currently awaiting the outcome of a number of bids via local councils to support their ambitions to support Local Businesses and People and Skills through the Shared Prosperity Fund. One such bid has already been approved which will see the College supporting a network of Colchester based Construction firms to embrace the opportunities that digitalisation can bring to their sector.

56. In line with government policy, a Local Skills Improvement Plan (LSIP) for Greater Essex, is currently under development, led by Employer Representative Body, The Essex Chamber of Commerce. The College is already a key contributor to this plan which will be complete by May 2023. The College is also supporting the development of other emerging local authority plans such as the Essex Green Skills Plan and the Tendring Future Skills Plan. Such plans aim to ensure skills provision to support local future skills needs,

including the major infrastructure projects planned for the region. These include a 900 home Garden Community on the Colchester/Tendring border, and Freeport East, in Harwich, Felixstowe and Stowmarket, where plans are in place, among other things, for wind turbine manufacture and servicing and a hydrogen hub. A feasibility study will shortly commence to consider the expansion of the College's Energy Skills Centre in Harwich to support the huge demand for skills that the Freeport will create.

57. In October 2021, just ahead of COP26, the College declared a climate emergency and signed up to the FE Colleges Climate Change Roadmap. The College is committed to reducing its own carbon footprint and has recently created a detailed plan to reduce energy consumption in the short and longer terms. In addition to this, in its role as an educator, the College is keen to ensure that all full-time programmes contain learning about carbon reduction and sustainability, relevant to the subject area, as well as providing tutorial activity for all full time 16–19-year-olds, through a carbon literacy programme developed and piloted within the College in 2021/22.

58. The College is currently recruiting to its first T Level programme - the Early Years Educator - which commences in September 2023. Although the existing Applied General Qualification in Early Years now remains an option for students until August 2024, it is the intention that the T Level will be the only offer in this subject area from September 2023. However, following some high-profile difficulties with T Levels nationally (in Health and Science) this decision will be kept under review if it is deemed to be negatively impacting opportunities for young people in this area. From September 2024 in line with current planning, there will be no alternative in this subject area. Similarly, in September 2024, current DfE plans see the withdrawal of the Level 3 BTEC in Construction and the Built Environment and the College is planning to replace this with the T Level of the same name. From September 2025, a number of additional programmes in Waves 3 and 4 of the qualifications review will be withdrawn. The College remains concerned about the impact of the removal of large volumes of successful Level 3 programmes over the coming years and will continue to feed its concerns to government decision makers, in the interests of future students.

59. 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.

TREASURY AND RESERVES POLICIES AND OBJECTIVES

60. 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 must be authorised by the Accounting Officer and the Corporation.

61. The College 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 College's reserves include £1.0m held as designated reserves. As at the balance sheet date the Income and expenditure account reserve improved as a result of the improved FRS102 defined benefit valuation on the Local Government Pension Scheme. The balance was £24.8m (2021: deficit £11.6m).

62. It is the Corporation's intention to further increase pre-FRS102 defined benefit obligation reserves over the life of the strategic plan through the generation of annual operating surpluses.

STREAMLINED ENERGY AND CARBON REPORTING

63. There has again been a significant focus placed on carbon reduction over the course of the year and the College has signalled its commitment to climate change reduction through its actions in the year as well as through its formal declaration of a climate emergency in October 2021. The College is working with a range of partners to deliver on a future net zero strategy that is supported by a large-scale decarbonisation project at Colchester Campus that aims to reduce carbon emissions by 290tCo2 per annum. Other initiatives include significant improvements to thermal properties of buildings (window and roof replacements) and new LED light installations. The College continues to promote the Colchester Green Travel Plan, installed a new Electric Vehicle Charging Station and has planted a wild meadow and 195 new trees in the year on its grounds. The first of a new fleet of electric vehicles was purchased in 2022. An Energy and Sustainability Group is charged with overseeing a 50-point plan for energy reduction which dovetails with the FE Climate Action Roadmap. The carbon literacy project was rolled out to all L2 and L3 full time students in 2022.

64. Total carbon emissions for the period is as follows:

	1 August 2021 to 31 July 2022	1 August 2020 to 31 July 2021
Energy Consumption (kWh)	5,119,140	7,060,238
Intensity Metric (Net Emissions) - Scope 1, 2, 3 (Gross) tCO2e	1,003.9	1,598.01

This result represents a 27.5% decrease in energy consumption against the previous year. The College has an action plan supporting its future net zero strategy to reduce carbon emissions by 50% by 2030.

PRINCIPAL RISKS AND UNCERTAINTIES

65. There is a comprehensive list of risks on the Corporate Risk Register. These risks are owned by members of the College Executive and are reviewed by the Risk Management Committee, and the Audit and Risk Committee on a termly basis. The principal risks during the year were identified as follows: -

- **Staff Recruitment issues:** The College Executive continued to look at ways to mitigate and introduced specific incentives targeted towards the most acute areas that would impact teaching and learning. This included industry uplifts for certain curriculum areas and golden hello payments to secure appropriate staffing levels in some areas.

- **Capital Project Development**: Separate risk registers, devoted to the individual scheme developments are reviewed and further actions initiated where appropriate.

- **Defunding of Level 3 Qualifications:** The Principal and Chief Executive took forward arguments to decision makers in ESFA, DfE and beyond to ensure that the College's future is not adversely affected by this risk. Some delays to the fundamental change proposals have seen the overall risk reduce in recent months.

- **HE Enrolment shortfall:** College leaders continue to review the Higher Education portfolio offered by UCC since increased competition from other HE institutions remains severe.

- **Worsening of financial performance:** Higher than expected inflationary costs are having a severe impact across the UK. College leaders continue to develop strategies to reduce operating costs wherever possible whilst trying to maintain pay scales for staff.

PERFORMANCE INDICATORS

66. 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 remained strong following a particularly good year in 2018/19 when the College finished eleventh of 170 GFE Colleges for Study Programme outcomes. 2021/22 was the first year in three years in which qualifications were not awarded through Centre Assessed Grades but were based entirely on student performance in assignments, assessed practical skills and examinations,

67. The impact of the pandemic was most notable on apprenticeship and adult outcomes, where a number of final assessments were delayed and the employment status of apprentices and others was impacted by the rapid economic downturn.

68. Below are a selection taken from the 50 aspirational KPIs for 2020/21 set and agreed by the Corporation Board and monitored both at management and Board level throughout the year. The quality KPIs were 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 2021/22	Outturn 2021/22
Student Attendance – FE	90%	87%
Achievement rate – all further education qualifications	87%	84%
Success rate - Apprenticeships	68%	58.3%
Retention – all FE enrolments	94%	92%
HE - Good Degrees	72%	65%
16-19 FE learner numbers	3844	3692
Apprenticeship Numbers (new recruits)	607	523
HE Enrolments (FT and PT)	507	506
Operational (deficit) pre FRS 102(28) and one off income and costs	£0.127m	£0.902m

69. Progress against College KPIs is reported monthly to Governors through a written report provided by the Principal commencing in November and via a Curriculum and Quality Update provided for each Curriculum and Quality Committee meeting by the Executive Vice Principal: Curriculum, Planning and Quality. Progress towards financial KPIs is also tracked through detailed monthly reporting to the board in the Monthly Monitoring Report, compiled by the Deputy Chief Executive Officer. These reports are discussed at the relevant Committees 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.

70. During the year, the College met key bank covenant measures, including:

   a. 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£1.1m).
   b. To ensure the ratio of borrowings at the end of each financial year to adjusted operating surplus for each financial year does not exceed 4:1.

STUDENT ACHIEVEMENTS

71. 2021/22 saw the return to full time study following the disruption of the previous two years. Students entered the year showing significant gaps in learning, and for a number, a level of increased anxiety about coping with the demands of study. The lack of formal study and, in particular, the lack of any experience of exams presented learners with a much greater challenge than would normally be seen. Despite these challenges, retention remained high (92%) and attendance overall was good. Whilst there was a dip in overall achievement rates compared to the previous year, a significant number of those results were based on the Teacher Assessed Grade system put in place during the pandemic.

72. Overall student outcomes for 16-18 year olds in 2021/22 were 84.0%. Whilst down from 88.4% the previous year, 2020/21 rates were based on Teacher Assessed Grades and the most recent National Average for a non-disrupted year (18/19) is 83.4%. Given the challenges that many learners had coming back into education, including sitting formal exams for the first time, students achieved well. Progress measures for GCSE English and maths were varied. Excluding the two years of 'Teacher Assessed Grades', the College recorded its best progress score for English at +0.01, but maths progress declined to -0.27, compared to –0.08 in 2018/19. 2018/19 was the last year of 'in person' GCSE exams and it should be noted that the 2021-22 cohort was therefore sitting these GCSE exams for the first time.

73. Adult programmes remained stable with a slight decline in overall achievement rates, down from 82.8% to 81.9%, but the achievement rates are impacted by the mix of provision offered to adults, including programmes with high numbers with traditionally lower achievement rates, such as Accounting, and large number of long term unemployed learners in the College's Learning Shops.

74. Apprenticeship achievement rates declined to 58.3% (from 68.6%) but remained above the most recent national average of 54%. The downturn was mainly caused by over 100 apprentices not completing their programme by the end of the year and continuing into 2022/23. For the majority of these apprentices, their programmes have been impacted by Covid disruption, together with the increased demands of the larger Standards, resulting in them requiring longer to successfully complete the whole programme including the End Point Assessment – which on some programmes can take up to 7 months.

75. In UCC, 65% of degree students gained first class or upper second-class degrees. This was a significant reduction on the previous year (73%) however this was mainly due to a disproportionate number of Level 6 only degree students who joined us from an external Sports programme at level 5, and who achieved at a lower level. The achievement rates for traditional degree students were at a similar level to previous year, and a cohort of Engineering Degree Apprentices all gained first or upper second degrees.

CURRICULUM DEVELOPMENTS

76. In 2021/22 the curriculum offer remained stable. Work towards T levels continued with the first T Level preparing to be launched in Early Years in September 2023. Health, media, engineering and construction courses continued to see large cohorts. Apprenticeships continued to expand, particularly in areas such as management, HR and engineering. In the Learning Shops the adult offer continued to support a broad range of qualifications designed to enter specific vocational sectors, alongside employability skills and English and maths. A more flexible delivery offer included on-line study, supported by a coach.

77. As the College prepares to introduce Curriculum Advisory Boards across all FE Subject Areas in 2022/23, early work on adapting the curriculum to specifically address employer

feedback was seen in the area of Health and Social Care. Through the close working relationship with ESNEFT, detailed in the Stakeholders section above, College Curriculum Leaders worked with ESNEFT clinical leads to inform unit selection on the BTEC Health and Social Care programme, ensuring that the most appropriate learning for future jobs was taking place. This will become commonplace activity over the coming months as more delivery teams work with employers to inform curriculum planning and delivery.

PLANNED MAINTENANCE PROGRAMME AND PROPERTY STRATEGY

78. 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 Accommodation and Estates Strategy that was last approved in approved by the Corporation in February 2022.

79. The Colleges Estates and Accommodation Strategy is updated annually and approved by the Finance and Resources Committee. A key feature of the year was completing Salix-funded Decarbonisation Scheme. Follow on works included refurbished classrooms, IT suites and Beauty salons alongside a new Hairdressing salon, and an Early Years Suite. Future plans for 2022-23 include the expansion of facilities for construction students – an area proved to be subject of increased year on year student growth, and a local skills priority.

PAYMENT PERFORMANCE

80. The College maintains the confidence of suppliers by adhering to a payment policy of to within 30 days of receipt of (a valid) invoice or to within negotiated supplier terms. This accords with the intentions of the Prompt Payment Code and the Late Payment of Commercial Debts (Interest) Act 1998 to which the College is committed.

DIVERSITY, EQUITY AND INCLUSION

81. 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 enabled to progress. To this end, the College aims to ensure that all actual or potential learners and employees are treated equitably, regardless of: age, disability; family responsibility, 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, tolerant and respectful citizens; British Values are promoted within a context which ensures increased understanding and appreciation of diversity.

82. The College's newly drafted Diversity, Equity and Inclusion Policy is published on the College website, and there is a separate annual implementation plan. This is resourced, implemented and monitored on a planned basis, including by College Governors.

83. 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.

84. Gender pay gap information is reported separately and published on the College's website.

DISABILITY STATEMENT

85. 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

86. 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. All staff and governors are obliged to read the annually updated 'Keeping Children Safe in Education' and to make a declaration to say that they have done so. A single central register of all staff and contractors ensures that appropriate checks are in place on those working with our students and that mandatory training has been carried out where appropriate. This is supplemented by the signing of an annual declaration by all staff, that there have been no criminal proceedings against them, or other similar incidents since their last formal DBS check.

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

TRADE UNION FACILITY TIME

88. 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 2021 to 31 March 2022 the following applies

Number of employees who were trade union officials: 5

Full-time equivalent number of employees who were trade union officials: 4.6

Percentage of working hours spent on facility time:

0%	0
1-50%	5
51-99%	0
100%	0

Total cost of facility time: £5289

Total pay bill: £23,245,826

Percentage of total pay bill spent on facility time: 0.02%

Time spent on paid trade union activities as a percentage of total paid facility hours: 100%

GOING CONCERN

89. The College has continued to improve the balance sheet strength and successfully increased reserves as a result of driving positive cash generation and achieving healthy operating surpluses over the past two years. As a result, the opening financial position provides a positive and stable foundation for an analysis of the future going concern of the College.

90. The FE Sector has been exposed to severe fiscal restrictions for over a decade, forcing college leaders to work hard every year to ensure that financial performance is achieved to the standard required. The focus of Colchester Institute has been and will remain on the maximising financial performance whilst delivering the best possible learning environment for students. Cost management and the delivery of area smart targets will continue to be monitored via the course costing model, part of the continuous financial management process. This informs financial viability decisions required for curriculum planning. Operating costs across all areas of the Institute will continue to be reviewed and managed recognising that investing in more efficient technologies and improved products or services will also drive down overheads in the future. The ongoing review of business processes to ensure efficiencies are improved or maintained is a critical management responsibility and there will be further work to complete tasks associated within the Estates and Accommodation Strategy, including identifying improved tenancy agreements for leased accommodation, will further reduce operating overheads whilst also reducing carbon emissions. A value for money paper is presented to the Corporation Board each year identifying all projects in flight and improvements made.

91. The basis of the preparation of the going concern statement as part of these financial statements has been made by the Corporation following enquiries to understand whether the College has adequate resources to continue in operational existence for the foreseeable future:

    a. The Corporation undertook a thorough examination of the assumptions underpinning the corporate budget 2022-23 and three-year financial plan. It considered how these assumptions might impact the immediate and long term cashflows and profitability.

The Corporation approved the budget having satisfied itself that the assumptions used were both prudent and appropriate and that operational and financial plans therefore were a reasonable reflection of them and the results robust.

b. The Corporation has received and approved the detailed monthly management report and accounts for periods 2 and 3 of that current financial year, including latest cashflow projections, forecast revenue and costs and noted the positive start to the year.

c. The Corporation receives regular updates on the strategic and operational risks facing and impacting the College as part of its regular review of Corporate Risk Register and which were used to determine the most appropriate assumptions to be used in the forecasting process. The Corporation has reviewed the risks reflected and is content that the assumed controls and proposed mitigations are appropriate for the purposes of analysing the going concern of the College.

d. The Corporation stress tested the financial forecast for the current financial year and the period to 31 July 2024 using four different scenarios and discussed the assumptions, forecast outcomes and the potential impact on the College.

92. After full and detailed consideration, review, discussion and challenge of the Executive Management and the financial forecasts presented, the Corporation is satisfied that the College has sufficient financial resources to meet its liabilities as and when they fall due and will be able to continue to operate on a solvent basis for the foreseeable future. It confirms therefore that is it appropriate for the Report and Accounts to be prepared on the going concern basis as dated below.

EVENTS AFTER THE REPORTING PERIOD

93. On 29 November 2022 The Office for National Statistics has reclassified all colleges into the UK national accounts such that they are public sector bodies. Furthermore, this is expected to bring about changes in the Department for Education regulation of colleges. Management does not currently consider that the change will have a material impact on the College's Annual Report or its going concern assessment.

DISCLOSURE OF INFORMATION TO AUDITOR

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 auditor is 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 auditor is aware of that information.

Approved by order of the Members of the Corporation on 14th December 2022 and signed on its behalf by:

KEVIN PRINCE
Chairman

Date: 14th December 2022

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

GOVERNANCE STATEMENT

This statement covers the period from 1 August 2021 to 31 July 2022 and up to the date of approval of the annual report and financial statements.

GOVERNANCE CODE

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 2018 issued by the Financial Reporting Council in July 2018. 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 2022. 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.

THE CORPORATION

3. The Members who served on 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 2021/22 *
S Aldwinckle	August 2022	1 year	10.11.22	Student	C&Q	0 out 0
A Andreas	January 2014	Ex-officio		Principal	C&Q, F&R,	6 out of 6
L Blake	May 2019	4 years		Independent	Chr A&R, member GR&S	4 out of 6
S Bettinson	April 2022	4 years		Independent	F&R	1 out of 2
R Block	April 2022	4 years		Independent	F&R	2 out of 2
O Campbell-Lilo	December 2021	1 year	31.07.22	Student	C&Q	2 out of 4
P Cook	February 2020	4 years		Independent	C&Q	6 out of 6
M Davies	January 2017 last reappointed January 2022	4 years		Independent	A&R, GR&S	5 out of 6
P Donnelly	October 2019	4 years	22.12.21	Independent	C&Q	2 out of 3
P Giddings	November 2019	4 years		Independent	F&R	3 out of 6

L Goodall	August 2018	4 years	31.07.22	Staff	A&R	6 out of 6
I Kettle	February 2020	4 years		Independent	A&R	6 out of 6
A Leader	December 2021	1 year	31.07.22	Student	C&Q	
K Moule	January 2019	4 years	28.09.21	Independent	Chr of C&Q, Member R&S	0 out of 1
J Patel	January 2020	4 years		Independent	F&R,	0 out of 3
K Prince	January 2008 last re-appointed January 2020	4 years		Independent	Chr of Board, and member of all Committees except A&R	6 out of 6
B Rich	October 2020	4 years		Staff	C&Q	2 out of 6
T Smyth	July 2018 last reappointed July 2022	4 years		Independent	C&Q, A&R	5 out of 6
D Swainson	August 2022	4 years		Staff	C&Q	0 out of 0
R Wainwright	October 2011 Re-appointed October 2019	4 years		Independent	Chr F&R and GR&S	6 out of 6
C Williams	October 2022	4 years		Independent	C&Q	0 out of 0

* Attendance relates to attendance at Corporation Board meetings during the year under review. (1 August 2021 to 31 July 2022). It does not include attendance at Committee and other meetings.

Key to Committees:

A&R Audit and Risk Committee
F&R Finance and Resources Committee
C&Q Curriculum and Quality Committee
GR&S Governance, Remuneration and Search Committee

THE GOVERNANCE FRAMEWORK

4. 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.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

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 Finance and Resources, Governance, Remuneration and Search, Audit and Risk, and Curriculum and Quality. Full minutes of Board and Committee meetings except those 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 Governance, Remuneration and Search Committee consisting of the Chair and joint 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. Members do not normally serve for more than two terms of four years except where subsequently undertaking a new role of Chair or Vice Chair.

CORPORATION PERFORMANCE

14. The Corporation carried out a self-assessment of its own performance for the year ended 31 July 2022 and graded itself as Good on the Ofsted scale.

15. The Governing Body is committed to development. All Governors have been subscribed to the Education and Training Foundation online Governance Development Programme, and update briefings were provided during the year at the annual planning day meeting, and before full Governing Body meetings on the following topics: Careers Education, Information, Advice and Guidance; Safeguarding and Keeping Children Safe in Education;.Ofsted Inspection; and Skill for Jobs White Paper. Governors and the Clerk also completed online training sessions on Safeguarding, Working with the Prevent Duty, Information Security, Peer on Peer Sexual Abuse and Online Safety. External events attended by Governors and the Clerk included Association of Colleges (AoC) induction

sessions; AoC Learning Week sessions on current finance issues and prospects for colleges and don't leave diversity at the boardroom door; Strategic Governance webinar developing a whole college approach to careers education; and AoC Regional Governance Conference. Governors are also invited to attended College Learning and Development Day activities and during the year attended sessions on using probing questions to help learners achieve high grades and good practice in monitoring student progress.

16. The Governing Body has considered DfE guidance on board reviews and plans to commission an external review in future but did not carry out a formal review in the period 1 August 2021 to 31 July 2022.

GOVERNANCE, REMUNERATION AND SEARCH COMMITTEE

17. The Board adopted the Association of Colleges' Senior Post Holder Remuneration Code (Remuneration Code) at its meeting on 26 July 2019. In line with the requirements of the Remuneration Code, this statement on Senior Post Holder remuneration is based on the Governance, Remuneration and Search Committee annual report to the Board 2021-22.

18. For the year ending 31 July 2022, the Governance, Remuneration and Search Committee comprised five members of the Corporation. The Committee's responsibilities include consideration of the remuneration and benefits of four designated senior post holders:

    - the Principal and Chief Executive
    - the Deputy Chief Executive
    - the Executive Vice Principal: Curriculum, Planning and Quality
    - the Clerk to the Governors

19. The Board approved a Senior Post Holder Remuneration Policy at its meeting on 18 December 2019. There were no updates or amendments during this financial year.

20. In determining the remuneration of senior post holders 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 May 2022 shows that for a College in the £30m - £40m income bracket the median College Principal salary in 2021 was £145,000, with the upper quartile at £151,663 and the lower quartile at £140,986 . By comparison the salary for the Principal and Chief Executive at Colchester Institute was £124,860 on 31 July 2022. 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 resultant below cost-of-living pay increases awarded to all staff in the period of her tenure.

21. Details of remuneration for the year ended 31 July 2022 are set out in note 7 to the financial statements.

AUDIT AND RISK COMMITTEE

22. The Audit and Risk Committee comprises five Members of the Corporation (excluding the Principal and Chair). 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.

23. The Audit and Risk Committee meets at least once a term and provides a forum for reporting by the College's internal auditors, reporting accountants and financial statements auditor, 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.

24. 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 Risk 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.

25. The Audit and Risk Committee also advises the Corporation on the appointment of internal auditors, reporting accountants and the financial statements auditor and their remuneration for both audit and non-audit work as well as reporting annually to the Corporation.

26. The Audit and Risk Committee met three times in the year to 31 July 2022. The members of the Committee and their attendance records are shown below:

Committee member	Meetings attended
L Blake	3
M Davies	3
L Goodall	2
I Kettle	3
T Smyth	2

FINANCE AND RESOURCES COMMITTEE

27. The Finance and 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

28. 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

29. 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.

30. The Corporation has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which she is personally responsible, in accordance with the responsibilities assigned to her in the Funding Agreement between Colchester Institute and the funding bodies. 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

31. 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 2022 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

32. 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 2022 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

33. 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; and
- the adoption of formal project management disciplines, where appropriate.

34. 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 Risk 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.

Risks faced by the Corporation

35. Explained above

Control weaknesses identified

36. During the period, no significant internal control weaknesses have been brought to the attention of the Corporation Board, from internal management sources or via the use of external professionals as part of the employed internal and external audit framework.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

Responsibilities under funding agreements

37. The Corporation undertakes a range of measures to seek assurance that contractual responsibilities under funding agreements are met. Within the year, external reviews were undertaken to monitor compliance with ESFA Funding Rules to identify funding risks and the effectiveness of controls for apprenticeships and in subcontracting controls.

Statement from the Audit and Risk Committee

38. The Audit and Risk Committee has advised the Board of Governors that the Corporation has an effective framework for governance and risk management in place. The Audit and Risk Committee believes the Corporation has effective internal controls in place.

39. The specific areas of work undertaken by the Audit and Risk Committee in 2021/22 and up to the date of the approval of the financial statements are:

Review undertaken	Assurance Level	Recommendations
Safeguarding and Student Wellbeing	Substantial Assurance	Five low priority recommendations
Health and Safety	Substantial Assurance	One routine recommendation
Procurement and Contract Management	Reasonable Assurance	Three important and two routine recommendations
Key Financial Systems	Substantial Assurance	No recommendations were made as part of the audit.
Risk Management	Substantial Assurance	One routine recommendation
Business Continuity	Reasonable Assurance	One important and three routine recommendations

Review of effectiveness

40. 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 auditor, the reporting accountant for regularity assurance and any funding council-appointed ILR auditors in their management letters and other reports.

41. The Principal has been advised on the implications of the result of their review of the effectiveness of the system of internal control by the Audit and Risk 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.

42. 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 Risk Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit and Risk Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Audit and Risk 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 2022 meeting, the Corporation will

carry out the annual assessment for the year ended 31 July 2022 by considering documentation from the College Executive and internal audit, recommendations from the Audit and Risk Committee and taking account of events since 31 July 2022.

43. Based on the advice of the Audit and Risk 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".

Approved by order of the Members of the Corporation on 14th December 2022 and signed on its behalf by:

K Prince

A Andreas

KEVIN PRINCE
Chairman

Date: 14th December 2022

ALISON ANDREAS
Principal, Chief Executive and Accounting Officer

Date: 14th December 2022

STATEMENT OF REGULARITY, PROPRIETY AND COMPLIANCE

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 the ESFA. As part of its consideration the Corporation has had due regard to the requirements of the grant funding agreements and contracts with the 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, or any other public funder.

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.

K Prince

KEVIN PRINCE
Chairman

Date: 14th December 2022

A Andreas

ALISON ANDREAS
Principal and Chief Executive and Accounting Officer

Date: 14th December 2022

COLCHESTER INSTITUTE

STATEMENT OF 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 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;
- assess whether the Corporation is a going concern, noting the key supporting assumptions qualifications or mitigating actions as appropriate; and
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the College or its subsidiary undertaking will continue in operation.

The Corporation is also required to prepare a Members' Report which describes what it is trying to do and how it is going about it, including 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 auditor accepts 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 and any other public funds 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 by the ESFA or any other public funder. 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 14th December 2022 and signed on its behalf by:

K Prince

KEVIN PRINCE
Chairman

Date: 14th December 2022

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF COLCHESTER INSTITUTE

Opinion

We have audited the financial statements of the Group and Colchester Institute (the 'College') for the year ended 31 July 2022, which comprise of the Consolidated and College Statements of Comprehensive Income, the Consolidated Statements 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 2019* (the 2019 FE HE SORP), the *College Accounts Direction for 2020 to 2021* 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's and the College's affairs as at 31 July 2022 and of its surplus 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 2019 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 College 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

In auditing the financial statements, we have concluded that the Governors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Groups and the College's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue. Our responsibilities and the responsibilities of the Governors with respect to going concern are described in the relevant sections of this report.

Other information

The Corporation of Colchester Institute is responsible for the other information. The other information comprises the information included in the Annual 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, set out on Page 31, 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 Group's and the College'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 Group or the College intend to cease operations, or have no realistic alternative but to do so.

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the Governors (as required by auditing standards) and senior management, inspection of the Group's and the College's regulatory and legal correspondence and discussed with the Governors the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group and the College are subject to laws and regulations that directly affect the financial statements including financial reporting legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group and the College are subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: compliance with the requirements of the Education & Skills Funding Agency, The Charity Commission, Ofsted, health and safety, building regulations, corporate governance including safeguarding and wellbeing, human rights and employment law, anti-bribery and corruption, Food Safety Act 1990 and GDPR. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Governors and other management and inspection of regulatory and legal correspondence, if any.

Audit procedures undertaken in response to the potential risks relating to irregularities (which include fraud and non-compliance with laws and regulations) comprised of: enquiries of management and those charged with governance as to whether the Group and the College complies with such regulations, enquiries of management and those charged with governance concerning any actual or potential litigation or claims, inspection of any relevant legal documentation, review of board minutes, testing the appropriateness of journal entries and the performance of analytical review to identify any unexpected movements in account balances which may be indicative of fraud.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Irregularities that result from fraud might be inherently more difficult to detect than irregularities that result from error. As explained above, there is an unavoidable risk that material misstatements may not be detected, even though the audit has been planned and performed in accordance with ISAs (UK).

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.

Additional responsibilities under the Office for Students Accounts Direction

We have nothing to report in respect of the following matters in relation to which the Office for Students Accounts Direction requires us to report, where:

- The College's grant and fee income, as disclosed in notes 1,2 and 3 to the financial statements has been materially misstated; or
- The College's expenditure on access and participation activities for the year has been materially misstated.

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF COLCHESTER INSTITUTE

Use of our report

This report is made solely to the College, as a body, in accordance with Article 22 of the College's Articles of Government. Our audit work has been undertaken so that we might state to the College 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 College, 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: 16 December 2022

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

REPORTING ACCOUNTANT'S REPORT ON REGULARITY YEAR ENDED 31 JULY 2022

To: The Corporation of Colchester Institute and Secretary of State for Education acting through the Education and Skills Funding Agency (ESFA)

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 year from 1 August 2021 to 31 July 2022 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 the 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 from 1 August 2021 to 31 July 2022 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.

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

REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY

The work undertaken to draw to our conclusion includes:

- A review of the Colleges Self-Assessment Questionnaire for the period from 1 August 2021 to 31 July 2022.
- A review of the evidence supplied by the College to support the Self-Assessment Questionnaire and discussions with members of the College's 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 from 1 August 2021 to 31 July 2022 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

Scrutton Bland LLP
Chartered Accountants
Colchester

Date: 16 December 2022

CONSOLIDATED AND COLLEGE STATEMENT OF TOTAL COMPREHENSIVE INCOME AND EXPENDITURE
YEAR ENDED 31 JULY 2022

	Notes	Group 2022 £000	College 2022 £000	Group 2021 £000	College 2021 £000
Income					
Funding body grants	2	**29,254**	**29,254**	28,776	28,776
Tuition fees and education contracts	3	**4,620**	**4,620**	5,800	5,661
Other income	4	**2,837**	**2,837**	1,197	1,161
Other grants and contracts	5	**-**	**-**	227	213
Investment income	6	**13**	**13**	2	2
Total income		**36,724**	**36,724**	36,002	35,813
Expenditure					
Staff costs	7	**26,815**	**26,815**	26,494	26,395
Other operating expenses	8	**8,559**	**8,559**	8,116	7,835
Depreciation	10	**2,787**	**2,787**	2,866	2,866
Interest and other finance costs	9	**1,252**	**1,252**	1,310	1,310
Total expenditure		**39,413**	**39,413**	38,786	38,406
Deficit before asset disposals and impairments		**(2,689)**	**(2,689)**	(2,784)	(2,593)
(Loss) on disposal of tangible fixed assets		-	-	(1,175)	(1,175)
Amounts written off investment		-	-	-	(205)
Deficit for the year		**(2,689)**	**(2,689)**	(3,959)	(3,973)
Actuarial gain/(loss) in respect of pension scheme	22	**39,184**	**39,184**	7,743	7,743
Total comprehensive income for the year		**36,495**	**36,495**	3,784	3,770
Additional disclosure					
Surplus for the year as above		**36,495**	**36,495**	3,784	3,770
Loss on disposal of fixed assets		**-**	**-**	1,175	1,175
Staff costs - FRS 102	22	**3,001**	**3,001**	2,627	2,627
Interest expense - FRS 102	22	**590**	**590**	573	573
Actuarial loss/(gain) - FRS 102	22	**(39,184)**	**(39,184)**	(7,743)	(7,743)
Operational surplus pre FRS 102 and one off income and costs		**902**	**902**	416	402

The comprehensive income is unrestricted, wholly attributable to the Group and College in respect of continuing activities.

The notes on pages 42 to 68 form part of these financial statements.

STATEMENT OF CHANGES IN CONSOLIDATED RESERVES
YEAR ENDED 31 JULY 2022

	Income and expenditure account £000	Capital reserve £000	Total £000
Balance at 1 August 2020	**(15,433)**	**1,000**	**(14,433)**
Deficit from the income and expenditure account	(3,959)	-	(3,959)
Other comprehensive income	7,743	-	7,743
Total comprehensive income for the year	**3,784**	**-**	**3,784**
Balance at 31 July 2021	**(11,649)**	**1,000**	**(10,649)**
Balance at 1 August 2021	**(11,649)**	**1,000**	**(10,649)**
Deficit from the income and expenditure account	(2,689)	-	(2,689)
Other comprehensive income	39,184	-	39,184
Total comprehensive income for the year	**36,495**	-	**36,495**
Balance at 31 July 2022	**24,846**	**1,000**	**25,846**

The notes on pages 42 to 68 form part of these financial statements.

CONSOLIDATED AND COLLEGE BALANCE SHEETS AS AT 31 JULY 2022

	Notes	Group 2022 £000	College 2022 £000	Group 2021 £000	College 2021 £000
Non-current assets					
Tangible assets	10	**72,017**	**72,017**	69,426	69,426
Investments	11	**-**	**106**	-	106
Total non- current assets		**72,017**	**72,123**	69,426	69,532
Current assets					
Stocks		**6**	**6**	23	23
Trade and other receivables	12	**1,720**	**1,720**	1,907	1,907
Restricted cash		**-**	**-**	547	547
Cash and cash equivalents	17	**4,825**	**4,825**	5,118	5,118
		6,551	**6,551**	7,595	7,595
Less: Creditors - amounts falling due within one year	13	**(9,293)**	**(9,399)**	(10,244)	(10,350)
Net current (liabilities)		**(2,742)**	**(2,848)**	(2,649)	(2,755)
Total assets less current liabilities		**69,275**	**69,275**	66,777	66,777
Creditors: amounts falling due after more than one year	14	**(42,388)**	**(42,388)**	(40,594)	(40,594)
Provisions					
Defined benefit obligations	22	**-**	**-**	(35,593)	(35,593)
Other provisions	16	**(1,041)**	**(1,041)**	(1,239)	(1,239)
Total net asset		**25,846**	**25,846**	(10,649)	(10,649)
Unrestricted reserves					
Income and expenditure account		**24,846**	**24,846**	(11,649)	(11,649)
Capital reserve	19	**1,000**	**1,000**	1,000	1,000
Total unrestricted reserves		**25,846**	**25,846**	(10,649)	(10,649)

The financial statements on pages 42 to 68 were approved and authorised for issue by the Corporation on 14th December 2022 and were signed on its behalf on that date by:

K Prince - Chairman

A Andreas - Principal, Chief Executive and Accounting Officer

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED 31 JULY 2022

	Notes	2022 £000	2021 £000
Cash inflow from operating activities			
(Deficit) for the year		**(2,689)**	(3,959)
Adjustment for non-cash items			
Depreciation		**2,787**	2,866
Decrease in stock		**17**	6
Decrease/(increase) in debtors		**734**	(1,270)
(Decrease)/increase in creditors due within one year		**(831)**	1,038
(Decrease) in creditors due after one year		**(539)**	(1,555)
(Decrease)/increase in provisions		**(198)**	259
Pension costs less contributions payable		**3,591**	3,200
Loss on disposal of fixed assets		**-**	1,175
Adjustment for investing or financing activities			
Investment income		**(13)**	(2)
Interest payable		**662**	732
Net cash flow from operating activities		**3,521**	2,490
Cash flows from investing activities			
Capital grants received		**2,743**	1,829
Investment income		**13**	2
Payments made to acquire fixed assets		**(5,191)**	(2,753)
Proceeds from sale of assets		**4**	3,082
		(2,431)	2,160
Cash flows from financing activities			
Interest paid		**(638)**	(708)
Interest element of finance lease rental payments		**(24)**	(24)
Repayments of amounts borrowed		**(451)**	(426)
Capital element of finance lease rental payments		**(270)**	(264)
		(1,383)	(1,422)
(Decrease)/increase in cash and cash equivalents in the year		**(293)**	3,228
Cash and cash equivalents at the beginning of the year		**5,118**	1,890
Cash and cash equivalents at the end of the year		**4,825**	5,118

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 2019* (the 2019 FE HE SORP), the College Accounts Direction for 2019/20 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. The Group is required to report to external agencies and funders throughout the year based on an operational pre FRS 102 and one off income and costs basis, that ultimately dictates the financial health rating under ESFA methodology. For reasons of consistency, additional voluntary disclosure is included within the Statement of Changes in Consolidated Reserves which provides additional detail on the impact of FRS102 and other exceptional costs within the accounting period.

Going Concern

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

In line with financial objectives, the College and the Group continues to improve balance sheet reserves. As a result of the estates rationalisation plan and a significant improvement in operating performance over recent years, the College has now improved financial health. However, it is noted that further focus is still required in order to continue to improve current ratio and cash reserves further to a more 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. Course costings is an essential mechanism for monitoring cost of delivery, allowing for timely decision making at curriculum planning events. Business processes continue to be reviewed to ensure efficiencies are achieved, and there will be further work to complete tasks associated within the Estates and Accommodation Strategy which will further reduce operating overheads alongside reducing carbon emissions.

A decision on going concern has been made by the Corporation having made the following enquiries to understand whether the College has adequate resources to continue in operational existence for the foreseeable future under the current economic conditions:

a. The Corporation undertook a thorough examination of the assumptions underpinning the corporate budget 2022-23 and four-year financial plan, including how these assumptions impacted the short term and long range cashflow forecast and Income and Expenditure statement. The Corporation approved the 2022-23 budget having satisfied itself that the operational and financial plans were suitably robust.

b. The Corporation has received and approved the detailed monthly management report and accounts for periods 2 and 3 and note a positive start to the year.

c. The Corporation has stress tested the financial forecast for the current year and 2023-24 under four different scenarios and discussed these with the College Executive.

d. The Corporation continues to receive regular updates on 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.

Having taken the above into account, the Corporation considers it appropriate that the College does have adequate resources in place to meet its liabilities as they fall due and will 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 enquiries made by the Corporation and the prevailing and current circumstances as at the date of signature below.

Basis of consolidation

The consolidated financial statements incorporate all the activities of the College 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 Group does not control those activities. All financial statements are made up to 31 July 2022.

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.

1 ACCOUNTING POLICIES - *(continued)*

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 8.

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.

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, reasonable and reliable 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. When there is a LGPS asset the asset will not be shown on the balance sheet and the actuarial gain will be reduced by the amount of the asset.

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.

1 ACCOUNTING POLICIES - *(continued)*

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.

Tangible fixed assets

(a) Land and buildings

Land and buildings inherited from the local education authority in 2003 are stated in the balance sheet 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.

1 ACCOUNTING POLICIES - *(continued)*

Where significant expenditure is incurred on tangible fixed assets it is charged to the income and expenditure account in the period it is incurred, unless it meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis:

- Market value of the fixed asset has subsequently improved;
- Asset capacity increases;
- Substantial improvement in the quality of output or reduction in operating costs; and
- Significant extension of the asset's life beyond that conferred by repairs and maintenance.

(b) Equipment

Equipment costing less than £3,000 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost. Equipment is depreciated on a straight line basis over 3 to 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 an impairment. 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.

1 ACCOUNTING POLICIES - *(continued)*

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.

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 in the subsidiary undertaking is stated at cost less accumulated impairment charges.

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 data of acquisition.

Restricted Cash

Restricted cash refers to sums held on behalf of the Group that it is not able to readily access at Balance Sheet date, but expects to be able to access within the next accounting period and therefore this justifies the treatment as a current asset within the balance sheet.

1 ACCOUNTING POLICIES - *(continued)*

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 24, except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant.

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.

1 ACCOUNTING POLICIES - *(continued)*

- 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 22 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 2019 to value the pensions liability at 31 July 2022. Any differences between the figures derived from the roll forward approach and full actuarial valuation would impact on the carrying amount of the pension liability. When the Local Government Pension Scheme defined benefit liability is an asset, it is restricted for non recoverability.

- *Contingent asset in relation to VAT receivable*

  In 2014, the College submitted an appeal against HMRC in respect of the historical treatment of VAT associated with a previous property strategy development. In January 2020, the Upper Tier Tribunal of the Tax Chamber accepted the College's appeal that certain grants received at the time were consideration for a supply made by the College, and therefore that the College was entitled to a repayment of VAT for assessments that had been levied against it. Management estimate that the potential repayment (excluding interest and costs) amounts to £1.6m.

  Whilst a repayment amounting to £0.954m was received by the College during the year, there remains uncertainty over the balance due to the potential for further litigation. Management consider that whilst HMRC have acknowledged the position and made an initial repayment, HMRC has also indicated that it will only do so in a method that would not jeopardise any claim to overturn the Upper Tier Tribunal of the Tax Chamber's decision, which could result in either further litigation/appeal to the Court of Appeal. Management therefore considers that the asset relating to the residual balance does not meet the definition of "virtually certain" as defined in FRS 102 and therefore have not recognised an asset amounting to £462k in the Group or College's balance sheet as at 31 July 2022.

2 FUNDING BODY GRANTS

	Group 2022 £000	College 2022 £000	Group 2021 £000	College 2021 £000
Recurrent grants				
Education and Skills Funding Agency- adult	**2,146**	**2,146**	2,216	2,216
Education and Skills Funding Agency- 16-18	**20,087**	**20,087**	19,753	19,753
Education and Skills Funding Agency- apprenticeships	**4,529**	**4,529**	4,099	4,099
Office for Students	**269**	**269**	455	455
Specific grants				
Education and Skills Funding Agency	**590**	**590**	334	334
Education and Skills Funding Agency Teacher Pension Scheme contribution grant	**692**	**692**	765	765
Education and Skills Funding Agency Other Covid 19 Funding	**-**	**-**	44	44
Education and Skills Funding Agency Provider relief scheme	**35**	**35**	154	154
Releases of Government capital grants	**906**	**906**	956	956
	29,254	**29,254**	28,776	28,776

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.

Analysis of level 4 qualifications grant and fee income included within note 2 Funding Body Grants and note 3 Tuition Fees and Education Contracts

	Group 2022 £000	College 2022 £000	Group 2021 £000	College 2021 £000
Grant income from the Office for students	**269**	**269**	455	455
Grant income from other bodies	**2,146**	**2,146**	2,370	2,370
Fee income for taught awards (exclusive of VAT)	**750**	**750**	266	266
Fee income for non-qualifying courses	**10**	**10**	7	7
Total	**3,175**	**3,175**	3,098	3,098

3 TUITION FEES AND EDUCATION CONTRACTS

	Group 2022 £000	College 2022 £000	Group 2021 £000	College 2021 £000
Adult education fees	**490**	**490**	448	309
Apprenticeship fees and contracts	**85**	**85**	66	66
Fees for FE loan supported courses	**318**	**318**	592	592
Fees for HE loan supported courses	**3,633**	**3,633**	4,602	4,602
Total tuition fees	**4,526**	**4,526**	5,708	5,569
Education contracts	**94**	**94**	92	92
Total	**4,620**	**4,620**	5,800	5,661

During the year bursaries funded tuition fees amounting to £21k (2021: £7k).

4 OTHER INCOME

	Group 2022 £000	College 2022 £000	Group 2021 £000	College 2021 £000
Catering and residences	**31**	**31**	30	30
Other income generating activities	**1,795**	**1,795**	1,143	1,107
Miscellaneous income	**1,011**	**1,011**	24	24
	2,837	**2,837**	1,197	1,161

Included within Miscellaneous income was a one-off receipt from HMRC in respect of a repayment of a long-running VAT claim that amounted to £954k. There was no certainty that this claim would be paid until the sum was received by the College.

5 OTHER GRANTS AND CONTRACTS

	Group 2022 £000	College 2022 £000	Group 2021 £000	College 2021 £000
Coronavirus job retention scheme grant	**-**	**-**	227	213

The Group did not furlough any staff in 2022. In 2021 some support staff, technicians and assistants in commercial teaching areas were furloughed under the terms of the Coronavirus Job Retention Scheme and received £227,000 which is included within the staff costs in note 7.

6 INVESTMENT INCOME

	Group 2022 £000	College 2022 £000	Group 2021 £000	College 2021 £000
Bank interest received	**13**	**13**	2	2

7 STAFF COSTS

Staff numbers

The average headcount (including key management personnel) employed by the Group during the year was:

	Group 2022 Number	Group 2021 Number
Teaching staff	**316**	340
Non-teaching staff	**434**	433
	750	773

Staff costs for the above persons

	Group 2022 £000	Group 2021 £000
Wages and salaries	**18,051**	17,983
Social security costs	**1,638**	1,627
Other pension costs	**6,756**	6,335
Redundancy costs	**(14)**	231
	26,431	26,176
Contracted out staffing services	**384**	318
	26,815	26,494

Redundancy costs include a credit of £64,000 relating to a provision accrued in 2020-21 that was not utilised.

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group and are represented by the College Executive and Clerk to the Corporation. The College Executive comprises The Principal and Chief Executive, the Deputy Chief Executive and three Vice Principals.

7 STAFF COSTS - *(continued)*

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

	2022 Number	2021 Number
The number of key management personnel including the Accounting Officer was:	**6**	6

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	
	2022	**2021**	**2022**	**2021**
£ 30,001 to £ 35,000	**1**	1	**-**	-
£ 65,001 to £ 70,000	**-**	1	**-**	-
£ 75,001 to £ 80,000	**1**	1	**-**	-
£ 85,001 to £ 90,000	**2**	2	**-**	-
£ 90,001 to £ 95,000	**1**	-	**-**	-
£120,001 to £ 125,000	**1**	1	**-**	-
	6	6	**-**	-

Key management personnel compensation is made up as follows:

	2022 £000	2021 £000
Salaries	**496**	476
Employers National Insurance	**62**	58
Benefits in Kind	**-**	-
	558	534
Pension contributions	**106**	98
Total emoluments	**664**	632

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

7 STAFF COSTS - *(continued)*

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

	2022 £000	2021 £000
Salaries	**125**	123
Employers National Insurance	**16**	16
	141	139

	2022 £000	2021 £000
Pension contributions	**25**	25

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 4.1.
- Principal and CEO's total remuneration as a multiple of the median of all staff 4.2.

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 governing body has adopted AoC's Senior Staff Remuneration Code in July 2019 and will assess pay 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 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 her performance against the College's overall objectives using both qualitative and quantitative measures of performance.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 JULY 2022

8(a) OTHER OPERATING EXPENSES

	Group 2022 £000	College 2022 £000	Group 2021 £000	College 2021 £000
Teaching costs	**3,316**	**3,316**	3,375	3,235
Non-teaching costs	**2,818**	**2,818**	2,376	2,340
Premises costs	**2,425**	**2,425**	2,365	2,260
	8,559	**8,559**	8,116	7,835
Other operating expenses include:				
Auditor's remuneration:				
Financial statements audit	**33**	**32**	33	31
Other assurance services provided by financial statements auditor	**-**	**-**	1	1
Internal audit fees	**22**	**22**	**30**	**30**
Hire of assets under - operating leases	**55**	**55**	50	50

8(b) ACCESS AND PARTICIPATION EXPENDITURE

	Group 2022 £000	Group 2021 £000
Access investment	**34**	44
Financial support to students	**8**	173
Disability support	**39**	28
Research and evaluation (relating to access and participation)	**5**	5
	86	250

9 INTEREST AND OTHER FINANCE COSTS

	Group and College 2022 £000	Group and College 2021 £000
On bank loans, overdrafts and other loans	**638**	708
On finance leases	**24**	29
Net interest on defined benefit pension liability (note 22)	**590**	573
	1,252	1,310

10(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 2021	2,678	89,896	738	9,733	103,045
Additions	5,139	-	-	239	5,378
Disposals	-	-	-	(145)	(145)
Transfers	(2,195)	1,930	-	265	-
At 31 July 2022	5,622	91,826	738	10,092	108,278
Depreciation					
At 1 August 2021	-	25,068	470	8,081	33,619
Charge for the year	-	2,120	16	651	2,787
Elimination in respect of disposals	-	-	-	(145)	(145)
At 31 July 2022	-	27,188	486	8,587	36,261
Net book value					
At 31 July 2022	5,622	64,638	252	1,505	72,017
At 31 July 2021	2,678	64,828	268	1,652	69,426

Land and buildings were originally 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 originally valued on 1 January 2010 at depreciated replacement cost by Mr N J Percival BSc ARICS.

Following the transition to FRS102, the College followed the transitional provision to retain the land and buildings at deemed cost and not adopt a policy of revaluation.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 JULY 2022

10(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 2021	**2,678**	**89,896**	**738**	**9,7,33**	**103,045**
Additions	**5,139**	-	-	**239**	**5,378**
Disposals	-	-	-	**(145)**	**(145)**
Transfers	**(2,195)**	**1,930**	-	**265**	-
At 31 July 2022	**5,622**	**91,826**	**738**	**10,092**	**108,278**
Depreciation					
At 1 August 2021	-	**25,068**	**470**	**8,081**	**33,619**
Charge for the year	-	**2,120**	**16**	**651**	**2,787**
Elimination in respect of disposals	-	-	-	**(145)**	**(145)**
At 31 July 2022	-	**27,188**	**486**	**8,587**	**36,261**
Net book value					
At 31 July 2022	**5,622**	**64,638**	**252**	**1,505**	**72,017**
At 31 July 2021	2,678	64,828	268	1,652	69,426

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 £539,000 (2021: £584,000) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £161,000 (2021: £205,000).

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 JULY 2022

11 NON-CURRENT INVESTMENTS

COLLEGE

	2022 £000	2021 £000
Investment in subsidiary undertaking at cost 1 August 2022 And 31 July 2022	**717**	717
Amount written off investment at 1 August 2021 and 31 July 2022	**(611)**	(611)
Net book value of investment at 31 July 2021 and 2022	**106**	106

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 which is now dormant.

12 TRADE AND OTHER RECEIVABLES

	Group 2022 £000	College 2022 £000	Group 2021 £000	College 2021 £000
Amounts falling due within one year :				
Trade receivables	**459**	**459**	970	970
Amounts owed by the ESFA	**338**	**338**	348	348
Prepayments and accrued income	**923**	**923**	589	589
	1,720	**1,720**	1,907	1,907

13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2022 £000	College 2022 £000	Group 2021 £000	College 2021 £000
Bank loan	**472**	**472**	452	452
Obligations under finance leases	**208**	**208**	270	270
Trade payables	**1628**	**1628**	503	503
Capital creditors	**6**	**6**	350	350
Other creditors	**1,432**	**1,432**	1,366	1,366
Amounts owed to subsidiary undertakings	**-**	**106**	-	106
Other taxation and social security	**559**	**559**	850	850
Accruals and deferred income	**2,574**	**2,574**	3,971	3,971
Payment received in advance	**833**	**833**	490	490
Deferred income – government capital grants	**955**	**955**	1,335	1,335
Loan – Colchester Institute Foundation Trust	**6**	**6**	32	32
Amounts owed to the ESFA	**620**	**620**	625	625
	9,293	**9,399**	10,244	10,350

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

14 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group 2022 £000	College 2022 £000	Group 2021 £000	College 2021 £000
Bank loan	**8,641**	**8,641**	9,119	9,119
Obligations under finance leases	**343**	**343**	288	288
Deferred income – Government capital grants	**33,404**	**33,404**	31,187	31,187
	42,388	**42,388**	40,594	40,594

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

15 MATURITY OF DEBT

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	Group 2022 £000	College 2022 £000	Group 2021 £000	College 2021 £000
In one year or less	**472**	**472**	452	452
Between one and two years	**494**	**494**	472	472
Between two and five years	**1,630**	**1,630**	1,553	1,553
In five years or more	**6,517**	**6,517**	7,094	7,094
	9,113	**9,113**	9,571	9,571

At 31 July 2022 the total bank loan to be repaid was £9,113,000. The bank loan is repayable by May 2036 with repayments having started in August 2013. Under the agreement currently in place, the bank loan interest is fixed at 6.59% per annum until full term of the loan; the loan is secured against the campus at Sheepen Road, Colchester.

(b) Finance leases

The net finance lease obligations committed are repayable as follows:

	Group 2022 £000	College 2022 £000	Group 2021 £000	College 2021 £000
In one year or less	**208**	**208**	270	270
Between one and two years	**153**	**153**	154	154
Between two and five years	**190**	**190**	134	134
	551	**551**	558	558

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

16 OTHER PROVISIONS

GROUP AND COLLEGE

	Enhanced pensions £000	Dilapidations £000	Total £000
At 1 August 2021	953	286	1,239
Utilised in the year	(47)	-	(47)
Additional provision in the year	(121)	(30)	(151)
At 31 July 2022	785	256	1,041

The enhanced pension provision relates to the cost of staff that have already left the College's employment. This provision has been recalculated in accordance with ESFA requirements.

The principal assumptions for this calculation are price inflation of 2.9% and a discount rate of 3.3% per annum.

The dilapidations provision is in respect of potential costs that may need to be incurred by the Group and College at the end of its lease on certain properties as it is required to ensure that the properties are returned to the same condition when the leases were originally entered into. The provision is expected to be utilised over the next 24 months and has not been discounted as the effect is considered to be immaterial.

The dilapidations relate to premises at The Minories amounting to £156,000, Dovercourt Learning Shop amounting to £65,000 and Harwich amounting to £35,000.

Defined benefit pension obligations relate to the liabilities under the College's membership of the Local Government Pension Scheme. Further details are given in Note 22.

17 CASH AND CASH EQUIVALENTS

	At 1 Aug 2021 £000	Cash flows £000	Other changes £000	At 31 July 2022 £000
Cash and cash equivalents	5,118	(293)	-	4,825
	5,118	(293)	-	4,825

The restricted cash held at 31 July 2021 amounting to £547k was released in the year after further bank loan repayments were made. The restricted cash balance related to a cash deposit held by Barclays Bank on behalf of the College as a replacement for the loan security on fixed assets sold in the prior year.

18 CAPITAL COMMITMENTS

	Group 2022 £000	College 2022 £000	Group 2021 £000	College 2021 £000
Commitments contracted for at 31 July 2022	**679**	**679**	4,279	4,279

The remaining capital commitment in favour of the contractor on completing works associated with the Public Sector Decarbonisation Scheme at Colchester Campus as at 31 July 2022 amounting to £439,000.

There was a further capital commitment in place in respect of Refurbishment works to J, K and H Blocks at Colchester Campus amounting to £240,000.

19 CAPITAL RESERVE

	Group 2022 £000	College 2022 £000	Group 2021 £000	College 2021 £000
At 1 August 2021 and 31 July 2022	**1,000**	**1,000**	1,000	1,000

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

20 LEASE OBLIGATIONS

At 31 July 2022 the College had minimum lease payments under non-cancellable operating leases as follows:

	2022 £000	2021 £000
Land and buildings:		
Not later than one year	**21**	23
Later than one year and not later than five years	**97**	58
Later than five years	**152**	104
	270	185
Other:		
Not later than one year	**57**	19
Later than one year and not later than five years	**5**	12
	62	31
Total lease payments due	**332**	216

21 EVENTS AFTER THE REPORTING PERIOD

On 29 November 2022 The Office for National Statistics has reclassified all colleges into the UK national accounts such that they are public sector bodies. Furthermore, this is expected to bring about changes in the Department for Education regulation of colleges. Management does not currently consider that the change will have a material impact on the College's Annual Report or its going concern assessment.

22 DEFINED BENEFIT OBLIGATIONS

The College'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 formal actuarial valuation of the TPS was 31 March 2019 and of the LGPS was 31 March 2019.

Total pension cost for the year

	2022 £000	**2022 £000**	**2021 £000**	**2021 £000**
TPS: Contributions payable		**1,975**		1,930
LGPS: Contributions payable	**1,804**		1,641	
FRS 102 charge	**3,001**		2,627	
Charge to the Statement of Comprehensive Income		**4,805**		4,268
Enhanced Pension charge to the Statement of Comprehensive Income		**(24)**		137
Total pension cost for year		**6,756**		6,335

Contributions amounting to £397,000 (2021: £409,000) were payable to the schemes at 31 July 2022 and are included within other 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.

22 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 2019. 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 agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2022-23 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 £1,975,000 (2021: £1,930,000)

22 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 2022 was £2,325,000 (2021: £2,160,000) of which employer's contributions totalled £1,804,000 (2021: £1,641,000). The agreed contribution rates for future years for employers was 13% up until March 2017, 15.6% from April 2017 and 20.2% from April 2020 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 2019, updated to 31 July 2022, by a qualified independent actuary. The major assumptions used by the actuary were:

	At 31.7.22	At 31.7.21	At 31.7.20
Rate of increase in salaries	2.80%	2.85%	2.25%
Rate of increase in pension payments	2.80%	2.85%	2.25%
Discount rate for scheme liabilities	3.40%	1.60%	1.35%
Inflation assumptions (CPI)	2.85%	2.85%	2.25%

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 31.7.22	At 31.7.21
Retiring today:		
Males	**21.0**	21.6
Females	**23.5**	23.6
Retiring in 20 years:		
Males	**22.3**	22.9
Females	**24.9**	25.1

	At 31.7.22 £000	At 31.7.21 £000
Sensitivity analysis on Present Value of Total Obligation:		
Discount rate +0.1%	**74,155**	110,871
Discount rate -0.1%	**77,475**	115,924
Long term salary increase +0.1%	**75,902**	113,545
Long term salary increase -0.1%	**75,691**	113,192
Pension increases and deferred revaluation +0.1%	**77,377**	115,713
Pension increases and deferred revaluation -0.1%	**74,249**	111,074
Mortality assumption – 1 year increase	**78,510**	118,284
Mortality assumption – 1 year decrease	**73,181**	108,663

22 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 31.7.22 £000	Fair Value at 31.7.21 £000
Equities	**44,992**	49,785
Gilts	**1,656**	1,960
Other bonds	**3,479**	3,616
Property	**7,433**	5,428
Cash	**2,869**	2,165
Alternative assets	**10,637**	8,632
Other	**7,706**	6,189
Total market value of assets	**78,772**	77,775
Actual return on plan assets	**635**	13,005

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

	2022 £000	2021 £000
Fair value of plan assets	**78,772**	77,775
Present value of plan liabilities	**(75,796)**	(113,368)
	2,976	(35,593)
Less restriction on surplus	**(2,976)**	-
Net pensions asset / (liability)	-	(35,593)

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

Amounts included in staff costs	**2022 £000**	**2021 £000**
Current service cost	**4,805**	4,268
Past service cost	**-**	-
Total	**4,805**	4,268

Amounts included in interest and other finance costs

	2022 £000	2021 £000
Net interest cost	**590**	573

22 DEFINED BENEFIT OBLIGATIONS – *(continued)*

Local Government Pension Scheme – *(continued)*

Amounts recognised in Other Comprehensive Income

	2022 £000	2021 £000
Return on pension plan assets	**(613)**	12,136
Experience gain on defined benefit obligation	**(244)**	2,063
Changes in assumptions underlying the present value of plan	**40,888**	(7,789)
Changes in demographic assumptions	**2,129**	1,333
Amount recognised in Other Comprehensive Income	**42,160**	7,743

Movement in net defined benefit liability

	2022 £000	2021 £000
Net defined benefit in scheme at 1 August 2021	**(35,593)**	(40,136)
Movement in year:		
Current service cost	**(4,805)**	(4,277)
Past service cost	**-**	-
Ongoing employer contributions	**122**	117
Employer deficit payments	**1,682**	1,533
Net interest on the defined liability	**(590)**	(573)
Actuarial gain	**42,160**	7,743
Less restriction of surplus	**(2,976)**	-
Net defined benefit liability at 31 July 2022	**-**	(35,593)

Deficit contributions

The College continues to make monthly deficiency catch up payments to the Essex Pension Fund, as the applicable Local Government Pension Scheme. The current rate is c£120k per annum in addition to the ongoing primary rate of 20.2% of monthly salaries for eligible members. The next triennial valuation will take place in 2022 to set new rates applicable from April 2023.

22 DEFINED BENEFIT OBLIGATIONS – *(continued)*

Local Government Pension Scheme – *(continued)*

Asset and liability reconciliation

Changes in the present value of defined benefit obligation

	2022 £000	2021 £000
Defined benefit obligation at start of year	**113,368**	104,136
Current service cost	**4,771**	4,277
Interest cost	**1,803**	1,400
Contributions by scheme participants	**521**	510
Change in financial assumptions	**(40,888)**	7,789
Change in demographic assumptions	**(2,129)**	(1,333)
Estimated benefits paid	**(1,928)**	(1,348)
Past service cost	**34**	-
Experience gains and losses on defined benefit obligations	**244**	(2,063)
Defined benefit obligation at end of year	**75,796**	113,368

The estimated impact of the McCloud judgement was allowed for as a past service cost at £50,000 in 2019/20 and the allowance was rolled forward and remeasured to obtain the 31 July 2022 results. The Government issued a proposed remedy in a ministerial statement on 13 May 2021 but there is no material difference between the remedy and the previous estimated allowance, so no further adjustment has been made.

Changes to fair value of plan assets

	2022 £000	2021 £000
Fair value of assets at start of year	**77,775**	64,000
Interest on plan assets	**1,248**	869
Return on plan assets less interest	**(613)**	12,136
Employer contributions	**1,804**	1,650
Contributions by scheme participants	**521**	510
Administration expenses	**(35)**	(42)
Estimated benefits paid	**(1,928)**	(1,348)
Other actuarial gains	**-**	-
Fair value of plan assets at end of year	**78,772**	77,775

23 RELATED PARTY TRANSACTIONS

Due to the nature of the College'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.

There were no expenses paid to or on behalf of the Governors during the year (2021: £Nil).

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 note 2.

Subsidiary companies

At 31 July 2022 Colchester Institute owed Colchester Institute Enterprises Limited £106,000. (2021: Colchester Institute Enterprises Limited owed Colchester Institute £79,000). Colchester Institute Enterprises Limited was made dormant as at 1 August 2021.

24 AMOUNTS DISBURSED AS AGENT

Learner support funds

	2022 £000	2021 £000
Access Funds		
Funding body grants	**504**	450
Disbursed to and on behalf of students	**(504)**	(450)
Balance as at 31 July 2022	**-**	-

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.