



LEICESTER COLLEGE

Report and Financial Statements for the year ended 31 July 2009

LEICESTER COLLEGE

REPORT AND FINANCIAL STATEMENTS For year ended 31 July 2009

Contents

	Page
Operating and Financial Review	2
Statement of Corporate Governance and Internal Control	16
Statement of the Responsibilities of the Members of the Corporation	22
Independent Auditors' Report to the Corporation of Leicester College	24
Independent Auditors' Report on Regularity to the Corporation of Leicester College and the LSC	26
Income and Expenditure Account	27
Statement of Total Recognised Gains and Losses	28
Statement of Historical Cost Surpluses and Deficits	29
Balance Sheet	30
Cash Flow Statement	32
Reconciliation of Net Cash Flow to Movement in Net Funds/(Debt)	32
Notes to the Financial Statements	33

LEICESTER COLLEGE

OPERATING AND FINANCIAL REVIEW For the year 1 August 2008 to 31 July 2009

NATURE, OBJECTIVES AND STRATEGIES

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

Legal Status

1. The Corporation was established under The Further and Higher Education Act 1992 for the purpose of conducting Leicester College. The College is an exempt charity for the purposes of the Charities Act 1993 as amended by the Charities Act 2006.
2. The Corporation was incorporated as Leicester College on 1 August 1999 and was a result of the merger of Charles Keene College and Leicester South Fields College.

Mission

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

To deliver a wide range of high quality learning experiences to support the diverse communities we serve and the personal, social and economic development of individuals and enterprises.

We believe in Learning for Success.

Objectives

4. In 2006, the College prepared a strategic plan for the period 1 August 2006 to 31 July 2009. This strategic plan includes an accommodation strategy and financial forecasts. The Corporation monitors the performance of the College against these plans. The plans are reviewed and updated each year. The College's strategic aims and priorities are:

4.1 *Successful Learners*

- Deliver high quality teaching and learning leading to successful outcomes
- Stimulate and meet increased demand from employers for high quality skills training and expertise

4.2 *Innovation*

- Be locally and nationally recognised for leading-edge development
- Develop and review the College's curriculum in response to changing demand and priorities

4.3 *Investment*

- Attract, develop and retain high performing staff
- Provide a high quality fit-for-purpose environment for learning
- Ensure a sound financial base and effective and efficient business systems.

LEICESTER COLLEGE

OPERATING AND FINANCIAL REVIEW For the year 1 August 2008 to 31 July 2009

Specific Objectives

5. The College's specific objectives for 2008/09 and achievement against those objectives is set out below.

5.1 The out-turn success rate in 2007/08 for long qualifications was 78%, which was 3% above the target of 75%. By June 2009, retention rates for 2008/09 were 91% which is 1% higher than for the same period in 2007/08. Improvement in retention has taken place for 16-18 and adult learners. Final data on success rates for 2008/09 is not available at the time of writing.

5.2 In 2007/08 the success rates of all BME groups were raised again (they also increased in 2006/07). The highest performing group's success rate (Asian) rose to 81%, which meant that the gap with the lowest performing (Chinese) at 73% was still 8%. The number of learners in the Chinese category is very small. During 2008/09 a significant amount of work was undertaken to analyse rates for retention, achievement and success. All curriculum areas looked at their data in detail with the Diversity Manager and agreed action to take. The resulting success data is not available at the time of writing.

5.3 Success rates for apprentices have yet to be finalised. However, it is expected that the targets for success rates will be achieved.

5.4 The College set an overall success rate target of 80% for Train to Gain learners in the year. The success rate has exceeded target at 82% to-date. The success rate for timely success was 69%, which was 14% above target.

5.5 For 260 observations completed by June 2009, the grade profile was:

<i>Grade</i>	<i>Target</i>	<i>Achieved</i>
1	30%	24%
2	50%	54%
3	20%	18%
4	0%	5%

Improvements need to be made for Grade 1 and Grade 4 percentages. The College has reviewed the observation process in the light of the comments by inspectors about over-grading and insufficient focus on learning.

5.6 The College continued to monitor its improvement projects through the Effectiveness Panels with curriculum areas. Progress against the Inspection Action Plan was monitored by the Vice Principal Quality and Planning.

5.7 The College was again successful in achieving its participation targets for learner responsive provision agreed with the LSC. The number of 16-18 learners were well within the target tolerance (3,999 learners against a target of 4,080, 98%); adult learner numbers exceeded target (9,793 learners against a target of 9,418). The College exceeded its PSA targets for 16-18s and adults for Full Level 2s and 3s and for Skills for Life. The related funding targets were also achieved within tolerance.

LEICESTER COLLEGE

OPERATING AND FINANCIAL REVIEW

For the year 1 August 2008 to 31 July 2009

- 5.8 The College had challenging growth targets for participation in apprenticeships, particularly for 16-18s. The impact of the recession in slowing down or stopping employers' recruitment resulted in these targets not being achieved. For 16-18s the College achieved 72% and 70% respectively of participation and funding targets; for adults 81% and 78% respectively of targets for participation and funding were achieved.
- 5.9 Work with employers increased once again through the Train to Gain programme. The College exceeded its original participation target (5,609 learners against a target of 5,031). The funding target was also achieved. The LSC increased the participation target in-year to 6,104. However, the funding allocated could not support this level of participation and therefore recruitment of learners was stopped in April.
- 5.10 Full-cost work with employers increased. The College's target for learners was exceeded (4,677 learners against a target of 2,966).
- 5.11 The College again increased its Higher Education learner numbers in its directly funded provision. The participation target of 306 full-time equivalent learners was achieved. The participation targets for De Montfort and Bedfordshire universities were also achieved.
- 5.12 During the year the College produced a new three-year strategic plan. College values and strategic priorities were revised. Revised behaviour standards for students and staff (The Way We Do Things Around Here) were implemented. Full compliance was difficult to achieve during the year and the College is continuing to apply pressure to achieve consistency.
- 5.13 A further 150 staff went through the Pacific Institute Training Programme during the year. The programme has been very well received. Plans have been developed to extend the programme in 2009/10.
- 5.14 The Abbey Park Campus and the Engineering Technology Centre were commissioned in September 2008. The Abbey Park Campus was opened by the Princess Royal in May 2009.
- 5.15 Planning for the replacement for the Frith building was advanced but the LSC's capital crisis has halted this development for the moment. The crisis also resulted in the commencement of an options appraisal under which essential developments are being reviewed as to their feasibility and cost. This appraisal will continue in 2009/10.
- 5.16 Good progress was made with the implementation of an electronic register system. Part-time pay claims have now been incorporated into the system.
- 5.17 The application process was reviewed. Roles and responsibilities were clarified and documented. An appeal process for learners was introduced. Standards were also set for the whole process, including for interviews.
- 5.18 The College HR system was made available on-line to managers. ICT software and hardware was updated.

LEICESTER COLLEGE

OPERATING AND FINANCIAL REVIEW For the year 1 August 2008 to 31 July 2009

- 5.19 A financial benchmarking exercise was carried out. A deficit budget caused by accommodation development was planned for 2008/09 returning to surplus in 2009/10. Cash has been managed efficiently to operate below 25 days during 2008/09.
- 5.20 The College implemented or piloted a range of innovations during the year. Examples of these are described under Curriculum Developments.

Financial Objectives

6. The College aims to maintain financial viability measured by the attainment of an LSC financial status of good whilst enabling resources to be available for the delivery of a high quality curriculum. This aim has not been realised over the last two years due to the accommodation project but will be during the life of the current ten-year plan. The planned performance will be assured by the following:-

6.1 *Provision of Financial Stability*

- Maintaining the generation of an historic cost breakeven, after allowing for accommodation costs to comply with the financial memorandum with the LSC and covenants with the bank as a result of the loan to finance the accommodation project
- Generating a cash inflow from operating activities each year, sufficient to maintain strategic investment
- Maintaining at least 25 cash days at each year end
- Maintaining general reserves of at least 5% of income
- Achieving a current ratio of at least 1.1:1

6.2 *Maintaining the Confidence of Funding Bodies, Professional Advisers and Suppliers*

- Providing financial and non-financial returns on time and in the agreed format
- Ensuring returns requiring certification by auditors are unqualified
- Satisfying trade creditor liabilities within 30 days of receipt of invoice

6.3 *Improving Financial Management and Awareness*

- Producing monthly management accounts within 10 working days of the month end including income and expenditure account, balance sheet and rolling 12 month cash flow forecast
- Critically appraising all management decisions which have a financial output
- Reviewing capital investments both pre and post implementation
- Providing financial training and advice to all relevant parties
- Providing up-to-date financial information to staff, managers and Corporation members

LEICESTER COLLEGE

OPERATING AND FINANCIAL REVIEW For the year 1 August 2008 to 31 July 2009

6.4 Investment

- Allocating sufficient provision to ensure that the planned maintenance programme can be financed as necessary
- Generating sufficient income to enable the College to invest in new technology and equipment
- Protecting the security of all assets by ensuring appropriate procedures are in place
- Continuing to invest in staff by maintaining pay at nationally agreed levels and ensuring sufficient resources are available for training and development

Performance Indicators

7. Although the LSC continues to measure FE performance in terms of contribution to national targets, individual colleges are now required to submit three-year development plans which are reviewed each year. These development plans focus on four headline targets:-

- Learner number growth and achievement of LSC funding targets
- Learner success rates
- Teacher qualifications
- Employer engagement

8. Performance against learner number growth targets in 2008/09 is commented upon in paragraphs 5.7 to 5.9 above. The funding targets were achieved within tolerance. Learner success rates are commented upon in paragraphs 5.1 to 5.4 and 22. Data is not currently available for the other targets but the College is confident that they will be met.

9. The LSC has also implemented a new system of performance measures for colleges, the "Framework for Excellence" replacing the "ABC" financial health framework for all providers in 2009/10. This framework will be implemented across all providers in respect of 2008/09. The Framework has three dimensions:

- Responsiveness
- Effectiveness
- Finance

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

10. The College is committed to observing the importance of the measures and indicators within the Framework and is monitoring these through the completion of the annual finance record for the LSC. The current rating of satisfactory is considered an acceptable outcome under the financial health key performance area.

LEICESTER COLLEGE

OPERATING AND FINANCIAL REVIEW For the year 1 August 2008 to 31 July 2009

FINANCIAL POSITION

Financial Results

11. The College generated an historic cost surplus in the year of £138,000 (2007/08 £711,000). The surplus was achieved after charging £340,000 staff restructuring costs (2007/08 £422,000) and property strategy costs of £274,000 (2007/08 nil) being the fees incurred in developing plans for a building to replace the facilities for PMLD which has been aborted due to LSC budgetary difficulties.
12. The College has accumulated general reserves, before the pension reserve, of £10,511,000 (2007/08 £10,334,000) and cash balances of £8,514,000 (2007/08 £2,535,000). The College will continue to manage its reserves and cash balances in order to support developments to its estate.
13. During the year, the College invested £7,822,000 in tangible fixed assets. This was split between land and buildings developed of £4,047,000 and equipment purchased of £3,775,000. In the main, this is part of a project with a planned cost of £44,224,000 which is almost complete and has been financed from LSC grant, loan, reserves and disposal proceeds from the sale of the Bede Island Campus and part of the Abbey Park Campus. The project has refurbished some buildings, replaced others which were not fit for purpose and resulted in the estate becoming more efficient.
14. The College has significant reliance on the LSC for its principal funding source, largely from recurrent grants. In 2008/09, the LSC provided 85% of the College's total income.
15. The College had a subsidiary company, South Fields Enterprises Limited. From 1 August 2007, the company became dormant as its activities were transferred to the College and it was wound up in 2008/09.

Treasury Policies and Objectives

16. 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.
17. The College has a separate treasury management policy in place. All borrowing requires the prior authorisation of a loan agreement by the Corporation and shall comply with the requirements of the financial memorandum of the LSC. The day-to-day transactions within an agreement are authorised by the Chair or Vice Chair of Governors, the Principal and the Vice Principal Finance and Business Operations. Investment of surplus funds is under the authority of the Vice Principal Finance and Business Operations within parameters set by the Corporation.

Cash Flows

18. The operating cash inflow was £2,318,000 (2007/08 £5,442,000). This included a £1,000,000 (2007/08 £2,707,000) receipt from HMRC in respect of VAT to be repaid over ten years, due to the application of the Lennartz principle to accommodate capital expenditure. The net cash increase of £4,777,000 (2007/08 £303,000) resulted from a net outflow on capital expenditure and financial investment of £3,212,000 (2007/08 £4,130,000), a net outflow from the management of liquid resources of £1,202,000 (2007/08 £1,077,000) and a net inflow from financing of £7,012,000 (2007/08 nil).

LEICESTER COLLEGE

OPERATING AND FINANCIAL REVIEW For the year 1 August 2008 to 31 July 2009

Liquidity

19. During the year the College drew down a term loan of £8,372,000 in order to help finance the accommodation project. The balance of the capital cost was met from LSC grant and disposal proceeds from the sale of surplus buildings.
20. The size of the College's total borrowing and its approach to interest rates have been calculated to ensure a reasonable margin between the total cost of servicing debt and liquidity. During the year, the costs of servicing debt were maintained comfortably within the budgeted margin.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student Numbers

21. The College is funded according to the level of activity that it generates each year. In 2008/09, the College delivered activity that has produced £32,719,000 (2007/08 £32,562,000) in LSC main allocation funding. The College had approximately 19,900 LSC funded and 6,100 non-LSC-funded students.

Student Achievements

22. After four years of significant year-on-year improvement, the College's success rate for all qualifications fell in 2005/2006. Following a slight improvement in 2006/2007, the success rates for both long and short courses improved in 2007/2008 by 4%.

<i>Academic Year</i>	<i>Success Rate for all Qualifications</i>
2003/2004	81%
2004/2005	84%
2005/2006	78%
2006/2007	79%
2007/2008	83%

Final data for 2008/2009 was not complete at the time of writing but the expectation is that the improvement will be sustained with no reason to expect the renewed upwards trend from 2007/2008 to be reversed.

Curriculum Developments

23. During 2008/09 the College continued to review and develop its curriculum offer in order to ensure that it continued to meet the needs of employees and of learners and meet the government's funding priorities.
24. 82 new or revised programmes were introduced during the year. 21 courses were introduced at entry level and level 1, 24 level 2, 21 courses at level 3 and 12 courses at levels 4 and 5. The courses at an entry level and level 1 contribute to the new curriculum framework, the Foundation Learning Tier, which is designed to enable progression to level 2. The 45 courses at levels 2 and 3 contribute to the government's full-level 2 and 3 targets. To support the higher level skills agenda, the College has introduced five new foundation degrees.

LEICESTER COLLEGE

OPERATING AND FINANCIAL REVIEW For the year 1 August 2008 to 31 July 2009

25. 18 new programmes were introduced in the Business curriculum area. These include national and first diplomas and NVQs in Retail where there is significant demand. 18 new programmes have also been introduced in the curriculum area of Sport. These include qualifications in Event Volunteering, Fitness Instruction, a National Diploma in Sport Development, NVQs in Instructing Gym and Yoga and an NVQ in Spectator Safety. This represents significant curriculum development to meet local and regional needs.
26. Partnership working with employers continued during 2008/09. This was particularly so around the further development of Routeways courses which provide short, intensive training designed to assist learners directly into work. Volumes of learners going through the Retail, Business, Construction and Hospitality Routeways have increased. New Routeways have been developed for Health and Social Care, Food Manufacturing and Volunteering. The College is participating in a national pilot based around the Retail and Hospitality Routeway exploring how best to meet the entry skills requirements for large employers (Sainsbury and Whitbreads) who have regular turnover of labour.
27. The College continued its work with the Leicester City Consortium for the development of New Diplomas for 13-19 year old learners. Five additional diploma lines were approved. These were:
 - Engineering
 - Hair and Beauty
 - Society, Health and Development
 - Environment and Land-based
 - Creative and Media
28. During the year the College became a member of the National Skills Academy for Retail. The College now has a full range of programmes in Retail including a new Foundation Degree.
29. During the year the College continued to be active in the national development of the Foundation Learning Tier (FLT), which will provide unitised, accredited programmes at Entry and Level 1. During 2008/09 five curriculum areas offered FLT programmes. Hospitality and Care offered programmes in 2007/08 and 2008/09. Business, Community Partnerships, New Opportunities and Hospitality (one additional programme) also offered programmes.
30. In June the College began working with JobCentre Plus and Next Steps around supporting unemployed adults (6 months or more unemployed) back into work, with training targeted at the needs of the local labour market for jobs and skills. The initial offer centred around the Routeways courses and will be tailored to meet the needs of individuals for career planning and the development of skills for life.
31. During the year the College established a strategic alliance with Apex, an established and respected charity in the City. The alliance will increase the capacity of both organisations to meet the needs of learners who need most support. Initial curriculum collaboration is around Skills for Life for local adults, meeting the ESOL needs of particular communities, job support work with unemployed adults, meeting the education and training needs of young people in danger of becoming disengaged from learning. The collaboration will develop across the range of operational areas. The College's Retail Academy has been sited in Apex's premises in Charles Street.

LEICESTER COLLEGE

OPERATING AND FINANCIAL REVIEW For the year 1 August 2008 to 31 July 2009

32. In 2008/09 the second year of the funded phase of the College's CoVE in Enterprise was completed. During the year a range of ways of delivering education in Enterprise Skills to young people was piloted. This included entering national competitions, integration with Working with Others Key Skill, talks and visits from local entrepreneurs and accredited courses. During 2009/10 all curriculum areas will offer Enterprise Education to their 16-18 learners. This will be a significant enhancement to the curriculum for 16-18s. Additionally, the College has established an Enterprise Café at St. Margaret's Campus. The Café will offer business advice and training on a drop-in or appointment basis. The Café will be staffed on a regular basis by staff from Business Link and other external advisers.
33. During the year the College piloted a motivation and achievement programme for young people (Breakthrough/PX²). 314 learners were trained. The vast majority of learners said the programme was very valuable and that they would recommend it to their friends. Students from ten curriculum areas participated in the pilot. The retention, achievement and success rates of these learners will be compared with other learners on the same and different courses in order to further evaluate the impact of the programme. 12 facilitators were trained. An additional 15 facilitators will be trained in order to deliver the programme to a greater number of young people during 2009/10.
34. The College identified five themes for developing learning and teaching - personalisation, assessment, improving attendance and punctuality, key skills and information and learning technology.

Action research projects were initiated to support these developments as follows:

<i>Curriculum Area</i>	<i>Project</i>
ABE	Trialling synthetic phonics reading scheme for adults
Art & Design	Project about the transition from Key Skills to Functional Skills
Art & Design	Creation of a differentiated and individual curriculum plan of pathways for learners, moving away from the traditional course delivery
Business	Building Learning Power project with Level 2 learners
Business	Project to improve success rates of BME groups within Business
Caring Professions	Improving retention at level 2
Computing	Building Learning Power project with Level 2 learners
Community Partnerships	Assessments, including PSD focus group to develop an agreed set of tools to be used to ascertain a learner's starting point in functional skills within the Foundation Learning Tier
Construction	Develop confidence and awareness in the use of IT based resources for staff
Continuing Studies	Update curriculum for adults with profound and complex needs and adults with severe learning difficulties to meet the 'Learning and Living for Work' agenda
Hospitality	Engaging learners through differentiated teaching methods
Media & Performing Arts	Explore and develop teaching resources via Moodle and video
Media & Performing Arts	Enhancing the quality of National Diploma in Performing Arts curriculum to make it industrially fit for purpose
Media & Performing Arts	Building Learning Power Project with Level 2 learners Media & Performing Arts learners

LEICESTER COLLEGE

OPERATING AND FINANCIAL REVIEW For the year 1 August 2008 to 31 July 2009

Payment Performance

35. The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95%. During the year ended 31 July 2009, the College paid 60% of its invoices within 30 days, 74% within 40 days and 81% within 50 days. The College incurred no interest charges in respect of late payment.

Post-balance Sheet Events

36. There are no material post-balance sheet events.

Future Developments

37. The College moves into 2009/10 with income budgeted at £53,744,000 which represents growth by 4.0% over that achieved in 2008/09. Income for 16-18 year old learners is confirmed at £17,827,176 as it is allocated under Plan Led Funding. Income budgets for Adult Learner Responsive Funding of £12,340,341 and Employer Responsive of £6,538,502 are dependent on performance against recruitment targets.
38. An increased income allocation for 16-18 year-old learners and a relatively minor reduction in Adult Learner Responsive and Employer Responsive allocations from the LSC have been negotiated due to the College's success in delivering growth in priority areas. Original targets were met or exceeded for 16-18 year olds, adults on Full Level 2 and 3 programmes, Work Based Learning and Train to Gain delivered in the workplace. The College seeks to continue this performance by engaging in a process of continual quality improvement, responding to the needs of customers and taking full advantage of the new and refurbished buildings opened in 2007 and 2008.
39. The College aims to diversify its income sources by seeking opportunities to grow where there is potential. It has also developed a team with capacity to engage in open and competitive tendering.
40. Delivery will continue to be financially efficient as the College continues to build on its successes in pursuit of value for money in both staffing and non staffing expenditure.

RESOURCES

41. The College has various resources that it can deploy in pursuit of its strategic objectives.
42. Tangible resources include three main campuses in Leicester City centre; all of which have benefited from substantial investment under a project with a planned cost of £44,224,000. These include a new building at Abbey Park Campus which was commissioned in the Summer of 2008 and cost £21,192,000.
43. The College has £37,244,000 of net assets (including a £16,012,000 pension liability) and long term debt of £8,079,000.
44. The College employs 1,132 people (expressed as full time equivalents), of whom 456 are teaching staff.

LEICESTER COLLEGE

OPERATING AND FINANCIAL REVIEW

For the year 1 August 2008 to 31 July 2009

45. The College has a very good reputation locally and nationally. The College's brand conveys this reputation as an essential part of its goal to be known locally and nationally for excellence and its aims of Investment, Innovation and Successful Learners.

PRINCIPAL RISKS AND UNCERTAINTIES

46. The College has a clear commitment to develop, embed and maintain systems of internal control, including financial, operational and risk management which is designed to protect the College's assets and reputation. It is recognised that informed and calculated risks are involved in growing the provision of education and training and investing in the quality of the learning experience and learner environment. However, it will only tolerate that level of risk required by its commitment to achieving its strategic priorities under the headings of:

- Successful Learners
- Investment
- Innovation

47. The College is committed to mitigating risks within its control and preparing for contingencies beyond its control.

48. The College would not knowingly enter into any arrangements that would bring it into disrepute.

49. A risk register is maintained by the College and reviewed quarterly by both Officers at the College, the Audit Committee and the Board of Governors.

50. The College has considerable reliance on continued government funding through the LSC and HEFCE. In 2008/09, 87% of the College's revenue was ultimately public funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

51. The College is aware of three issues which may impact on future funding:

- The LSC has introduced a new demand led funding system to apply to FE colleges and other providers in respect of adult provision. The funding methodology applies a series of factors such as guided learning hours and success rates to calculate an amount of funding to be received for each learner.
- The government is constantly reviewing its priorities for the adult skills sector and other funding streams following the Leitch report into the skills needed for the UK to compete in the global economy.
- Machinery of Government changes will increase the need to bid competitively for funding from separate funding bodies.

LEICESTER COLLEGE

OPERATING AND FINANCIAL REVIEW For the year 1 August 2008 to 31 July 2009

52. This risk is mitigated in a number of ways:

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

STAKEHOLDER RELATIONSHIPS

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

- Students;
- Funding Councils;
- Staff;
- Local employers;
- Local Authorities;
- Government Offices/ Regional Development Agencies;
- The local community;
- Other FE institutions;
- Trade unions;
- Professional bodies.

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

Equal Opportunities and Employment of Disabled Persons

55. Leicester College promotes Equal Opportunities for all and works towards bringing down the barriers to participation and progression. The College values the diversity of the communities it serves, and recognises differences. The College is opposed to all discriminatory attitudes and behaviours, particularly in relation to ability, age, colour, educational needs, ethnic origin, gender, marital status, race, religion, sexual orientation, social background and trade union membership. The College's Disability Equality Scheme, Equal Opportunities Policy, Race Equality Scheme, Religion and Belief Equality Policy and Gender Equality Scheme are published on its intranet and website.

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

LEICESTER COLLEGE

OPERATING AND FINANCIAL REVIEW For the year 1 August 2008 to 31 July 2009

Disability Statement

57. The College seeks to achieve the objectives set down in the Disability Discrimination Act 1995 as amended by the Special Educational Needs and Disability Acts 2001 and 2005. It makes the following commitments:

- This College recognises that students with disabilities may have additional needs for which they will require support. The College will do its best to respond to the individual needs of prospective students. A student with a disability is someone who may have a physical or sensory disability, a learning difficulty (which could be specific, mild, moderate or severe), a mental health problem, or who experiences emotional, behavioural or linguistic difficulties.
- It is acknowledged that some areas of the College were not accessible to some students and that it may not be possible to meet the additional needs of all prospective students. However, the College is committed to meet the needs, wherever possible, and a full access audit has been carried out. The results of this formed the basis of a successful bid to the LSC for £2,000,000 capital funding aimed at improving access as part of the accommodation project which is now almost complete.
- There are specialist lecturers who support students with learning difficulties and/or disabilities. There are also student support staff and bought in services from specialist agencies to provide a variety of support for learning.
- Specialist programmes are described in prospectuses.

Disclosure of Information to Auditors

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

Approved by order of the members of the Corporation on 17 December 2009 and signed on its behalf by:

.....
M Davis
Chairman

LEICESTER COLLEGE

OPERATING AND FINANCIAL REVIEW For the year 1 August 2008 to 31 July 2009

Professional Advisers

Financial Statements and Regularity Auditors:

Baker Tilly UK Audit LLP
2nd Floor
St Philips Point
Temple Row
Birmingham
B2 5AF

Internal Auditors:

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

Bankers:

Barclays Bank plc
PO Box 18
Old Market Square
Nottingham
NG1 6FX

Solicitors:

Martineau
No 1 Colmore Square
Birmingham
B4 6AA

LEICESTER COLLEGE

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL For the year 1 August 2008 to 31 July 2009

59. The College is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the College has applied the principles set out in the revised Combined Code on Corporate Governance issued by the London Stock Exchange in July 2006. Its purpose is to help the reader of the accounts understand how the principles have been applied.
60. In the opinion of the Corporation, the College complies with all the provisions of the Combined Code in so far as they apply to the Further Education Sector, and it has complied throughout the year ended 31 July 2009.

The Corporation

The members who served on the Corporation during the year 2008/09 and up to the date of signature of this report were as listed below.

Name	Date of Appointment	Term of Office	Date of Resignation	Status of Appointment	Committee Membership at 17.12.2009
John Barrell	16 December 1999 (Re-appointed 16 December 2003 and 16 December 2007)	4 years	31 July 2009	Independent Member	
John Burton	8 October 2008	3 years		Independent Member	Finance & General Purposes Remuneration Sub-Committee
Jazz Conley	1 August 2008	Academic Year	25 March 2009	Student Member	
Michael Davis	12 December 2001 (Re-appointed 12 December 2009)	3 years		Independent Member	Finance & General Purposes Remuneration Sub-Committee
Vivienne Faull	24 September 2003 (Re-appointed 24 September 2009)	3 years		Independent Member	Student Liaison Search & Governance
Maggie Galliers	1 July 2002	Ongoing		Principal	Curriculum Strategy & Quality Improvement; Search & Governance Finance & General Purposes Student Liaison
Paul Goffin	1 August 2009	3 years		Independent Member	Finance & General Purposes
Elliot Harris	1 August 2003 (Re-appointed 1 August 2007)	4 years		Independent Member	Audit Search & Governance
Freda Hussain	11 October 2006	4 years		Independent Member	Audit Student Liaison
David Jennings	17 December 2008	3 years		Independent Member	Curriculum Strategy & Quality Improvement Student Liaison
Paul Latimer	1 August 2008	3 years		Staff Member	Curriculum Strategy & Quality Improvement Search & Governance

LEICESTER COLLEGE

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL For the year 1 August 2008 to 31 July 2009

The Corporation (continued)

Name	Date of Appointment	Term of Office	Date of Resignation	Status of Appointment	Committee Membership at 17.12.2009
Peter Lavender	14 October 2004 (Re-appointed 14 October 2007)	3 years		Independent Member	Curriculum Strategy & Quality Improvement Student Liaison
Adrian Natzel	10 October 2007	3 years	21 August 2008	Independent Member	
Ruth Newman	19 October 2008	3 years	6 July 2009	Independent Member	
Maggie Pankhurst	1 April 1999 (Re-appointed 1 April 2001, 1 April 2004 and 1 April 2007)	3 years		Independent Member	Curriculum Strategy & Quality Improvement Student Liaison Remuneration Sub- Committee
Pravin Parmar	1 April 1999 (Re-appointed 1 April 2002, 1 April 2005 and 1 April 2008)	3 years		Independent Member	Audit Search & Governance
Neil Paterson	1 April 1999 (Re-appointed 1 April 2002, 1 April 2005 and 1 April 2007)	3 years	31 December 2008	Independent Member	
George Ridgway	19 October 2000 (Re-appointed 19 October 2004)	4 years	18 October 2008	Independent Member	
Tanya Simmons	1 August 2009	Academic Year		Student Member	Curriculum Strategy & Quality Improvement Student Liaison
Manjula Sood	10 October 2007	3 years		Independent Member	Audit Search & Governance
John Townsend	28 March 2007	4 years		Independent Member	Finance & General Purposes Search & Governance
Danisha Valand	1 August 2008	Academic Year		Student Member	
Martin Ward	1 January 2009	3 years		Independent Member	Curriculum Strategy & Quality Improvement Finance & General Purposes
Jill Wells	1 September 2004 (Re-appointed 1 September 2008)	3 years		Independent Member	Finance & General Purposes Search & Governance
Mick Wood	1 August 2006 (re-elected 1 August 2009)	3 years		Staff Member	Audit Curriculum Strategy & Quality Improvement
Mark Blois	26 November 2009	3 years		Independent Member	Finance & General Purposes

LEICESTER COLLEGE

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL For the year 1 August 2008 to 31 July 2009

The Corporation (continued)

Name	Date of Appointment	Term of Office	Date of Resignation	Status of Appointment	Committee Membership at 17.12.2009
Jinnita Agbasi	26 November 2009	Academic Year		Student Member	Student Liaison Curriculum Strategy & Quality Improvement

Graydon Thwaite acts as Clerk to the Corporation.

61. It is the Corporation's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.
62. The Corporation is provided with regular and timely information on the overall financial performance of the College, together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel related matters such as health and safety and environmental issues. The Corporation meets five times each year.
63. 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 & General Purposes, Search and Governance, Audit, Curriculum Strategy and Quality Improvement and Student Liaison. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available from the Clerk to the Corporation at:

Leicester College
Freemen's Park Campus
Aylestone Road
Leicester
LE2 7LW
64. 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.
65. 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 Corporation for ensuring that all applicable procedures and regulations are complied with. The appointment and removal of the Clerk are matters for the Corporation as a whole.
66. Formal agendas, papers and reports are supplied to governors in a timely manner, prior to meetings of the Corporation. Briefings are also provided on an ad-hoc basis.
67. 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.
68. There is a clear division of responsibility in that the roles of the Chairman and Principal are separate.

LEICESTER COLLEGE

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL For the year 1 August 2008 to 31 July 2009

Appointments to the Corporation

69. Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search and Governance Committee, which is comprised of the Chair and Vice Chair of Corporation, the Principal and three other governors who are 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.
70. Members of the Corporation are appointed for a term of office not exceeding four years.

Remuneration Sub-Committee

71. Throughout the year ending 31 July 2009, the College's Remuneration Sub-Committee comprised of the Chair of Corporation, the Chair of the Finance & General Purposes Committee and one member of the Corporation. The Committee's responsibilities are to make recommendations to the Corporation on the remuneration and benefits of the Principal and other senior post-holders.
72. Details of remuneration for the year ended 31 July 2009 are set out in Note 8 to the financial statements.

Audit Committee

73. The Audit Committee comprises at least three members (excluding the Chair, Principal and Finance & General Purposes Committee members). The Committee operates in accordance with written terms of reference approved by the Corporation.
74. The Audit Committee meets on a termly basis and provides a forum for reporting by the College's internal, regularity and external auditors, who also have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the LSC as they affect the College's business.
75. The College's internal auditors monitor the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input and report their findings to management and the Audit Committee.
76. Management are responsible for the implementation of agreed recommendations and internal audit undertake periodic follow up reviews to ensure such recommendations have been implemented.
77. The Audit Committee also advises the Corporation on the appointment of internal, regularity and external auditors and their remuneration for both audit and non-audit work.

Internal Control

Scope of responsibility

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

LEICESTER COLLEGE

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL For the year 1 August 2008 to 31 July 2009

79. The Corporation has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which she is personally responsible, in accordance with the responsibilities assigned to her in the Financial Memorandum between the College and the LSC. She is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control

80. The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the College for the year ended 31 July 2009 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

81. 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 year ending 31 July 2009 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

82. 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 Corporation
- regular reviews by the Corporation of periodic and annual financial reports which indicate financial performance against forecasts
- setting targets to measure financial and other performance
- clearly defined capital investment control guidelines
- the adoption of formal project management disciplines, where appropriate.

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

LEICESTER COLLEGE

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL For the year 1 August 2008 to 31 July 2009

Review of effectiveness

84. As an Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. Her review of the effectiveness of the system of internal control is informed by:
- the work of the internal auditors
 - the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework
 - comments made by the College's financial statements auditors and the regularity auditors in their management letters and other reports.
85. The Principal has been advised on the implications of the result of her review of the effectiveness of the system of internal control by the Audit Committee which oversees the work of the internal auditor, and a plan to address weaknesses and ensure continuous improvement of the system is in place.
86. The Senior Leadership Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Senior Leadership Team and the Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Senior Leadership Team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its July 2009 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2009 by considering documentation from the Senior Leadership Team and internal audit. This assessment was reviewed at the October meeting, taking account of events since 31 July 2009.

Going Concern

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

Approved by order of the members of the Corporation on 17 December 2009 and signed on its behalf by:

.....
M Davis
Chairman

.....
M Galliers
Principal

LEICESTER COLLEGE

STATEMENT OF THE RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION for the year ended 31 July 2009

88. The members of the Corporation are required to present audited financial statements for each financial year.
89. Within the terms and conditions of the Financial Memorandum agreed between LSC and the Corporation of the College, the Corporation, through its Principal, is required to prepare financial statements for each financial year in accordance with the 2007 *Statement of Recommended Practice – Accounting for Further and Higher Education Institutions* and with the Accounts Direction issued by the Learning and Skills Council and which give a true and fair view of the state of affairs of the College and the result for that year.
90. In preparing the financial statements, the Corporation is required to:
- select suitable accounting policies and apply them consistently
 - make judgements and estimates that are reasonable and prudent
 - state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
 - prepare financial statements on the going concern basis unless it is inappropriate to assume that the College will continue in operation
91. The Corporation is also required to prepare a Members' Report which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College.
92. The Corporation is responsible for keeping proper accounting records, which disclose with reasonable accuracy, at any time, the financial position of the College and to enable it to ensure that the financial statements are prepared in accordance with the relevant legislation of incorporation and other relevant accounting standards. It is responsible for taking steps that are reasonably open to it in order to safeguard the assets of the College and to prevent and detect fraud and other irregularities.
93. The maintenance and integrity of the College website is the responsibility of the Corporation of the College; the work carried out by the auditors does not involve consideration of these matters and accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

LEICESTER COLLEGE

**STATEMENT OF THE RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION
for the year ended 31 July 2009**

94. Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition, they are responsible for ensuring that funds from the LSC are used only in accordance with the Financial Memorandum with the LSC and any other conditions that the LSC may from time to time prescribe. 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's resources and expenditure, so that the benefits that should be derived from the application of public funds by the LSC are not put at risk.

Approved by order of the members of the Corporation on 17 December 2009 and signed on its behalf by:

.....
M Davis
Chairman

LEICESTER COLLEGE

INDEPENDENT AUDITORS' REPORT TO THE CORPORATION OF LEICESTER COLLEGE

We have audited the financial statements of Leicester College for the year ended 31 July 2009, which comprise the income and expenditure account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses and the related notes. This report is made solely to the Corporation, as a body, in accordance with statutory requirements. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation, as a body, for our audit work, for this report, or for the opinion we have formed.

Respective responsibilities of the Members of the Corporation of Leicester College and Auditors

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

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

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

We read the Operating and Financial Review and the Statement of Corporate Governance and Internal Control and consider the implications for our report if we become aware of any apparent misstatement within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and Audit Code of Practice issued by the Learning and Skills Council. An audit includes examination, on a test basis, of evidence relevant to amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the College's Corporation in the preparation of the financial statements and of whether the accounting policies are appropriate to the College's circumstances, consistently applied and adequately disclosed.

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

LEICESTER COLLEGE

INDEPENDENT AUDITORS' REPORT TO THE CORPORATION OF LEICESTER COLLEGE

Opinion

In our opinion:

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

**Baker Tilly UK Audit LLP
Chartered Accountants
Registered Auditors**

St Philips Point
Temple Row
Birmingham
B2 5AF

.....2009

LEICESTER COLLEGE

INDEPENDENT AUDITORS' REPORT ON REGULARITY TO THE CORPORATION OF LEICESTER COLLEGE ('THE CORPORATION') AND THE LEARNING AND SKILLS COUNCIL ('THE LSC')

In accordance with the terms of our engagement letter dated 2 April 2007 and further to the requirements of the LSC, we have carried out a review to obtain assurance about whether, in all material respects, the expenditure (disbursed) and income (received) of Leicester College ('the College') during the year ended 31 July 2009 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to the Corporation and the LSC. Our review work has been undertaken so that we might state to the Corporation and the LSC those matters we are required to state to them in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation and the LSC, for our review work, for this report, or for the opinion we have formed.

Respective responsibilities of the Members of the Corporation of Leicester College and Auditors

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

Our responsibilities for this review are established in the United Kingdom by our profession's ethical guidance and the audit guidance set out in the Audit Code of Practice and the Regularity Audit Framework 2006/07 issued by the LSC. We report to you whether, in our opinion, in all material respects, expenditure disbursed and income received during the year ended 31 July 2009 have been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Basis of opinion

We conducted our review in accordance with the Audit Code of Practice and the Regularity Audit Framework 2006/07 issued by the LSC. Our review includes examination, on a test basis, of evidence relevant to the regularity and propriety of the College's income and expenditure.

Opinion

In all material respects the expenditure disbursed and income received during the year ended 31 July 2009 have been applied to purposes intended by Parliament and the financial transactions conform to the authorities, which govern them except for one instance of non-compliance with the College's invoice authorisation procedures whereby a purchase invoice was signed by a member of College staff to confirm that equipment had been received, when in fact delivery had not been made. This led to the College paying £109,000 for goods that were not received as the supplier had ceased to trade.

Baker Tilly UK Audit LLP
Chartered Accountants
Registered Auditors

St Philips Point
Temple Row
Birmingham
B2 5AF

.....2009

LEICESTER COLLEGE

INCOME AND EXPENDITURE ACCOUNT For the year ended 31 July 2009

	Notes	2009		2008	
		£'000	£'000	£'000	£'000
Income					
Funding body grants	2		45,262		40,504
Tuition fees and education contracts	3		3,605		3,755
Other grants and contracts	4		370		477
Other income	5		2,379		2,233
Investment income	6		55		505
Total Income			51,671		47,474
Expenditure					
Staff costs	7	33,654		31,510	
Exceptional restructuring costs	7	340		422	
Other operating expenses	9	14,879		12,932	
Depreciation	12	3,725		2,503	
Interest payable and other finance costs	10	448		228	
Total Expenditure			(53,046)		(47,595)
Deficit on continuing operations prior to costs relating to the property strategy					
			(1,375)		(121)
Impairment	29		-		(2,162)
Property strategy costs			(274)		-
Deficit on continuing operations after depreciation of tangible fixed assets at valuation and before exceptional items and tax					
			(1,649)		(2,283)
(Loss)/Surplus on disposal of assets	12		(99)		428
Deficit on continuing operations after depreciation of tangible fixed assets at valuation, exceptional items and disposal of assets but before tax					
			(1,748)		(1,855)
Taxation	11		-		-
Deficit for the year retained within general reserves	21		(1,748)		(1,855)

The Income and Expenditure Account is in respect of continuing activities.

There were no operations that were acquired or discontinued by the College during the year.

LEICESTER COLLEGE

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 July 2009

	Note	2009 £'000	2008 £'000
Deficit on continuing operations after depreciation of tangible fixed assets at valuation, exceptional items and disposal of assets but before tax		(1,748)	(1,855)
Actuarial loss in respect of pension scheme	30	(10,504)	(3,557)
Total recognised losses since last report		(12,252)	(5,412)
Reconciliation			
Opening reserves		17,197	22,609
Total recognised losses for the year		(12,252)	(5,412)
Closing reserves		4,945	17,197

LEICESTER COLLEGE

STATEMENT OF HISTORICAL COST SURPLUSES AND DEFICITS For the year ended 31 July 2009

	Notes	2009	2008
		£'000	£'000
Deficit on continuing operations after disposal of assets but before taxation		(1,748)	(1,855)
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	20	730	2,518
Realisation of property revaluation gains of previous years	20	1,156	48
Historical cost surplus for the year before taxation		138	711
Historical cost surplus for the year after taxation		138	711

LEICESTER COLLEGE

BALANCE SHEET As at 31 July 2009

	Notes	2009		2008	
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	12	63,321		60,581	
Investments	13	-		-	
		<hr/>		<hr/>	
Total fixed assets			63,321		60,581
Current assets					
Stock		16		21	
Debtors	14	3,167		4,674	
Cash at bank and in hand		8,514		2,535	
		<hr/>		<hr/>	
Total current assets		11,697		7,230	
Creditors: Amounts falling due within one year	15	(9,219)		(10,559)	
		<hr/>		<hr/>	
Net current assets/(liabilities)			2,478		(3,329)
			<hr/>		<hr/>
Total assets less current liabilities			65,799		57,252
Creditors: Amounts falling due after more than one year	16		(11,244)		(4,248)
Provisions for liabilities	18		(1,299)		(1,346)
			<hr/>		<hr/>
Net assets excluding pension liability			53,256		51,658
Net pension liability	30		(16,012)		(5,469)
			<hr/>		<hr/>
Net assets including pension liability			37,244		46,189
			<hr/> <hr/>		<hr/> <hr/>

LEICESTER COLLEGE

BALANCE SHEET (Continued) As at 31 July 2009

	Notes	2009		2008	
		£'000	£'000	£'000	£'000
Deferred capital grants	19		32,299		28,992
Reserves					
Income and expenditure account excluding pension reserve	21	10,511		10,334	
Pension reserve	30	(16,012)		(5,469)	
		<hr/>		<hr/>	
Income and expenditure account including pension reserve	21	(5,501)		4,865	
Revaluation reserve	20	10,446		12,332	
		<hr/>		<hr/>	
Total reserves			4,945		17,197
			<hr/>		<hr/>
Total funds			37,244		46,189
			<hr/> <hr/>		<hr/> <hr/>

The financial statements on pages 27 to 57 were approved and authorised for issue by the Corporation on 17 December 2009 and were signed on its behalf on that date by:

.....
M Davis
Chairman

.....
M Galliers
Principal

LEICESTER COLLEGE

CASH FLOW STATEMENT

For the year ended 31 July 2009

	Notes	2009 £'000	2008 £'000
Cash flow from operating activities	22	2,318	5,442
Returns on investments and servicing of finance	23	(139)	68
Taxation	11	-	-
Capital expenditure and financial investment	24	(3,212)	(4,130)
Management of liquid resources	25	(1,202)	(1,077)
Financing	26	7,012	-
		<hr/>	<hr/>
Increase in cash in the year	27	4,777	303
		<hr/> <hr/>	<hr/> <hr/>
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/(DEBT)			
Increase in cash in the year		4,777	303
Cash inflow from increase in debt financing	26	(7,012)	-
Cash outflow from liquid resources	25	1,202	1,077
		<hr/>	<hr/>
Change in net (debt)/funds resulting from cash flows being movement in net (debt)/funds in year		(1,033)	1,380
Net funds/(debt) at 1 August		1,213	(167)
		<hr/>	<hr/>
Net funds at 31 July	27	180	1,213
		<hr/> <hr/>	<hr/> <hr/>

LEICESTER COLLEGE

NOTES TO THE ACCOUNTS For the year ended 31 July 2009

1. STATEMENT OF ACCOUNTING POLICIES

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

Basis of Preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2007* (the SORP) and applicable Accounting Standards with the exception of the true and fair override exercised in connection with the disclosure of property strategy costs as explained further in the following paragraph. They also conform to guidance published by the LSC, in the Accounts Direction Handbook, which incorporates the required disclosure of the property strategy costs giving rise to the true and fair override.

True and Fair Override

These financial statements have been prepared including a departure from the requirements of the Financial Reporting Standard 3 (FRS 3) – *Reporting Financial Performance* and the reporting of exceptional items in connection with the separate disclosure of items in relation to the College's property strategy on the face of the income and expenditure account in accordance with the requirements of the Accounts Direction Handbook published by the LSC. This departure has been necessary in order for the financial statements to give a true and fair view, as it more fairly presents the accumulated impact of the material items associated with the property strategy.

FRS 3 requires that as exceptional items, the property strategy items are part of the normal activities of the College and therefore should be included under the normal income and expenditure account headings, as set out by the SORP, to which they relate in arriving at the deficit on continuing operations after depreciation of assets at valuation and before exceptional items and tax.

In the income and expenditure account, shown on page 27, property strategy transactions which include:

- impairment of the property and related assets
- releases of deferred capital grants associated with the accelerated impairment
- property strategy costs (this includes impairment of costs previously capitalised and costs incurred but not capitalised associated with a major refocus of the strategy)
- LSC grant support for property strategy costs

have been shown separately below deficit on continuing operations prior to costs relating to the property strategy and before deficit on continuing operations after depreciation of assets at valuation and before exceptional items and tax as set out in the Accounts Direction Handbook. The comparatives have been presented on the same basis where applicable.

Basis of Accounting

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets.

LEICESTER COLLEGE

NOTES TO THE ACCOUNTS For the year ended 31 July 2009

1. STATEMENT OF ACCOUNTING POLICIES (continued)

Recognition of Income

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

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

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

Income from tuition fees is recognised in the period for which it is receivable and includes all fees payable by students or their sponsors.

Income from grants, contracts and other services rendered is included to the extent the conditions of the funding have been met or 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-retirement Benefits

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

Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 30, the TPS is a multi-employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

LEICESTER COLLEGE

NOTES TO THE ACCOUNTS For the year ended 31 July 2009

1. STATEMENT OF ACCOUNTING POLICIES (continued)

Post-retirement Benefits (continued)

A liability is recognised in the Balance Sheet in respect of the defined benefit scheme which represents the present value of the defined benefit obligation at the Balance Sheet date less the fair value of scheme assets. The assets of the LGPS are measured at current bid price. A full valuation of the liability is calculated by an independent actuary every 3 years and updated on an annual basis using the projected unit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the operating surplus. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in pension finance costs. Past-service costs are recognised immediately in income, unless the changes to the pension scheme are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period. Actuarial gains and losses are recognised in reserves in the year in which they arise.

Enhanced Pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by the College annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member 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 LSC.

Tangible Fixed Assets

Land and buildings

Land and buildings inherited from the Local Education Authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable. The associated credit is included in the revaluation reserve. The difference between depreciation charged on the historic cost of assets and the actual charge for the year calculated on the revalued amount is released to the income and expenditure account on an annual basis. Building improvements made since incorporation are included in the balance sheet at cost. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College of between 10 and 40 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 10 and 40 years.

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account, and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

Finance costs, which are directly attributable to the construction of land and buildings, are not capitalised as part of the cost of those assets.

LEICESTER COLLEGE

NOTES TO THE ACCOUNTS For the year ended 31 July 2009

1. STATEMENT OF ACCOUNTING POLICIES (continued)

Tangible Fixed Assets (continued)

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of any fixed asset may not be recoverable.

On adoption of Financial Reporting Standard (FRS) 15 : Tangible Fixed Assets, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1993, but not to adopt a policy of revaluations of these properties in the future. These values are retained subject to the requirement to test assets for impairment in accordance with Financial Reporting Standard (FRS) 11 : Impairment of Fixed Assets and Goodwill.

Assets under construction

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

Subsequent expenditure on existing fixed assets

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

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

Equipment

Equipment costing less than £1,000 per individual item or £500 for personal computers is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost.

All assets are depreciated on a straight line basis over their useful economic life as follows:

- Motor vehicles and general equipment – 5 years
- Computer equipment – 3 years
- Furniture, fixtures and fittings – 5 years

Where equipment is acquired with the aid of specific grants, it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related equipment.

LEICESTER COLLEGE

NOTES TO THE ACCOUNTS For the year ended 31 July 2009

1. STATEMENT OF ACCOUNTING POLICIES (continued))

Leased Assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term.

Stocks

Stocks are stated at the lower of their cost and net realisable value. Where necessary, provision is made for obsolete, slow-moving and defective stocks.

Foreign Currency Translation

Transactions denominated in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the financial period with all resulting exchange differences being taken to the income and expenditure account in the period in which they arise.

Taxation

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

The College receives no similar exemption in respect of value added tax. For this reason the College is generally unable to recover input VAT it suffers on goods and services purchased. Capital costs and non-pay expenditure is therefore shown inclusive of VAT with any partial recovery netted off against these figures.

Liquid Resources

Liquid resources include sums on short-term deposits with recognised banks and building societies and government securities.

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.

LEICESTER COLLEGE

NOTES TO THE ACCOUNTS For the year ended 31 July 2009

1. STATEMENT OF ACCOUNTING POLICIES (continued)

Agency Arrangements

The College acts as an agent in the collection and payment of discretionary support funds. Related payments received from the LSC and subsequent disbursements to students are excluded from the Income and Expenditure Account and are shown separately in Note 35, except for the 5% of the grant received which is available to the College to cover administration costs relating to the grant.

The College also acts as an agent for the collection and payment of golden hello funds. Related payments received from the LSC and subsequent disbursements to teachers are excluded from the income and expenditure account and shown separately in Note 36.

2. FUNDING BODY GRANTS

	2009	2008
	£'000	Restated £'000
Recurrent grant – LSC	32,719	33,562
Recurrent grant - HEFCE	1,204	954
Non recurrent grants – LSC	10,061	5,476
Non recurrent grants – HEFCE	101	95
Releases of deferred capital grants (Note 19)	1,177	417
	<hr/>	<hr/>
Total	45,262	40,504
	<hr/> <hr/>	<hr/> <hr/>

The prior year numbers have been restated in order to reflect E2E income within recurrent grant rather than non-recurrent grants.

3. TUITION FEES AND EDUCATION CONTRACTS

	2009	2008
	£'000	£'000
Tuition fees	2,032	2,068
Education contracts	1,573	1,687
	<hr/>	<hr/>
Total	3,605	3,755
	<hr/> <hr/>	<hr/> <hr/>

LEICESTER COLLEGE

NOTES TO THE ACCOUNTS For the year ended 31 July 2009

4. OTHER GRANTS AND CONTRACTS

	2009 £'000	2008 £'000
Other grants and contracts	370	477
Total	<u>370</u>	<u>477</u>

5. OTHER INCOME

	2009 £'000	2008 £'000
Residencies, catering and conferences	636	627
Other income generating activities	512	490
Releases from deferred capital grants (non Funding Council) (Note 19)	151	128
Other income	1,080	988
Total	<u>2,379</u>	<u>2,233</u>

6. INVESTMENT INCOME

	2009 £'000	2008 £'000
Other investment income	55	197
Pension finance income (Note 30)	-	308
Total	<u>55</u>	<u>505</u>

7. STAFF COSTS

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

	2009 Number	2008 Number
Teaching staff	456	435
Non teaching staff	676	677
Total	<u>1,132</u>	<u>1,112</u>

LEICESTER COLLEGE

NOTES TO THE ACCOUNTS For the year ended 31 July 2009

7. STAFF COSTS (continued)

Staff costs for the above persons

	2009 £'000	2008 £'000
Wages and salaries	28,420	26,124
Social security costs	2,005	1,814
Other pension costs (including FRS 17 adjustments of £(163,000) [2008 £581,000])	3,229	3,572
	<hr/>	<hr/>
Payroll sub-total	33,654	31,510
Exceptional restructuring costs	340	422
	<hr/>	<hr/>
	33,994	31,932
	<hr/> <hr/>	<hr/> <hr/>

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

	Senior post-holders		Other staff	
	2009 Number	2008 Number	2009 Number	2008 Number
£60,001 to £70,000	-	-	9	5
£90,001 to £100,000	3	3	-	-
£150,001 to £160,000	-	1	-	-
£160,001 to £170,000	1	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	4	4	9	5
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

8. SENIOR POST-HOLDERS' EMOLUMENTS

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

	2009 Number	2008 Number
The number of senior post-holders including the Principal was	5	4
	<hr/> <hr/>	<hr/> <hr/>

LEICESTER COLLEGE

NOTES TO THE ACCOUNTS For the year ended 31 July 2009

8. SENIOR POST-HOLDERS' EMOLUMENTS (continued)

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

	2009 £'000	2008 £'000
Salaries	405	380
Pension contributions	61	53
	<hr/>	<hr/>
Total emoluments	466	433
	<hr/> <hr/>	<hr/> <hr/>

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

	2009 £'000	2008 £'000
Salaries	141	135
	<hr/> <hr/>	<hr/> <hr/>
Pension contributions	20	19
	<hr/> <hr/>	<hr/> <hr/>

The pension contributions in respect of the Principal and senior post-holders are in respect of employer's contributions to the Teachers Pension Scheme or the Local Government Pension Scheme and are paid at the same rate as for other employees.

The members of the Corporation, other than the Principal and the staff 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.

9. OTHER OPERATING EXPENSES

	2009 £'000	2008 Restated £'000
Teaching costs	6,679	5,760
Non teaching costs	5,786	5,096
Premises costs	2,414	2,076
	<hr/>	<hr/>
Total	14,879	12,932
	<hr/> <hr/>	<hr/> <hr/>

The prior year comparatives have been restated in order to reflect planned maintenance costs included within premises costs rather than non-teaching costs.

LEICESTER COLLEGE

NOTES TO THE ACCOUNTS For the year ended 31 July 2009

9. OTHER OPERATING EXPENSES (continued)

Other operating expenses include:

	2009	2008
	£'000	£'000
Auditors' remuneration:		
- financial statements audit*	30	28
- internal audit**	29	26
- other services provided by the financial statements auditors	2	3
Losses on disposal of tangible fixed assets (where individual assets are not material)	139	25
Hire of plant and machinery - operating leases	265	154
Hire of other assets - operating leases	71	63
	<hr/> <hr/>	<hr/> <hr/>

* includes £30,000 in respect of the College (2007/08 £27,000)

** includes £29,000 in respect of the College (2007/08 £26,000)

10. INTEREST PAYABLE AND OTHER FINANCE COSTS

	2009	2008
	£'000	£'000
On bank loans, overdrafts and other loans:		
Repayable wholly or partly in more than 5 years	167	105
	<hr/>	<hr/>
	167	105
Pension finance interest (Note 30)	202	-
Interest on enhanced pension provisions brought forward (Note 30)	79	123
	<hr/>	<hr/>
Total	448	228
	<hr/> <hr/>	<hr/> <hr/>

11. TAXATION

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

LEICESTER COLLEGE

NOTES TO THE ACCOUNTS For the year ended 31 July 2009

12. TANGIBLE FIXED ASSETS

	Freehold Land and Buildings £'000	Equipment £'000	Assets in the Course of Construction £'000	Total £'000
<i>Cost or Valuation</i>				
At 1 August 2008	46,366	12,887	24,789	84,042
Additions	4,047	3,775	-	7,822
Transfers	24,263	526	(24,789)	-
Disposals	(2,232)	(2,041)	-	(4,273)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2009	72,444	15,147	-	87,591
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<i>Depreciation</i>				
At 1 August 2008	14,200	9,261	-	23,461
Charge for the year	2,023	1,702	-	3,725
Eliminated in respect of disposals	(896)	(2,020)	-	(2,916)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2009	15,327	8,943	-	24,270
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<i>Net Book Value</i>				
At 31 July 2009	57,117	6,204	-	63,321
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 1 August 2008	32,166	3,626	24,789	60,581
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The transitional rules set out in FRS 15 Tangible Fixed Assets have been applied on implementing FRS 15. Accordingly, the book values at implementation have been retained.

Land and buildings were valued in 1993 at depreciated replacement cost by a firm of independent chartered surveyors. Other tangible fixed assets inherited from the LEA at incorporation have been valued by the College on a depreciated replacement cost basis with the assistance of independent professional advice.

The College disposed of its Bede Island Campus and reinvested the proceeds of £1,125,000 in the Accommodation Project. A loss of £99,000 arose from the disposal.

Land and buildings with a net book value of £28,761,000 (2008: £8,486,000) have been partly financed by exchequer funds through for example the receipt of capital grants. Should these assets be sold, the College may be liable, under the terms of the Financial Memorandum with the LSC, to surrender the proceeds.

LEICESTER COLLEGE

NOTES TO THE ACCOUNTS For the year ended 31 July 2009

12. TANGIBLE FIXED ASSETS (continued)

Fixed assets include land and buildings with a net book value of £2,660,500 (2008: £2,771,000) which will be partially funded by a grant from the LSC. It was anticipated that under the old loan support arrangements that the LSC will provide £3,132,000 over 15 years. The receipt in the current year was £138,000 (2008: £153,000). The LSC does not have the power to guarantee future funding streams to institutions and cannot guarantee that this funding will continue after the current year. Provision has not, therefore, been made for anticipated future receipts.

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

	£'000
Cost	-
Aggregate depreciation based on cost	-
	<hr/>
Net book value based on cost	-
	<hr/>

13. INVESTMENTS

	2009	2008
	£	£
Investments in subsidiary undertaking	-	100
	<hr/>	<hr/>
Total	-	100
	<hr/>	<hr/>

At 1 August 2008, the College owned 100% of the issued ordinary shares of South Fields Enterprises Limited, a company incorporated in England and Wales. The Company was dormant. During 2008/09 the Company has been struck off and the investment of the College in the Company, together with the balance owed by South Fields Enterprises Limited to College of £109,599 has been written off.

14. DEBTORS

	2009	2008
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	438	505
Amounts owed by subsidiary undertaking	-	110
Other debtors	883	575
Prepayments and accrued income	225	285
Amounts owed by the LSC	1,621	3,199
	<hr/>	<hr/>
Total	3,167	4,674
	<hr/>	<hr/>

LEICESTER COLLEGE

NOTES TO THE ACCOUNTS For the year ended 31 July 2009

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2009 £'000	2008 £'000
Bank loans and overdrafts	255	-
Payments received in advance	58	71
Trade creditors	554	2,458
Other taxation and social security	1,037	993
Accruals and deferred income	5,179	5,344
Amounts owed to LSC	2,136	1,693
	<hr/>	<hr/>
Total	9,219	10,559
	<hr/> <hr/>	<hr/> <hr/>

16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2009 £'000	2008 £'000
Bank loans	8,079	1,322
Other taxation and social security	3,165	2,926
	<hr/>	<hr/>
Total	11,244	4,248
	<hr/> <hr/>	<hr/> <hr/>

17. BORROWINGS

Bank loans and overdrafts

Bank loans are repayable as follows:

	2009 £'000	2008 £'000
In one year or less	255	-
Between one and two years	259	-
Between two and five years	804	-
In five years or more	7,016	1,322
	<hr/>	<hr/>
Total	8,334	1,322
	<hr/> <hr/>	<hr/> <hr/>

On 30 January 2009, the two fixed term advances of £2,000,000 were drawn down. These were used to repay the loan held at 31 July 2008. The interest rates charged on these loans were 5.5764% and 5.8464% respectively. On 31 July 2009 a variable term advance of £4,372,000 was drawn down. The interest rate chargeable on this loan is 1.96965%. All loans are repayable by instalments over 25 years. Security is provided by the property at Aylestone Road.

LEICESTER COLLEGE

NOTES TO THE ACCOUNTS For the year ended 31 July 2009

18. PROVISIONS FOR LIABILITIES AND CHARGES

	Restructuring	Pensions Enhanced	Total
	£'000	£'000	£'000
At 1 August 2008	256	1,090	1,346
Expenditure in the year	(256)	(70)	(326)
Transferred from income and expenditure account	200	79	279
	<hr/>	<hr/>	<hr/>
At 31 July 2009	200	1,099	1,299
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The enhanced pension provision relates to the cost of staff who have already left the College's employment. The provision has been recalculated in accordance with the LSC circular 05/02.

The restructuring provision relates to commitments for reorganisation costs from which the College cannot reasonably withdraw at the balance sheet date.

The principal assumptions for this calculation are:

	2009	2008
	%	%
Price inflation	3.02	3.92
Discount rate	2.00	2.00
	<hr/> <hr/>	<hr/> <hr/>

19. DEFERRED CAPITAL GRANTS

	LSC Grants	Other Grants	Total
	£'000	£'000	£'000
At 1 August 2008	27,637	1,355	28,992
Cash received	4,642	43	4,685
Released to income and expenditure account	(1,177)	(151)	(1,328)
Reclassification of grants	-	(50)	(50)
	<hr/>	<hr/>	<hr/>
Total	31,102	1,197	32,299
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

LEICESTER COLLEGE

NOTES TO THE ACCOUNTS For the year ended 31 July 2009

20. REVALUATION RESERVE

	2009 £'000	2008 £'000
At 1 August	12,332	14,898
Transfer from revaluation reserve to general reserve in respect of:		
Disposals	(1,156)	(48)
Depreciation on revalued assets	(730)	(615)
Accelerated release of revaluation reserves relating to the property strategy	-	(1,903)
	<hr/>	<hr/>
At 31 July	10,446	12,332
	<hr/> <hr/>	<hr/> <hr/>

21. MOVEMENT ON GENERAL RESERVES

	2009 £'000	2008 £'000
Income and expenditure account reserve		
At 1 August	4,865	7,711
Deficit retained for the year	(1,748)	(1,855)
Transfer from revaluation reserve	1,886	2,566
Actuarial loss in respect of pension scheme	(10,504)	(3,557)
	<hr/>	<hr/>
At 31 July	(5,501)	4,865
	<hr/> <hr/>	<hr/> <hr/>
Balance represented by:		
Pension reserve	(16,012)	(5,469)
Income and expenditure reserve excluding pension reserve	10,511	10,334
	<hr/>	<hr/>
At 31 July	(5,501)	4,865
	<hr/> <hr/>	<hr/> <hr/>

LEICESTER COLLEGE

NOTES TO THE ACCOUNTS For the year ended 31 July 2009

22. RECONCILIATION OF CONSOLIDATED OPERATING DEFICIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2009 £'000	2008 £'000
Deficit on continuing operations after depreciation of assets at valuation	(1,748)	(1,855)
Depreciation (Notes 1 and 12)	3,725	2,503
Deferred capital grants released to income (Note 19)	(1,328)	(545)
Profit/(loss) on disposal of tangible fixed assets	238	(403)
Impairment of fixed assets	-	2,162
Interest payable (Note 10)	167	105
Interest receivable (Note 6)	(55)	(197)
FRS 17 pension cost less contributions payable (Notes 7 and 30)	(163)	581
FRS 17 pension finance interest (Notes 6 and 10)	202	(308)
Decrease in stocks	5	1
Decrease/(Increase) in debtors	140	(1,084)
Increase in creditors	1,182	4,171
(Decrease)/Increase in provisions	(47)	311
	<hr/>	<hr/>
Net cash inflow from operating activities	2,318	5,442
	<hr/> <hr/>	<hr/> <hr/>

23. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2009 £'000	2008 £'000
Other interest received	76	173
Interest paid	(215)	(105)
	<hr/>	<hr/>
Net cash (outflow)/inflow from returns on investment and servicing of finance	(139)	68
	<hr/> <hr/>	<hr/> <hr/>

24. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	2009 £'000	2008 £'000
Purchase of tangible fixed assets	(10,382)	(19,089)
Sales of tangible fixed assets	1,119	482
Deferred capital grants received	6,051	14,477
	<hr/>	<hr/>
Net cash outflow from capital expenditure and financial investment	(3,212)	(4,130)
	<hr/> <hr/>	<hr/> <hr/>

LEICESTER COLLEGE

NOTES TO THE ACCOUNTS For the year ended 31 July 2009

25. MANAGEMENT OF LIQUID RESOURCES

	2009 £'000	2008 £'000
Placing of deposits	(1,202)	(1,077)
	<hr/>	<hr/>
Net cash outflow from management of liquid resources	(1,202)	(1,077)
	<hr/> <hr/>	<hr/> <hr/>

26. FINANCING

	2009 £'000	2008 £'000
Debt due beyond a year:		
New unsecured loans repayable by 2034	8,372	-
Repayment of amounts borrowed	(1,360)	-
	<hr/>	<hr/>
Net cash inflow from financing	7,012	-
	<hr/> <hr/>	<hr/> <hr/>

27. ANALYSIS OF CHANGE IN NET FUNDS

	At 1 August 2008 £'000	Cash Flows £'000	Other Changes £'000	At 31 July 2009 £'000
Cash in hand and at bank	(263)	4,777	-	4,514
	<hr/>	<hr/>	<hr/>	<hr/>
	(263)	4,777	-	4,514
Debt due within one year	-	-	(255)	(255)
Debt due after one year	(1,322)	(7,012)	255	(8,079)
Current asset investments	2,798	1,202	-	4,000
	<hr/>	<hr/>	<hr/>	<hr/>
Total	1,213	(1,033)	-	180
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

28. CASH FLOW RELATING TO EXCEPTIONAL ITEMS

The College disposed of part of the Bede Island Campus realising sales proceeds of £1,125,000.

LEICESTER COLLEGE

NOTES TO THE ACCOUNTS For the year ended 31 July 2009

29. MAJOR NON-CASH TRANSACTIONS

	2009 £'000	2008 £'000
Property strategy costs		
Impairment	-	2,162
	<hr/>	<hr/>
Net charge for the year	-	2,162
	<hr/> <hr/>	<hr/> <hr/>

30. PENSIONS AND SIMILAR OBLIGATIONS

The College's employees belong to two principal pension schemes, the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Leicestershire County Council. Both are defined benefit schemes.

Total pension cost for the year

	2009		2008	
	£'000	£'000	£'000	£'000
Local Government Pension Scheme –				
Contributions paid	1,481		1,215	
Adjustment	(163)		581	
	<hr/>		<hr/>	
Charge to the income and expenditure account (staff costs)		1,318		1,796
Finance charge/(income)		202		(308)
		<hr/>		<hr/>
Total FRS 17 charge		1,520		1,488
Teachers' Pension Scheme –				
Contributions paid		1,911		1,776
Enhanced pension charge to income and expenditure account		79		123
		<hr/>		<hr/>
Total pension cost for the year		3,510		3,387
		<hr/> <hr/>		<hr/> <hr/>

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

Contributions amounting to £298,000 (2008 £273,000) were payable to the scheme at 31 July and are included in creditors.

LEICESTER COLLEGE

NOTES TO THE ACCOUNTS For the year ended 31 July 2009

30. PENSIONS AND SIMILAR OBLIGATIONS (continued)

Teachers' Pension Scheme

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

The pensions cost is normally assessed no less than every four years in accordance with the advice of the government actuary. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

Latest actuarial valuation (under the new provisions)	-	31 March 2004
Actuarial method	-	Prospective benefits
Investment returns per annum	-	6.5% per annum
Salary scale increases per annum	-	5.0% per annum
Notional value of assets at date of last valuation	-	£162,650 million
Proportion of members' accrued benefits covered by the notional value of the assets	-	98.88%

Following the implementation of Teachers' Pensions (Employers' Supplementary Contributions) Regulations 2000 the government actuary carried out a further review on the level of employers' contributions. For the period from 1 August 2008 to 31 July 2009 the employer contribution was 14.1%. The employee rate was 6.4% for the same period. An appropriate provision in respect of unfunded pensioners' benefits is included in provisions.

FRS 17

Under the definitions set out in Financial Reporting Standard 17 Retirement Benefits, the Teachers' Pension Scheme is a multi-employer pension scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme.

Accordingly, the College has taken advantage of the exemption in FRS 17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. The College has set out above the information available on the scheme and the implications for the College in terms of the anticipated contributions rates.

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The total contribution made for the year ended 31 July 2009 was £2,410,000 (2008: £1,798,000) of which employer's contributions totalled £1,725,000 (2008: £1,208,000) and employees' contributions totalled £685,000 (2008: £590,000). The agreed contribution rates for future years are banded contributions of between 12.1% and 16.5% for employers and 5.5% and 7.5% for employees.

LEICESTER COLLEGE

NOTES TO THE ACCOUNTS For the year ended 31 July 2009

30. PENSIONS AND SIMILAR OBLIGATIONS (continued)

Local Government Pension Scheme (continued)

Principal actuarial assumptions

	2009	2008
	%	%
Rate of increase in salaries	5.20	5.30
Rate of increase for pensions in payment/inflation	3.70	3.80
Discount rate for scheme liabilities	6.00	6.70
Commutation of pensions to lump sums	50.00	50.00
Expected return on scheme assets	6.90	7.30
	<u> </u>	<u> </u>

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

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectancy for a pensioner retiring at age 65 on the balance sheet is:

	2009	2008
	%	%
Retiring today -		
Males	19.60	19.60
Females	22.50	22.50
Retiring in 20 years -		
Males	20.70	20.70
Females	23.60	23.60
	<u> </u>	<u> </u>

LEICESTER COLLEGE

NOTES TO THE ACCOUNTS For the year ended 31 July 2009

30. PENSIONS AND SIMILAR OBLIGATIONS (continued)

Local Government Pension Scheme (continued)

The estimated College's share of the assets and liabilities in the scheme and the expected rates of return were:

	Long-term rate of return expected at 31 July 2009 %	Value at 31 July 2009 £'000	Long-term rate of return expected at 31 July 2008 %	Value at 31 July 2008 £'000
Equities	7.30%	18,612	7.8%	19,515
Bonds	5.30%	2,120	5.7%	2,157
Property	5.30%	2,120	5.7%	3,039
Cash	4.30%	707	4.8%	771
		<hr/>		<hr/>
Total market value of assets		23,559		25,482
Present value of scheme liabilities - funded		(39,571)		(30,951)
		<hr/>		<hr/>
Deficit in the scheme being the amount recognised in the balance sheet		(16,012)		(5,469)
		<hr/> <hr/>		<hr/> <hr/>

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

Analysis of amounts charged to income and expenditure account

	2009 £'000	2008 £'000
Employer service cost (net of employee contributions)	1,386	1,425
Past service cost	-	364
Losses on curtailments	176	-
	<hr/>	<hr/>
Total operating charge	1,562	1,789
	<hr/> <hr/>	<hr/> <hr/>

LEICESTER COLLEGE

NOTES TO THE ACCOUNTS For the year ended 31 July 2009

30. PENSIONS AND SIMILAR OBLIGATIONS (continued)

Local Government Pension Scheme (continued)

Analysis of pension finance (costs)/income

	2009 £'000	2008 £'000
Expected return on pension scheme assets	1,929	1,983
Interest on pension liabilities	(2,131)	(1,675)
	<u> </u>	<u> </u>
Pension finance (costs)/income	(202)	308
	<u> </u>	<u> </u>

The actual return on scheme assets was -21.5% (2008: -7.4%).

The amounts recognised in the statement of recognised gains and losses (STRGL) are as follows:

	Current Year		Cumulative	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Actuarial losses	(10,504)	(3,557)	(11,213)	(709)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Actuarial losses recognised in STRGL	(10,504)	(3,557)	(11,213)	(709)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Asset and liability reconciliation

	2009 £'000	2008 £'000
<i>Reconciliation of liabilities</i>		
Liabilities at start of period	30,951	27,963
Service cost	1,386	1,425
Interest cost	2,131	1,675
Employee contributions	685	590
Actuarial loss/(gain)	4,742	(537)
Benefits paid	(500)	(529)
Past service cost	-	364
Curtailments and settlements	176	-
	<u> </u>	<u> </u>
Liabilities at end of period	39,571	30,951
	<u> </u>	<u> </u>

LEICESTER COLLEGE

NOTES TO THE ACCOUNTS For the year ended 31 July 2009

30. PENSIONS AND SIMILAR OBLIGATIONS (continued)

Local Government Pension Scheme (continued)

Asset and liability reconciliation (continued)

	2009 £'000	2008 £'000
<i>Reconciliation of assets</i>		
Changes in the fair value of scheme assets are as follows:		
Assets at start of period	25,482	26,324
Expected return on assets	1,929	1,983
Actuarial loss	(5,762)	(4,094)
Employer contributions	1,725	1,208
Employee contributions	685	590
Benefits paid	(500)	(529)
	<hr/>	<hr/>
Assets at end of period	23,559	25,482
	<hr/> <hr/>	<hr/> <hr/>

The estimated value of employer contributions for the year ended 31 July 2010 is £1,769,000.

History of experience gains and losses

	2009 £'000	2008 £'000	2007 £'000	2006 £'000	2005 £'000
Fair value of employer assets	23,559	25,482	26,324	22,137	18,301
Present value of defined benefit obligations	(39,571)	(30,951)	(27,963)	(27,518)	(23,253)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Deficit	(16,012)	(5,469)	(1,639)	(5,381)	(4,952)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Experience adjustments on assets	(5,762)	(4,094)	1,258	1,239	2,063
Experience adjustments on liabilities	(4,742)	537	168	2	(222)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

31. POST-BALANCE SHEET EVENTS

Investment returns

Since the balance sheet date, the global economic downturn has resulted in volatility in investment markets. As a result, there is an increased risk that the value of investments held by the College, whether directly or indirectly (such as through the pension fund) may have deteriorated. However any such deterioration is considered to be a non adjusting event and as such has not been reflected in these financial statements.

LEICESTER COLLEGE

NOTES TO THE ACCOUNTS For the year ended 31 July 2009

32. CAPITAL COMMITMENTS

	2009 £'000	2008 £'000
Commitments contracted for at 31 July	1,250	3,600
Authorised but not contracted at 31 July	2,572	4,425

33. FINANCIAL COMMITMENTS

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

	2009 £'000	2008 £'000
Land and buildings:		
Expiring within one year	14	24
Expiring within two and five years inclusive	45	23
Expiring in over five years	12	15
	<u>71</u>	<u>62</u>
Other:		
Expiring within one year	38	70
Expiring within two and five years inclusive	228	133
	<u>266</u>	<u>203</u>

34. RELATED PARTY TRANSACTIONS

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

Transactions and balances with the LSC and HEFCE are detailed in Notes 2, 14, 15 and 19.

LEICESTER COLLEGE

NOTES TO THE ACCOUNTS For the year ended 31 July 2009

35. AMOUNTS DISBURSED AS AGENT

Learner Support Funds

	2009 £'000	2008 £'000
LSC grants – Hardship Funds	510	632
LSC grants – Childcare	289	259
Discretionary ESOL	38	111
Interest earned	60	-
	<hr/>	<hr/>
	897	1,002
Disbursed to students	(819)	(924)
Administration costs	(45)	(50)
	<hr/>	<hr/>
Balance unspent as at 31 July (included in creditors)	33	28
	<hr/> <hr/>	<hr/> <hr/>

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

36. GOLDEN HELLO FUNDS

	2009 £'000	2008 £'000
LSC grants	38	23
Disbursed to staff	(38)	(23)
	<hr/>	<hr/>
Balance unspent as at 31 July	-	-
	<hr/> <hr/>	<hr/> <hr/>

LSC grants for Golden Hellos are available solely for staff; the College acts only as a paying agent. The grants and related disbursements are excluded from the Income and Expenditure Account.