DERBY college

Derby College

Members' report and financial statements

For the year ended 31 July 2011

Members' report and financial statements

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Members' report

Operating and Financial Review

NATURE, OBJECTIVES AND STRATEGIES

The members present their report and the audited financial statements for the year ended 31 July 2011.

Legal status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting Derby College. The College is an exempt charity for the purposes of the Charities Act 1993 as amended by the Charities Act 2006. Derby College was incorporated on 1st January 2002.

Merger

On 15th February 2010 Derby College merged with South East Derbyshire College (SEDC) under a type "B" merger. The SEDC Corporation was formally dissolved and the assets and liabilities transferred to Derby College on this date. The financial statements reflect the financial activities of the full merged College for the 2010/2011 year and a partially merged College for the comparative 2009/2010 year.

Mission and Strategic Objectives

The College's mission as approved by its members is to *"release potential and achieve outstanding success"*.

The College's ongoing strategic objectives are:

- To champion excellence by embedding a culture of continuous improvement, resulting in outstanding outcomes and an exceptional learning journey for all
- To positively impact on economic development, generating the future talent required by business
- To promote social interaction and inclusion, celebrating diversity and recognising commonality
- To maximise commercial return by developing innovative opportunities to be reinvested to enhance the learning experience the organisation provides
- To enhance our reputation and corporate positioning, influencing decision making through effective relationships with partners

Management Restructure

During the year the College undertook further management restructuring at all levels. The final structure was put in place from April 2011 and reflects the College's delivery, business and support needs going forward.

Financial objectives

The College's financial objectives are:

- To complete its property strategy on time and within or under budget
- To maintain the confidence of its funders, bankers, suppliers and other stakeholders
- To continue to raise awareness of College staff of the financial environment under which it operates
- To make efficiencies / savings in College procurement
- To maintain a solvent financial position
- To maintain and increase the College's market share
- To continue to invest in new technology
- To significantly grow the College's Employer Responsiveness activity and increase profitability

Operating and Financial Review *(continued)*

Specifically these objectives will be achieved by:

- Realigning resources to match delivery needs and funding priorities
- Maintaining positive general reserves
- Targeting capital expenditure where there is a positive return
- Keeping bank borrowings in line with affordability and manage cashflow efficiently
- Providing the Board, managers and budget-holders with both timely and accurate management information
- Providing comprehensive management accounts on a monthly basis and providing regular student number and funding information incorporating forecast outturn estimates to all senior managers on a weekly basis.
- Ensuring that all financial returns requiring audit certification are unqualified
- Providing continuing advice and guidance to College staff on funding changes / budgeting and financial procedures
- Rigorous monitoring of all income and expenditure lines
- Generating sufficient funds to reinvest in the College infrastructure

The College's financial health category last assessed by the Skills Funding Agency is "Satisfactory".

Performance indicators

The College's funding bodies continue to measure FE performance in terms of contribution to national targets. They achieve this through close monitoring of:

- Learner numbers and volumes
- Contributions towards PSA targets
- Meeting individual funding stream targets
- Success rates
- Growth

Employer responsive delivery at the College has been established for over 16 years.

The College works with over 1,000 employers across 2,000 sites covering all sectors of industry. There are some 150 professionals who support this employer responsiveness provision 7 days a week, 52 weeks a year.

The College was the first provider in the East Midlands to gain the prestigious Training Quality Standard in recognition for the excellent work done to enable organisations to equip their workforce with the required skills to develop business and contribute to economic growth, and is the lead provider for the manufacturing skills academy and members of the retail, care, food manufacturing, construction, engineering academies and active sport and leisure academies.

In 2010, employers' satisfaction surveys stated 99% of employers were completely satisfied with the service and that the business solutions delivered had a positive impact on their organisations.

Operating and Financial Review *(continued)*

Framework for Excellence

The Framework for Excellence (FfE) is "a unified post-16 performance assessment tool" created and managed by the Skills Funding Agency to provide information to learners and employers allowing them to make informed choices about post-16 education and training and provide consistent management information on key performance indicators (PIs) for all post-16 providers.

From 2010/2011 the elements that make up the FfE PIs fall into two categories:

1. Financial Indicators

   Financial Health and Financial Management and Control are two measures that are graded and reported directly to providers. This direct reporting is prior to the public release of FfE information and so is not included in the standard application.

2. Four further publicly published PIs

   These are Success Rates, Learner Destinations, Learner Views and Employer Views. These are usually published in the January following the close of the year, ie the 2010/2011 FfE publication is expected in January 2012.

Success rates are calculated for any learning aim with more than one learner and include the following categories:

- FE long qualifications (excluding A, AS, A2)
- FE very short qualifications (<5 weeks)
- FE short qualifications (5-24 weeks)
- A, AS, A2 qualifications
- Apprenticeships (framework completions, overall success rates)
- Advanced Apprenticeships (framework completions, overall success rates)
- Train to Gain (Full Level 2, Full Level 3 qualifications)

The success rate calculation conforms to the standard Skills Funding Agency model and as such excluded Key and Functional Skills.

Although applying to all post-16 providers, some are exempted from selected PIs, for example sixth form Colleges and school sixth forms do not need to seek Learner Views or Employer Views.

The College is committed to the FfE and has a rigorous approach to collecting and monitoring the data.

Financial position

Financial results (Consolidated)

The inclusion of FRS17 (pension) costs have a significant impact on the presentation of the accounts. The table below shows the financial outturn position on an historic cost basis excluding FRS17 charges and other exceptional items.

Operating and Financial Review *(continued)*

	£'000
Operating loss reported	**(1,019)**
Add back the impact of FRS17 accounting adjustments (pay and interest costs)	**1,044**
Surplus before FRS17 accounting	**25**
<u>Exclude exceptional items:</u>	
Restructuring costs	1,868
Merger support	(1,672)
Underlying operating surplus	**221**

The College has accumulated general reserves of £15,523,000 (excluding pension reserve), cash balances of £600,000 and net current liabilities of £7,166,000.

Tangible fixed asset additions during the year amounted to £4,000,000 the majority of which related to capital works associated with the on-going redevelopment of the College's estate.

The College has significant reliance on the external funding bodies for its principal funding source, largely from recurrent grants. In 2010/11, 90% of the College's total income was derived from funding bodies.

The College has the following subsidiary companies. During the year the following sums were gifted to the College.

Name	Nature of business	Gift Aid Payment
Mackworth Business Services Ltd	Facilities Hire	£nil
Corporate College Ltd	Dormant	N/A

Ongoing Capital Programme

Following the withdrawal of the LSC capital support in 09/10 the College has relied on its own cash reserves in order to fund key capital improvements. The College is committed to the continual improvement of its estate and other resources and all capital investments are subject to scrutiny to ensure that best value for money is obtained as well as maximising learner benefits. Future major developments will be reliant on the College realising cash receipts from the disposal of surplus estate.

Treasury policies and objectives

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. The College has a separate treasury management policy in place to support and regulate these operations.

All borrowings are subject to approval of the Finance and Resources Committee and are restricted by limits in the 'Financial Memorandum.'

Operating and Financial Review *(continued)*

Cash flows

The College's net operating cash inflow amounted to £1,733,000 in the year *(2009/10 inflow £4.6m).* After fixed asset additions, grant receipts and financing, the net debt position increased from £4,495,000 to £6,545,000.

Liquidity

The size of the College's total borrowing and its approach to interest rates has been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cash flow. A bridging loan facility was in place during the year in order to meet working capital needs associated with the property strategy developments.

FRS17 – Pension Liability

During the year, the College has seen its FRS17 (pension) liability decrease from £18.1m at 1st August 2010 to £16.2m at 31st July 2011. The charges made to the income and expenditure account in respect of service and interest costs total £1,044,000.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Management and Delivery of the Curriculum

The College supports around 28,000 learners every year. These include nearly 7,500 full-time and 20,500 part-time learners from a diverse range of social and educational backgrounds. These figures include:

- 2,800 apprentices
- 10,400 participants enhancing their skills on employer responsive programmes
- 250 learners pursuing higher education qualifications through HNCs, HNDs and foundation degrees
- 850 school learners who benefit from our pre-16 provision
- 6,200 studying part-time at one of our main campuses

With a 1,500 strong team of dedicated and enthusiastic employees, Derby College is a hub of expertise and specialist skills. It is one of Derby's largest employers, with an annual turnover of circa £58m.

Over the past decade, the College has grown to become a nationally renowned education provider with a strong reputation for quality, innovation and inclusion. Its educational provision has been graded as good with outstanding features during FE, HE and Employer Responsiveness inspections/assessments.

The College acts as an 'engine' for economic development, supporting circa 1,000 employers with skills solutions that give them a truly competitive edge. While it plays a crucial role in the life of the city and region, its reach and influence extends nationally and internationally. A significant proportion of its learners are based in industry across the country, supported by the College's team of professionals, working in close partnership with businesses.

Derby College's broad curriculum covers 14 vocational areas with a portfolio covering everything from GCSEs to foundation degrees, vocational courses to adult education, apprenticeships to bespoke solutions for businesses.

Operating and Financial Review *(continued)*

Curriculum Development and Student Achievements

The Engineering and Manufacturing Area continues to develop new provision, maintaining and developing links with employers locally and nationally. The area has fully implemented QCF qualifications into the curriculum and has been successful in being an approved accrediting institution for the FD Technical Certificate in a recently approved Higher Level Apprenticeship Framework under our partnership with Sheffield Hallam University. The area has also developed full cost bespoke training courses for Interfleet.

The College had high levels of achievement on apprenticeship programmes, and the continued collaboration with employers was characterised by the successful partnership with Rolls-Royce Plc where the College works with the company on the delivery of their own apprenticeship scheme. Operational delivery takes place in the training centre based at the company premises and College staff have become part of the operational delivery team. The model has helped improve achievement and progression within the area. The partnership with Rolls Royce has further developed to include delivery of the Level 2 Technical Certificates for their "overtrain" learners.

The College already held the Training Quality Standard but has now successfully achieved Part B for Manufacturing, recognising the quality of the College's offer and processes within this area.

Preparation for Life and Work is a significant proportion of the College's learner and employer responsive provision and was awarded an overall Grade 1 at the most recent college inspection.

Adult literacy, numeracy and ESOL courses are targeted in areas of deprivation indicated by the multiple indices of social deprivation as research shows that low levels of education, specifically skills for life has a direct impact on individuals life chances. Work is in partnership with schools, nurseries, Sure Starts, community venues and other community groups to provide first step learning and to build capacity for other courses.

Full-time and substantive part-time learners have their skills assessed at entry and are provided with opportunities to improve their skills. All full time College students undertake a Functional Skills programme.

The College offers two full time discrete programmes for Learners with Learning Difficulties and Disabilities (LLDD) learners Initial Pathway at pre–entry level and Pathway to Working Life at Entry Level. The Lexis programme is a full time course for 16–18 year olds who do not speak English as their first language. Both are highly innovative and successful.

The ICT area has introduced new options at Levels 1 and 2 to broaden the curriculum offer. Numbers continue to grow on Entry Level qualifications, and learner numbers have remained constant for all other qualification levels.

Derby College has recently been awarded membership of the National Skills Academy for Environmental Technologies. The Construction area will deliver the newly accredited Level 2 and 3 Awards in Environmental Technology, incorporating Solar Thermal Hot Water Systems, Photovoltaic Systems, Water Harvesting and Recycling.

The Professional Construction area has successfully completed the year of implementation for the Career Academy initiatives. This will be rolled out to Engineering in 2011/12. The Motor Vehicle area has relocated to the Johnson Building and learner numbers continue to increase. The area has introduced a fully operational garage facility, "The Garage@DerbyCollege", which was open for customers in April 2011.

The College has also established partnership relationships with one of the major construction employers within the locality resulting in several full-time students gaining apprenticeships and forging links for future recruitment of Derby College learners.

Operating and Financial Review *(continued)*

Curriculum Development and Student Achievements *(continued)*

A successful bid for lottery funding was made from the Local Food fund to assist in the development of the food hub with £300,000 being received over a 3 year period. This allowed the establishment of the Hub at Broomfield Hall which brings together produce grown by learners with that of local producers and integration with the local economy.

Development work at Broomfield Hall has resulted in a new teaching block which was completed in March 2011, a new car park was completed in the summer and the widening of the Broomfield Hall driveway in October 2011. The new Equine Indoor Arena is due to be completed in December 2011.

Public Service students and staff have been relocated to Broomfield Hall from Prince Charles Avenue and Ilkeston to enable them to have a wider range of outdoor facilities.

The Land-based Curriculum is now offering progression into work-based learning with apprenticeships in land-based subjects, including Animal Care, Equine, Horticulture, Floristry and Agriculture.

The Environmental and Land-based specialist Diploma for 14-19 year learners was offered in 2010/2011, the results at the end of Year 1 showed outstanding results with 15 learners gaining A*'s and A's.

There has been outstanding achievements in learners entering competition work. Sports learners, Floristry and Horticulture learners have been successful in a range of national and local competitions, including achieving three gold medals.

The Sports Department organised a visit to Malawi to help the teachers in Malawi to develop sports leaders skills. Students and staff were involved in fundraising for the visit and gained sponsorship from local companies and organisations.

The College and Derby City Council jointly funded the new Astro-pitch (all weather pitch) at Prince Charles Avenue.

The College has been awarded Sports Leaders UK Leadership Academy status as a result of the excellent standards of delivery of the Sports Leaders UK awards and qualifications.

At the Roundhouse the College increased commercial operations in the new SENSI hairdressing salons with extended opening hours in the evenings and on a Saturday. The College recruited a professional stylist to act as a role model for students and ensure continuity of business throughout holiday periods.

The Engine Shed Restaurant has been involved in many corporate events including many official events. The restaurant continues to go from strength to strength. The increasing client base has enabled the service and facilities to expand.

The Retail BA Hons Degree in Leadership and Management was validated with Nottingham Trent University in July 2011, this being the first Honours degree for Derby College.

Operating and Financial Review *(continued)*

Curriculum Development and Student Achievements *(continued)*

The Retail, Hair and Beauty Academies were successful in their bid for World Skills, which took place in October of this year at the Excel Arena in Docklands, London. The Hair and Beauty students joined the Ellisons stand for the 'Have a Go' sessions. The Retail students got through to the Showcase events with their 'Dress to Impress' event which proved to be very successful. The students were kept busy for the two days giving style advice to attendees at the World Skills event. This enabled them to complete one of the units from the Fashion Diploma.

The Travel and Tourism qualification returned to the College this academic year with Level 1 and 2 qualifications, both groups are full.

The Retail area have enrolled 550 apprenticeship programmes through their national delivery team in the last academic year, which were predominantly with the Matalan contract. The company are now progressing into advance apprenticeships which will be integrated into their management training programme.

Quality with a Business qualifications have been introduced as part of the Enterprise offer, they are designed to give 19+ students the skills to set up their own business. The first course will be delivered in November 2011.

The Joseph Wright Centre, which is the College's campus for the delivery of A level provision, had another successful year beginning with a record enrolment in September 2010. This included over 650 AS students, over 400 A2 students and over 400 BTEC National and First Diploma students.

For 2010/11, the A level pass rate was 99%, including 22 A* grades. 24 of the departments achieved 100% pass rates at A level, with all A level Science subjects and Maths achieving 100% pass rate. On the BTEC National courses, there was a 100% pass rate for Performing Arts, Media and Music, with a number of students achieving all distinctions.

Post balance sheet events

On 7th September 2011 the College completed the sale of part of its Prince Charles Avenue site to a housing developer. The land which was sold is held on the balance sheet at 31st July 2011 as a current asset held for sale.

RESOURCES

The College has various resources that it can deploy in pursuit of its strategic objectives. Over the past few years the College has seen significant investment in new accommodation as part of its overall property strategy. This has transformed the College estate that now provides almost 50,000m2 of first class teaching and learning accommodation and infrastructure on numerous sites. Following the merger with South East Derbyshire College the College's property strategy has been reviewed and objectives revised in line with the 2011-15 strategic plan.

The College is currently developing phase 3 of its property strategy following the appraisal of its sites in Ilkeston and Heanor. The Cavendish Road site is surplus to requirements and is due for disposal towards the end of 2011. Provision has also been relocated from the campus at Heanor and strategic options for that site are being considered. Some refurbishment has been carried out at the College's Field Road campus including the relocation of construction in September 2010.

With a view to rationalising and bringing together the administrative functions the College acquired 2 Roundhouse Road adjacent to the Roundhouse, in early 2011, which provides excellent facilities for these functions in an accessible central location.

Operating and Financial Review *(continued)*

A major part of the revised strategy is the enhancement of facilities at the College's Broomfield Hall campus. Following the collapse in LSC capital funding a more phased approach to redevelopment was adopted and in early 2011 the first two major developments were completed which included a new teaching facility and a day nursery. The second phase of development is currently underway which includes a new access road and car park and indoor riding school. Plans are currently being developed for phase 3, which will include a new reception building and LRC, and new sports barn and associated facilities.

IT

The College has some 4,200 PCs and laptops, deployed across eight sites as well as in use by assessors in the field. Of these, 1,640 are dedicated student PCs, giving a full time student to PC ratio of 3.7:1.

There is now a data projector with either a standard or interactive whiteboard in the vast majority of teaching rooms, amounting to a total of 178 across all sites. The remaining classrooms without a fixed projector are currently supported by a mobile booking and delivery process with plans to install a fixed solution during the 2011/2012 academic year.

Work has continued at the ex-South East Derbyshire College sites to bring the quality of the IT provision into line with that across the wider College. All student PCs were replaced during the 2010/2011 financial year and open access IT resources were increased by approximately 25%.

In addition to the above, the College has continued to invest in IT resources and the underpinning infrastructure to enhance learning across all campuses, supporting new build projects and enhancing and promoting the use of blended learning through increased access to IT and AV equipment.

Financial

The College has £47,340,000 of net assets (including £16.2m pension liability) and long term borrowings of £7,145,000. Net current liabilities at the end of the year total £7,166,000 *(2010: net current assets £1.1m)*.

People

The College employs 1,094 people (expressed as full time equivalents), of whom 529 are direct delivery staff.

Reputation

The College has a good reputation locally and nationally. Maintaining a quality brand is essential for the College's success at attracting students and external relationships.

Operating and Financial Review *(continued)*

PRINCIPAL RISKS AND UNCERTAINTIES

The College has a robust system of risk management and has well embedded systems of internal control, including financial, operational and risk management which is designed to protect the College's assets and reputation.

The Corporation undertakes a regular review of the risks to which the College is exposed. This identifies systems and procedures, including specific preventable actions which should mitigate any potential impact on the College. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions. In addition to the annual review, the Corporation will also consider any risks which may arise as a result of a new area of work being undertaken by the College.

A risk register is maintained at the College Corporate level which is reviewed at least annually by the Audit Committee and more frequently where necessary. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

This is supported by risk management awareness throughout the College.

Outlined below is a description of the principal risk factors that may affect the College. Not all the factors are within the College's control. Other factors besides those listed below may also adversely affect the College.

1. *Government funding*

The College has considerable reliance on continued government funding through the key funding agencies. In 2010/2011, 90% 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.

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

(i) The demand led funding system applied to FE colleges and other providers in respect of adult provision from August 2008. 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. Such funding cannot be guaranteed though.
(ii) The government is reviewing its priorities for the adult skills sector following the Leitch report into the skills needed for the UK to compete in the global economy.
(iii) Future spending reviews may impact on the College's main funding streams.

The 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
- By placing considerable focus and investment 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 funding bodies
- Re-aligning College resources

Operating and Financial Review *(continued)*

2. *Tuition fee policy*

Ministers have confirmed that the fee assumption increased from 47.5% in 2009/10 to 50% in 2010/11. In line with the majority of other colleges, the College will increase tuition fees in accordance with the rising fee assumptions. The price elasticity of adult learning is not yet fully understood. The risk for the College is that demand falls off as fees increase. This will impact on the growth strategy of the College.

This risk is mitigated in a number of ways:

- By ensuring the College is rigorous in delivering high quality education and training, thus ensuring value for money for students
- Close monitoring of the demand for courses as prices change

3. Maintain adequate funding of pension liabilities

The financial statements report the share of the LGPS pension scheme deficit on the College's balance sheet in line with the requirements of FRS17.

4. *Property*

The section 'ongoing capital programme' highlights the ongoing difficulties faced by the sector in completing many ambitious campus redevelopments. For Derby College, the completion of its own estates strategy is regarded as one of the key risks and uncertainties facing the College and its stakeholders. Affordability will be the key driver in how the future estate is redeveloped.

STAKEHOLDER RELATIONSHIPS

In line with other colleges, Derby College has many stakeholders. These include:

- Students
- Funding Bodies
- Staff
- Local employers
- Local authorities
- Government offices/regional development agencies
- The local community
- Other FE institutions
- Trade Unions
- Professional bodies

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

Operating and Financial Review *(continued)*

Equal opportunities and employment of disabled persons

The College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, gender, sexual orientation, ability, class and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry. This policy is resourced, implemented and monitored on a planned basis. The College's Race Equality Policy, Equality and Diversity Policy and Disability Equality Scheme are published on the College's internet site.

The College considers all applications 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 which are, as far as possible, identical to those for other employees. A full employment analysis is undertaken each year and considered by Governors.

Disability statement

What will help us to drive the disability equality scheme agenda? The belief that education is key to a person's quality of life.

Education is precious and should be open to all, therefore we are committed to supporting people with disabilities to attend College and reach their potential. Our Additional Learning Support team screens students for learning difficulties and provides the necessary support to make sure, that as far as is possible, everyone starts out on an equal footing.

We also recognise that many disabled people want to live independently by earning their own living, therefore they should have the opportunity to be part of the workforce too, as work provides most people with self-satisfaction, particularly when they can see their efforts rewarded. Furthermore, the social aspects of working life gives people the opportunity to form friendships and broaden their social structure.

The College sets meaningful and challenging targets to ensure that disabled people are given the opportunity to contribute to our organisation. Our Action Plan helps to keep us focused and ensure that we meet our obligations under the DDA. Ultimately, we are making our contribution towards ensuring that disabled people have the opportunity to participate fully in society. We will therefore, use our Disability Equality Scheme as a framework to help us to effectively promote and support the needs of people with disabilities.

Disclosure of Information to Auditors

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

Approved by order of the members of the Corporation on 12th December 2011 and signed on its behalf by:

Janet Morgan

Janet Morgan
Chairman

Professional advisers

Financial statements and regularity auditors:	KPMG LLP One Snowhill Snow Hill Queensway Birmingham B4 6GH
Internal auditors:	Grant Thornton UK LLP Enterprise House 115 Edmund Street Birmingham B3 2HJ
Bankers:	Yorkshire Bank Plc 28 St Peter's Street Derby DE1 1SL
Solicitors:	Flint Bishop St Michaels Court St Michaels Lane Derby DE1 3HQ
	Geldards Number One Pride Place Pride Park Derby DE24 8QR
	Martineaus 1 Colmore Square Birmingham B4 6AA
	Eversheds 1 Royal Standard Place Nottingham NG1 6FZ

Statement of Corporate Governance and Internal Control

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 UK Corporate Governance Code issued by the London Stock Exchange in June 2010. Its purpose is to help the reader of the financial statements understand how the principles have been applied. In the opinion of the Governors, the College complies with all the provisions of the Code insofar as they apply to the Further Education Sector, and it has complied throughout the year ended 31st July 2011.

The Corporation

The members who served the Corporation during the year and up to the date of signature of this report were as follows:

Name	Date of Initial Appointment	End Date of Current Appointment	Date of Resignation	Category of Governor	Committees Served
Shareen Akhtar	01.07.10	30.06.11		Student	Q&S
Bill Chaplin	01.07.03	30.03.13		Governor	Q&S
Sunny Chandhoke	21.03.11	20.03.13		Governor	Audit
Kathy Corns	24.07.06	19.10.10		Staff	
David Croll	01.01.02	n/a		Principal	Sch; F&R
Hardyal Dhindsa	01.05.08	01.05.12		Governor	
Carol Dover	01.01.02	20.10.12		Governor	Q&S
Mathew Gilbert	01.07.10	30.06.12		Student	Q&S
Nick Freeman	30.01.11	31.01.13		Governor	Audit
Lin Hinson	22.03.10	22.03.12		Governor	Audit
Debra Martin (Vice-Chairman)	01.11.07	01.11.11		Governor	Sch Chairman Sch
Jonathan McCluskey	22.03.10	22.03.12		Governor	Audit
Janet Morgan (Chairman)	22.10.08	15.09.12		Governor	F&R; Sch
Kevin Parkinson	18.07.11	17.07.13		Governor	F&R
Patrick Murray	01.10.09	30.09.13	01.05.11	Governor	
Tim Park	01.01.03	01.01.12		Governor	Chairman F&R; Q&S; Sch
Brian Powell	01.01.02	31.12.13		Governor	F&R; Q&S; Sch
Lee Pratt	15.10.10	15.10.12		Staff	Q&S
Tony Riley	01.01.04	31.12.11	19.07.11	Governor	F&R
Balbir Samra	15.03.02	15.03.11		Governor	Audit
Kevin Slack	22.03.10	22.03.12		Governor	Audit Chairman
Graham Schuhmacher	01.01.02	31.12.13	12.03.11	Governor	F&R; Sch; Q&S
Sushma Sehmbi	15.03.02	31.07.11		Governor	Sch
Phil Taylor	21.03.05	19.10.10		Staff	
Andy Ward	15.10.10	15.10.12		Staff	Q&S

Statement of Corporate Governance and Internal Control *(continued)*

Key to Committees:

A	Audit Committee
F&R	Finance and Resources Committee
Q&S	Quality and Standards Committee
Sch	Search Committee
S	Special Committee

It is the Corporation's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

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 approximately five times a year.

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Finance and Resources Committee, Search, Audit and Quality and Standards. Meeting schedules range from three to six times a year. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available from the Clerk to the Corporation at:

Derby College, The Roundhouse, Roundhouse Road, Pride Park, Derby DE24 8JE

All governors are able to take independent professional advice in furtherance of their duties at the College's expense and have access to the Clerk to the Corporation, who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Clerk are matters for the Corporation as a whole.

Formal agendas, papers and reports are supplied to governors in a timely manner, prior to Board meetings. Briefings are also provided on an ad-hoc basis.

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.

There is a clear division of responsibility in that the roles of the Chair of the Corporation and Principal of the College are separate.

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search Committee comprising of five members of the Corporation which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

Members of the Corporation are appointed for a term of office not exceeding 2 years.

Statement of Corporate Governance and Internal Control *(continued)*

Remuneration Committee

The Corporation does not have a separate Remuneration Committee. Throughout the year, the Finance and Resources Committee undertook the responsibility to make recommendations to the Board on the remuneration and benefits of the Principal and other senior postholders.

Details of remuneration for the year ended 31st July 2011 are set out in note 7 to the financial statements.

Audit Committee

The Audit Committee comprises three members of the Corporation (who exclude the Principal and Chair). The Committee operates in accordance with written terms of reference approved by the Corporation. Its purpose is to advise the Corporation on the adequacy and effectiveness of the College's system of internal control and its arrangements for risk management, control and governance processes.

The Audit Committee meets on a regular basis and provides a forum for reporting by the College's internal and financial statements auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the main funding bodies as they affect the College's business.

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.

Management is responsible for the implementation of agreed recommendations and internal audit undertake periodic follow up reviews to ensure such recommendations have been implemented.

The Audit Committee also advises the Corporation on the appointment of internal and financial statements auditors and their remuneration for both audit and non-audit work.

Internal Control

Scope of responsibility

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.

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

Statement of Corporate Governance and Internal Control *(continued)*

The purpose of the system of internal control

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 Derby College for the year ended 31st July 2011 and up to the date of approval of the annual report and financial statements.

The risk and control framework

The system of internal control is based on a framework of regular management information, administration 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

The College has an internal audit service, which operates in accordance with requirements of the LSC's and successor body's Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The process of analysing risks and the analysis of the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee.

As a minimum, the Head of Internal Audit (HIA) annually 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.

Review of effectiveness

As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. The Principal's review of the effectiveness of the system of internal control is informed by:

- the work of the internal auditors;
- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework; and
- comments made by the College's financial statements auditors and the regularity auditors in their management letter and other reports.

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

The College Management Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Executive team and 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

Statement of Corporate Governance and Internal Control *(continued)*

includes a regular item for consideration of risk and control and receives reports thereon from the Executive team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its meeting held on 12th December 2011, the Corporation received the College's updated corporate risk register which had been formerly reviewed by the Audit Committee.

Capacity to handle risk

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 31st July 2011 and up to the date of approval of the annual report and financial statements. This process is reviewed regularly by the Corporation.

Going Concern

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 they continue to adopt the going concern basis in preparing the financial statements.

Approved by order of the members of the Corporation on 12th December 2011 and signed on its behalf by:

Janet Morgan

Janet Morgan
Chairman

David Croll
Principal

Statement of the responsibilities of the members of the Corporation

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

Within the terms and conditions of the Financial Memorandum agreed between the funding bodies 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 and with the Accounts Direction issued jointly by the Skills Funding Agency and the Young People's Learning Agency, and which give a true and fair view of the state of affairs of the College and the result for that year.

In preparing the financial statements, the Corporation is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare financial statements on the going concern basis unless it is inappropriate to assume that the College will continue in operation.

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 to safeguard assets of the College and to prevent and detect fraud and other irregularities.

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

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from the funding bodies are used only in accordance with the Financial Memorandum with the funding bodies and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place to safeguard public and other funds and ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the College's resources and expenditure so that the benefits that should be derived from the application of public funds by the Skills Funding Agency are not put at risk.

Approved by order of the members of the Corporation on 12th December 2011 and signed on its behalf by:

Janet Morgan

Janet Morgan
Chairman

Independent auditors' report to the Corporation of Derby College

We have audited the Group and College financial statements ("the financial statements") of Derby College for the year ended 31st July 2011 set out on pages 23 to 52. The financial reporting framework that has been applied in their preparation is applicable law and UK accounting standards (UK Generally Accepted Accounting Practice).

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

Respective Responsibilities of the Corporation of Derby College and Auditor

As explained more fully in the Statement of the Corporation's responsibilities set out on page 19, the Corporation is responsible for the preparation of financial statements which give a true and fair view.

Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the College's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Corporation; and the overall presentation of the financial statements. In addition we read all the financial and non-financial information in the Operating and Financial Review to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Groups' and of the College's affairs as at 31st July 2011 and of the College's deficit for the year then ended;
- have been properly prepared in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education Institutions

Opinion on other matters prescribed by the revised Joint Audit Code of Practice (Part 1) issued jointly by the Skills Funding Agency and the YPLA and the Audit Code of Practice issued by the Learning and Skills Council

In our opinion:

- proper accounting records have been kept; and
- the financial statements are in agreement with the accounting records.

A Argyle
for and on behalf of KPMG LLP. Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

12th December 2011

KPMG

Independent regularity report to the Corporation of Derby College and the Chief Executive of Skills Funding.

In accordance with the terms of our engagement letter dated 22nd May 2008 and further to the requirements of the Chief Executive of the Skills Funding Agency, we have carried out a review to obtain assurance about whether, in all material respects, the expenditure disbursed and income received of Derby College ('the College') during the year ended 31st July 2011 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 Chief Executive of the Skills Funding Agency. Our review work has been undertaken so that we might state to the Corporation and the Chief Executive of the Skills Funding Agency those matters we are required to state to it 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 Chief Executive of the Skills Funding Agency, for our review work, for this report, or for the opinion we have formed.

Respective responsibilities of the Members of the Corporation of Derby 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 issued by the Learning and Skills Council. We report to you whether, in our opinion, in all material respects, expenditure disbursed and income received during the year ended 31st July 2011 have been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Basis of opinion

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

Opinion

In our opinion, in all material respects, the expenditure disbursed and income received during the year ended 31st July 2011 have been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

A Argyle

A Argyle
for and on behalf of KPMG LLP. Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

12th December 2011

Consolidated income and expenditure account
for the year ended 31 July 2011

	Note	**2011**	2010
		£'000	£'000
Income			
Funding Body Grants	*2*	**52,103**	48,986
Tuition fees and education contracts	*3*	**2,918**	3,606
Other income	4	**2,789**	3,230
Release of deferred grant associated with accelerated depreciation		**-**	248
Investment income	5	**49**	7
Total income		**57,859**	56,077
Expenditure			
Staff costs	*6*	**35,262**	33,848
Exceptional restructuring costs	*6*	**1,868**	565
Other operating expenses	8	**17,221**	16,920
Depreciation	*12*	**3,462**	3,859
Accelerated Depreciation		**-**	2,312
Interest and other finance costs	*9*	**1,065**	1,453
Total expenditure		**58,878**	58,957
Deficit on continuing operations after depreciation of tangible fixed assets at valuation and before exceptional items and tax		**(1,019)**	(2,880)
Surplus on disposal of assets		**-**	1,083
Deficit on continuing operations after depreciation of assets at valuation, exceptional items and disposal of assets but before tax		**(1,019)**	(1,797)
Taxation	*10*	**-**	-
Deficit on continuing operations after depreciation of assets at valuation, exceptional items and disposals of assets and tax		**(1,019)**	(1,797)

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

Consolidated statement of total recognised gains and losses
for the year ended 31 July 2011

	Note	2011 £'000	2010 £'000
Deficit on continuing operations after depreciation of assets at valuation and tax	*22*	**(1,019)**	(1,797)
Value of net assets donated	*23*	**-**	2,687
Actuarial gain in respect of pension scheme liabilities	*19, 23*	**3,200**	2,527
Total recognised gains relating to the year		**2,181**	3,417

Reconciliation	***Note***	
Opening reserves		**(1,746)**
Total recognised gain for the year		**2,181**
Closing reserves	*21,22*	**435**

Consolidated statement of historical cost surpluses and deficits
for the year ended 31 July 2011

	Note	2011 £'000	2010 £'000
Deficit on continuing operations after depreciation of assets at valuation and tax		**(1,019)**	(1,797)
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount		**56**	248
Release of revaluation reserve following disposal of inherited fixed assets		**-**	297
Accelerated release of revaluation reserve relating to the property strategy	*12, 21*	**-**	1,282
Historical cost (loss) / surplus for the year		**(963)**	30

Consolidated balance sheet
as at 31 July 2011

	Note	**2011**	2010
		£'000	£'000
Fixed assets			
Tangible assets	*12*	**86,191**	85,574
Investments	*13*	**-**	-
		86,191	85,574
Current assets			
Stocks	*14*	**49**	41
Debtors	*15*	**3,218**	4,639
Cash at bank and in hand		**600**	8,100
Fixed assets held for resale	*12*	**437**	437
		4,304	13,217
Creditors: Amounts falling due within one year	*16*	**(11,470)**	(12,115)
Net current (liabilities)/assets		**(7,166)**	1,102
Total net assets		**79,025**	86,676
Creditors: Amounts falling due after more than one year	*17*	**(10,778)**	(17,042)
Provisions for liabilities and charges	*19*	**(4,714)**	(5,020)
Net assets excluding pension liability		**63,533**	64,614
Net pension liability	*23*	**(16,193)**	(18,093)
Net assets including pension liability		**47,340**	46,521
Deferred capital grants	*20*	**46,905**	48,267
Reserves			
Income and expenditure account excluding pension reserve	*22*	**15,523**	15,186
Pension reserve	*23*	**(16,193)**	(18,093)
Income and expenditure account including pension reserve	*22*	**(670)**	(2,907)
Revaluation reserve	*21*	**1,105**	1,161
		47,340	46,521

The financial statements on pages 23 to 52 were approved by the Corporation on 12th December 2011 and were signed on its behalf by:

Janet Morgan
Chairman

David Croll
Principal

College balance sheet

as at 31 July 2011

	Note	**2011** £'000	2010 £'000
Fixed assets			
Tangible assets	*12*	**86,120**	85,534
Investments	*13*	**14**	14
		86,134	85,548
Current assets			
Stocks	*14*	**49**	41
Debtors	*15*	**3,202**	4,629
Cash at bank and in hand		**327**	7,836
Fixed assets held for resale	*12*	**437**	437
		4,015	12,943
Creditors: Amounts falling due within one year	*16*	**(11,410)**	(12,131)
Net current (liabilities)/assets		**(7,395)**	812
Total net assets		**78,739**	86,360
Creditors: Amounts falling due after more than one year	*17*	**(10,778)**	(17,042)
Provisions for liabilities and charges	*19*	**(4,714)**	(5,020)
Net assets excluding pension liability		**63,247**	64,298
Net pension liability	*23*	**(16,193)**	(18,093)
Net assets including pension liability		**47,054**	46,205
Deferred capital grants	*20*	**46,905**	48,267
Reserves			
Income and expenditure account excluding pension reserve	*22*	**15,237**	14,870
Pension reserve	*23*	**(16,193)**	(18,093)
Income and expenditure account including pension reserve	*22*	**(956)**	(3,223)
Revaluation reserve	*21*	**1,105**	1,161
		47,054	46,205

The financial statements on pages 23 to 52 were approved by the Corporation on 12th December 2011 and were signed on its behalf by:

Janet Morgan
Chairman

David Croll
Principal

Consolidated cash flow statement
for the year ended 31 July 2011

	Note	**2011 £'000**	2010 £'000
Cash inflow from operating activities	*24*	**1,733**	4,572
Returns on investments and servicing of finance	*26*	**(25)**	(57)
Capital expenditure and financial investment	*26*	**(3,758)**	(151)
Cash (outflow)/inflow before use of liquid resources and financing		**(2,050)**	4,364
Financing	*26*	**(5,450)**	3,088
(Decrease)/Increase in cash	*25*	**(7,500)**	7,452

Reconciliation of net cash flow to movement in net debt

		2011 £'000	2010 £'000
(Decrease)/Increase in cash in the year	*25*	**(7,500)**	7,452
New loans raised		**-**	(3,949)
Repayment of loans		**5,450**	861
Movement in net (debt)/funds in year	*25*	**(2,050)**	4,364
Net debt at 1 August	*25*	**(4,495)**	(8,002)
Net debt acquired on merger		**-**	(857)
Net debt at 31 July	*25*	**(6,545)**	(4,495)

Notes
(forming part of the financial statements)

1 Statement of accounting policies

Basis of preparation

These financial statements have been prepared in accordance with the 2007 Statement of Recommended Practice (SORP): Accounting for Further and Higher Education and in accordance with applicable Accounting Standards. They conform to guidance published jointly by the Skills Funding Agency/YPLA in the 2010/11 Accounts Direction Handbook.

Basis of accounting

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

Going concern

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

Basis of consolidation

The consolidated financial statements of the group include the financial statements of the College and its subsidiary undertakings.

In accordance with FRS2, the activities of the student union have not been consolidated because the College does not control those activities. All financial statements are prepared to 31st July 2011.

Recognition of income

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

Other discrete funds received during the year are taken to income as expenditure is incurred in line with the specific terms and conditions attached to each fund.

Where the College receives and disburses funds in which it has no direct beneficial interest, such funds are excluded from the income and expenditure account on the grounds that the College does not have direct control over the future economic benefits derived from these funds. The College has applied this policy to certain funds received during the year (see note 33).

Non-recurrent grants 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 year for which it is receivable and includes all fees payable by students or their sponsors.

Notes *(continued)*

1 Statement of accounting policies *(continued)*

Income from grants, contracts and other services rendered is included to the extent of the completion of the contract or service concerned.

All income from short-term deposits is credited to the income and expenditure account in the year 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 charged as incurred.

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

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

Further details of the pension schemes are given in note 23.

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 funding bodies.

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. Land and buildings acquired since incorporation are included in the balance sheet at cost. Freehold land is not depreciated. Freehold buildings are depreciated on a straight line basis over their expected useful economic life to the College of between 25 and 50 years after making allowance of any residual value. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life.

In line with the SORP, the College recognises the value of gifted land as a fixed asset with an equal and matching recognition of operating income in the year of the gift. The value of the gifted buildings is recognised as a depreciable fixed asset in the year of the gift along with a matching deferred capital grant.

On adoption of FRS15, the College followed the transitional provisions to retain the book value of land and buildings which were re-valued 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 FRS11.

Notes *(continued)*

1 Statement of accounting policies *(continued)*

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. Where land is acquired by means of a gift, the market value of the land is recognised as operating income in the year of the gift. Where buildings are acquired by means of a gift, the market value of the buildings is capitalised and depreciated as above. The value of the gift is credited to a deferred capital grant account and 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.

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(s) may not be recoverable.

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 year 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
- Assets capacity increases
- Substantial improvement in the quality of output or reduction in operating costs
- Significant extension of the assets life beyond that conferred by repairs and maintenance

Buildings owned by third parties

Where land and buildings are used, but the legal rights are held by a third party, they are only capitalised if the College has rights or access to ongoing future economic benefit. These assets are then depreciated over their expected useful economic life.

Assets under construction

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

Interest

Interest payable during the development period of major capital projects is capitalised under provisions laid down in FRS15.

Equipment

Equipment costing less than £1,000 per individual item is written off to the income and expenditure account in the year of acquisition. All other equipment is capitalised at cost. Equipment inherited from the Local Education Authority is included in the balance sheet at valuation.

Notes *(continued)*

1 Statement of accounting policies *(continued)*

Inherited equipment is depreciated on a straight line basis over its remaining useful economic life to the College. All other equipment is depreciated on a straight line basis over its useful economic life as follows:

Motor vehicles	-	25% to 33% per year
General equipment	-	10% to 33% per year
Computer equipment	-	33% per year
IT network infrastructure	-	10% per year

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

Leased assets

Costs in respect of operating leases are charged on a straight line basis over the lease term. Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The relevant assets are capitalised at their fair value at the inception of the lease and depreciated over the shorter of the lease term or the useful economic lives of equivalently owned assets. The capital element outstanding is shown as obligations under finance leases.

The finance charges are allocated over the period of the lease in proportion to the capital element outstanding. Where finance lease payments are funded in full from Funding Body capital equipment grants, the associated assets are designated as grant-funded assets.

Assets which are held under hire purchase contracts which have the characteristics of finance leases are depreciated over their useful lives.

Investments

Fixed asset investments are carried at historical cost less any provision for impairment in their value.

Current asset investments, which may include listed investments, are stated at the lower of their cost and net realisable value.

Stocks

Significant 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.

Maintenance of premises

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

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 year with all resulting exchange differences being taken to the income and expenditure account in the year in which they arise.

Notes *(continued)*

1 Statement of accounting policies *(continued)*

Taxation

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

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

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

Deferred taxation

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounting and taxation purposes, which are expected to reverse in the future calculated at the rates at which it is expected that tax will arise.

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.

Cash

Cash for the purposes of the cash flow statement comprises cash in hand and deposits repayable on demand less overdrafts repayable on demand.

Notes *(continued)*

2 Funding Body grants

	MAIN FUNDING BODIES	HEFCE	**TOTAL**	**TOTAL**
			2011	2010
	£'000	£'000	**£'000**	£'000
Funding body recurrent grant (16-18, ALR and ALS)	38,579	697	**39,276**	33,666
Work based learning (including employer responsive)	2,389	-	**2,389**	2,314
Releases of deferred capital grants				
Buildings (note 20)	815	-	**815**	789
Equipment (note 20)	246	-	**246**	314
Entry to Employment	-	-	**-**	98
Response to redundancy	43	-	**43**	49
Employer Responsive (Train to Gain)	6,899	-	**6,899**	10,065
Other funds	43	-	**43**	309
Supported Learning (Deaf Access)	300	-	**300**	300
OLASS	66	-	**66**	59
Six month offer	354	-	**354**	451
Merger support	1,672	-	**1,672**	572
	51,406	697	**52,103**	48,986

3 Tuition fees and education contracts

	2011	2010
	£'000	£'000
Total fees paid by or on behalf of individual students		
UK students	**1,828**	2,118
Overseas students	**90**	721
Education contracts	**1,000**	767
	2,918	3,606

4 Other income

	2011	2010
	£'000	£'000
Residences, catering and conferences	**215**	188
Farming	**18**	17
Other income generating activities	**950**	992
Other grant income	**215**	190
Releases from deferred capital grants (non-funding bodies)	**622**	667
Other income	**769**	1,176
	2,789	3,230

Notes *(continued)*

5 Investment income

	2011 **£'000**	2010 £'000
Other interest receivable	**49**	7
Pension finance income	**-**	-
	49	7

6 Staff numbers and costs

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

	2011 **Number**	2010 Number
Teaching staff	**529**	488
Non-teaching staff	**565**	537
	1,094	1,025

Staff costs for the above persons were as follows:

	2011 **£'000**	2010 £'000
Teaching departments – teaching staff *	**17,799**	17,665
Teaching departments – other staff	**5,711**	5,481
Teaching support services	**3,167**	2,959
Other support services	**1,250**	1,041
Administration and central services	**6,127**	5,139
Premises	**762**	1,186
Other pension costs – FRS17	**324**	277
- LGPS pension shortfall	**122**	100
Subtotal	**35,262**	33,848
Exceptional restructuring costs	**1,868**	565
	37,130	34,413

* The above includes £138,000 *(2010: £132,000)* in respect of contracted out lecturing services.

Notes *(continued)*

6 Staff numbers and costs *(continued)*

	2011	2010
	£'000	£'000
Wages and salaries	**29,543**	28,470
Social security costs	**2,160**	2,013
Pension costs	**3,113**	2,988
Other pension costs (including FRS17 adjustments of £324,000 (2010*: £277,000)*	**446**	377
Exceptional restructuring costs	**1,868**	565
	37,130	34,413

	2011	2010
	£'000	£'000
Payroll sub total		
Employment costs for staff on permanent contracts (incl FRS17 costs)	**31,169**	29,700
Employment costs for staff on short-term and temporary contracts	**4,093**	4,148
Exceptional restructuring costs	**1,868**	565
	37,130	34,413

The number of staff, including senior post-holders and the Principal, who received emoluments in the following ranges (excluding redundancy costs) was:

	2011 Number of senior post-holders	**2011 Number of other staff**	2010 Number of senior post-holders	2010 Number of other staff
£60,001 to £70,000	-	3	-	2
£70,001 to £80,000	-	1	-	4
£80,001 to £90,000	-	3	1	1
£90,001 to £100,000	1	-	1	2
£100,001 to £110,000	-	1	1	1
£110,001 to £120,000	1	-	-	-
£120,001 to £200,000	-	-	-	-
£200,001 to £210,000	-	-	-	-
£210,001 to £220,000	-	-	1	-
£220,001 to £230,000	-	-	-	-
£230,001 to £240,000	1	-	-	-

A general pay award of 0.2% was made with effect from 1st August 2010 and approved by the Corporation *(2009/10: 1.5%).* The pay award in the year includes senior post-holders.

Notes *(continued)*

7 Emoluments of senior post holders and members

During 2011, senior post-holders were the Principal and two Deputy Chief Executives. Emoluments paid to senior post-holders were made up as follows:

	2011 **Number**	2010 Number
The number of senior post-holders including the Principal was	**3**	5

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

	2011 **£'000**	2010 £'000
Salaries	**384**	448
Benefits in kind	**2**	3
Pension contributions	**52**	63
Compensation for loss of office	**58**	-
	496	514

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

	2011 **£'000**	2010 £'000
Salaries	**202**	185
Benefits in kind	**1**	1
Pension contributions	**28**	26
	231	212

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

Compensation for loss of office paid to former higher paid employees:

	2011 **£'000**	2010 £'000
Compensation paid and payable (ongoing enhanced pension payment provision)	**235**	109
	235	109

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.

Notes *(continued)*

7 Emoluments of senior post-holders and members *(continued)*

Overseas activities

The following costs were incurred in the year in respect of overseas activities.

	Cost £'000	Contributions Received £'000	Net costs to College £'000
Members	-	-	-
Senior post-holders	-	-	-
Other staff	10	(8)	2
	10	(8)	2

8 Other operating expenses

	2011 **£'000**	2010 £'000
Teaching departments	**3,095**	3,786
Teaching support services	**118**	124
Other support services	**875**	678
Administration and central services	**3,165**	2,769
Payments to employers	**559**	641
General education	**1,770**	1,908
Premises costs – running costs	**3,423**	3,548
– rents and leases	**1,239**	1,445
Planned maintenance	**808**	460
Other income generating activities	**152**	170
Marketing	**586**	461
Catering and retail operations	**232**	140
Farming	**-**	47
Sub-contracted provision	**1,199**	743
	17,221	16,920
Other operating expenses include:		
Auditors remuneration:		
Financial statements audit - College	**26**	25
Financial statements audit – subsidiary companies	**3**	3
Internal audit	**43**	37
Other services from either external and internal audit	**90**	15
Hire of plant and machinery – operating leases	**201**	131
Hire of other assets – operating leases	**921**	651

Notes *(continued)*

9 Interest payable

	2011	2010
	£'000	£'000
On bank loans and overdrafts:		
Repayable within five years, not by instalments	**-**	64
Repayable within five years, by instalments	**-**	-
Repayable wholly or partly in more than five years	**74**	-
	74	64
FRS17 Pension finance costs	**720**	1,079
SSAP24 enhanced pension provision	**271**	310
	1,065	1,453

10 Taxation

The College's main activities are exempt from Corporation tax and no liability arose during the year *(2010: £nil)*.

11 Deficit on continuing operations for the year

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

	2011	2010
	£'000	£'000
College's loss for the year (excluding Deed of Covenant receipts)	**(989)**	(1,870)
Surplus generated by subsidiary undertakings and transferred to College under Deed of Covenant	**-**	28
(Loss)/profit retained by subsidiary undertakings	**(30)**	45
Group loss	**(1,019)**	(1,797)

Notes *(continued)*

12 Tangible fixed assets

Group

	Freehold land and buildings £'000	Equipment £'000	Assets under Construction £'000	Total £'000
Cost or valuation				
At 1 August 2010	88,846	3,375	785	93,006
Transfers	703	65	(768)	-
Work in progress c/f	-	-	369	369
Additions	2,887	826	-	3,713
Reclassification	(58)	58	-	-
Disposals	(1,420)	(7)	-	(1,427)
At 31 July 2011	**90,958**	**4,317**	**386**	**95,661**
Accumulated depreciation				
At 1 August 2010	6,139	1,293	-	7,432
Charge for year	2,569	893	-	3,462
Reclassification	3	(3)	-	-
Eliminated in respect of disposals	(1,420)	(4)	-	(1,424)
At 31 July 2011	**7,291**	**2,179**	**-**	**9,470**
Net book value				
At 31 July 2011	**83,667**	**2,138**	**386**	**86,191**
At 31 July 2010	82,707	2,042	785	85,534

Notes *(continued)*

12 Tangible fixed assets *(continued)*

College

	Freehold land and buildings £'000	Equipment £'000	Assets under Construction £'000	Total £'000
Cost or valuation				
At 1 August 2010	88,846	3,330	785	92,961
Transfers	703	65	(768)	-
Work in progress c/f	-	-	369	369
Additions	2,887	783	-	3,670
Reclassification	(58)	58	-	-
Disposals	(1,420)	(7)	-	(1,427)
At 31 July 2011	**90,958**	**4,229**	**386**	**95,573**
Accumulated depreciation				
At 1 August 2010	6,139	1,288	-	7,427
Charge for year	2,569	881	-	3,450
Reclassification	3	(3)	-	-
Eliminated in respect of disposals	(1,420)	(4)	-	(1,424)
At 31 July 2011	**7,291**	**2,162**	**-**	**9,453**
Net book value				
At 31 July 2011	**83,667**	**2,067**	**386**	**86,120**
At 31 July 2010	82,707	2,042	785	85,534

The transitional rules set out in FRS15 *Tangible Fixed Assets* have been applied. Accordingly the book values at implementation have been retained.

Land and buildings of the three merged Colleges were independently valued for the purpose of the 1994 financial statements at depreciated replacement cost by Mr T Foster of Derbyshire County Council, (in respect of Wilmorton, South East Derbyshire and Mackworth Colleges), and by a firm of independent chartered surveyors, in respect of Broomfield College. The valuations were in accordance with the RICS Statement of Asset Valuation Practice and Guidance notes. Other tangible fixed assets inherited from the local education authority at incorporation have been valued by the Corporation on a depreciated replacement cost basis with the assistance of independent professional advice. Had the inherited land and buildings not been revalued, they would be shown at an historic cost of £nil (2010: £nil).

Land and buildings with a net book value of £46,442,000 *(2010: £47,795,000)* have been partly financed from 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 Council, to surrender the proceeds.

Land with a gross book value of £437,000 was transferred to current assets held for resale in 2009/2010. This relates to the Prince Charles Avenue site land which is currently being sold. Land with a book value of £8,256,000 is not depreciated.

Under provisions made within FRS15 the College has not valued premises it rents from third parties.

Notes *(continued)*

13 Investments

	2011 Group £'000	2011 College £'000	2010 Group £'000	2010 College £'000
Shares in group undertakings	**-**	**14**	-	14

The College's subsidiary undertakings, which are all incorporated in Great Britain and registered in England and Wales, are as follows:

Name	**Holding**	**Principal Activity**	**Date interest acquired**
Mackworth Business Services Ltd	100% ordinary £1 shares	Facilities hire and events management	1 April 1993
Corporate College Ltd (dormant)	100% ordinary £1 shares	Provision of IT consultancy services to FE Colleges	14 November 2001

14 Stocks

	2011 Group £'000	2011 College £'000	2010 Group £'000	2010 College £'000
Farm stock	**49**	**49**	41	41
	49	**49**	41	41

15 Debtors

	2011 Group £'000	2011 College £'000	2010 Group £'000	2010 College £'000
Amounts falling due within one year:				
Trade debtors	**321**	**294**	881	828
Amounts owed by subsidiary undertakings	**-**	**34**	-	52
Amounts owed by funding bodies	**887**	**887**	2,993	2,993
Other debtors	**452**	**452**	322	313
Prepayments and accrued income	**1,558**	**1,535**	443	443
	3,218	**3,202**	4,639	4,629

Notes *(continued)*

16 Creditors: Amounts falling due within one year

	2011		2010	
	Group	**College**	Group	College
	£'000	**£'000**	£'000	£'000
Payments received on account	**766**	**766**	1,023	1,023
Trade creditors	**666**	**664**	282	273
Other creditors including taxation and social security	**1,129**	**1,077**	1,185	1,146
Amounts owed to subsidiary undertakings	-	-	-	64
Amounts owed to funding bodies	**2,605**	**2,605**	4,085	4,085
Accruals	**5,620**	**5,614**	4,977	4,977
Lennartz accounting	**684**	**684**	563	563
	11,470	**11,410**	12,115	12,131

17 Creditors: Amounts falling due after more than one year

	2011		2010	
	Group	**College**	Group	College
	£'000	**£'000**	£'000	£'000
Bank loans	**7,145**	**7,145**	12,595	12,595
Lennartz accounting	**3,633**	**3,633**	4,401	4,401
Other	-	-	46	46
	10,778	**10,778**	17,042	17,042

18 Analysis of borrowings

Bank loans and overdrafts

	2011		2010	
	Group	**College**	Group	College
	£'000	**£'000**	£'000	£'000
Bank loans and overdrafts are repayable as follows:				
Within one year	-	-	-	-
Between one and two years	**286**	**286**	6,595	6,595
Between two and five years	**857**	**857**	720	720
In five years or more	**6,002**	**6,002**	5,280	5,280
	7,145	**7,145**	12,595	12,595

Bank loans totalling £7,145,000 (at base rate plus a margin of 0.33%) are on a revolving facility with repayments commencing in 2012.

Notes *(continued)*

19 Provisions for liabilities and charges

Group and College

	Enhanced Pensions £'000
At 1 August 2010	**5,020**
Expenditure in the period	**(321)**
Transferred from income and expenditure account (interest)	**271**
Recognised in Statement of Recognised Gains and Losses	**(256)**
At 31 July 2011	**4,714**

The provision relates to pension enhancements associated with Voluntary Early Retirements.

The provision includes £503,000 *(2010: £532,000.)* in respect of enhanced pensions payable to two former senior post-holders.

The principal assumptions for this calculation are:

	2011	2010
Price inflation	**5.00%**	**2.25%**
Interest rate	**5.36%**	**5.40%**

20 Deferred capital grants

Group and College

	Funding Bodies £'000	**Other grants £'000**	**Total £'000**
At 1 August 2010			
Buildings	25,439	22,106	**47,545**
Equipment	641	81	**722**
Cash receivable			
Buildings	200	97	**297**
Equipment	0	24	**24**
Released to income and expenditure account:			
Buildings	(815)	(586)	**(1,401)**
Equipment	(246)	(36)	**(282)**
	25,219	21,686	**46,905**
At 31 July 2011			
Buildings	24,824	21,617	**46,441**
Equipment	395	69	**464**
	25,219	**21,686**	**46,905**

Notes *(continued)*

20 Deferred capital grants *(continued)*

An analysis of capital grants receivable from the principal funding body during 2010/11 is set out below:

	£'000
Works capital grant	**200**
	200

21 Revaluation reserve

	Group £'000	**College £'000**
At 1 August 2010	1,161	1,161
Transfer from revaluation reserve to income and expenditure account in respect of:		
Depreciation on revalued assets	(56)	(56)
At 31 July 2011	**1,105**	**1,105**

22 Income and expenditure account

	Group £'000	**College £'000**
At 1 August 2010	(2,907)	(3,223)
Deficit on continuing operations after depreciation of assets at valuation and tax	(1,019)	(989)
Transfer from revaluation reserve to income and expenditure account	56	56
Actuarial gain in respect of pension scheme	3,200	3,200
At 31 July 2011	**(670)**	**(956)**

23 Pensions and similar obligations

The College's employees belong to two principal pension schemes, the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS).

Total pension cost for the year		**2010/11 £'000**		2009/10 £'000
Teachers Pension Scheme: contributions paid		**1,767**		1,621
Local Government Pension Scheme:				
Contributions paid	**1,496**		1,367	
FRS17 charge	**1,044**		1,356	
Charge to the Income and Expenditure Account (staff costs and interest)		**2,540**		2,723
Compensation payments in respect of early access to pensions		**122**		100
Total Pension Cost		**4,429**		4,444

Notes *(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.

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

Latest actuarial valuations	31 March 2005
Actuarial method	Prospective Benefits
Investment returns per annum	6.5%
Salary scale increases per annum	5.0%
Market value of assets at date of last valuation	£162,650m

Proportion of members' accrued benefits covered by the actuarial 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 1st August 2010 to 31st July 2011 the employer contribution rate was 14.1%. The employee contribution rate was 6.4% for the same period.

Under the definitions set out in Financial Reporting Standard 17 (Retirement Benefits), the TPS is a multi-employer pension scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the College has taken advantage of the exemption in FRS17 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 deficit in the scheme and the implications for the College in terms of the anticipated contribution rates.

Notes *(continued)*

23 Pensions and similar obligations *(continued)*

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 31st July 2011 was £2,165,000 of which employer contributions totalled £1,496,000. The agreed contribution rate for future years is 11.2% for employers and between 5.5% and 7.5% for employees. A further sum of £449,000 per annum is also payable by Derby College to the pension scheme.

The following information is based upon a full actuarial valuation of the fund as 31st March 2010 updated to 31st July 2011 by a qualified independent actuary.

Principal Actuarial Assumptions	**2011**	2010
Inflation	**3.4%**	3.3%
Rate of increase in salaries	**4.65%**	4.8%
Rate of increase in pensions	**2.9%**	2.8%
Discount rate for liabilities	**5.3%**	5.5%
Inflation assumption (CPI)	**2.9%**	2.8%

On advice from our actuaries we have assumed that 50% of employees retiring in the future will take advantage of the option to commute part of their future annual pension to a lump sum payment on retirement.

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

	At 31 July 2011 Years	At 31 July 2010 Years
Retiring today		
Males	**21.7**	21.2
Females	**24.3**	24.1
Retiring in 20 years		
Males	**23.1**	22.2
Females	**25.9**	25.0

The assets and liabilities in the scheme (of which the College's share is estimated at 1.59%) and the expected rates of return were:

	2011		2010	
	Long term rate of return expected at 31 July 2011 %	**Value at 31 July 2011 £'000**	Long term rate of return expected at 31 July 2010 %	Value at 31 July 2010 £'000
Equities	**7.0%**	**28,472**	7.5%	25,215
Property	**6.0%**	**2,171**	6.5%	1,825
Government Bonds	**3.9%**	**5,720**	4.2%	4,926
Other Bonds	**4.9%**	**2,004**	5.1%	2,263
Cash/liquidity/other	**0.5%**	**3,382**	0.5%	2,263
Total market value of assets		**41,749**		36,492

Notes *(continued)*

23 Pensions and similar obligations *(continued)*

	2011 £'000	2010 £'000
College's estimated asset share	**41,749**	36,492
Present value of scheme liabilities	**(57,850)**	(54,490)
Unfunded liabilities	**(92)**	(95)
Deficit in the scheme	**(16,193)**	(18,093)

Analysis of the amount charged to the income and expenditure account

	2011 £'000	2010 £'000
Employer service cost (net of employee contributions)	**324**	277
Past service cost	**720**	1,079
Total operating charge	**1,044**	1,356

Analysis of pension finance income/costs

	2011 £'000	2010 £'000
Expected return on pension scheme assets	**2,330**	1,725
Interest on pension scheme liabilities	**(3,050)**	(2,804)
Net pension finance charge	**(720)**	(1,079)

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

	2011 £'000	2010 £'000
Actual return less expected return on pension scheme assets	**2,944**	2,410
Actuarial gains/losses on scheme liabilities including CPI credit of £nil *(2009/10: £nil)*	**-**	-
Actuarial gain recognised in STRGL	**2,944**	2,410

Notes *(continued)*

23 Pensions and similar obligations *(continued)*

Movement in deficit during year

	2011 **£'000**	2010 £'000
Deficit in scheme at beginning of year	**(18,093)**	(15,335)
<u>Movement in year:</u>		
Transferred in on merger	**-**	(3,812)
Current service charge	**(1,931)**	(1,741)
Contributions	**1,613**	1,506
Past service gain	**-**	4,205
Curtailments and settlements	**(6)**	(42)
Net interest on assets	**(720)**	(1,079)
Actuarial gain/(loss)	**2,944**	(1,795)
Deficit in scheme at end of year	**(16,193)**	(18,093)

Asset and Liability Reconciliation

	2011 **£'000**	2010 £'000
Reconciliation of Liabilities		
Liabilities at start of period	**54,585**	38,446
Service cost	**1,931**	1,741
Interest cost	**3,050**	2,804
Employee contributions	**667**	646
Actuarial (gain)/loss	**(1,434)**	4,277
Benefits paid	**(863)**	(1,069)
Past Service gain	**-**	(4,205)
Curtailments and settlements	**6**	42
Business combinations	**0**	11,903
Liabilities at end of period	**57,942**	54,585
Reconciliation of Assets		
Assets at start of period	**36,492**	23,111
Expected return on assets	**2,330**	1,725
Actuarial gain	**1,510**	2,482
Employer contributions	**1,613**	1,506
Employee contributions	**667**	646
Benefits paid	**(863)**	(1,069)
Business Combinations	**-**	8,091
Assets at end of period	**41,749**	36,492

Notes *(continued)*

23 Pensions and similar obligations *(continued)*

History of experience gains or losses

	2011 **£'000**	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Difference between the expected and actual return on assets:					
Amount	**1,510**	2,482	(2,210)	(1,471)	786
% of scheme assets	**3.6%**	6.8%	9.6%	6.6%	3.8%
Experience gains and losses on scheme liabilities:					
Amount	**2,989**	-	-	(2,642)	-
% of scheme liabilities	**5.2%**	-	-	6.9%	-
Total amounts recognised in statement of total recognised gains and losses:s					
Amount	**(2,944)**	(1,795)	2,121	(7,930)	1,676
% of scheme liabilities	**5.1%**	3.3%	5.5%	20.7%	6%

24 Reconciliation of operating surplus/(deficit) to net cash flow from operating activities

	2011 **£'000**	2010 £'000
Deficit on continuing operations after depreciation of assets at valuation and tax	**(1,019)**	(1,797)
Depreciation (note 12)	**3,462**	6,171
Deferred capital grants released to income (notes 2, 4 and 12)	**(1,683)**	(2,018)
Surplus on disposal of tangible fixed assets	**-**	(1,083)
Interest receivable	**(49)**	(7)
Interest payable	**74**	64
Pension cost less contributions payable (note 23)	**1,044**	1,356
Enhanced pension adjustment	**256**	117
(Increase)/Decrease in stocks	**(8)**	39
Decrease in debtors	**1,421**	2,225
Increase/(Decrease) in trade creditors	**384**	(458)
Decrease in accruals	**(837)**	(3,339)
(Decrease)/Increase in payments on account	**(257)**	3,839
Decrease in other creditors including taxation and social security	**(749)**	(515)
Decrease in provisions	**(306)**	(22)
Net cash inflow from operating activities	**1,733**	4,572

Notes *(continued)*

25 Analysis of changes in net (debt)/funds

	At 1 August 2010	Cash flows	**At 31 July 2011**
Cash at bank and in hand	8,100	(7,500)	**600**
Debts due after 1 year	(12,595)	5,450	**(7,145)**
Total	(4,495)	(2,050)	**(6,545)**

26 Analysis of cash flows for headings netted in the cash flow statement

	2011 £'000	2010 £'000
Returns on investments and servicing of finance		
Interest received	**49**	7
Interest paid	**(74)**	(64)
Net cash outflow from returns on investments and servicing of finance	**(25)**	(57)
Taxation		
Corporation tax paid	**-**	-
Net cash outflow from taxation	**-**	-
Capital expenditure and financial investment		
Purchase of tangible fixed assets	**(4,082)**	(2,059)
Sales of tangible fixed assets	**3**	1,464
Deferred capital grants received	**321**	444
Net cash outflow for capital expenditure and financial investment	**(3,758)**	(151)
Financing		
Debt due beyond a year:		
New loans raised	**-**	3,949
Repayment of loans	**(5,450)**	(861)
Net cash (outflow)/inflow from financing	**(5,450)**	3,088

Notes *(continued)*

27 Post balance sheet events

Details of post balance sheet events are given in the report of the members of the Corporation.

Since the balance sheet date, the continuing 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.

28 Capital commitments

	2011		2010	
	Group	**College**	Group	College
	£'000	**£'000**	£'000	£'000
Commitments contracted for at 31 July	**1,454**	**1,454**	**4,062**	**4,062**
Commitments authorised but not contracted for at 31 July	**398**	**398**	-	-

29 Financial commitments

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

	2011		2010	
	Land and buildings	**Other**	Land and buildings	Other
	£'000	**£'000**	£'000	£'000
Expiring within one year	**10**	**-**	118	-
Expiring between two and five years inclusive	**163**	**989**	775	868
Expiring after five years	**1,106**	**175**	-	-
	1,279	**1,164**	893	868

30 Contingent liability

The college had no contingent liabilities as at 31st July 2011.

31 Related Party Transactions

Due to the nature of the College's operations and the composition of the 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 Corporation may have an interest. All transactions involving organisations in which a member of the Corporation may have an interest are conducted at arms length and in accordance with the College's financial regulations and normal procurement procedures. No relationships have been identified which should be disclosed under Financial Reporting Standard 8 'Related Party Transaction Disclosures'.

On 2nd February 2011 the College became the lead partner in the Merrill and Derby College Partnership (Company Registration number 7514639). No financial transactions are processed by the Company and no related party transactions took place during 2010/2011.

Transactions with the funding bodies are detailed in notes 2, 15 and 16.

Notes *(continued)*

32 Cash flow relating to exceptional items

The operating cash outflows include an outflow of £1,232,000 *(2010: £531,000)* for exceptional restructuring costs.

33 Learner support funds

	2011 **£'000**	2010 £'000
Grants received	**767**	742
Disbursed to students	**(689)**	(696)
Administration costs	**(39)**	(36)
Balance unspent at 31 July	**39**	10

Funding body grants are available solely for students. In the majority of instances, the College only acts as a paying agent. In these circumstances, the grants and related disbursements have therefore been excluded from the income and expenditure account, other than when the College has directly incurred expenditure itself.