Derby College

Members' report and financial statements

For the year ended 31st July 2013

Members’ report and financial statements

Contents

Members' report

Operating and Financial Review

NATURE, OBJECTIVES AND STRATEGIES

The members present their report and the audited financial statements for the year ended 31st July 2013.

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 2011. Derby College was incorporated on 1st January 2002.

Mission and Strategic Objectives

The success of our learners is central to everything we do at Derby College. Our vision is *"to be the catalyst of wealth creation, empowering individuals, the economy and the community to realise their own economic and social success."*

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

The College's ongoing strategic objectives are:

1. **Quality Improvement**: *To champion excellence by embedding a culture of continuous improvement, resulting in outstanding outcomes and an exceptional learning journey for all.*
2. **Impact on economic development**: *To positively impact on economic development, generating the future talent required by business.*
3. **Community cohesion and social action**: *To promote social interaction and inclusion, celebrating diversity and recognising commonality.*
4. **Innovation and growth**: *To maximise commercial return by developing innovative opportunities to be re-invested to enhance the learning experience the organisation provides.*
5. **Influence and partnerships**: *To enhance our reputation and corporate positioning, influencing decision making through effective relationships with partners.*

Financial objectives

The College's financial objectives and prescribed performance indicators are:

1 **Financial Health**: *To achieve satisfactory financial performance in 2013/14 and improve to good by 2014/15 as defined by the SFA financial health scoring. To be monitored and measured via the monthly management accounts.*

2 **Financial Operating Position**: *To achieve an underlying operating surplus in 2013/14 and sustain improvements to this for 2014/15 onwards, as calculated by the SFA methodology. To be monitored and measured via the monthly management accounts.*

3 **Historical Cost Position**: *The Statement of Historical Cost Surpluses and Deficits (as shown in the audited consolidated accounts) will not show a deficit for any two consecutive periods of twelve months ending on the last day of the financial year. To be monitored and measured via the year end audited financial statements.*

Operating and Financial Review *(continued)*

Financial objectives *(continued)*

4 **Income generation**: Increase commercial income (non-Agency funding) to offset reductions in SFA/EFA funding. To be monitored and measured via the monthly management accounts.

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

Performance indicators

FE Choices (formally the "Framework for Excellence") has four key performance indicators:

- Success rates
- Learner destinations
- Satisfaction survey (formerly "learner voice")
- Satisfaction survey (formerly "employer views")

The College is committed to observing the importance of the measures and indicators and these form part of the monthly KPI's.

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.

	2013	**2012**
	£'000	**£'000**
Deficit on continuing operations after depreciation and before exceptional items and tax	**(1,070)**	**(3,763)**
Adjust for non-operational items:		
Restructuring Costs	**1,516**	**758**
Merger Funding	**(1,516)**	**0**
Pension Reserve Costs	**855**	**758**
Underlying operating deficit	**(215)**	**(2,212)**

The College results in 2012/13 show significant improvements on the previous year with a positive movement in operating position exclusive of restructuring and pension reserve costs of £1,970,000 to a position of £215,000 deficit. The disposal of the Cavendish road site at Ilkeston had a negative impact on the overall position posting a loss of £1,099,000.

The College has accumulated general reserves of £19,299,000 (excluding pension reserve), an overdraft of £9,700,000 and cash balances of £57,000, the latter balances reflecting the ongoing capital programme and the cash flow impacts of property sales and buildings.

Operating and Financial Review *(continued)*

Financial position *(continued)*

Tangible fixed asset additions during the year amounted to £13,936,000, the majority of which relates to capital works associated with the on-going redevelopment of the College's estate, in particular the sites at Broomfield and the new college at Ilkeston.

The College has significant reliance on the external funding bodies for its principal funding source, largely from recurrent grants. In 2012/13, 88% (2011/12: 89%) of the College's total operational income was derived from funding bodies.

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

Name	Nature of business	Gift Aid Payment
Mackworth Business Services Ltd	Facilities Hire	£8,239
Corporate College Ltd	Dormant	N/A

Ongoing capital programme

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.

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.

Short term borrowing for temporary revenue purposes is authorised by the Corporation. All borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum.

Cash flows

The College's net operating cash inflow amounted to £2.365m in the year *(2011/12 outflow £3.447m).* After fixed asset additions, grant receipts and financing, the net debt position increased from £8.616m to £16.514m.

Liquidity

During the year the College increased its borrowing via overdraft funding to support the capital programme. This approach was deemed suitable given the anticipated timing of capital receipts from the sale of assets in comparison to the cost and timing of asset additions. This position is reviewed regularly.

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 and overdraft facilities were in place during the year in order to meet working capital needs associated with the property strategy developments.

Current and Future Developments and Performance

Student Numbers

The College supports around 29,000 learners every year. These include approximately 6,000 full-time and 23,000 part-time learners from a diverse range of social and educational backgrounds.

Operating and Financial Review *(continued)*

Current and Future Developments and Performance *(continued)*

Student Achievements

Learner responsive provision

Learner retention and success rates continued to improve in 2012/13 seeing an increase of two and three percentage points respectively. Overall retention increased from 89% in 2011/12 to 91% in 2012/13 with overall success rates increasing from 82% to 85%.

Apprenticeships

Apprenticeships are one of the cornerstones of the current Government's education policy and the College is committed to fulfilling their potential. Overall apprenticeship framework success rates improved by six percentage points in 2012/13 compared to 2011/12, from 65% to 71%.

Curriculum Developments

The College's main campus' are situated within the vibrant city of Derby with further sites around the County. The flagship Roundhouse development continues to win awards for the College and developers and provides first class accommodation for learners. The College is further committed to improving remaining sites with a new campus currently being built at Ilkeston with a 2014 opening schedule.

The College plays a crucial role in the life of the City and region, its reach and influence extends nationally and internationally. Working closely with local business and stakeholders the College continues to innovate to provide education and learning fit for purpose for current economies.

The College's broad curriculum covers 14 vocational areas with a portfolio covering everything from GCSE's to foundation degrees, vocational courses to adult education, and apprenticeships to bespoke solutions for business. A significant proportion of the College's learners are based in industry across the country supported by the College's professional staff, who work closely in partnership with businesses.

This year saw the opening of the Hudson Building, a purpose built annex housing the construction craft trade provision on Pride Park; and completion of the new sport and learning resource centres at our Broomfield Hall campus.

New courses were introduced to meet demand from employers, learners and National Skills academies. These included AAT accounting; Air Cabin crew; Level 3 BTEC in Railway engineering and full time Higher education programmes including HNC/D in Engineering; Public Services & Professional Construction.

The College has continued with the successful European Leonardo Projects in both the Mobility and Partnership tranches; securing three additional bids for 2013-15. Current ongoing projects cover learner work experience in their chosen fields of study in other European countries; and partnership projects allowing for the network exchange of knowledge and skills in the areas of car mechanics - green manufacturing and alternative fuels; fashion with traditional aspects and Lime Mortar heritage Buildings.

The 2013/14 curriculum has been re-modelled in response to the 14-19 Study Programmes. There is a greater emphasis on English & Maths to ensure learners who do not already have GCSE grades A*-C in these subjects achieve this by the age of 19.Work placement will be embedded into full-time programmes from September 2013. The strategy for adult provision has been to introduce a suite of part-time qualifications branded as "Career Learning Ladder" to engage with employed, or unemployed adults who aspire to progress within their existing career or re-training for a career change. A suite of non-accredited commercial courses have also been developed and introduced as "Learning for Leisure" to re-introduce relevant bite-sized learning to adults and the community.

Operating and Financial Review *(continued)*

Curriculum Developments *(continued)*

We also remain committed to the wider needs of our students, particularly of the 16-19 cohorts and in 2013/14 we are introducing "Personal Coaches" to our teams. These will be aligned to curriculum areas and will provide motivational and pastoral support to learners while also tracking progress against the learners Individual learning plans.

Partnerships

Derby Manufacturing UTC
The College is in partnership with Derby University; Rolls Royce; Toyota Manufacturing (UK) Ltd and Derby City Council to introduce the Derby Manufacturing University Technical College focussing on the STEM priorities. The Derby Manufacturing UTC will provide innovative, dynamic, and empowering education and training for young people who have an interest and aptitude for engineering and technological based careers. With a focus on engineering and emerging technologies, our aim is to develop young people who are skilled, professional and enterprising - who can make a significant contribution to reinvigorating Engineering and Science in Derby, Derbyshire and the East Midlands.

Derby College Education Trust
Derby College incorporated Derby College Education Trust in May 2012 and through the Trust became the sponsor of Merrill academy in January 2013.
In line with EFA guidance; the results of the Education Trust are not consolidated into these financial statements.
The Trust is now expanding further with a Digital Studio College in Derbyshire, planned to open in September 2014. Its specialism will be in digital technologies and business to support the core and emerging sectors and service industries within the region.

Non Curriculum Developments

LIPA
The College's successful partnership continues with LIPA – the Liverpool Institute of Performing Arts, co-founded by Sir Paul McCartney providing a part-time performing arts academy in Derby City. This partnership encourages young people between the ages of four and nineteen to unleash their creativity and develop their talent by joining a wide range of activities including singing, dancing and acting on Saturday mornings.

EXCITE
Young people can also take part in a range of creative part-time Saturday and holiday courses, including games development, fashion, art and media.

National Citizen Service
A government funded programme for 16 & 17 year olds to enhance their employability skills and sense of community responsibility. The College worked with over 400 young people during the summer of 2013 providing one week of residential team building activities; one week of skills and knowledge development followed by two weeks of fundraising and social action. Between them the 29 teams raised over £13,000 for charity and carried out volunteering hours totalling over £88k. This project will be continuing in 2013/14.

Roundhouse Events
Roundhouse events continue to develop, attracting high profile clients to our award winning facilities; winning "Best Event Venue" of the year in the National Event Awards. Events range from corporate dinners; weddings; high quality markets, and fairs to promotional and media events; the Christmas parties being of particular note.

Operating and Financial Review *(continued)*

Non Curriculum Developments *(continued)*

Payment Performance

The Late Payment of Commercial Debts (interest) Act 1998, which came into force on 1st November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95%. During the accounting period 1st August 2012 to 31st July 2013, the College paid 92% of its invoices within 30 days, and 95% of invoices within 36 days. The College strictly adheres to 30 day payment terms with exceptions occurring due to invoice disputes. The College incurred no interest charges in respect of late payment for this period.

RESOURCES AND FUTURE DEVELOPMENT

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 60,000m2 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 realising phase 3 of its property strategy following the appraisal of its sites in Ilkeston and Heanor. During the year, the College commenced its plans for Further Education in Ilkeston which comprised the disposal of the Cavendish Road site and the commencement to building a brand new £10m College campus in the centre of Ilkeston to open in January 2014. This year also witnessed the relocation of Construction Training to a new £6m facility at Pride Park, Derby and the near completion of a new sport and learning resource centre at our Broomfield Hall campus to open in late August 2013.

Planned in 2013/14 are the sale of the former College at Ilkeston and the sale of the next phase at the former College site in Mackworth, Derby. Work also continues on the new College at Ilkeston.

Financial

The College has £43.5m of net assets (which includes £24m pension liability) and long term borrowings of £6.96m. Net current liabilities at the end of the year total £10.5m *(2012: net current assets of £0.7m).*

People

The College employs 964 staff (expressed as full-time equivalents), of whom 403 are direct delivery staff.
On 31st August 2012 the Principal of Derby College, David Croll, retired, and Mandie Stravino, then Deputy Principal, stepped up to the role of Principal.

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 education sector funding bodies. In 2012/13, 88 % of the College's revenue was ultimately public funded and this level is expected to fall due to increased use of loans and tuition fees.

   The risk is mitigated in a number of ways:

   - Developing courses to attract more customers willing to pay fees
   - 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 funding bodies
   - Re-aligning College resources

2. *Development of the Estate*

   The College has made considerable investment in its estate over the years and has continued to develop its estates strategy in line with curriculum needs and funding opportunities. Existing plans will see the continued development of Broomfield and the new building at Ilkeston together with associated disposals.

3. *Tuition fee policy*

   The College has maintained a fee policy which is based upon the assumed 50% contribution from individuals and employers but also allows flexibility to respond to market demands.

4. *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.

Operating and Financial Review *(continued)*

PRINCIPAL RISKS AND UNCERTAINTIES *(continued)*

5. *Maintaining quality of provision*

Maintaining and enhancing the quality of provision in a turbulent education sector.

STAKEHOLDER RELATIONSHIPS

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

- Students;
- Education sector funding bodies;
- Staff;
- Local employers (with specific links);
- Local authorities;
- Government offices / Regional Development Agencies / Local Enterprise Partnerships (LEP's);
- 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.

Equality and Diversity Policy

This policy demonstrates how Derby College celebrates and values the diversity of its learners and employees and is committed to equality of opportunity for all. This policy intends to provide general guidance and advice to team members, learners, managers and employers.

We want to ensure that people with diverse characteristics and backgrounds consider Derby College to be a learning provider and employer of choice. We want everyone that works or learns with Derby College to reach their full potential; in an environment which is respectful and that accepts individual difference.

At Derby College, we celebrate and value diversity and we are committed to advancing equality of opportunity, regardless of age, disability, gender or gender identity, race, religion or belief, sexual orientation, or social background and family responsibilities. This includes people from socially disadvantaged families as well as from deprived or remote geographical areas.

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 19th December 2013 and signed on its behalf by:

Janet Morgan
Chair

Professional advisers

Financial statements and regularity auditors:	KPMG LLP One Snowhill Snow Hill Queensway Birmingham B4 6GH
Internal auditors:	Grant Thornton UK LLP 2 Broadfield Court Sheffield South Yorkshire S8 0XF
Bankers:	Yorkshire Bank plc. 28 St Peter's Street Derby DE1 1SL
	Lloyds Bank plc. Butt Dyke House 33 Park Row Nottingham NG1 6GY
Solicitors:	Flint Bishop St Michaels Lane Derby DE1 3HQ
	Geldards Number One Pride Place Pride Park Derby DE24 8QR
	SGH Martineau 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 UK Corporate Governance Code ("the Code") issued by the FRC 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 in so far as they apply to the Further Education Sector, and it has complied throughout the year ended 31st July 2012. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The English Colleges' Foundation Code of Governance issued by the Association of Colleges in December 2011, which it formally adopted in December 2012.

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	Term of Office	Date of Resignation	Category of Governor	Committees Served
Janet Morgan	22nd Oct 2008	2 years		Governor	Chair: Corporation; Search & Governance
Debra Martin	1st Nov 2007	4 years	31st July 2013	Governor	Vice Chair: Corporation; Chair :Search & Governance
Kevin Slack	22nd Mar 2010	2 years		Governor	Chair: Audit
Bill Chaplin	1st Jul 2003	4 years	31st July 2013	Governor	Search & Governance
Sunny Chandhoke	21st Mar 2011	2 years		Governor	Audit
Nick Freeman	31st Jan 2011	2 years		Governor	Audit
Lin Hinson	22nd Mar 2010	2 years		Governor	Search & Governance
Jonathan McCluskey	22nd Mar 2010	2 years		Governor	Audit
Tim Park	1st Jan 2003	1 year	31st July 2013	Governor	
Brian Powell	1st Jan 2002	4 years	31st July 2013	Governor	
Andy Ward	15th Oct 2010	2 years	31st Dec 2012	Staff	Audit
Lee Pratt	15th Oct 2010	2 years	31st July 2013	Staff	
Luke Harman	1st Jul 2011	1 year		Student	
Ben Thompson	1st Jul 2011	1 year	31st Dec 2012	Student	
David Croll			31st Aug 2012	Principal	
Mandie Stravino				Chief Executive	

Heather Simcox, Corporate Affairs & Governance Director for Derby College, acts as Clerk to the Corporation.
David Croll ceased serving as a Member of the Corporation when he retired as Principal on 31st August 2012.

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

Terms of Office

During the Corporation meeting of 16th July 2012, the Corporation agreed, as a result of proposed governance changes in 12/13, which saw the Finance & Resources Committee and the Quality and Standards Committee disbanded, that all members would initially have their terms of office amended to expire on 31st July 2013. At the end of the 2012/13 year all continuing/newly elected Governors were then given terms of office of two years, commencing from their previous term end dates/date of election to ensure continuity of Governance.

Committee attendance rates.

A successful Corporation requires commitment from all members. The Corporation therefore set itself a target on 27th March 2013 of 80% attendance by members at meetings. A summary of attendance is shown below:

	Corporation	Audit	Search
Janet Morgan	100%		100%
Debra Martin	75%		67%
Kevin Slack	88%	100%	
Bill Chaplin	75%		100%
Sunny Chandhoke	75%	100%	
Nick Freeman	50%	67%	
Lin Hinson	88%	100%	100%
Jonathan McCluskey	100%	67%	
Tim Park	75%		
Brian Powell	100%		
Andy Ward	100%	100%	
Lee Pratt	88%		
Luke Harman	100%		
Ben Thompson	25%		
Mandie Stravino	100%		100%
Overall	**83%**	**89%**	**93%**

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 seven times a year.

The Corporation rationalised its committee structure in 2012/13 and now operates a Search and Governance Committee and an Audit Committee. Each committee has terms of reference which have been approved by the Corporation. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College website:

derby-college.ac.uk;

or from:

The Clerk to the Corporation, Derby College, 2, Roundhouse Road, Pride Park, Derby DE24 8JE

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

The Clerk to the Corporation maintains a register of financial and personal interests of the governors. The register is available for inspection at the above address.

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 Chief Executive 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 & Governance Committee comprising of four members of the Corporation and the Chief Executive, 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 four years.

Remuneration Committee

The Corporation does not operate a separate Remuneration Committee. All matters of remuneration for the Chief executive and senior post holders remain with the full Corporation.

Details of remuneration for the year ended 31st July 2013 are set out in note 6 to the financial statements.

Audit Committee

The Audit Committee comprises five members of the Corporation (who exclude the Chief Executive and Chair). The Committee operates in accordance with written terms of reference approved by the Corporation and available on the College website (details above). 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 FE 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.

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

Management is responsible for the implementation of agreed recommendations and internal audit undertakes 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 Chief Executive, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives whilst safeguarding the public funds and assets for which she is personally responsible, in accordance with the responsibilities assigned to her in the Financial Memorandum between the College and the funding bodies. She is also responsible for reporting to the Corporation any material weaknesses or break-downs in internal control.

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 2013 and up to the date of approval of the annual report and financial statements.

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 period ending 31st July 2013 and up to the date of approval of the financial statements. This process is regularly reviewed by the Corporation.

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

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

The College has an internal audit service, which operates in accordance with the 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 Chief Executive 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 Chief Executive has been advised on the implications of the result of their 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 Committee noted that there were no significant issues identified during the year.

The Senior Leadership Team (SLT) 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 SLT 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 includes a regular item for consideration of risk and control and receives reports thereon from the SLT and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. The Corporation and Audit Committee review the corporate risk register at each meeting.

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 19th December 2013 and signed on its behalf by:

Janet Morgan
Chair

Mandie Stravino
Chief Executive

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 Skills Funding Agency/Education Funding Agency and the Corporation of the College, the Corporation, through its Chief Executive, 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 for 2012/13 financial statements issued jointly by the Skills Funding Agency and the Education Funding 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 also required to prepare an Operating and Financial Review which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College.

The Corporation is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the College, and 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 the 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 Corporation of the College; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from the Skills Funding Agency/Education Funding Agency are used only in accordance with the Financial Memorandum with the Skills Funding Agency/Education Funding Agency 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 from the Skills Funding Agency/Education Funding Agency are not put at risk.

Approved by order of the members of the Corporation on 19th December 2013 and signed on its behalf by:

Janet Morgan
Chair

KPMG

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 2013 set out on pages 19 to 44. 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 15, 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 2013 and of the Group's and 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 Education Funding Agency 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.

Stephen Clark
for and on behalf of KPMG LLP. Statutory Auditor **19th December 2013**
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Independent Auditor's Report on Regularity 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 Skills Funding we have carried out a review to obtain assurance about whether, in all material respects, the expenditure disbursed and income of Derby College ('the College') for the year ended 31st July 2013 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. Our review work has been undertaken so that we might state to the Corporation and the Chief Executive of the Skills Funding/Education 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 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 and income are applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this review are established in the United Kingdom by our profession's ethical guidance and the audit guidance set out in the Audit Code of Practice and the Regularity Audit Framework issued by the Learning and Skills Council. We report to you whether, in our opinion, in all material respects, the College's expenditure and income for the year ended 31st July 2013 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 in 2004. Our review includes examination, on a test basis, of evidence relevant to the regularity and propriety of the College's income and expenditure.

Opinion

In our opinion, in all material respects, the expenditure and income for the year ended 31st July 2013 have been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Stephen Clark
for and on behalf of KPMG LLP. Statutory Auditor **19th December 2013**
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Consolidated income and expenditure account
for the year ended 31 July 2013

	Note	**2013**	2012
		£'000	£'000
Income			
Funding Body Grants	*2*	**50,579**	48,758
Tuition fees and education contracts	*3*	**3,470**	3,176
Other income		**3,254**	2,810
Investment income	4	**9**	88
Total income		**57,312**	54,832
Expenditure			
Staff costs	*5,6*	**31,485**	33,366
Exceptional restructuring costs	*5*	**1,516**	758
Other operating expenses	7	**21,222**	19,821
Depreciation		**3,346**	3,634
Interest and other finance costs	*8*	**813**	1,016
Total expenditure		**58,382**	58,595
Deficit on continuing operations after depreciation of tangible fixed assets at valuation and before exceptional items and tax		**(1,070)**	(3,763)
(Deficit)/Surplus on disposal of assets		**(1,099)**	8,144
(Deficit)/Surplus on continuing operations after depreciation of assets at valuation, exceptional items and disposal of assets but before tax		**(2,169)**	4,381
Taxation	*9*	-	-
(Deficit)/Surplus on continuing operations after depreciation of assets at valuation, exceptional items and disposals of assets and tax		**(2,169)**	4,381

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 2013

	Note	2013 £'000	2012 £'000
(Deficit)/Surplus on continuing operations after depreciation of assets at valuation and tax		**(2,169)**	4,381
Actuarial (loss) in respect of pension scheme liabilities	*18,27*	**(2,874)**	(3,831)
Total recognised gain/(loss) relating to the year		**(5,043)**	550

Reconciliation	Note	2013 £'000	2012 £'000
Opening reserves		**985**	435
Total recognised (loss) for the year		**(5,043)**	550
Closing reserves	*20,21*	**(4,058)**	985

Consolidated statement of historical cost surpluses and deficits
for the year ended 31 July 2013

	Note	2013 £'000	2012 £'000
(Deficit)/Surplus on continuing operations after depreciation of assets at valuation and tax		**(2,169)**	4,381
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	*20*	**38**	56
Release of revaluation reserve following disposal of inherited fixed assets		**-**	177
Historical cost (deficit)/surplus for the year		**(2,131)**	4,614

Consolidated balance sheet
as at 31 July 2013

	Note	2013 £'000	2012 £'000
Fixed assets			
Tangible assets	*11*	**92,234**	81,646
Investments	*12*	**-**	-
		92,234	81,646
Current assets			
Stocks	*13*	**56**	58
Debtors	*14*	**2,577**	5,845
Cash at bank and in hand		**450**	759
Fixed assets held for resale	*11*	**7,099**	8,656
		10,182	15,318
Creditors: Amounts falling due within one year	15	**(20,686)**	(14,638)
Net current (liabilities)/assets		**(10,504)**	680
Total net assets		**81,730**	82,326
Creditors: Amounts falling due after more than one year	*16*	**(9,113)**	(10,137)
Provisions for liabilities and charges	*18*	**(4,934)**	(4,937)
Net assets excluding pension liability		**67,683**	67,252
Net pension liability	*27*	**(24,191)**	(20,546)
Net assets including pension liability		**43,492**	46,706
Deferred capital grants	*19*	**47,550**	45,721
Reserves			
Income and expenditure account excluding pension reserve	*21*	**19,299**	20,659
Pension reserve	*27*	**(24,191)**	(20,546)
Income and expenditure account including pension reserve	*21*	**(4,892)**	113
Revaluation reserve	*20*	**834**	872
		43,492	46,706

The financial statements on pages 19 to 44 were approved by the Corporation on 19th December 2013 and were signed on its behalf by:

Janet Morgan
Chair

Mandie Stravino
Chief Executive

College balance sheet
as at 31 July 2013

	Note	**2013** **£'000**	2012 £'000
Fixed assets			
Tangible assets	*11*	**92,156**	81,564
Investments	*12*	**14**	14
		92,170	81,578
Current assets			
Stocks	*13*	**56**	58
Debtors	*14*	**2,584**	5,964
Cash at bank and in hand		**57**	357
Fixed assets held for resale	*11*	**7,099**	8,656
		9,796	15,035
Creditors: Amounts falling due within one year	*15*	**(20,587)**	(14,578)
Net current (liabilities)/assets		**(10,791)**	457
Total net assets		**81,379**	82,035
Creditors: Amounts falling due after more than one year	*16*	**(9,113)**	(10,137)
Provisions for liabilities and charges	*18*	**(4,934)**	(4,937)
Net assets excluding pension liability		**67,332**	66,961
Net pension liability	*27*	**(24,191)**	(20,546)
Net assets including pension liability		**43,141**	46,415
Deferred capital grants	*19*	**47,550**	45,721
Reserves			
Income and expenditure account excluding pension reserve	*21*	**18,948**	20,368
Pension reserve	*27*	**(24,191)**	(20,546)
Income and expenditure account including pension reserve	*21*	**(5,243)**	(178)
Revaluation reserve	*20*	**834**	872
		43,141	46,415

The financial statements on pages 19 to 44 were approved by the Corporation on 19th December 2013 and were signed on its behalf by:

Janet Morgan

Chair

Mandie Stravino

Chief Executive

Consolidated cash flow statement

for the year ended 31 July 2013

	Note	**2013 £'000**	2012 £'000
Cash inflow/(outflow) from operating activities	*22*	**2,123**	(3,447)
Returns on investments and servicing of finance	*23*	**(56)**	2
Capital expenditure and financial investment	*24*	**(9,965)**	1,374
Cash outflow before use of liquid resources and financing		**(7,898)**	(2,071)
Financing	*25*	**7,589**	2,230
(Decrease)/Increase	*26*	**(309)**	159

Reconciliation of net cash flow to movement in net debt

	Note	**2013 £'000**	2012 £'000
(Decrease) / Increase in cash in the year	*26*	**(309)**	159
New loans raised		**(7,891)**	(2,230)
Repayment of loans		**302**	-
Movement in net debt	*26*	**(7,898)**	(2,071)
Net debt at 1 August	*26*	**(8,616)**	(6,545)
Net debt at 31 July	*26*	**(16,514)**	(8,616)

Notes to the Accounts

1. Accounting policies

Statement of accounting policies

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

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2007 (the SORP), the Accounts Direction for 2012/13 financial statements and in accordance with applicable Accounting Standards.

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 activities of the College, together with the factors likely to affect its future development and performance, are set out in the Operating and Financial Review. The financial position of the College, its cashflow, liquidity and borrowings are described in the Financial Statements and accompanying Notes.

The College currently has £7.3m of loans outstanding with bankers on terms negotiated in 2008. In addition an overdraft of £9.7m was drawn down as at 31st July 2013, from an available facility of £13m. The terms of the existing loan agreement are for up to another 24 years. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

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

Basis of consolidation

The consolidated financial statements of the group include the financial statements of the College and its subsidiary undertakings, Mackworth Business Services. Intra-groups sales and profits are eliminated fully on consolidation

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 2013.

Derby College Education Trust was incorporated on 17th May 2012 as a multi-academy trust, currently operating with one academy: Merrill Academy. In line with EFA/SFA guidelines, their results are not consolidated in the College accounts.

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 Skills Budget 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, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

Notes *(continued)*

1. Accounting policies (continued)

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

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

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

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 from the Skills Funding Agency/Education Funding Agency (see note 33).

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 so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 27, the TPS is a multi-employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

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.

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.

Notes *(continued)*

1. Accounting policies (continued)

Tangible fixed assets

Land and buildings

Land and buildings inherited from the Local Education Authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable. The associated credit is included in the revaluation reserve. The difference between depreciation charged on the historic cost of assets and the actual charge for the year calculated on the revalued amount is released to the income and expenditure account reserve on an annual basis. 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. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 25 and 50 years.

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

Finance and interest costs, which are directly attributable to the construction of land and buildings, are 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.

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.

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.

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 the College enjoys the use of an asset which it does not own and for which no rental or a nominal rental is paid, if practicable, a value is attributed to this benefit and capitalised, with a corresponding credit to deferred capital grants which are subsequently released to the income and expenditure account over the useful economic life of the asset at the same rate as the depreciation charge on the related asset(s).

Interest

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

Notes *(continued)*

1. Accounting policies (continued)

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.

Inherited equipment has been 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 and are capitalised at their fair value at the inception of the lease and depreciated over the shorter of the lease term or the useful economic lives of equivalently owned assets. The capital element outstanding is shown as obligations under finance leases.

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

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.

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. Accounting policies (continued)

Taxation

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 of the 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 of the 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.

Agency arrangements

The College acts as an agent in the collection and payment of discretionary learner support funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the Income and Expenditure account and are shown separately in Note 33 except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant. The College employs two member(s) of staff dedicated to the administration of Learner Support Fund applications and payments.

Notes *(continued)*

2. Funding Body Grants

	2013		2012	
	£'000	**£'000**	£'000	£'000
EFA recurrent funding		**28,413**		28,321
SFA recurrent funding		**18,711**		18,486
HEFCE recurrent funding		**275**		732
EFA non-recurrent funding		**235**		164
SFA non-recurrent funding		**2,106**		(56)
Releases of deferred capital grants (note 30):				
SFA	**830**		1,102	
HEFCE	**9**	**839**	9	1,111
Total		**50,579**		**48,758**

3. Tuition fees and education contracts

	2013	2012
	£'000	£'000
Tuition fees	**2,700**	2,044
Education contracts	**770**	1,132
Total	**3,470**	**3,176**

Tuition fees funded by bursaries

Included within the above amounts are tuition fees funded by bursaries of £78,474 *(2011/12 £48,000).*

4. Investment Income

	2013	2012
	£'000	£'000
Other interest receivable	**9**	88
Pension finance income	**-**	-
	9	88

5. Staff 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:

	2013	2012
	Number	Number
Teaching staff	**742**	801
Non-teaching staff	**222**	239
	964	1,040

Note: The 2012 figures have been restated to comply with the wider definition of teaching staff and costs and to show a true monthly average.

Notes *(continued)*

5. Staff costs (continued)

Staff costs for the above persons were as follows:

	2013	2012
	£'000	£'000
Wages and salaries	**26,480**	28,110
Social security costs	**1,906**	2,028
Pension costs	**2,612**	2,858
Other pension costs	**377**	202
Payroll sub-total	**31,375**	33,198
Contracted out staffing services	**110**	168
	31,485	33,366
Exceptional restructuring costs	**1,516**	758
Total Staff costs	**33,001**	34,124

Other pension costs include £299,000 FRS17 adjustments (£116,000 in 2011/12)

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

	2013	2012	**2013**	2012
	Number of senior post-holders		Number of other staff	
£60,001 to £70,000	**-**	-	**4**	1
£70,001 to £80,000	**-**	-	**1**	1
£80,001 to £90,000	**-**	-	**-**	-
£90,001 to £100,000	**-**	1	**-**	1
£100,001 to £110,000	**-**	-	**2**	-
£110,001 to £120,000	**-**	-	**-**	-
£120,001 to £200,000	**1**	-	**-**	-
£200,001 to £210,000	**-**	-	**-**	-
£210,001 to £220,000	**-**	1	**-**	-

6. Senior post-holders' emoluments

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

	2013	2012
	Number	Number
The number of senior post-holders including the Principal was	**2***	2

*****2013 includes the outgoing and incoming Principal. The outgoing Principal is only represented for one month and thus does not appear in the salary split for senior post-holders in note 5 above.

Notes *(continued)*

6. Senior post-holders' emoluments (continued)

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

	2013	2012
	£'000	£'000
Salaries	**168**	306
Benefits in kind	**1**	2
Pension contributions	**17**	30
Total emoluments	**186**	338

The Colleges' long standing Principal retired on 31st August 2012, and the new Chief Executive was confirmed in post from 1st September 2012.The above emoluments include amounts payable to the current Chief Executive (who is also the highest paid senior post-holder), and the retiring Principal. Details of both are shown below:

	Current Principal		**Retiring Principal**	
	2013	2012	**2013**	2012
	£'000	£'000	**£'000**	£'000
Salaries	**149**	-	**19**	212
Benefits in kind	**1**	-	**-**	1
	150	-	**19**	213
Pension contributions	**16**	-	**-**	19
	166	-	**19**	232

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 senior post-holders:

	2013	2012
	£'000	£'000
Estimated value of other benefits, including provisions for pension benefits (ongoing enhanced pension payments provision)	**537**	532

The estimated value of other benefits has been calculated in accordance with Financial Reporting Standard 17. The severance payment was approved by the College's Corporation.

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. Other operating expenses

	2013 £'000	2012 £'000
Teaching costs	**5,579**	5,666
Partnerships	**7,808**	5,654
Non-teaching costs	**3,177**	3,413
Premises costs	**4,658**	5,088
	21,222	19,821

	2013 £'000	2012 £'000
Other operating expenses include:		
Auditors remuneration:		
Financial statements audit - College	**30**	27
Financial statements audit – subsidiary companies	**3**	3
Internal audit	**36**	38
Other services from either external and internal audit	**2**	43
Hire of plant and machinery – operating leases	**279**	243
Hire of other assets – operating leases	**1,244**	1,121

8. Interest and other finance costs

	2013 £'000	2012 £'000
On bank loans and overdrafts:		
Repayable within five years, not by instalments	**-**	-
Repayable within five years, by instalments	**-**	-
Repayable wholly or partly in more than five years	**65**	86
	65	86
FRS17 Pension finance costs	**556**	677
SSAP24 enhanced pension provision	**192**	253
Total	**813**	1,016

9. Taxation

The College's main activities are exempt from Corporation tax and no liability arose during the year *(2012: £nil)*.

10. (Deficit)/surplus on continuing operations for the year

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

	2013 £'000	2012 £'000
College's (Deficit)/surplus for the year	**(2,237)**	4,299
Surplus generated by subsidiary undertakings and transferred to College under Deed of Covenant	**8**	77
Profit retained by subsidiary undertakings	**60**	5
Group (deficit)/surplus	**(2,169)**	4,381

Notes *(continued)*

11. Tangible fixed assets (Group)

	Freehold land and buildings	Equipment	Assets under Construction	Total
	£'000	**£'000**	**£'000**	**£'000**
Cost or valuation				
At 1 August 2012	83,065	4,711	5,780	93,556
Work in progress in year	-	-	13,071	13,071
Transfers	5,926	-	(5,926)	-
Additions	197	668	-	865
Disposals	-	(5)	-	(5)
At 31 July 2013	**89,188**	**5,374**	**12,925**	**107,487**
Accumulated depreciation				
At 1 August 2012	8,786	3,124	-	11,910
Charge for year	2,538	808	-	3,346
Eliminated in respect of disposals	-	(3)	-	(3)
At 31 July 2013	**11,324**	**3,929**	**-**	**15,253**
Net book value at 31 July 2013	**77,864**	**1,445**	**12,925**	**92,234**
Net book value at 31 July 2012	74,279	1,587	5,780	81,646

Tangible fixed assets (College Only)

	Freehold land and buildings	Equipment	Assets under Construction	Total
	£'000	**£'000**	**£'000**	**£'000**
Cost or valuation				
At 1 August 2012	83,065	4,592	5,780	93,437
Work in progress in year	-	-	13,071	13,071
Transfers	5,926	-	(5,926)	-
Additions	197	647	-	844
Disposals	-	(5)	-	(5)
At 31 July 2013	**89,188**	**5,234**	**12,925**	**107,347**
Accumulated depreciation				
At 1 August 2012	8,786	3,087	-	11,873
Charge for year	2,538	783	-	3,321
Eliminated in respect of disposals	-	(3)	-	(3)
At 31 July 2013	**11,324**	**3,867**	**-**	**15,191**
Net book value at 31 July 2013	**77,864**	**1,367**	**12,925**	**92,156**
Net book value at 31 July 2012	74,279	1,505	5,780	81,564

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

Notes *(continued)*

11. Tangible fixed assets (continued)

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.

If fixed assets had not been revalued they would have been included at the following historical cost amounts:

	£'000
Cost	Nil
Aggregate depreciation based on cost	Nil

Land with a gross book value of £7,099,000 is held for resale in 2012/2013 *(2012: £8,656,000)*. This relates to the remainder of Prince Charles Avenue and Field Road sites for which sales are currently being actioned.

12. Investments

	2013		2012	
	Group £'000	**College £'000**	Group £'000	College £'000
Investments in subsidiary companies	**-**	**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	100% ordinary £1	Facilities hire and events	1 April 1993
Corporate College Ltd (dormant)	100% ordinary £1	Provision of IT	14 November 2001

13. Stocks

	2013		2012	
	Group £'000	**College £'000**	Group £'000	College £'000
Farm stock	**56**	**56**	58	58

14. Debtors

	2013		2012	
	Group £'000	**College £'000**	Group £'000	College £'000
Amounts falling due within one year:				
Trade debtors	**697**	**644**	417	403
Amounts owed by subsidiary	**-**	**60**	-	138
Amounts owed by funding bodies	**307**	**307**	531	531
Other debtors	**210**	**210**	3,916	3,911
Prepayments and accrued income	**1,363**	**1,363**	981	981
	2,577	**2,584**	5,845	5,964

Notes *(continued)*

15. Creditors: Amounts falling due within one year

	2013		2012	
	Group	**College**	Group	College
	£'000	**£'000**	£'000	£'000
Bank loans and overdrafts	**10,003**	**10,003**	2,112	2,112
Payments received on account	**2,187**	**2,134**	2,299	2,299
Trade creditors	**696**	**675**	435	422
Other creditors including taxation and social security	**950**	**950**	1,046	999
Amounts owed to subsidiary	**-**	**-**	-	-
Amounts owed to funding bodies	**243**	**243**	2,048	1,676
Accruals	**5,886**	**5,861**	5,977	6,349
Lennartz accounting	**721**	**721**	721	721
	20,686	**20,587**	14,638	14,578

16. Creditors: Amounts falling due after more than one year

	2013		2012	
	Group	**College**	Group	College
	£'000	**£'000**	£'000	£'000
Bank loans	**6,961**	**6,961**	7,263	7,263
Lennartz accounting	**2,152**	**2,152**	2,874	2,874
	9,113	**9,113**	10,137	10,137

17. Analysis of borrowings

Bank loans and overdrafts

	2013		2012	
	Group	**College**	Group	College
	£'000	**£'000**	£'000	£'000
Bank loans and overdrafts are				
In one year or less	**10,003**	**10,003**	2,112	2,112
Between one and two years	**303**	**303**	303	303
Between two and five years	**606**	**606**	606	606
In five years or more	**6,052**	**6,052**	6,354	6,354
	16,964	**16,964**	9,375	9,375

Bank loans totalling £7,264,000; at base rate plus a margin of 0.38%; are on a fixed term facility with repayments commenced in 2012. The Bank Overdraft, secured on a three monthly review basis; totals £9,700,000 at base rate plus 2.5% per annum.

18. Provisions for liabilities and charges

Group and College

	Enhanced Pensions £'000
At 1 August 2012	**4,937**
Expenditure in the period	**(279)**
Transferred from income and expenditure account (interest)	**192**
Recognised in Statement of Recognised Gains and Losses	**84**
At 31 July 2013	**4,934**

Notes *(continued)*

18. Provisions for liabilities and charges (continued)

The enhanced pension provision relates to the cost of staff who have already left the College's employ. This provision has been recalculated in accordance with the guidance issued by the funding bodies.
The principle assumptions for this calculation are:

	2013	2012
Price Inflation	**2.8%**	2.2%
Discount Rate	**4.6%**	4.5%

19. Deferred capital grants

Group and College

	Funding Bodies £'000	Other grants £'000	Total £'000
At 1 August 2012	24,596	21,125	45,721
Cash received	3,269	0	3,269
Released to income and expenditure account	(840)	(600)	(1,440)
At 31 July 2013	**27,025**	**20,525**	**47,550**

20. Revaluation reserve

	Group £'000	College £'000
At 1 August 2012	872	872
Transfer from revaluation reserve to income and expenditure account in respect		
Depreciation on revalued assets	(38)	(38)
Disposal of fixed assets	-	-
At 31 July 2013	**834**	**834**

21. Movement in general reserves

	Group £'000	College £'000
At 1 August 2012	113	(178)
(Deficit) retained for the year	(2,169)	(2,229)
Transfer from revaluation reserve	38	38
Actuarial (loss) in respect of pension scheme	(2,874)	(2,874)
At 31 July 2013	**(4,892)**	**(5,243)**

Notes *(continued)*

22. Reconciliation of consolidated operating (deficit)/surplus to net cash inflow/(outflow) from operating activities

	2013	2012
	£'000	£'000
(Deficit)/surplus on continuing operations after depreciation of assets at valuation	**(2,169)**	4,381
Depreciation (notes 1 and 11)	**3,346**	3,634
Deferred capital grants released to income (note 19)	**(1,440)**	(1,722)
Loss/(profit) on disposal of fixed assets	**1,099**	(8,144)
Interest payable (note 8)	**65**	86
Interest receivable (note 4)	**(9)**	(88)
FRS 17 pension cost less contributions payable (notes 5 and 27)	**299**	116
FRS 17 pension finance costs (note 27)	**556**	677
Enhanced Pension Adjustment	**(84)**	(271)
Decrease/(increase) in stocks	**2**	(9)
Decrease/(increase) in debtors	**3,268**	(2,627)
(Decrease)/increase in creditors	**(2,807)**	297
(Decrease)/increase in provisions	**(3)**	223
Net cash inflow/(outflow) from operating activities	**2,123**	(3,447)

23. Returns on investments and servicing of finance

	2013	2012
	£'000	£'000
Interest received	**9**	88
Interest paid	**(65)**	(86)
Net cash inflow/(outflow) from returns on investments and servicing of finance	**(56)**	2

24. Capital expenditure and financial investment

	2013	2012
	£'000	£'000
Purchase of tangible fixed assets	**(13,694)**	(7,701)
Proceeds from sales of tangible fixed assets	**460**	8,537
Deferred capital grants received	**3,269**	538
Net cash inflow/(outflow) for capital expenditure and financial investment	**(9,965)**	**1,374**

25. Financing

	2013	2012
	£'000	£'000
Debt due beyond a year:		
New loans raised	**7,891**	2,230
Repayment of loans	**(302)**	-
Net cash inflow/(outflow) from financing	**7,589**	2,230

Notes *(continued)*

26. Analysis of changes in net funds

	At 1 August 2012 £'000	Cash flows £'000	At 31 July 2013 £'000
Cash at bank and in hand	759	(309)	450
Overdrafts	(1,809)	(7,891)	(9,700)
	(1,050)	(8,200)	(9,250)
Debts due within 1 year	(303)		(303)
Debts due after 1 year	(7,263)	302	(6,961)
Total	**(8,616)**	**(7,898)**	**(16,514)**

27. Pensions and similar obligations

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

Total pension cost for the year	**2012/13** £'000	**2012/13** £'000	2011/12 £'000	2011/12 £'000
Teachers' Pension Scheme: contributions		**1,490**		1,596
Local Government Pension Scheme:				
Contributions paid	**1,122**		1,262	
FRS17 charge	**299**		116	
Charge to the Income and Expenditure Account		**1,421**		1,378
Enhanced pension charge to Income and Expenditure Account (staff costs)		**78**		86
Total Pension Cost for the year		**2,989**		**3,060**

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS was 31st March 2004 and of the LGPS 31st March 2010.

Teachers' Pension Scheme

The Teachers' Pension Scheme ("TPS") is a statutory, contributory, defined benefit scheme. The regulations under which the TPS operates are the Teachers' Pension Regulations 2010. These regulations apply to teachers in schools and other educational establishments in England and Wales maintained by local authorities, to teachers in many independent and voluntary-aided schools, and to teachers and lecturers in establishments of further and higher education. Membership is automatic for full-time teachers and lecturers from 1st January 2007, automatic too for teachers and lecturers in part time employment following appointment or a change in contract. Teachers and lecturers are able to opt out of the TPS.

Notes *(continued)*

27. Pensions and similar obligations (continued)

TPS: The Teachers' Pension Budgeting and Valuation Account

Although teachers and lecturers are employed by various bodies, their retirement and other pension benefits, including annual increases payable under the Pensions (Increase) Acts are, as provided for in the Superannuation Act 1972, paid out of monies provided by Parliament. Under the unfunded TPS, teachers' contributions on a 'pay-as-you-go' basis, and employers' contributions, are credited to the Exchequer under arrangements governed by the above Act.

The Teachers' Pension Regulations require an annual account, The Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pensions' increases). From 1st April 2001, the Account has been credited with a real rate of return (in excess of price increases and currently set at 3.5%), which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

TPS: Valuation of the Teachers' Pension Scheme

Not less than every four years the Government Actuary ("GA"), using normal actuarial principles, conducts a formal actuarial review of the TPS. The aim of the review is to specify the level of future contributions.

The contribution rate paid into the TPS is assessed in two parts. First, a standard contribution rate ("SCR") is determined. This is the contribution, expressed as a percentage of the salaries of teachers and lecturers in service or entering service during the period over which the contribution rate applies, which if it were paid over the entire active service of these teachers and lecturers would broadly defray the cost of benefits payable in respect of that service. Secondly, a supplementary contribution is payable if, as a result of the actuarial investigation, it is found that accumulated liabilities of the Account for benefits to past and present teachers and lecturers, are not fully covered by the standard contributions to be paid in future and by the notional fund built up from past contribution. The total contribution rate payable is the sum of the SCR and the supplementary contribution rate.

The last valuation of the TPS related to the period 1st April 2001 – 31st March 2004. The GA's report of October 2006 revealed that the liabilities of the Scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £166,500 million. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £163,240 million. The assumed real rate of return is 3.5% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 1.5%. The assumed gross rate of return is 6.5%.

As from 1st January 2007, and as part of the cost-sharing agreement between employers' and teachers'' representatives, the SCR was assessed at 19.75%, and the supplementary contribution rate was assessed to be 0.75% (to balance assets and liabilities as required by the regulations within 15 years). This resulted in a total contribution rate of 20.5%, which translated into an employee contribution rate of 6.4% and employer contribution rate of 14.1% payable. The cost-sharing agreement also introduced – effective for the first time foe the 2008 valuation – a 14% cap on employer contributions payable.

TPS: Scheme Changes

From 1st April 2012 to 31st march 2013, the employee contribution rate will range between 6.4% and 8.8%, depending on a member's Full Time Equivalent salary. Further changes to the employee contribution rate will be applied in 2013-14 and 2014-15.

Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. Many of these are being discussed in the context of the design for a reformed TPS, as set out in the Proposed Final Agreement, and scheme valuations are, therefore, currently suspended. The Government however, has set out a future process for determining the employer contribution rate under the new scheme, and this process will involve a full actuarial valuation.

The Proposed Final Agreement can be found at:
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/184642/DFE-32051-2012.pdf

Notes *(continued)*

27. Pensions and similar obligations (continued)

The pension costs paid to TPS in the year amounted to £1,490,432 (2012: £1,596,290)

TPS: FRS 17

Under the definitions set out in Financial Reporting Standards (FRS 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 FRS 17 and has accounted for its contributions to the scheme as if it were a defined-contribution scheme. The College has set out above the information available on the scheme and the implications for the College in terms of the anticipated contribution rates.

Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee funds administered by Derbyshire County Council. The total contribution made for the year ended 31st July 2013 was £1,759,521 of which employer contributions totalled £1,121,794 and employees' contributions totalled £637,727. The agreed contribution rates for future years are 11.2% for employers and range from 5.5% and 7.5% for employees, depending on salary.

The following information is based upon a full actuarial valuation of the fund as at 31st March 2010 updated to 31st July 2013 by a qualified independent actuary.

Principal Actuarial Assumptions	**2013**	2012
Rate of increase in salaries	**5.1%**	3.95%
Rate of increase for pensions in	**2.8%**	2.2%
Discount rate for scheme liabilities	**4.6%**	4.5%
Inflation assumption (CPI)	**2.8%**	2.2%
Commutation of pensions to lump		50%

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 2013 Years	At 31 July 2012 Years
Retiring today		
Males	**22.1**	22.1
Females	**24.7**	24.7
Retiring in 20 years		
Males	**23.9**	23.9
Females	**26.7**	26.7

Notes *(continued)*

27. Pensions and similar obligations (continued)

LGPS (continued)

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

	2013		2012	
	Long term rate of return expected at 31 July 2013	Value at 31 July 2013	Long term rate of return expected at 31 July 2012	Value at 31 July 2012
	%	**£'000**	%	£'000
Equities	**6.5%**	**36,080**	7.0%	28,595
Property	**4.6%**	**2,577**	6.0%	2,253
Bonds	**3.6%**	**9,278**	2.7%	8,708
Cash/liquidity/other	**3.4%**	**3,608**	0.5%	3,769
Total market value of assets		**51,543**		**43,325**
Present value of scheme liabilities:				
- Funded		**(75,661)**		(63,777)
- Unfunded		**(73)**		(94)
Related deferred tax liability		**0**		0
Surplus/(deficit) in the scheme		**(24,191)**		**(20,546)**

LGPS: Analysis of the amount charged to the income and expenditure account

	2013	2012
	£'000	£'000
Employer service cost (net of employee contributions)	**1,421**	1,378
Past service cost	**-**	-
Total operating charge	**1,421**	**1,378**

LGPS: Analysis of pension finance income/costs

	2013	2012
	£'000	£'000
Expected return on pension scheme assets	**2,338**	2,414
Interest on pension scheme liabilities	**(2,894)**	(3,091)
Pension finance income/(costs)	**(556)**	(677)

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

	2013	2012
	£'000	£'000
Actuarial gains/losses on pension scheme assets	**(2,790)**	(3,560)
Actuarial gains/losses on scheme liabilities	**-**	-
Actuarial (loss)/gain recognised in STRGL	**(2,790)**	(3,560)

Notes *(continued)*

27. Pensions and similar obligations (continued)

LGPS (continued)

LGPS: Movement in deficit during year

	2013	2012
	£'000	£'000
Deficit in scheme at 1st August	**(20,546)**	(16,193)
Movement in year:		
Employer service cost (net of employee contributions)	**(1,904)**	(1,785)
Employer contributions	**1,605**	1,669
Past service gain/cost	**-**	-
Net interest/return on assets	**(556)**	(677)
Actuarial (loss)/gain	**(2,790)**	(3,560)
(Deficit)/surplus in scheme at 31st July	**(24,191)**	(20,546)

LGPS: Asset and Liability Reconciliation

	2013	2012
Reconciliation of Liabilities	**£'000**	£'000
Liabilities at start of period	**63,871**	57,942
Service Cost	**1,904**	1,785
Interest Cost	**2,894**	3,091
Employee contributions	**635**	636
Actuarial (gain)/loss	**8,063**	2,051
Benefits paid	**(1,633)**	(1,634)
Past service cost	**0**	0
Curtailments and settlements	**0**	0
Liabilities at end of period	**75,734**	63,871

	2013	2012
Reconciliation of Assets	**£'000**	£'000
Assets at start of period	**43,325**	41,749
Expected return on assets	**2,338**	2,414
Actuarial gain/(loss)	**5,273**	(1,509)
Employer contributions	**1,605**	1,669
Employee contributions	**635**	636
Benefits paid	**(1,633)**	(1,634)
Assets at end of period	**51,543**	43,325

The estimated value of employer contributions for the year ended 31st July 2014 is £1,548,000.

LGPS: Deficit Contributions

The College entered into an agreement with the LGPS to make additional contributions of £449,000 per annum for three years from April 2011 in addition to normal funding levels until the next full valuation at which point the situation will be reviewed.

Notes *(continued)*

LGPS: History of experience gains or losses

	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Difference between the expected and actual return on assets:	5,273	(1,509)	1,510	2,482	(2,210)
Experience gains and losses on scheme liabilities:	23	-	2,989	-	-
Total amounts recognised in statement of total recognised gains and losses:	(2,790)	(3,560)	(2,944)	(1,795)	2,121

28. Post balance sheet events

Derby College completed the sale of its Field Road site on the 16th December 2013 for £10.4m

29. Capital commitments

	2013		2012	
	Group £'000	**College £'000**	Group £'000	College £'000
Commitments contracted for at 31 July	**4,317**	**4,317**	7,851	7,851
Commitments authorised but not contracted for at 31 July	**124**	**124**	39	39

30. Financial commitments

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

	2013		2012	
	Land and buildings £'000	**Other £'000**	Land and buildings £'000	Other £'000
Expiring within one year	**79**	**193**	104	3
Expiring between two and five years inclusive	**-**	**1,330**	50	1,380
Expiring after five years	**1,125**	**-**	1,125	-
	1,204	**1,523**	1,279	1,383

31. Contingent liability

The college had no contingent liabilities as at 31st July 2013.

32. 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 arm's 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'.

Notes *(continued)*

32. Related Party Transactions (continued)

Derby College incorporated Derby College Education Trust (Company Registration 08072758) in May 2012 and through the Trust became the sponsor of Merrill academy in Derby in January 2013. In line with EFA guidance; the results of the Education Trust are not consolidated into these financial statements. The College had the following transactions with Derby College Education Trust:

	£'000
Services provided to Merrill 12/13	60
Alternative Curriculum Provision incl Free School meals	60
	120

33. Amounts disbursed as agents

	2013 **£'000**	2012 £'000
Funding body grants – hardship support	**1,221**	911
Funding body grants – childcare	**329**	210
Funding body grants – residential bursaries	**106**	106
Grants received	**1,656**	**1,227**
Disbursed to students	**(1,564)**	(856)
Administration costs	**(83)**	(61)
Amounts consolidated in financial statements	**-**	-
Balance unspent at 31 July, included in creditors	**9**	310

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