DERBY college

Derby College

Report and Financial Statements

For the year ended 31 July 2016

Derby College

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Key Management Personnel, Corporation Board and Professional Advisors

Key management personnel

Key management personnel are defined as members of the Executive Team and were represented by the following in 2015/16:
Mandie Stravino; CEO; Accounting officer

Paul Steeples; Chief Finance Officer

Heather Simcox; Deputy CEO - Strategy and Corporate Services

Anita Straffon; Deputy Principal - Education and Learner Experience

April Hayhurst; Deputy Principal Employer and Economic Affairs

Board of Governors

A full list of Governors is given on page 17 of these financial statements. Governors are referred to as members of the Derby College Corporation Board throughout the report.

Heather Simcox acted as Clerk to the Corporation from 1st August 2015 to 14 March 2016 when Rose Matthews took over the role for the remainder of the period.

Professional advisers

Financial statements auditors and reporting accountants:

KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Internal auditors:

Grant Thornton UK LLP
4 Hardman Square
Manchester
M3 3EB

Bankers:

Lloyds Bank plc
Butt Dyke House
33 Park Row
Nottingham
NG1 6GY

Barclays Bank plc
PO Box 3333
Snow Hill Queensway
Birmingham
B3 2WN

Professional advisers (continued)
Solicitors:

Flint Bishop LLP
St Michaels Court
St Michaels Lane
Derby
DE1 3HQ

Geldards LLP
Number One Pride Place
Pride Park
Derby
DE24 8QR

Shakespeare Martineau LLP
1 Colmore Square
Birmingham
B4 6AA

Eversheds LLP
Bridgewater Place
Water Lane
Leeds
LS11 5DR

Derby College

Report and Financial Statements for the year ended 31 July 2016

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Members' Report

NATURE, OBJECTIVES, AND STRATEGIES:

The members present their report and the audited financial statements for the year ended 31 July 2016.

Legal status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting the activities of Derby College. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011. Derby College was incorporated on 1st January 2002.

Mission

The College's mission is to 'Prepare individuals for the next phase of their lives: the world of work, entrepreneurship, advanced learning, career progression and to contribute as positive citizens.'

Public Benefit

Derby College is an exempt charity under the Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Business, Innovation and Skills as Principal Regulator for all FE Corporations in England. The members of the Corporation, who are trustees of the charity, are disclosed on page 17.

In setting and reviewing the College's strategic objectives, the Corporation has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. The guidance sets out the requirement that all organisations wishing to be recognised as charities must demonstrate, explicitly, that their aims are for the public benefit.

Derby College has a commitment to deliver a significant, measurable public benefit, and a full Public Value Statement, setting out how the College adds value to the social, economic and physical well-being of the community served by the College, can be found at www.derby-college.ac.uk/corporate-information. The delivery of public benefit is also covered further within this Members' Report and this Operating and Financial Review.

In delivering its mission, the College provides the following identifiable public benefits through the advancement of education:

- High-quality teaching and support which inspires individuals to exploit the knowledge, skills, and attitudes acquired during their learning journey, to make the changing differences to their personal success and social mobility;
- Widening participation and tackling social exclusion, thereby contributing to community cohesion and positive social action, targeting behavioural, cultural and aspirational challenge, and
- Strong links with employers, industry, and commerce providing "job ready" students, thereby supporting economic growth and social prosperity through the provision of the skills and attitudes required by business to compete now, and in future domestic and global markets.

Implementation of strategic plan

In July 2014 the College adopted a strategic plan for the period 1 August 2014 to 31 July 2017. This strategic plan includes property and financial plans. The Corporation monitors the performance of the College against these plans. The plans are reviewed and updated each year. The College's continuing strategic ambitions are to:

- **Transform the learners' experience**
- **Revolutionise the offer**
- **Contribute to economic growth and social prosperity**
- **Invest in the learning environment by improving financial health**

The College is on target to achieve objectives underlying each of the above ambitions, and the most notable key achievement of 2015-16 was the positive outcome of the full Ofsted inspection in March 2016, which found the College to be 'Good' overall, with 'Outstanding' features, including recognition of the College's 'High Needs' provision. Ofsted's inspection followed the highly successful Higher Education QAA Review and Broomfield Hall residential 'Outstanding' grade in 2015. Ofsted praised the College as 'a valued resource for Derby and Derbyshire' and the grade profile awarded placed the College in the top twenty-five percent of colleges nationally. In addition, Ofsted acknowledged as Outstanding the College's work with employers to design and deliver the curriculum, alongside the success evidenced by the College's Employer Academies.

In ***transforming the learners' experience*** and preparing young people for the next stage of their lives, appropriate and impartial advice and guidance for learners is crucial. Evidence of how Derby College achieves this is the Gold Standard Provider Career Mark Award. The College's learner voice surveys outcomes continue to show a positive impact in that 99% of learners agreed that the information, advice, and guidance (IAG) received was *'helpful and enabled them to make an informed choice.'* An enhanced 'next steps' IAG service for pre-16-year-old school learners was successfully introduced.

The College has worked tirelessly to continue to improve teaching and learning practices, to provide appropriate, safe and inspiring environments and create learning zones, such as the Fujitsu and Intel Innovation Hub and the dedicated Higher Education Centre. All of this was recognised by Ofsted, and via strong multi-agency partnerships, the College continues to be recognised as a leader within the region in regard to providing safe environments and practices for learners. Ofsted highlighted that the College have *'particularly effective arrangements for ensuring learners' safety from extremism.'*

Ensuring learners progress into positive destinations at the end of their learning journey is crucial, and this year excellent progress was made on communicating with alumni and capturing their success stories to illustrate their progression. Over 950 members have signed up to the Derby College Alumni Association since its official launch in January 2016.

The College's outstanding partnership work with employers to design and deliver the College's curriculum has supported the College's ambition to ***revolutionise its offer.*** Employment and Skills Advisory Boards strategically engage employers and business to help provide fit-for-purpose programmes that will meet their needs. There are currently 266 employers involved in Advisory Boards. For those learners with an interest in entrepreneurship or business start-up, the Enterprise Academy supported 580 learners to participate in enterprise and entrepreneurial activities. Additionally, and in response to demand, the College developed some new programmes, including an increased HE offer.

The College's work and partnerships with employers and the business community is directly ***contributing to economic growth and social prosperity,*** as the College looks to support business by providing a pipeline of future talent needed to support the economy in the region, including *'a wide range of well-planned apprenticeships to meet employer needs in the region.'* (Ofsted March 2016) Establishing Employer Academies was pivotal in moving employer relationships forward to create impactful partnerships and the College now has over 2000 employers and stakeholders involved in some form. Not only have they delivered valued work experience, special projects and guru lecture opportunities for learners, they have also enabled involvement in a wide range of community-focused activities.

The College has continued to focus on raising educational awareness and pathways for young people and engagement with schools, parents and carers are highlighted, with over 150 guests attending the College's inaugural 14-16 Year 11 Graduation Ceremony in June 2016. The College has continued to champion citizenship opportunities through the National Citizenship Service (NCS) programme, and over 3000 young people have now taken part in NCS with the College, since its inception, raising over £86,000 for local communities, charities, and good causes.

The College continues to operate within challenging economic times and has worked hard to ensure it remains focused on a sustainable operating model in order to enable ***investment in the learning environment and improve financial health.*** The College has established some successful ventures under 'The Roundhouse' brand which look to go from strength to strength and generate increased commercial and full-cost income. A number of new 'Learning for Leisure' programmes have been developed which have received high satisfaction ratings. This part-time learning offer for adults provides an opportunity to learn for fun, to master a new hobby or to meet like-minded people, enabling access to valued College resources and contributing to social enrichment.

In terms of property, some minor disposals took place in 2015/16 and work continued on the reorganisation of provision to facilitate further disposals in 2016/17 which will generate further savings and help increase efficiencies. The College has continued to see its people as a key resource and during the year minimised restructuring using natural wastage to reduce costs; the College also agreed significant variations to working practices which will lower future operating costs.

Financial objectives

The College's financial objectives are:

1 **Financial Health:** *To achieve satisfactory financial performance in 2015/16 and improve to good by 2017/18 as defined by the SFA financial health scoring. To be monitored and measured via the monthly management accounts.* ***Achieved 2015/16 target***

2 **Financial Operating Position**: *To achieve a sector EBITDA surplus in 2015/16 and budget improvements to this for 2016/17 onwards, as calculated by the SFA methodology. To be monitored and measured via the monthly management accounts.* ***Achieved 2015/16 target***

3 **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. **Achieved 23% in 2015/16**

The College is required to complete the annual Finance Record for the Skills Funding Agency. The College is assessed by the Skills Funding Agency as having a "Satisfactory" financial health grading.

Performance indicators

Classroom Based Learning, including Functional Skills			15/16	Provider Group Average (14/15)	Leavers
College Overall 16-18	CBL (inc FS)	Retention	93	91	9,573
		Pass	88	88	
		Achievement	82	80	
College Overall 19+	CBL (inc FS)	Retention	94	94	8,352
		Pass	95	93	
		Achievement	89	87	
College Overall	CBL (inc FS)	Retention	93	92	17,925
		Pass	91	91	
		Achievement	85	84	

Apprenticeships		15/16	Provider Group Average (14/15)	Leavers
Apprenticeships Overall	Achievement	76	70	728
Apprenticeships Timely	Achievement	68	57	766

FINANCIAL POSITION

Financial results

The Further Education Sector has defined EBITDA as the key financial comparator, with a benchmark indicator of 5%. The table below illustrates that the Group has performed well against this target. This identifies that the Group is generating funds to reinvest in its provision.

Sector EBITDA	2016	2015
	£'000	£'000
Total Comprehensive Income and Expenditure (per page 29)	(10,003)	(2,911)
Adjust for :		
Gain on disposal of fixed assets	(240)	(7,551)
Revaluation reserve	(9)	(315)
Interest / Finance costs (including pension interest)	1,240	1,255
Actuarial loss on LGPS pension scheme	6,482	3,330
Additional cost of pension service	1,271	1,170
Depreciation	3,714	6,027
Sector EBITDA surplus	2,455	1,005
% of Turnover	5.1%	1.9%

The Group generated a sector EBITDA surplus of £2,455k (2014/15 – surplus £1,005k), with total comprehensive income of (£10,003k), (2014/15 - (£2,911)). The total comprehensive income in 2015/16 is stated after accounting for a significant movement in the LGPS defined benefit pension scheme.

The Group has accumulated reserves of £40,961k and cash and short-term investment balances of £837k. The Group wishes to continue to strengthen the reserves and cash position.

The Group has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2015/16 the FE funding bodies provided 77% of the Group's total income.

The College has one active subsidiary company, MBS Ltd. The principal activity of MBS Limited is the rental of property and events. Any surpluses generated by the subsidiary is transferred to the College under deed of covenant. In the current year, the surplus generated was £44k

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.

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

Cash flows and liquidity

At £1.8 million (2014/15 £0.02m), net cash flow from operating activities was strong. 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

Reserves Policy

The Income and Expenditure Unrestricted Reserves of the Group of £41,327k are represented wholly by Fixed Assets. The Group has made a substantial investment in facilities, providing a high-quality learning environment. A final phase of rationalisation will be completed in 2017 which will release additional cash. The Group plans to build up cash reserves over the three year period 2016 to 2019. This will provide a level of free reserves for broader investment in provision.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Curriculum developments

Responding to the demands of learners, employers, and the LEP has led to some changes in the College's offer from previous years, which include the following:

- a streamlined A Level offer with some programmes closed and others merged;
- a reduction of programmes offered in Hair and Beauty, Public Services and Sport as a result of reduced demand by learners and the local economy, and a focus given towards developing apprenticeship routes;
- new programmes offered, including Applied Science, Applied Law, Core maths, Rail Engineering, and i-Media;
- the introduction of a Trailblazer programme in Traction and Rolling Stock, in partnership with the National Rail Academy, in order to meet the demand for rail engineers;
- growth in the Adult Access to HE and Teacher Training/Teaching Assistant Programmes to meet demand;
- developments for Health Sector and Digital Creative level 4 and 5 standards offer, and
- the creation of a Digital Academy with key partners risual and Microsoft.

The decision to exit part of the Johnson Building has enabled the clustering of some curriculum, including IT, Business, Care and Higher Education programmes, and has allowed for the development of Learning Zones where resources and specialist equipment can be accessed for 'anywhere' learning. The College has been responding to the new Apprenticeship Standards, with a major focus on manufacturing across the Midlands Engine.

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During the accounting period 1 August 2015 to 31 July 2016, the

College paid 90 percent of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

Events after the end of the reporting period

There are no significant post balance sheet events.

Future prospects

The College is seeking to reduce property costs with a further disposal and significant sublet of part of its estate; this is part of a plan to reduce the cost of buildings. This is part of a cost-saving strategy which also includes increases in teaching efficiency and a reduction in overheads. The College has agreed on a three-year financial forecast with the SFA which shows a strengthening in each of the following 3 years of the EBITDA and cash position of the College. During this period the College will reduce its debt levels. The College is seeking to achieve small incremental growth in 16 to 18 EFA funding whilst achieving significant growth in Manufacturing and Engineering Apprenticeships, particularly linked to work with a group of key employers.

There are two significant changes occurring in the sector. The first is the introduction of the Employer Levy from April 2017, which will impact the SFA funding of Apprenticeships. The College's core base of Apprenticeships is with SME companies who are not impacted by this change. The Levy provides opportunities for the College to grow work with major employers particularly in Manufacturing and Engineering, we are working with the D2N2 Local Enterprise Partnership to implement a major investment in the provision in this area along with Construction and Rail. The second change is the government's new approach to the potential future insolvency of FE colleges. In response to this, the College is actively seeking to strengthen its cash position over the next three years to lower the impact of this risk.

The College is part of the D2N2 Area Based Review which is reviewing provision across the area. Derby College is the result of four mergers and is the second largest college in the D2N2 region. Derby College is one of two colleges in Derbyshire, the second one being Chesterfield in the far north of the County. As a result of earlier mergers, further education and skills provision delivered by FE colleges has been rationalised in the County of Derbyshire. Derby College believes that, because of its size which is the result of four merged institutions, financial plans, comprehensive and relevant curriculum meeting local needs, excellent relations with the business community and its agility and ability to maximise 'other' opportunities, it is well-placed to stand alone, and this is the preferred outcome from the area based review.

RESOURCES:

The College has various resources that it can deploy in pursuit of its strategic objectives. Tangible resources include the award-winning Roundhouse Campus including the Hudson Construction Centre, Joseph Wright Sixth Form Centre, Broomfield Hall (the College's specialist land-based and leisure campus), and Ilkeston Campus .

RESOURCES (continued)

People

The College employed an average 916 people (expressed as full-time equivalents), of whom 713 are teaching / teaching support staff.

Reputation

The College has a good reputation locally and nationally. Maintaining a quality brand is essential for the College's success in attracting students and employers. It is also important in maintaining strong relationships with funding bodies and the D2N2 Local Enterprise Partnership.

PRINCIPAL RISKS AND UNCERTAINTIES:

The College has undertaken further work during the year to develop and embed the system of internal control, including financial, operational and risk management which is designed to protect the College's assets and reputation.

Based on the strategic plan, the Risk Management Group undertakes a comprehensive review of the risks to which the College is exposed. They identify 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 Risk Management Group 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 level which is reviewed at each meeting of the Audit Committee and Corporation Board. 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.

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 further education sector funding bodies and through HEFCE. In 2015/16, 77% of the College's revenue was ultimately publicly funded, and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

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

Changes to Apprenticeship funding will have limited initial impact due to the significant level of work with SME companies who are not affected by the initial Apprenticeship Levy.

ESF funding will be removed in the longer term, from 2016/17 the College has reduced its reliance on this income substantially.

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

This risk is mitigated in a number of ways:

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

2 Tuition fee policy

Ministers have confirmed that the fee assumption remains at 50%. In line with the majority of other colleges, Derby College seeks to maximise tuition fees in accordance with the fee assumptions. The risk for the College is that demand falls off as fees increase. This will impact on the growth strategy of the Group.

This risk is mitigated in a number of ways:

- By ensuring the College is rigorous in delivering high-quality education and training, thus ensuring value for money for students
- Identification of areas where demand for fee-based learning is high
- Use of Advanced Learner Loans to support learner fees.
- Close monitoring of the demand for courses as prices change

3 Maintain adequate funding of pension liabilities

The financial statements report the share of the Local Government Pension Scheme deficit on the College's balance sheet in line with the requirements of FRS 102.

The risk is mitigated by an agreed recovery plan in place with the Derbyshire LGPS Pension Scheme.

4. Property Disposals

The College plans to dispose of one surplus site and sublet part of another during the year; it targets to have completed both of these by 2017.

The risk is migrated by delaying significant capital expenditure until the funding from these transactions has been secured.

STAKEHOLDER RELATIONSHIPS

Derby College serves the communities of Derby, Derbyshire, and parts of our bordering counties of East Staffordshire, Nottinghamshire, and North Leicestershire.

The wider community served by the College, and which the College regards as stakeholders includes:

- learners of all ages;
- students' union;
- parents, guardians, and carers of learners;
- staff employed by the College;
- trade unions;
- alumni

- education institutions for all age groups and abilities;
- training providers and sub-contractor partners;
- businesses of all sizes and all sectors, both private and publicly funded;
- local authorities and district/parish councils;
- local residents;
- community representatives, including local councilors and MPs;
- community and faith groups, and
- government and funding agencies.

The College values relationships with its stakeholders and seeks to engage with them and gain their views via a variety of methods, examples of which are shown below:

- learner surveys on general and specific matters;
- engagement with the Students' Union;
- employer forums - local advisory boards and employment and skills academies;
- business surveys, including those employers who already engage with the College;
- Staff assemblies;
- forums, including strategic planning consultation with the wider community;
- membership of key forums and representative groups, for example, CBI East Midlands, Derby Renaissance Board, Derbyshire Economic Partnership;
- routine meetings and information seeking events;
- celebration and awards events, and
- LMI to guide the curriculum and training offered by the College.

Equality and Diversity Policy and Disability statement

Equal opportunities

The College is committed to ensuring equality of opportunity for all who learn and work here. The College respects and values positively differences in race, gender, sexual orientation, disability, religion or belief and age. The College strives to remove conditions which place people at a disadvantage and we will actively combat bigotry. This policy is resourced, implemented and monitored on a planned basis. The College's Equal Opportunities Policy is published on the College's Intranet site. The College publishes an Annual Equality Report and Equality Objectives to ensure compliance with all relevant equality legislation including the Equality Act 2010.

The College is a 'Positive about Disabled' employer and has committed to the principles and objectives of the Positive about Disabled standard. The College considers all employment applications from disabled persons, bearing in mind the aptitudes of the individuals concerned, and guarantees an interview to any disabled applicant who meets the essential criteria for the post. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development, and opportunities for promotion which, as far as possible, provide identical opportunities to those of non-disabled employees.

Disability statement

The College seeks to achieve the objectives set down in the Equality Act 2010:

a) As part of its accommodation strategy the College works with DisabledGo, an organisation intent on maximising independence and choice for disabled people in accessing their local area and places they want to visit; the results of audits influence estate and property developments.
b) The College has appointed a Risk Assessment Officer, who provides information, advice and arranges support where necessary for learners with disabilities.
c) There is a list of specialist equipment, such as radio aids, which the College can make available for use by learners and a range of assistive technology is available in the learning centres.
d) The admissions policy for all learners is described in the College's Charter. Appeals against a decision not to offer a place are dealt with under the complaints policy.
e) The College has made a significant investment in the appointment of specialist lecturers to support learners with learning difficulties and/or disabilities. There are a number of learner support assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for learners who have learning difficulties and/or disabilities.
f) Specialist programmes are described in college prospectuses, and achievements and destinations are recorded and published in the standard college format.
g) Counselling and welfare services are described in the Learner Information Literature, which is issued to learners together with the Complaints and Disciplinary Procedure leaflets at induction.

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 12 December 2016 and signed on its behalf by:

Janet Morgan

Janet Morgan

Chair

Governing Body's statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1st August 2015 to 31st July 2016 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);

ii. in full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges ("the Code"); and

iii. having due regard to the UK Corporate Governance Code 2014 insofar as it is applicable to the further education sector.

The College is committed to exhibiting best practice in all aspects of corporate governance and in particular the Derby College Corporation has adopted and complied with the Code. We have not adopted and therefore do not apply the UK Corporate Governance Code. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the further education sector and best practice.

In the opinion of the members, the College complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2016. The Corporation recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted in May 2015.

The College is an exempt charity within the meaning of Part 3 of the Charities Act 2011. The members, who are also the trustees for the purposes of the Charities Act 2011, confirm that they have had due regard to the Charity Commission's guidance on public benefit and that the required statements appear elsewhere in these financial statements.

Statement of Corporate Governance and Internal Control

The Corporation

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

Name	Date of Initial Appointment/ Latest Reappointment	Term of Office	Date of Resignation	Category of Governor	Committees Served
Jack Atwal	1 January 2016	2 years		Governor	Audit
Charlie Baker	1 August 2015	Appointed annually	19 October 2016	Student	
Richard Brewell	1 June 2015	2 years	Membership deferred 25 May 2016	Governor	
Tim de Ville	1 August 2016	Appointed annually		Staff	Curriculum & Quality
Philip Dover	1 August 2013 1 August 2015	2 years		Governor	Curriculum & Quality Strategy
Nick Freeman	31 January 2011 31 July 2016	2 years		Governor	Subsidiary companies
David Grocock	1 August 2014	2 years	September 2015	Governor	Curriculum and Quality
Jonathan McCluskey	22 March 2010 8 July 2016	1 year		Governor	Audit
Janet Morgan	October 2010 31 July 2016	2 years		Chair	Curriculum and Quality Search and Governance Strategy Subsidiary companies
Rebena Sanghera	1 August 2015	Appointed annually	Term of office ended on 31 July 2016	Staff	
Graham Schuhmacher MBE	1 August 2013 1 August 2015	2 years		Governor	Curriculum and Quality Strategy
Kevin Slack	22 March 2010 1 April 2016	2 years		Governor	Audit
Simon Smith	1 September 2016	2 years		Governor	

Mandie Stravino	1 September 2012			Chief Executive/ Accounting Officer	Curriculum and Quality Search and Governance Strategy Subsidiary companies
David Williams	1 August 2013 31 July 2016	2 years		Vice Chair	Search and Governance Strategy
Rosslyn Green	10 March 2014	To 31 July 2018		Co-opted	Audit

Committee attendance rates

A successful Corporation requires commitment from all members. The attendance target set by the Corporation is 80% attendance by members at meetings. In the year 2105/16, one member, through ill health, was unable to attend meetings. Excluding this member, overall attendance at Corporation meetings was 85%. A summary of attendance is shown below:

	Corporation (6 meetings)	Audit (3 meetings)	Search and Governance (3 meetings)	Curriculum and Quality (3 meetings	Strategy (2 meetings)
Jack Atwal	100%	100%	-	-	-
Charlie Baker	83%	-	-	-	-
Richard Brewell	25%	-	-	-	-
Phil Dover	66%	-	-	100%	100%
Nick Freeman	83%	-	-	-	-
Jonathan McCluskey	83%	100%	-	-	-
Janet Morgan	100%	-	100%	100%	100%
Rebena Sanghera	50%	-	-	-	-
Graham Schuhmacher	100%	-	-	100%	100%
Kevin Slack	100%	100%	-	-	100%
Mandie Stravino	100%	-	100%	100%	100%
David Williams	50%	-	100%	-	100%
Rosslyn Green (Audit Co-opted)	-	100%	-	-	-
Overall	78%	100%	100%	100%	100%

Statement of Corporate Governance and Internal Control

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 each term.

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Audit; Strategy, Remuneration, Curriculum and Quality, Search and Governance. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website **derby-college.ac.uk**; or from: **The Clerk to the Corporation, Derby College, The Roundhouse, Roundhouse Road, Pride Park, Derby. DE24 9JE.**

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

All members 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 members in a timely manner, prior to Board meetings. Briefings are 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 Chairman and Accounting Officer 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 and Governance Committee, comprising of three members of the Corporation, including 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 initially appointed for a term of office not exceeding two years, and the maximum term of re-appointment is eight years.

Corporation performance

The College has self-assessed its provision as Good, which is in line with the April 2016 Ofsted Judgement. The SFA rated the College's financial health as Satisfactory in November 2016.

Remuneration Committee

Throughout the year ending 31 July 2016 the College's Remuneration Committee comprised three members of the Corporation. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Senior Post Holders (CEO and Deputy CEO).

Details of remuneration for the year ended 31 July 2016 are set out in note 7 to the financial statements.

Statement of Corporate Governance and Internal Control

Audit Committee

The Audit Committee comprises three members of the Corporation (who exclude the CEO and Chair) and a co-opted member. 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 termly basis and provides a forum for reporting by the College's internal, reporting accountants and financial statements auditors, who have access to the Committee for independent discussion, without the presence of college management. The Committee also receives and considers reports from the main FE funding bodies as they affect the College's business.

The College's internal auditors and other external experts review the systems of internal control, risk management controls, and governance processes in accordance with an agreed plan of input and report their findings to management and the Audit Committee.

Management is responsible for the implementation of agreed audit 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, reporting accountants and financial statements auditors and their remuneration for audit and non-audit work as well as reporting annually to the Corporation.

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 Derby College and the funding bodies. She is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control

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 31 July 2016 and up to the date of approval of the annual report and accounts.

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

Internal control (continued)

there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that have been in place for the period ending 31 July 2016 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

The system of internal control is based on a framework of regular management information, administrative procedures including the segregation of duties, and a system of delegation and accountability. In particular, it includes:

- comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the Corporation;
- regular reviews by the Corporation of periodic and annual financial reports which indicate financial performance against forecasts;
- setting targets to measure financial and other performance;
- clearly defined capital investment control guidelines; and
- the adoption of formal project management disciplines, where appropriate.

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

Review of effectiveness

As Accounting Officer, the Chief Executive has responsibility for reviewing the effectiveness of the system of internal control. Her review of the effectiveness of the system of internal control is informed by:

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

The Accounting Officer has been advised on the implications of the result of her review of the effectiveness of the system of internal control by the Audit Committee, which oversees the work of the internal auditor and other sources of assurance, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The executive management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The executive team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, 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 (continued)

internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee.

The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its 12th December 2016 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2016 by considering documentation from the senior management team and internal audit and taking account of events since 31 July 2016.

Based on the advice of the Audit Committee and the Accounting Officer, the Corporation is of the opinion that the College has an adequate and effective framework for governance, risk management, and control, and has fulfilled its statutory responsibility for *"the effective and efficient use of resources, the solvency of the institution and the body and the safeguarding of their assets"*.

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, it continues to adopt the going concern basis in preparing the financial statements.

Approved by order of the members of the Corporation on 12 December 2016 and signed on its behalf by:

Janet Morgan

Janet Morgan

Chair

Mandie Stravino

Accounting Officer

Statement of Corporate Governance and Internal Control

The Corporation has considered its responsibility to notify the Skills Funding Agency of material irregularity, impropriety and non-compliance with Skills Funding Agency terms and conditions of funding, under the financial memorandum in place between the College and the Skills Funding Agency. As part of our consideration, we have had due regard to the requirements of the financial memorandum.

We confirm, on behalf of the Corporation, that after due enquiry, and to the best of our knowledge, we are able to identify any material irregular or improper use of funds by the College, or material non-compliance with the Skills Funding Agency's terms and conditions of funding under the College's financial memorandum.

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

Janet Morgan

Mandie Stravino

Accounting Officer

Janet Morgan

Chair of Governors

Statement of Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the Financial Memorandum between the Skills Funding Agency and the Corporation of the College, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the *2015 Statement of Recommended Practice – Accounting for Further and Higher Education* and with the *College Accounts Direction 2015 to 2016* 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
- 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 a Members' Report which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College.

The Corporation is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the College, and which enable it to ensure that the financial statements are prepared in accordance with the relevant legislation of incorporation and other relevant accounting standards. It is responsible for taking steps that are reasonably open to it in order to safeguard the assets of the College and to prevent and detect fraud and other irregularities.

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

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 are used only in accordance with the Financial Memorandum with the Skills 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 in order to safeguard public and other funds and to 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 are not put at risk.

Approved by order of the members of the Corporation on 12 December 2016 and signed on its behalf by:

Janet Morgan

Janet Morgan **Chair**

Independent auditor's 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 31 July 2016 set out on pages 29 to 60. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS102 *the Financial Reporting Standard applicable in the UK and Republic of Ireland.*

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 the Auditor

As explained more fully in the Statement of the Responsibilities of the Members of the Corporation set out on page 24, the Corporation is responsible for the preparation of the 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 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 Members' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 of the state of the Group's and of the College's affairs as at 31 July 2016 and of the Group's and of the College's income and expenditure, gains and losses, changes in reserves and of the Group's cash flows for the year ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education.

Independent auditor's report to the Corporation of Derby College

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Joint Audit Code of Practice (June 2016) issued jointly by the Skills Funding Agency and the Education Funding Agency requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the College; or
- the College financial statements are not in agreement with the accounting records; or
- we have not received all of the information and explanations we require for our audit.

M Rowley

Michael Rowley

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

One Snowhill

Snow Hill Queensway

Birmingham

B4 6GH

21/12/2016

Reporting accountant's assurance report on regularity

In accordance with the terms of our engagement letter dated 24th February 2015 and further to the requirements of the financial memorandum with the Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Derby College during the period 1st August 2015 to 31 July 2016 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

This report is made solely to the Corporation of Derby College and the Skills Funding Agency in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the Corporation of Derby College and Skills Funding Agency those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation of Derby College and Skills Funding Agency for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Derby College and the reporting accountant

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

Our responsibilities for this engagement are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Joint Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1st August 2015 to 31 July 2016 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Joint Audit Code of Practice issued jointly by the Skills Funding Agency and Education Funding Agency. We performed a limited assurance engagement as defined in that framework.

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

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

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

Reporting accountant's assurance report on regularity

The work undertaken to draw our conclusions included:

- Documenting the framework of authorities which govern the activities of the College;
- Undertaking a risk assessment based on our understanding of the general control environment and any weaknesses in internal controls identified by our audit of the financial statements;
- Reviewing the self-assessment questionnaire which supports the representations included in the Chair of Governors and Accounting Officer's statement on regularity, propriety, and compliance with the framework of authorities;
- Testing transactions with related parties;
- Confirming through enquiry and sample testing that the College has complied with its procurement policies and that these policies comply with delegated authorities; and
- Reviewing any evidence of impropriety resulting from our work and determining whether it was significant enough to be referred to in our regularity report.

This list is not exhaustive, and we performed additional procedures designed to provide us with sufficient appropriate evidence to express a limited assurance conclusion on regularity consistent with the requirements of the Joint Audit Code of Practice.

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1st August 2015 to 31 July 2016 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Michael Rowley

for and on behalf of KPMG LLP, Reporting Accountant

Chartered Accountants

One Snowhill

Snow Hill Queensway

Birmingham

B4 6GH

Date 21/12/2016

Consolidated Statements of Comprehensive Income

	Notes	Year ended 31 July 2016		Year ended 31 July 2015	
		Group	College	Group	College
		£'000	£'000	£'000	£'000
INCOME					
Funding body grants	2	37,131	37,131	42,912	42,912
Tuition fees and education contracts	3	7,283	7,283	6,167	6,167
Other grants and contracts	4	952	952	830	830
Other Income	5	2,789	2,181	2,748	2,234
Investment income	6	4	2	5	2
Donations and Endowments		-	-	-	-
Total income		**48,159**	**47,549**	**52,662**	**52,145**
EXPENDITURE					
Staff costs	7	31,047	30,869	31,680	31,518
Restructuring costs	7	259	259	1,083	1,083
Other operating expenses	8	15,267	14906	19,751	19,396
Depreciation	10	3,714	3,689	6,027	5,997
Interest and other finance costs	9	1,246	1,246	1,260	1,260
Total expenditure		**51,533**	**50,969**	**59,801**	**59,254**
(Deficit) before other gains and losses		**(3,374)**	**(3,420)**	**(7,139)**	**(7,109)**
Profit on disposal of assets	10	233	233	7,550	7,550
(Deficit)/Surplus before tax		**(3,141)**	**(3,187)**	**411**	**441**
Taxation		-	-	-	-
(Deficit)/surplus for the year		**(3,141)**	**(3,187)**	**411**	**441**
Unrealised surplus on revaluation of assets					
Actuarial loss in respect of pensions schemes	23	(6,871)	(6,871)	(3,638)	(3,638)
Total Comprehensive Income/ (Expenditure) for the year		**(10,012)**	**(10,057)**	**(3,226)**	**(3,196)**
Represented by:					
Restricted comprehensive income / (expenditure)		-	-	-	-
Unrestricted comprehensive income / (expenditure)		(10,012)	(10,057)	(3,226)	(3,196)
		(10,012)	(10,057)	(3,226)	(3,196)
Surplus for the year attributable to:					
Group		**(10,012)**	**(10,057)**	**(3,226)**	**(3,196)**
Total Comprehensive / (Expenditure) for the year attributable to:					
Group		**(10,012)**	**(10,057)**	**(3,226)**	**(3,196)**

Consolidated and College Statement of Changes in Reserves

	Income and expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Group			
Balance at 1st August 2014	46,672	7,894	54,566
Surplus/(deficit) from the income and expenditure account	411	-	411
Other comprehensive income / (expenditure)	(3,638)	-	(3,638)
Transfers between revaluation and income and expenditure reserves	315	(315)	-
	(2,912)	(315)	(3,227)
Balance at 31st July 2015	43,760	7,579	51,339
Surplus/(deficit) from the income and expenditure account	(3,141)	-	(3,141)
Other comprehensive income / (expenditure)	(6,871)	-	(6,871)
Transfers between revaluation and income and expenditure reserves	9	(9)	-
Total comprehensive income for the year	(10,003)	(9)	(10,012)
Balance at 31 July 2016	33,757	7,570	41,327
College			
Balance at 1st August 2014	46,330	7,894	54,224
Surplus/(deficit) from the income and expenditure account	441	-	441
Other comprehensive income / (expenditure)	(3,638)	-	(3,638)
Transfers between revaluation and income and expenditure reserves	315	(315)	-
	(2,882)	(315)	(3,197)
Balance at 31st July 2015	43,448	7,579	51,027
Surplus/(deficit) from the income and expenditure account	(3,187)	-	(3,187)
Other comprehensive income / (expenditure)	(6,870)	-	(6,870)
Transfers between revaluation and income and expenditure reserves	9	(9)	-
Total comprehensive income for the year	(10,048)	(9)	(10,057)
Balance at 31 July 2016	33,400	7,570	40,970

Balance Sheets as at 31 July

	Notes	Group	College	Group	College
		2016	2016	2015	2015
		£'000	£'000	£'000	£'000
Non current assets					
Tangible Fixed assets	10	96,399	96,370	99,454	99,412
Intangible Fixed Assets (Software)	11	32	32	156	156
Investments	12	-	14	-	14
		96,431	**96,416**	**99,610**	**99,582**
Current assets					
Stocks		83	75	83	75
Trade and other receivables	13	1,986	1,932	6,672	6,688
Cash and cash equivalents	18	837	386	608	142
		2,906	**2,393**	**7,363**	**6,905**
Less: Creditors – amounts falling due within one year	14	(9,338)	(9,167)	(13,874)	(13,700)
Net current liabilities		**(6,432)**	**(6,774)**	**(6,511)**	**(6,795)**
Total assets less current liabilities		**89,999**	**89,742**	**93,099**	**92,787**
Creditors – amounts falling due after more than one year	15	(6,279)	(6,279)	(7,647)	(7,647)
Provisions					
Defined benefit obligations	17	(36,871)	(36,871)	(28,124)	(28,124)
Other provisions	17	(5,522)	(5,522)	(5,989)	(5,989)
Total net assets/(liabilities)		**41,327**	**40,970**	**51,339**	**51,027**
Unrestricted Reserves					
Income and expenditure account		33,757	33,400	43,760	43,448
Revaluation reserve		7,570	7,570	7,579	7,579
Total unrestricted reserves		**41,327**	**40,970**	**51,339**	**51,027**

The financial statements on pages 29 to 60 were approved and authorised for issue by the Corporation on 12 December 2016 and were signed on its behalf on that date by:

Janet Morgan

Janet Morgan
Chair

Mandie Stravino
Accounting Officer

Consolidated Statement of Cash Flows

	Notes	2016	2015
		£'000	£'000
Cash flow from operating activities			
Surplus/(Deficit) for the year		(3,187)	411
Adjustment for non-cash items			
Depreciation		3,714	6,027
(Increase) in stocks		-	(12)
Decrease/(Increase) in debtors		286	(45)
(Decrease) in creditors due within one year		(309)	(1,841)
(Decrease in creditors due after one year		-	-
(Decrease)/increase in provisions		(421)	1,110
Pensions costs less contributions payable		1,876	1,747
Taxation		-	-
Adjustment for investing or financing activities			
Investment income		(4)	(5)
Interest payable		97	131
Taxation paid		-	-
Profit on sale of fixed assets		(233)	(7,550)
Net cash flow from operating activities		1,819	(27)
Cash flows from investing activities			
Proceeds from sale of fixed assets		4,857	3,856
Investment income		4	5
Payments made to acquire fixed assets		(757)	(2,334)
		4,104	1,527
Cash flows from financing activities			
Interest paid		(97)	(131)
Interest element of finance lease rental payments		-	-
Repayments of amounts borrowed		(303)	(303)
Capital element of finance lease rental payments		-	-
		(400)	(434)
Increase in cash and cash equivalents in the year		**5,523**	**1,066**
Cash and cash equivalents at beginning of the year	18	(4,686)	(5,752)
Cash and cash equivalents at end of the year	18	837	(4,686)

Notes to the Accounts

1. Statement of accounting policies and estimation techniques

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

Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2015* (the 2015 FE HE SORP), the *College Accounts Direction for 2015 to 2016* and in accordance with Financial Reporting Standard 102 – *"The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland"* (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

Transition to the 2015 FE HE SORP

The College is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the College has amended certain accounting policies to comply with FRS 102 and the 2015 FE HE SORP. The trustees have also taken advantage of certain exemptions from the requirements of FRS 102 permitted by FRS 102 Chapter 35 'Transition to this FRS'.

An explanation of how the transition to the 2015 FE HE SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the College is provided in note 26.

The 2015 FE HE SORP requires colleges to prepare a single statement of comprehensive income, and not the alternative presentation of a separate income statement and a statement of other comprehensive income. This represents a change in accounting policy from the previous period where separate statements for the Income and Expenditure account and for the Statement of Total Recognised Gains and Losses were presented.

The application of first-time adoption allows certain exemptions from the full requirements of the FRS 102 and the 2015 FE HE SORP in the transition period. The following exemptions have been taken in these financial statements:

- Revaluation as deemed cost – at 1st August 2014, the College has retained the carrying values of freehold properties as being deemed cost and measured at fair value. Land at the Roundhouse and Broomfield sites as been revalued at this date to reflect a significant uplift in its value.
- Lease incentives – the College has continued to recognise the residual benefits associated with lease incentives on the same basis as that applied at the date of transition
- The College has taken advantage of the exemptions provided in FRS 102 1.12 and the 2015 FE HE SORP 3.3, and has not included a separate statement of its own cash flows. These cash flows are included in the Consolidated Statement of Cash Flows, and the College balance sheet discloses cash at both the current and preceding reporting dates.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention as modified by the use of previous valuations as deemed cost at transition for certain non-current assets.

Basis of consolidation

The consolidated financial statements include the College and its subsidiaries, Mackworth Business Services Limited and Corporate College Limited (dormant), controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS 102, the activities of the student union have not been consolidated because the College does not control those activities. All financial statements are made up to 31 July 2016.

Going concern

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

The College currently has £6.4m of loans outstanding with bankers on terms negotiated in 2012 and revised in 2016. The terms of the existing agreement are for 25 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.

Recognition of income

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any underachievement for the Adult Skills Budget and the 16-18 Apprenticeship Allocation is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. Overachievement of the Adult Skills Budget and the 16-18 Apprenticeships Allocation is not recognised in the income and expenditure account as SFA funding rules do not confirm payment of over delivered funding. The final grant income is normally determined with the conclusion of the year-end reconciliation process with the funding body following the year-end and the results of any funding audit. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

The recurrent grant from HEFCE represents the funding allocations attributable to the current financial year and is credited directly to the Statement of Comprehensive Income.

Grants (including research grants) from non-government sources are recognised in income when the College is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

Government capital grants and other capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met.

Income from tuition fees is stated gross of any expenditure which is not a discount and is recognised in the period for which it is received.

All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned on a receivable basis.

Accounting for post-employment benefits

Post-employment benefits to employees of the College are principally provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit plans, which are externally funded.

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

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

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

Short-term Employment benefits

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

Enhanced Pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by a 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 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.

Non-current Assets - Tangible fixed assets

Tangible fixed assets are stated at deemed cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 2015 FE HE SORP are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation. Land has been revalued as at 1st April 2014 on a fair market value, in accordance with the RICS Redbook.

Land and buildings

Freehold land is not depreciated.

Freehold buildings are depreciated 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.

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

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued with an effective date at 1 August 2014, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

Assets under construction

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

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets after initial purchase it is charged to income in the period it is incurred, unless it increases the future benefits to the College, in which case it is capitalised and depreciated on the relevant basis.

Equipment

Equipment costing less than £1,000 per individual item is recognised as expenditure in the period of acquisition. All other equipment is capitalised at cost.

Capitalised equipment is depreciated on a straight-line basis over its remaining useful economic life as follows:

• general equipment; furniture, fixtures and fittings	3 to 10 years
• motor vehicles	3 to 4 years
• computer equipment	3 to 5 years
• IT network infrastructure	10 years

Intangible assets and goodwill

Software development costs are capitalised over the planned useful life.

Borrowing costs

Borrowing costs are recognised as expenditure in the period in which they are incurred with the exception of costs which are directly attributable to the construction of land and buildings, in which case they are capitalised as part of the cost of those assets.

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives relating to leases signed after 1st August 2014 are spread over the minimum lease term. The College has taken advantage of the transitional exemptions in FRS 102 and has retained the policy of spreading lease premiums and incentives to the date of the first market rent review for leases signed before 1st August 2014.

Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as finance leases.

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

Investments

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

Other investments

Listed investments held as non-current assets and current asset investments, which may include listed investments, are stated at fair value, with movements recognised in Comprehensive Income. Investments comprising unquoted equity instruments are measured at fair value, estimated using a valuation technique.

Inventories

Inventories are stated at the lower of their cost (using the FIFO method) and net realisable value, being selling price less costs to complete and sell. Where necessary, provision is made for obsolete, slow-moving and defective items.

Cash and cash equivalents

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

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

Financial liabilities and equity

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

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

Foreign currency translation

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

Taxation

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income, or capital gains received within categories covered by sections 478-488 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.

The College is partially exempt in respect of Value Added Tax so that it can only recover around 3% of the 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.

Provisions and contingent liabilities

Provisions are recognised when the College has a present legal or constructive obligation as a result of a past event; it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

A contingent liability arises from a past event that gives the College a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the College. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the balance sheet but are disclosed in the notes to the financial statements.

A provision for dilapidations relating to the withdrawal from the Johnston Building in 2034 has been recognised, based on estimates of the cost to make repairs to the building prior to exit.

Agency arrangements

The College acts as an agent in the collection and payment of discretionary support funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure of the College where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

Judgements in applying accounting policies and key sources of estimation uncertainty

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

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

Other key sources of estimation uncertainty

- *Tangible fixed assets*

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

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 23, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2013 has been used by the actuary in valuing the pensions liability at 31 July 2016. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2 Funding body grants	Year ended 31 July		Year ended 31 July	
	2016	2016	2015	2015
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Recurrent grants				
Skills Funding Agency	12,987	12,987	15,056	15,056
Education Funding Agency	23,801	23,801	25,597	25,597
Higher Education Funding Council	233	233	276	276
Specific grants				
Skills Funding Agency	95	95	1,395	1,395
SFA capital grants	-	-	577	577
HEFCE capital grants	15	15	11	11
Total	**37,131**	**37,131**	**42,912**	**42,912**

3 Tuition fees and education contracts	Year ended 31 July		Year ended 31 July	
	2016	2016	2015	2015
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Adult education fees	3,392	3,392	3,260	3,260
Apprenticeship fees and contracts	78	78	59	59
Fees for FE loan supported courses	1,326	1,326	624	624
Fees for HE loan supported courses	638	638	476	476
International students fees	-	-	63	63
Total tuition fees	5,434	5,434	4,482	4,482
Education contracts	1,849	1,849	1,685	1,685
Total	**7,283**	**7,283**	**6,167**	**6,167**

4 Other grants and contracts	Year ended 31 July		Year ended 31 July	
	2016	2016	2015	2015
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Erasmus	110	110	159	159
National Citizenship Contract	842	842	652	652
Other government capital grants	-	-	19	19
Total	**952**	**952**	**830**	**830**

Note re notes 3 and 4: The classification of National Citizenship contracts has been restated for year ended 31 July 2015 and moved from Education contracts to other grants and contracts

5 Other income

	Year ended 31 July		Year ended 31 July	
	2016	2016	2015	2015
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Catering and residences	1,054	385	1,025	447
Other income generating activities	1,261	1,321	1,144	1,208
Other grant income	150	150	304	304
Miscellaneous income	324	325	275	275
Total	**2,789**	**2,181**	**2,748**	**2,234**

6 Investment income

	Year ended 31 July		Year ended 31 July	
	2016	2016	2015	2015
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other interest receivable	4	2	5	2
	4	**2**	**5**	**2**
Net return on pension scheme (note 23)	-	-	-	-
Total	**4**	**2**	**5**	**2**

7 Staff costs – Group and College

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

	2016	2015
	No.	No.
Teaching staff	713	740
Non-teaching staff	203	214
	916	**954**

Staff costs for the above persons

	2016	2015
	£'000	£'000
Wages and salaries	23,789	24,938
Social security costs	1,773	1,739
Other pension costs	4,615	4,414
Payroll subtotal	**30,177**	**31,091**
Contracted out staffing services	870	589
	31,047	**31,680**
Restructuring costs – Contractual	259	1,083
- Non-contractual	-	-
Total Staff costs	**31,306**	**32,763**

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the Executive Team which comprises the Chief Executive; Chief Finance Officer; Deputy Chief Executive - Strategy and Corporate Services, Deputy Principal – Education and Learner Experience and Deputy Principal – Employer and Economic Affairs. Staff costs include compensation paid to key management personnel for loss of office.

Emoluments of Key management personnel, Accounting Officer, and other higher paid staff

	2016	2015
	No.	No.
The number of key management personnel including the Accounting Officer was:	5	10

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

	Key management personnel		Other staff	
	2016	2015	2016	2015
	No.	No.	No.	No.
£60,001 to £70,000 p.a.	-	2	2	1
£70,001 to £80,000 p.a.	1	5	1	-
£80,001 to £90,000 p.a.	3	1	-	-
£100,001 to £110,000 p.a.	-	1	-	-
£150,001 to £160,000 p.a.	-	1	-	-
£160,001 to £170,000 p.a.	1	-	-	-
	5	**10**	**3**	**1**

Key management personnel compensation is made up as follows:

	2016	2015
	£'000	£'000
Salaries	480	813
Employers National Insurance [or Social Security contributions]	53	89
Benefits in kind	2	2
	535	904
Pension contributions	62	104
Total key management personnel compensation	**597**	1,008

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

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

	2016	2015
	£'000	£'000
Salaries	161	151
Benefits in kind	2	2
	163	153
Pension contributions	20	18

Compensation for loss of office paid to former key management personnel

	2016	2015
	£	£
Compensation paid to the former post-holder - contractual	-	-
Estimated value of other benefits, including provisions for pension benefits	-	-

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

8 Other operating expenses

	2016	2016	2015	2015
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Teaching costs	5,048	5,048	5,062	5,062
Subcontracting costs	3,318	3,318	5,275	5,275
Non-teaching costs	2,796	2,461	3,515	3,189
Premises costs	4,105	4,079	5,899	5,870
Total	**15,267**	**14,906**	**19,751**	**19,396**

Other operating expenses include:	2016	2015
	£'000	£'000
Auditors' remuneration:		
Financial statements audit*	41	29
Internal audit**	14	13
Other services provided by the financial statements auditor	3	2
Other services provided by the internal auditors	-	-
Hire of assets under operating leases	1,316	1,201

* includes £39,000 in respect of the College (2014/15 £27,000)

** includes £14,000 in respect of the College (2014/15 £13,000)

9 Interest and other finance costs – Group and College

	2016	2015
	£'000	£'000
On bank loans, overdrafts, and other loans:	97	131
	97	131
On finance leases	-	-
Pension finance costs (note 23)	1,149	1,129
Total	**1,246**	**1,260**

10 Tangible fixed assets (Group)

	Land and buildings		Equipment	Assets in the course of construction	Total
	Freehold	Long leasehold			
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2015	115,751	907	6,964	-	116,418
Additions	249	-	508	-	757
Disposals	(2,560)	-	(87)	-	(2,647)
At 31 July 2016	**113,440**	**907**	**7,385**	**-**	**121,732**
Depreciation					
At 1 August 2015	18,050	907	5,211	-	24,168
Charge for the year	2,822	-	768	-	3,590
Elimination in respect of disposals	(2,345)	-	(80)	-	(2,425)
At 31 July 2016	**18,527**	**907**	**5,899**	**-**	**25,333**
Net book value at 31 July 2016	**94,913**	**-**	**1,486**	**-**	**96,399**
Net book value at 31 July 2015	97,701	-	1,753	-	99,454

10 Tangible fixed assets (College)

	Land and buildings Freehold	Land and buildings Long leasehold	Equipment	Assets in the course of construction	Total
	£'000	£'000	£'000		£'000
Cost or valuation					
At 1 August 2015	115,751	907	6,798	-	123,456
Additions	249	-	496	-	745
Disposals	(2,560)	-	(87)	-	(2,647)
At 31 July 2016	**113,440**	**907**	**7,207**	**-**	**121,554**
Depreciation					
At 1 August 2015	18,050	907	5,087	-	24,044
Charge for the year	2,822	-	743	-	3,565
Elimination in respect of disposals	(2,345)	-	(80)	-	(2,425)
At 31 July 2016	**18,527**	**907**	**5,750**	**-**	**25,184**
Net book value at 31 July 2016	**94,913**	**-**	**1,457**	**-**	**96,370**
Net book value at 31 July 2015	97,701	-	1,711	-	99,412

Land at the Broomfield and Roundhouse sites were valued at 2014 Market Value, in accordance with FRS102, by Innes England a firm of independent chartered surveyors.

11 Intangible Assets

	Equipment - Software	
	Group	**College**
	£'000	**£'000**
Cost or valuation		
At 1 August 2015	375	375
Additions	-	-
Disposals	-	-
At 31 July 2016	**375**	**375**
Depreciation		
At 1 August 2015	219	219
Charge for the year	124	124
Elimination in respect of disposals	-	-
At 31 July 2016	**343**	**343**
Net book value at 31 July 2016	**32**	**32**
Net book value at 31 July 2015	156	156

12 Non-current investments

	College 2016 £'000	College 2015 £'000
Investments in subsidiary companies	14	14
Total	**14**	**14**

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

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

13 Debtors

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
Amounts falling due within one year:				
Trade receivables	1,102	961	4,912	4,771
Amounts owed by group undertakings:				
Subsidiary undertakings	-	87	-	157
Prepayments and accrued income	501	501	1,250	1,250
Amounts owed by the Skills Funding Agency	383	383	510	510
Total	**1,986**	**1,932**	**6,672**	**6,688**

14 Creditors: amounts falling due within one year

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
Bank loans and overdrafts	303	303	5,596	5,596
Obligations under finance leases	-	-	-	-
Trade payables	380	372	629	607
Amounts owed to group undertakings:				
Subsidiary undertakings	-	8	-	-
Other taxation and social security	1987	1987	922	922
Accruals and deferred income	6,545	6,374	6,198	6,047
Amounts owed to the Skills Funding Agency/EFA	123	123	529	529
Total	**9,338**	**9,167**	**13,874**	**13,701**

15 Creditors: amounts falling due after one year

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
Bank loans	6,053	6,053	6,355	6,355
Obligations under finance leases	-	-	-	-
Lennartz	266	266	1,292	1,292
Total	**6,279**	**6,279**	**7,647**	**7,647**

16 Maturity of debt

Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
In one year or less	303	303	5,597	5,597
Between one and two years	303	303	303	303
Between two and five years	909	909	909	909
In five years or more	4,841	4,841	5,143	5,143
Total	**6,356**	**6,356**	**11,952**	**11,952**

Bank loans totaling £6,356,000 (2015: £6,658,000) at base rate plus a margin of 0.38% are on a fixed term facility with payments commencing in 2012

17 Provisions

	Defined benefit obligations £'000	Enhanced Pensions £'000	Dilapidations £'000	Total £'000
At 1 August 2015	28,124	5,019	970	34,113
Expenditure in the period	(1,674)	(323)	(648)	**(2,645)**
Transferred from income and expenditure account	10,421	504	-	**10,925**
At 31 July 2016	**36,871**	**5,200**	**322**	**42,393**

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government pension Scheme. Further details are given in Note 23.

The dilapidations provision was created in 2015 relating to a legal requirement to carry out dilapidations work to the College's leased building on planned exit. This exit strategy has now changed, and the provision has been restated to reflect the current value of the provision.

The enhanced pension provision relates to the cost of staff who have already left the College's employment and commitments for reorganisation costs from which the College cannot reasonably withdraw at the balance sheet date. This provision has been recalculated in accordance with guidance issued by the funding bodies.

The principal assumptions for this calculation are:

	2016	**2015**
Price inflation	1.30%	1.70%
Discount rate	2.30%	3.50%

18 Cash and cash equivalents

	At 1 August 2015	**Cash flows**	**Other changes**	**At 31 July 2016**
	£'000	**£'000**	**£'000**	**£'000**
Cash and cash equivalents	608	229	-	837
Overdrafts	(5,293)	5,293	-	-
Total	**(4,685)**	**5,522**	**-**	**837**

19 Capital and other commitments

	Group and College	
	2016	**2015**
	£'000	**£'000**
Commitments contracted for at 31 July	235	284

20 Lease obligations

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

	Group and College	
	2016	**2015**
	£'000	**£'000**
Future minimum lease payments due		
Land and buildings		
Not later than one year	1,049	1,092
Later than one year and not later than five years	5,181	5,181
Later than five years	7,569	8,606
	13,799	14,879
Other		
Not later than one year	551	655
Later than one year and not later than five years	271	228
Later than five years	-	-
	822	883

21 Contingent liabilities

The College has no contingent liabilities as at 31 July 2016 (2015: £nil)

22 Events after the reporting period

There are no events after the reporting period

23 Defined benefit obligations

The College's employees belong to two principal post-employment benefit plans: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Wessex Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Derbyshire County Council. Both are multiemployer defined benefit plans.

Total pension cost for the year		**2016**		**2015**
		£000		**£000**
Teachers' Pension Scheme: contributions paid		1,763		1,627
Local Government Pension Scheme:				
Contributions paid	1,674		1,617	
FRS 102 (28) charge	1,231		1,124	
Charge to the Statement of Comprehensive Income		2,905		2,741
Enhanced pension charge to Statement of Comprehensive Income		40		46
Total Pension Cost for Year within staff costs		**4,708**		**4,414**

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2012 and of the LGPS 31 March 2013.

There were no outstanding or prepaid contributions at either the beginning or the end of the financial year/Contributions amounting to £375,000 were payable to the scheme at 31st July and are included within creditors.

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations 2010, and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities. In addition, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and, from 1 January 2007, automatic for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

The Teachers' Pension Budgeting and Valuation Account

Although members may be employed by various bodies, their retirement, and other pension benefits are set out in regulations made under the Superannuation Act 1972 and are paid by public funds provided by Parliament. The TPS is an unfunded scheme, and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act.

The Teachers' Pensions Regulations 2010 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension increases). From 1 April 2001, the Account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

Valuation of the Teachers' Pension Scheme

The latest actuarial review of the TPS was carried out as at 31 March 2012 and in accordance with The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education (the Department) on 9 June 2014. The key results of the valuation are:

- New employer contribution rates were set at 16.48% of pensionable pay (including administration fees of 0.08%);
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- An employer cost cap of 10.9% of pensionable pay.

The new employer contribution rate for the TPS was implemented in September 2015.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location:

https://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx

Scheme Changes

Following the Hutton report in March 2011 and the subsequent consultations with trade unions and other representative bodies on reform of the TPS, the Department published a Proposed Final Agreement, setting out the design for a reformed TPS to be implemented from 1 April 2015.

The key provisions of the reformed scheme include a pension based on career average earnings; an accrual rate of 1/57th; and a Normal Pension Age equal to State Pension Age, but with options to enable members to retire earlier or later than their Normal Pension Age. Importantly, pension benefits built up before 1 April 2015 will be fully protected.

In addition, the Proposed Final Agreement includes a Government commitment that those within 10 years of Normal Pension Age on 1 April 2012 will see no change to the age at which they can retire and no decrease in the amount of pension they receive when they retire. There will also be further transitional protection, tapered over a three and a half-year period, for people who would fall up to three and a half years outside of the 10-year protection.

Regulations giving effect to a reformed Teachers' Pension Scheme came into force on 1 April 2014, and the reformed scheme commenced on 1 April 2015.

The pension costs paid to TPS in the year amounted to £2,713,106 (2015: £2,660,593).

FRS 102 (28)

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

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

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Derbyshire County Council. The total contributions made for the year ended 31 July 2016 were £2,275,000, of which employer's contributions totalled £1,617,000 and employees' contributions totalled £658,000. The agreed contribution rates for future years are 12.7% for employers and range from 5.5% to 7.5% for employees, depending on salary.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2013 updated to 31 July 2016 by a qualified independent actuary.

	At 31 July 2016	**At 31 July 2015**
Rate of increase in salaries	2.9%	3.5%
Future pensions increases	1.9%	2.6%
Discount rate for scheme liabilities	2.4%	3.6%
Inflation assumption (CPI)	1.9%	0.1%
Commutation of pensions to lump sums		
- Pre April 2008	50%	50%
- Post April 2008	75%	75%

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 2016	**At 31 July 2015**
	years	years
Retiring today		
Males	22.0	22.0
Females	24.2	24.2
Retiring in 20 years		
Males	24.1	24.1
Females	26.6	26.6

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

	Long-term rate of return expected at 31 July 2016	**Fair Value at 31 July 2016 £'000**	**Long-term rate of return expected at 31 July 2015**	**Fair Value at 31 July 2015 £'000**
Equity instruments	2.40%	47,811	3.60%	43,226
Debt instruments	2.40%	13,858	3.60%	12,350
Property	2.40%	4,157	3.60%	3,088
Cash	2.40%	3,465	3.60%	3,088
Total fair value of plan assets		**69,291**		**61,752**
Weighted average expected long term rate of return	**2.4%**		**5.18%**	
Actual return on plan assets		**4,752**		**2,615**

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

	2016	2015
	£'000	£'000
Fair value of plan assets	69,291	61,752
Present value of plan liabilities	(106,079)	(89,793)
Present value of unfunded liabilities	(83)	(83)
Net pensions (liability) (Note 17)	**(36,871)**	**(28,124)**

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

	2016	2015
	£'000	£'000
Amounts included in staff costs		
Current service cost	2,868	2,735
Past service cost	37	6
Total	**2,905**	**2,741**
Amounts included in investment income		
Net interest income	1,034	931
	1,034	**931**

Amount recognised in Other Comprehensive Income

Return on pension plan assets	4,752	2,615
Experience losses arising on defined benefit obligations	1,129	619
Changes in assumptions underlying the present value of plan liabilities	(12,363)	(6,564)
Amount recognised in Other Comprehensive Income	**(6,482)**	**(3,330)**

Movement in net defined benefit (liability) during year

	2016	2015
	£'000	**£'000**
Net defined benefit (liability) in scheme at 1 August	(28,124)	(22,739)
Movement in year:		
Current service cost	(2,868)	(2,735)
Employer contributions	1,674	1,617
Past service cost	(37)	(6)
Net interest on the defined (liability)	(1,034)	(931)
Actuarial (loss)	(6,482)	(3,330)
Net defined benefit (liability) at 31 July	**(36,871)**	**(28,124)**

Asset and Liability Reconciliation

	2016	2015
	£'000	**£'000**
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	89,876	79,114
Current service cost	2,868	2,735
Interest cost	3,267	3,194
Contributions by Scheme participants	628	658
Experience losses on defined benefit obligations	(1,129)	(619)
Changes in financial assumptions	12,363	6,564
Estimated benefits paid	(1,748)	(1,776)
Past Service cost	37	6
Curtailments and settlements	-	-
Defined benefit obligations at end of period	**106,162**	**89,876**

Changes in fair value of plan assets

	2016	2015
Fair value of plan assets at start of period	61,752	56,375
Interest on plan assets	2,233	2,263
Return on plan assets	4,752	2,615
Employer contributions	1,674	1,617
Contributions by Scheme participants	628	658
Estimated benefits paid	(1,748)	(1,776)
Fair value of plan assets at end of period	**69,291**	**61,752**

24 Related party transactions

Owing 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 such organisations are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures.

The total expenses paid to or on behalf of the governors during the year was £1,000; 5 governors (2015: £1,900; 7 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending governor meetings and charity events in their official capacity.

No governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2015: None).

Derby College Education Trust Limited

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 expenditure transactions with Derby College Education Trust:

	2016	2015
	£'000	£'000
Services provided to Derby College Education Trust (under SLA agreement)	167	69
Merrill Academy Alternative Curriculum Provision, incl. Free School Meals.	35	47
Recharges for occupational health, legal, mobile phones and digital services	25	12
	227	128

Derby College Education Trust had the following expenditure transactions with Derby College:	2016	2015
	£'000	£'000
SLA Professional Charges – contribution by Derby College 2014/15	-	1
Digital Studio School Services	-	1
	-	2

The Chief Executive of Derby College is a member of the Derby Manufacturing UTC on behalf of Derby College which is a sponsor organisation. The UTC opened for business in September 2015.

Derby College provided the following to Derby Manufacturing UTC for which invoices have been raised:	2016	2015
	£'000	£'000
Staff secondment	-	18
Staff Payroll and Recharges	11	88
Recharges for Finance under SLA agreement	17	-
Recharges for marketing; legal & subscriptions and recruitment	10	30
	38	136

Derby Manufacturing UTC provided the following to Derby College for which invoices have been raised:	2016	2015
	£'000	£'000
Staff secondment	-	12
Sponsorship	-	5
	-	17

In addition to the above, the College carried out transactions under normal business with Rolls Royce plc and Geldards LLP which are companies related to members of the Corporation. Such business was carried out at arm's length and all transactions were subject to normal financial regulations.

25 Amounts disbursed as agent

	2016	2015
	£'000	£'000
Learner support funds:		
Funding body grants – discretionary learner support	1,330	1,258
Funding body grants – childcare	-	286
Funding body grants – residential bursaries	47	59
	1,377	1,603
Disbursed to students	(1,377)	(1,407)
Administration costs	(65)	(76)
Balance unspent as at 31 July, included in creditors	(65)	120

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 Statement of Comprehensive Income.

26 Transition to FRS 102 and the 2015 FE HE SORP

The year ended 31st July 2016 is the first year that the College has presented its financial statements under FRS 102 and the 2015 FE HE SORP. The following disclosures are required in the year of transition. The last financial statements prepared under previous UK GAAP were for the year ended 31st July 2015, and the date of transition to FRS 102 and the 2015 FE HE SORP was, therefore, 1st August 2014. As a consequence of adopting FRS 102 and the 2015 FE HE SORP, a number of accounting policies have changed to comply with those standards.

An explanation of how the transition to FRS 102 and the 2015 FE HE SORP has affected the College's financial position, financial performance, and cash flows, is set out below.

	Note	1st August 2014		31st July 2015	
		Group	College	Group	College
		£'000	£'000	£'000	£'000
Financial Position					
Total reserves under previous SORP		2,354	2,009	265	(51)
Employee leave accrual	(a)	(693)	(690)	(696)	(692)
Release of government capital grants	(b)	45,641	45,641	44,521	44,521
Release of non-government capital grants	(b)	60	60	45	45
Total effect of transition to FRS 102 and 2015 FE HE SORP		45,008	45,011	43,870	43,874
Total reserves under 2015 FE HE SORP		47,362	47,020	44,135	43,823

	Note	Year ended 31st July 2015	
		Group	College
		£'000	£'000
Financial performance			
Deficit for the year after tax under previous SORP		(1,774)	(1,746)
Reversal of capital grants amortisation	(b)	(1,135)	(1,135)
Pensions provision – actuarial loss	(c)	1,007	1,007
Changes to measurement of net finance cost on defined benefit plans	(c)	(1,007)	(1,007)
Employee leave accrual	(a)	(2)	(-)
Total effect of transition to FRS 102 and 2015 FE HE SORP		(1,137)	(1,135)
Total comprehensive Income for the year under 2015 FE HE SORP		(2,911)	(2,881)

a) Recognition of short term employment benefits

No provision for short term employment benefits such as holiday pay was made under the previous UK GAAP. Under FRS 102 the costs of short-term employee benefits are recognised as a liability and an expense. The annual leave year runs to 31st December each year for both teaching and non-teaching staff meaning that, at the reporting date, there was an average of 5 days unused leave for teaching staff and 4 days unused leave for non-teaching staff. The cost of any unused entitlement is recognised in the period in which the employee's services are received. An accrual of £692,000 was recognised at 1 August 2014, increased to £696,000 at 31 August 2015. Following a re-measurement exercise in 2015/16, the movement on this provision of £3,000 has been charged to Comprehensive Income in the year ended 31 July 2016.

b) Government and non-government grants accounted for under performance model

The College has previously been in receipt of certain capital grants from government and sources other than those classified as "government" under FRS 102 and the 2015 FE HE SORP. Under the previous UK GAAP and 2007 SORP, these were able to be capitalised and amortised over the remaining useful economic life of the relevant fixed assets. This accounting treatment is no longer available for non-government grants. All grants have been accounted for under the performance model and treated as if they had been credited to Comprehensive Income immediately that the performance conditions had been met. A corresponding adjustment has been made to the income recognised in the 2015 results that related to the annual amortisation of the capital grants involved.

c) Change in recognition of defined benefit plan finance costs

The net pension finance cost recognised in the Income and Expenditure account for the year ended 31st July 2015 under the previous UK GAAP was the net of the expected return on pension plan assets and the interest on pension liabilities. FRS 102 requires the recognition in the Statement of Comprehensive Income, of a net interest cost, calculated by multiplying the net plan obligations by the market yield on high quality corporate bonds (the discount rate applied). The change has had no effect on net assets as the measurement of the net defined benefit plan obligation has not changed. Instead, the decrease in the surplus for the year has been mirrored by a reduction in the actuarial losses presented within Other Comprehensive Income.

d) Presentation of actuarial gains and losses within Total Comprehensive Income

Actuarial gains and losses on the College's defined benefit plans were previously presented in the Statement of Total Recognised Gains and Losses (STRGL), a separate statement to the Income and Expenditure account. All such gains and losses are now required under FRS 102 to be presented within the Statement of Comprehensive Income, as movements in Other Comprehensive Income.