



Derby College

Report and financial statements

For the year ended 31st July 2015

Derby College

Members' report and financial statements for the year ended 31st July 2015

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NATURE, OBJECTIVES AND STRATEGIES

The members present their report and audited financial statements for the year ended 31 July 2015.

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

Our mission is 'Preparing 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 Governing Body, who are trustees of the charity, are disclosed on page 17.

In setting and reviewing the College's strategic objectives, the Governing Body has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. 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.

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

- Good-quality teaching and strong student support systems
- Strong links with local employers, industry and commerce providing "job ready" students.
- Widening participation and tackling social exclusion

The delivery of public benefit is also covered further within this Members' Report and this Operating and Financial Review. Derby College's Public Value Statement is published on the College's internet site (<http://www.derby-college.ac.uk/corporate-information/corporate-information>).

Implementation of strategic plan

The current three year Corporate Strategy for the Derby College Group covers the period 2014-2017 and takes into account the changing needs of our learners and customers, as well as the evolving economic, political and demographic environment. The College's stated Strategic Objectives and the key highlights for the year are detailed below.

- Transform our learners' experience

Our efforts to transform our learners' experience through an unwavering focus on improving our teaching and learning practices, raising our standards and achieving aspirational outcomes for our learners has been at the forefront of our developments including the introduction of the Teacher Scorecard.

We have received positive reports from Ofsted's support and challenge inspectors, an outstanding Ofsted report for our residential provision and we were highly commended by QAA for our Higher Education provision.

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Strategic Objectives (continued)

Our responsibility to provide all our learners with careers information and information, advice and guidance (IAG) that is appropriate, inspiring and motivational has led to us receiving the IAG Matrix and Careers Mark accreditation. Our learner voice induction survey results demonstrate the positive impact with 99% of learners saying they were given clear advice and would recommend the College to a friend. We have expanded our Student Ambassador scheme and currently have 26 ambassadors actively participating in advocating educational change across the College.

- **Revolutionise our offer**

In order to revolutionise our offer, further improvements to our curriculum business planning process have been made to ensure our offer is fit-for-purpose and designed and developed to support local priorities and the needs of our employers who are directly contributing through our newly established Employment and Skills Academies, each linked to local business. We have continued to champion citizenship opportunities through the NCS programme (National Citizen Service). In the last year, over 800 young people have taken part in the programme which openly supports employability, enterprise and social action skills, directly impacting and supporting our local communities.

- **Contribute to economic growth and social prosperity**

Our work and partnerships with our employers and the business community is directly contributing to economic growth and social prosperity. We are actively engaged with over 2,500 employers and our employer voice feedback demonstrates how we are producing a talent pool equipped with the right skills and attitudes to meet their needs. 97% of employers agreed that the business solution offer met business needs and skills gaps for their organisation, with 98% stating they would recommend Derby College to others.

We have continued to focus on increasing employer adoption of Apprenticeships and progression to higher levels of skills with expansion to our HE offer and more than 55 Higher Apprenticeships.

- **Invest in our learning environment by improving our financial health**

Against a backdrop of financial challenge and the national context of the sectors' financial decline, we have continued to invest in our learning environment and improve our financial health and during 2013/14, the College achieved a small operating surplus for the first time in recent history. The budget set for 2014/15 included a small operating surplus, which again the College has achieved.

A focus on increasing our commercial income and alternative income streams, coupled with the realisation of efficiency savings has been a key priority. Commercial income has increased by 32% since 2012/13 and the introduction of new products and services through Roundhouse Thinking, our full cost leadership, management and organisational development offer has contributed to this.

Our property strategy has also contributed to improving our financial health through rationalisation and reduced college estates costs whilst our IT Strategy has ensured a value for money service is achieved across the organisation with a new and agile structure that is significantly more cost effective.

We have continued to maximise the potential of our people through investment in training and development and through all our strategies having a renewed focus on our College values, beliefs and behaviours. A new reward and recognition scheme has been successfully launched. The 'Living the Values' awards recognises employees nominated who have consistently demonstrated how the College values are reinforced through their work and based on high performance and 90 team members have been recognised this year.

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Financial objectives

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

- 1 **Financial Health:** To achieve satisfactory financial performance in 2013/14 and maintain or improve this in 2014/15 and 2015/16 as defined by the SFA financial health scoring. To be monitored and measured via the monthly management accounts.
- 2 **Financial Operating Position:** To achieve an underlying operating surplus in 2013/14 and maintain this in the light of funding cuts for 2014/15 onwards, as calculated by the SFA methodology. To be monitored and measured via the monthly management accounts.
- 3 **Historical Cost Position:** The Statement of Historical Cost Surpluses and Deficits (as shown in the audited consolidated accounts) will not show a deficit for any two consecutive periods of twelve months ending on the last day of the financial year. To be monitored and measured via the year end audited financial statements.
- 4 **Income generation:** Increase commercial income (non-Agency funding) to offset reductions in SFA/EFA funding. To be monitored and measured via the monthly management accounts.

All measures have been achieved for 2014/15:

- A satisfactory financial health for the year, as defined by the SFA financial health scoring;
- Achievement of an underlying operating surplus of £157k versus £90k Budget;
- Achieving a Historic Cost surplus in 2014/15 to consolidate the surplus in 2013/14;
- Achieving an increase in non-Agency income, including tuition fees and contracts; other income; but less release of deferred capital grants of £1.1m.

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

Performance indicators

The College is committed to observing the importance of measures and indicators. The College has refined its key measures and indicators for 2014/15 onwards in light of its restated strategic objectives, having regard to the requirements of funding providers (including the requirement to complete an annual Finance Record for the SFA), recommendations by sector organisations and regulators (including Ofsted, BIS, AoC). The current finance record rating of satisfactory is considered an acceptable outcome reflecting a long term capital investment programme.

Senior management and the Corporation received and reviewed a regular and comprehensive data set of KPI's during the year aligned to the strategic plan in operation for the year. The main top level KPI's are shown below:

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Performance indicators (continued)

	12/13	13/14	14/15	National Average
	%	%	%	%
Learner success 16-18 (long) excl. functional skills	80	83	89	84
Learner success rate 19+ (long) excl. functional skills	81	83	86	82
Learner success 16-18 apprenticeships	77	79	75	70
Learner success 19-23 apprenticeships	76	81	79	73
Learner success 24+ apprenticeships	62	75	74	70
Learner success work place learning	79	90	85	82
Positive destinations 16-18 FT/19+ FT	96/97	97/95	TBC	N/A
Learner voice – "I would recommend the College to a friend"	89	98	98	N/A
Employer voice – "Employers agreed they would recommend Derby College to other employers"	95	100	100	N/A
Learners' attendance	83	84	86	85
Growth in alternative income sources (commercial income as a % of total operating income)	9	12	16	-

Financial position

Financial results (Consolidated)

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

	2015 £'000	2014 £'000
Deficit on continuing operations after depreciation and before exceptional items and tax	(4,995)	(1,086)
Adjust for non-operational items:		
Restructuring Costs	1,083	297
Pension Reserve Costs	1,048	1,438
Restructuring (merger) fund release	(143)	-
Exceptional impairment of assets for sale	2,194	-
Exceptional provision for dilapidations	970	-
Underlying operating surplus	157	649

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Financial position (continued)

The College results in 2014/15 show a sustained operating surplus despite difficult funding conditions and significant staffing cost implications from NI and pension rate increases. This necessitated a further review of our staffing structure with a redundancy programme costing £1m in year but focussing on voluntary severance and redeployment wherever possible.

The disposal of the second phase of our Prince Charles Avenue (PCA) campus in Derby, net of statutory obligations, had a positive impact on the overall position posting a surplus on sale of £7,551k.

The College has accumulated general reserves of £28,014k (excluding pension reserve), has a long term loan of £6,658k, an overdraft of £5,293k and cash balances of £608k, the latter balances reflecting the ongoing capital programme and the cash flow impacts of property sales and buildings.

Tangible fixed asset additions during the year amounted to £2,688k (£8,550k 13/14), the majority relating to capital works associated with the on-going redevelopment of the College's estate, particularly the finalisation of a further extension to the Joseph Wright Centre to enable consolidation of our Arts provision, and the continued upgrading of our IT equipment.

The College continues to have a significant though reducing reliance on the external funding bodies for its principal funding source, largely from recurrent grants. In 2014/15, 81% (2013/14: 83%, 2012/13: 88%) of the College's total operational income was derived from funding bodies. As the impact of Government funding priorities continues to see a reduction in available funding streams, the College continues to explore alternative income growth.

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

Name	Nature of business	Gift Aid Payment
Mackworth Business Services Ltd	Facilities Hire	£92,890
Corporate College Ltd	Dormant	N/A

Ongoing capital programme

The College is committed to the continual improvement of its estate and other resources and all capital investments are subject to scrutiny to ensure that best value for money is obtained as well as maximising learner benefits. In addition, consideration is given to health and safety and safeguarding measures to help inform decisions around capital allocations. The strategy for 2014-17 in relation to Property and IT is one of consolidation onto College owned properties, and development within these to support curriculum clustering, innovation and delivery, as well as supporting financial plans. In 2014/15, capital was focussed on updating IT infrastructure and minor works to enable the commencement of curriculum clustering; the extension to the Joseph Wright Centre enabled this, with relocation of Arts, and freeing up space to enable clustering of key areas of Construction and Engineering.

Treasury policies and objectives

Treasury management is the management of the College's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks.

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

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Financial position (continued)

Short term borrowing for temporary revenue purposes is authorised by the Accounting Officer. Such arrangements are restricted by limits in the College's Financial Memorandum agreed with the Skills Funding Agency. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum.

Cash flows

The College's net operating cash outflow amounted to £633k in the year (2013/14 inflow £1,534k). After fixed asset additions, grant receipts and financing, the net debt position decreased from £12,713k to £11,344k particularly reflecting the continuation of the property strategy.

Liquidity

During the year the first tranche of receipts from the sale of the second phase of PCA was used to fund the further extension to the Joseph Wright Centre and enabled a modest £531k reduction to the overdraft. The second and final tranche is due in October 2015. The overdraft continues to be used to support the capital programme but will reduce significantly in 2015/16 when these final funds are received. Minimal overdraft requirements will then be required during 2015/16 pending final asset sales. This position is reviewed regularly.

The size of the College's total borrowing and its approach to interest rates has been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cash flow. Overdraft facilities were in place during the year in order to meet working capital needs associated with the property strategy developments, with the 25 year term loan instigated in 2012 supporting the main capital costs.

Current and Future Developments and Performance

Student Numbers

The College supported approximately over 25,000 learners in 2014/15 encompassing under 16's and funded and unfunded 16+ to undertake a variety of academic and vocational courses including apprenticeships and higher education. This is an 2.5% reduction on 2013/14 representing the reduction of the SFA adult skills budget and related sub-contracting activity.

Student Achievements

Classroom based learning provision

Learner retention and success rates continued to improve in 2014/15 seeing an increase of three and five percentage points respectively. On a comparative basis, for the change in methodology to include functional skills, overall retention increased from 90% in 2013/14 to 93% in 2014/15 with overall success rates increasing from 82% to 87%.

Apprenticeships

Apprenticeships are one of the cornerstones of the current Government's education policy and the College is committed to fulfilling their potential. Overall apprenticeship framework success rates are at 76%, six percentage points above national average.

Curriculum Developments

The College's main campus' are situated within the vibrant city of Derby with further sites around the County.

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Current and Future Developments and Performance (continued)

The award winning Roundhouse development situated adjacent to Derby railway station is the College's flagship campus providing first class accommodation for learners.

The Joseph Wright Centre situated in the city is a dedicated academic sixth form centre providing A levels, GCSEs, Digital and Creative Arts vocational qualifications. The Art extension to the JWC building has consolidated the delivery of all the arts provision at the College and opened to students in January 2015.

The Ilkeston Centre, our £10m vocational training campus at Ilkeston on the site of the former Magistrates Court in the town centre has been open for a full academic year in 2014/15. This state of the art building of approximately 4,000m² has been designed in accordance with BREEAM standards and local area sustainable properties.

The Broomfield Hall campus is situated on the edge of the city providing facilities for land based and leisure activities, having benefitted from extensive development over the last few years.

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

The College works effectively with employers and stakeholders to ensure the educational offer meets the needs of both industry and individuals at all levels. Curriculum design is informed by employers and stakeholders in line with Local Enterprise Partnership (LEP) and regional priorities ensuring the future employment of our young people. Study Programmes are designed and developed to meet current and future demands aligning the supply and demand of skills and education to local regional and national priorities. There has been a growth in the number of 16-18 apprenticeships with the effective implementation of recruitment enabling employers to have a cost effective means to recruit and train their future workforce.

The College has continued with the successful European Erasmus Projects in both the Mobility and Partnership tranches; fulfilling bids secured for the period 2013-15. Current ongoing projects cover learner work experience in their chosen fields of study in other European countries; and partnership projects allowing for the network exchange of knowledge and skills in the areas of car mechanics - green manufacturing and alternative fuels, fashion with traditional aspects and lime mortar heritage buildings.

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

Higher Education courses continue to grow in partnership with a range of Universities. Course developments are planned to grow substantially in 2015/16 providing full and part-time options for learners aiming to gain the higher level skills required by regional employers. Adults are now able to access 24+ loans for Access to Higher Education courses and have their fees waived on successful progression to higher education. Many adults are taking advantage with Access courses increasing particularly in the healthcare, teaching and science professions.

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Current and Future Developments and Performance (*continued*)

Partnerships

Derby Manufacturing UTC

The College is in partnership with Derby University; Rolls Royce; Toyota Manufacturing (UK) Ltd and Derby City Council to introduce the Derby Manufacturing University Technical College focussing on the STEM priorities. The build phase was successfully completed to project deadlines and the UTC successfully opened its doors to students in September 2015.

Derby College Education Trust

Derby College incorporated Derby College Education Trust in May 2012 and through the Trust became the sponsor of Merrill Academy in January 2013. In line with EFA guidance; the results of the Education Trust are not consolidated into these financial statements.

The academy trust has faced a challenging year with significant reductions in funding of nearly £600,000 due to changes in funding methodology, particularly around deprivation factors. This funding reduction has necessitated an overhaul of the curriculum offer and staffing structure to realign costs to the lower income base.

The realignment of costs and close monthly monitoring of out-turn against budgets and forecasts has enabled the academy to achieve a stable position within the year with modest increases to the general funds, inclusive of restructure costs, of £70,000 to support the ongoing challenges.

Non Curriculum Developments

National Citizen Service (NCS)

NCS is a government funded programme for 16 & 17 year olds to enhance their employability skills and sense of community responsibility. Commencing in 2012, the College has continued and expanded its work with young people since its inception and successfully negotiated to continue provision for the next contract round.

Roundhouse Events

Roundhouse Events continues to develop, attracting high profile clients to our award winning facilities. We offer a wide and diverse range of events including Christmas parties which have been extended again this year with over 15,000 people enjoying the Zulu Sundance theme. The Derby Telegraph continued their business awards at the Roundhouse after a successful first year, with over 700 city leaders in attendance. The DNLCC have also continued to hold their annual Business awards with us and have confirmed a three year contract to bring their annual dinner and conference to the Roundhouse in addition to the Business awards. The Roundhouse continues to be one of the most popular venues for traditional and Indian weddings and Broomfield re-opened in 2015 as a wedding venue to add to our already popular and unique facilities there. Other events such as the Christmas market, Antiques Road Show, beer festival and summer fair continue to grow year on year. To increase profitability, the team have also taken bar facilities in-house in late 2015 and extended evening and weekend provision within the Engine Shed Restaurant.

Roundhouse Recruitment

Roundhouse recruitment was launched in late 2015 to enable our students to access paid employment for our own conferences and events. To date over 160 students have taken advantage of this opportunity.

Employer and Employment and skills academies

In 2014/15 the College launched 16 employment and skills academies covering every faculty in the college to ensure that all students have an extended curriculum encompassing employer engagement activities such as specialist speakers, workplace visits, internships and work projects. Each academy has an employment and skills board made up of local and regional employers who advise and support the extra-curricular activities. These have been extremely successful with over 1,000 employers involved ensuring all students get the opportunity to synthesise their knowledge into practice.

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Current and Future Developments and Performance (*continued*)

Non Curriculum Developments (*continued*)

Also in year, we launched 13 Employer academies. These create a line of sight to employment along with employer engagement activities for students who are selected to work within these academies. The 13 academies all align to the LEP and regional priorities with over 150 students currently involved.

Roundhouse Thinking

Roundhouse Thinking offers bespoke management and compliance training to all types of organisations. The delivery associates are of a very high calibre offering executive management programmes strengthening the offer to employers and individuals both locally and nationally. In this, the ventures second year, we have seen growth in both the provision of courses delivered and the number of clients. This has also seen a growth in established relationships leading to a high volume of repeat business endorsing the offer. We have recently secured a contract with the employer ownership pilot with Rolls Royce which includes professional CPD delivered by Roundhouse Thinking.

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 the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95%. During the accounting period 1 August 2014 to 31 July 2015, the College paid 93% (93% 2013/14) of its invoices within 30 days, and 95% of invoices within 36 days. The College strictly adheres to 30 day payment terms with exceptions occurring due to invoice disputes. The College incurred no interest charges in respect of late payment for this period.

RESOURCES AND FUTURE DEVELOPMENT

During the year the College continued progress towards fulfilling its stated property strategy. The sale of the second tranche of land at Prince Charles Avenue, Derby (formerly Mackworth College), was completed, with final contracted payments received in early 2015-16 (Note 28). The final phase of property sales, disposing of non-core assets, including the Mundy Street site at Heanor and the final tranche of land at Prince Charles Avenue are currently under negotiation.

Work was completed in December 2014 of the further extension to the Joseph Wright Centre (JWC) which has enabled teaching of arts to be consolidated to a single dedicated location, as well as enabling further efficiencies through rationalisation of delivery of other curriculum areas in Derby.

Financial

The College has £44.8m of net assets (after recognising £28m pension liability) and long term borrowings of £6.66m. Net current liabilities have reduced significantly within the year and at the end of the year total £5.5m (2013/14: £12.3m).

People

The College employs 954 staff (expressed as full-time equivalents), 78% of whom are teaching staff. The College carried out a targeted restructure in 2014/15 in response to continued funding cuts in an environment of increasing statutory staff costs. Redundancies were kept to a minimum and staff at risk were redeployed wherever possible.

Reputation

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

PRINCIPAL RISKS AND UNCERTAINTIES

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The Management of Risk is one of Derby College's internal controls and is an integral part of the wider corporate governance framework. During 2014/15 the College's approach to risk management has been refocused and enhanced. The framework Derby College uses for the management of risk is based on recognised good practice and recommendations taken from the Office of Government Commerce (OGC) "Management of Risk" (M_o_R) framework. The College has a robust system of risk management and has well embedded systems of internal control, including financial, operational and risk management which is designed to protect the College's assets and reputation.

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

The Corporate risk register aims to identify the key or greatest risks facing the College at a Corporate level and presents a summary of how these risks are prevented from occurring or how their impact can be reduced. The risk register also identifies 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. The register has been continually under review throughout 2014/15 and 'Risk' has been a standing item on the Audit Committee and Corporation's agenda.

This is supported by risk management awareness throughout the College.

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

1. *Government funding*

The College continues to be dependent on Government funding through the education sector funding bodies. Significant Government funding cuts (approx. £4.5million) have been imposed, resulting in reduced provision and cost cutting actions. The risk is that the College is unable to adjust costs accordingly and makes sustained losses

The risk is mitigated in a number of ways:

- Implementation of cost-saving measures to maintain performance to budget (e.g. freeze on vacancies, redundancy process)
- Developing courses to attract more customers willing to pay fees
- Funding is derived through a number of direct and indirect contractual arrangements
- By ensuring the College is rigorous in delivering high quality education and training
- By placing considerable focus and investment on maintaining and managing key relationships with the various funding bodies
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding
- Regular dialogue with funding bodies and Local Enterprise Partnerships (LEP's)
- Regular reviews of the financial position by the Executive Team

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PRINCIPAL RISKS AND UNCERTAINTIES (continued)

2. *Learner Outcomes*

If learner outcomes do not reach acceptable standards this is likely to result in reduced applications and learner numbers (through reputational perception), in turn resulting in reduced income and consequent learner provision.

This risk is mitigated by a combination of factors, including; robust quality monitoring systems; regular monitoring by quality boards to address areas of weak provision; extensive student and staff support functions; mock Ofsted Inspections, and scrutiny by the Corporation of teaching and learning reports.

3. *Business Interruption*

The College is aware of the potential impact on its reputation and finances should any of its operations be compromised as a result of either the loss of key staff or facilities.

This risk is mitigated by the application of staff training and development as well as through organisational structure review and redesign, to avoid 'single points of failure' developing. Additionally the College maintains a disaster recovery strategy and plan, which is maintained and updated following regular communication with local emergency services.

4. *Health and Safety and Safeguarding*

Failure by the College to effectively manage Health and Safety (H&S) and Safeguarding risks could impact staff, students and visitors with cost and reputational consequences.

These risks are mitigated by a range of measures, including; clear H&S and Safeguarding Policies and Procedures; mandatory training in place for managers and staff; completion of risk assessments; close monitoring of H&S issues by Management and Governors; appropriately trained and qualified H&S and Safeguarding champions and standards of food hygiene consistently maintained at a high standard.

5. *Employer control of apprenticeship funding*

Employer control of apprenticeship funding leads to a significant reduction in funding as employers choose to spend monies elsewhere

This risk is mitigated by: bimonthly employer engagement recruitment events currently taking place and the College is continually working to further strengthen links with employers through wider engagement on activities, such as work placements, career academies, sponsorship of provision/resources and through employer advisory boards. An audit of the College sub-contracted provision will be completed before January 2016.

The following risks have been reduced through successful implementation of preventative controls during the year:

- Increasing the number of commercial events delivered by Roundhouse Events may impact on the infrastructure of the Roundhouse (e.g. use of building, stretching staff resources).
- Forecasted sales receipts for Mundy Street and other properties are not realised leading to a reduction in income for the College.
- Finance reporting, actual and forecast cannot rely on MIS / Organisational data, and is in turn unreliable / inaccurate (being based on other indicators / data gathered and interpreted by finance i.e. not in a controlled environment).
- Understatement of funding returns will result in a combination of claw back of income by funding bodies in 2014/15 or reduced allocations in 2015/16 and subsequent years and increased costs through recruitment of (excess) learners to meet allocations.

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STAKEHOLDER RELATIONSHIPS

In line with other Colleges and with Universities, Derby College has many stakeholders. These include:

1. Students;
2. Education sector funding bodies;
3. FE Commissioner;
4. Staff;
5. Local employers (with specific links);
6. Local authorities;
7. Local Enterprise Partnerships (LEP's);
8. The local community;
9. Other Colleges and Universities;
10. Trade Unions;
11. Professional bodies.

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

Equality and Diversity Policy and Disability statement

At Derby College, we celebrate and value the diversity of our learners and employees and are committed to equality of opportunity for all, regardless of age, sexual orientation, ethnicity, gender, disability, social background and family responsibilities.

The College is committed to advancing its statutory duties as set out in the Equality Act 2010 and the Public Sector Equality Duty 2011 in order to promote equality of opportunity and eliminate discrimination, thus demonstrating a clear commitment to placing equality, diversity and inclusion at the centre of College life. This commitment is underpinned by our vision, mission, and strategic ambitions.

Equality and Diversity remains a key factor in ensuring that there will be no discrimination against any individual on the grounds of age, disability, gender reassignment, sex, sexual orientation, race, religion and belief, marriage and civil partnership, and pregnancy and maternity.

We promote the inclusion of people from under-represented and diverse groups and communities so that even more learners can participate in and benefit from College life. This includes people from socially disadvantaged families as well as deprived or remote geographical areas.

In particular, Derby College strives to:

- Encourage the participation of learners of all abilities.
- Provide a safe and welcoming physical and learning environment.
- Develop its facilities and courses to improve access.
- Offer support to meet individual learner and employee needs.
- Ensure its recruitment process actively promotes vacancies via appropriate media and community groups in order to attract disabled people.
- Deal with any incidences of discrimination, bullying or harassment quickly and effectively.
- Celebrate and embrace the diversity of its learners and team members and seek not only to eliminate all discrimination and harassment on the grounds of gender identity, but also create a learning and working environment based on good relations between all individuals.

The College publishes an Annual Equality and Diversity report and Equality Objectives to ensure compliance with all relevant legislation including the Equality Act 2010.

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Equality and Diversity Policy and Disability statement (*continued*)

Derby College celebrates and values the diversity of its learners and team members and is committed to equality of opportunity for all. The College resolves to eliminate discrimination and other unfair treatment against any of its team members, potential team members, and learners.

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 14 December 2015 and signed on its behalf by:

Janet Morgan
Chair

Derby College

Members' report and financial statements for the year ended 31 July 2015 Professional Advisers

Financial statements and regularity auditors:

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

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

Members' report and financial statements for the year ended 31 July 2015

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the College to obtain better understanding of its governance and legal structure.

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 English Colleges' Foundation Code of Governance ("the Foundation Code"); and
- iii. Having due regard to the UK Corporate Governance Code ("the Code") 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 College Corporation has adopted and complied with the Foundation 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 Governors, the College complies with all the provisions of the Foundation Code, and it has complied throughout the year ended 31 July 2015. 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 English Colleges' Foundation Code of Governance issued by the Association of Colleges in December 2011, which it formally adopted in December 2012, and the New Code of Governance, the principles of which it adopted in May 2015.

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

The Corporation

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

The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel related matters such as health and safety and environmental issues. The Corporation meets approximately seven times a year.

Heather Simcox, Director of Corporate Affairs & Governance for Derby College, acts as Clerk to the Corporation.

Derby College

Members' report and financial statements for the year ended 31 July 2015

Statement of Corporate Governance and Internal Control

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

Name	Date of Initial Appointment/ Latest Reappointment	Term of Office	Date of Resignation	Category of Governor	Committees Served
Chris Allwright	1 August 2014	Appointed annually	Term of office ended on 31 July 2015	Staff	
Charlie Baker	1 August 2015	Appointed annually		Student	
Richard Brewell	1 June 2015	2 years		Governor	Audit
Philip Dover	1 August 2013 1 August 2015	2 years		Governor	Curriculum & Quality
Nick Freeman	31 January 2011 1 February 2015	2 years		Governor	Subsidiary companies
David Grocock	1 August 2014	2 years	September 2015	Governor	Curriculum and Quality
Lin Hinson	22 March 2010 31 March 2014	2 years	December 2014	Governor	Subsidiary companies Search and Governance
Jonathan McCluskey	22 March 2010 31 March 2014	2 years		Governor	Audit
Janet Morgan	October 2010 21 July 2014	2 years		Chair	Curriculum and Quality Search and Governance Subsidiary companies
Rebena Sanghera	1 August 2015	Appointed annually		Staff	
Graham Schuhmacher MBE	1 August 2013 1 August 2015	2 years		Governor	Curriculum and Quality
Alex Skinner	1 August 2014	Appointed annually	Term of office ended on 31 July 2015	Student	
Kevin Slack	22 March 2010 31 March 2014	2 years		Governor	Audit
Mandie Stravino	1 September 2012			Chief Executive/ Accounting Officer	Search and Governance Subsidiary companies Curriculum and Quality
David Williams	1 August 2013 21 July 2014	2 years		Vice Chair	Search and Governance
Rosslyn Green	10 March 2014	To 31 st July 2016		Co-opted	Audit

Derby College

Members' report and financial statements for the year ended 31 July 2015

Statement of Corporate Governance and Internal Control

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. A summary of attendance is shown below:

	Corporation (7 meetings)	Audit (3 meetings)	Search and Governance (2 meetings)	Curriculum and Quality (2 meetings)
Chris Allwright	50%	-	-	-
Richard Brewell	100%	-	-	-
Philip Dover	57%	-	-	50%
Nick Freeman	43%	-	-	-
David Grocock	83%	-	-	100%
Lin Hinson	50%	-	100%	-
Jonathan McCluskey	100%	100%	-	-
Janet Morgan	100%	-	100%	100%
Graham Schuhmacher	57%	-	-	100%
Kevin Slack	100%	100%	-	-
Alex Skinner	67%	-	-	-
Mandie Stravino	100%	-	100%	100%
David Williams	86%	-	100%	-
Rosslyn Green	-	100%	-	-
Overall	76%	100%	100%	90%

The Corporation conducts its business through a number of committees. Each committee has terms of reference which have been approved by the Corporation. These committees are Finance and Audit; Curriculum and Quality and Search and Governance. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College website:

derby-college.ac.uk;

or from:

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

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

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

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

The Corporation has a strong and independent non-executive element and no individual or group dominates its decision making process. The Corporation considers that each of its non-executive members is independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

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

Derby College

Members' report and financial statements for the year ended 31 July 2015

Statement of Corporate Governance and Internal Control

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.

Remuneration Committee

The Corporation operates a separate Remuneration Committee, with specified terms and remit, approved by the Corporation, in relation to the remuneration for the Accounting Officer and senior post holders.

Details of remuneration for the year ended 31 July 2015 are set out in note 6 to the financial statements.

Audit Committee

The Audit Committee comprises three members of the Corporation (who exclude the Accounting Officer 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, regularity 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 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, regularity 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.

Internal Control (continued)

Derby College

Members' report and financial statements for the year ended 31 July 2015

Statement of Corporate Governance and Internal Control

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 break-downs in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Derby College for the year ended 31 July 2015 and up to the date of approval of the annual report and financial statements.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2015 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, administration procedures including the segregation of duties, and a system of delegation and accountability. In particular, it includes:

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

The 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 plan 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.

Derby College

Members' report and financial statements for the year ended 31 July 2015

Statement of Corporate Governance and Internal Control

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 and the regularity auditors in their management letter and other reports.

The Accounting Officer has been advised on the implications of the results 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 any weaknesses and ensure continuous improvement of the system is in place.

The senior 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 senior management 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. 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. The Corporation and Audit Committee review the corporate risk register at each meeting.

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 14 December 2015 and signed on its behalf by:

Janet Morgan
Chair

Mandie Stravino
Accounting Officer

Derby College

Members' report and financial statements
for the year ended 31 July 2015

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

The Corporation has considered its responsibilities 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.

Derby College

Members' report and financial statements for the year ended 31 July 2015

Statement of the 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 2007 Statement of Recommended Practice – Accounting for Further and Higher Education and with the Accounts Direction for 2014 to 2015 financial statements issued jointly by the Skills Funding Agency and the Education Funding Agency, and which give a true and fair view of the state of affairs of the College and the result for that year.

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

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

The Corporation is also required to prepare an Operating and Financial Review which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College.

The Corporation is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the College, and 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 to safeguard public and other funds and ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the College's resources and expenditure, so that the benefits that should be derived from the application of public funds from the Skills Funding Agency are not put at risk.

Approved by order of the members of the Corporation on 14 December 2015 and signed on its behalf by:

Janet Morgan
Chair

Derby College

Members' report and financial statements

for the year ended 31 July 2015

Independent auditors' report to the Corporation of Derby College

We have audited the Group and College financial statements ("the financial statements") of Derby College for the year ended 31 July 2015 set out on pages 28 to 55. The financial reporting framework that has been applied in their preparation is applicable law and UK accounting standards (UK Generally Accepted Accounting Practice). This report is made solely to the Corporation, as a body, in accordance with Article 22 of the College's Articles of Government. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Corporation of Derby College and Auditor

As explained more fully in the Statement of the Corporation's responsibilities set out on page 23, the Corporation is responsible for the preparation of financial statements which give a true and fair view.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the College's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Corporation and the overall presentation of the financial statements. In addition we read all the financial and non-financial information in the Operating and Financial Review to identify material inconsistencies with the audited financial statements 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 2015 and of the Group's and College's surplus of income over expenditure for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education.

Derby College

Members' report and financial statements

for the year ended 31 July 2015

Independent auditors' report to the Corporation of Derby College

Opinion on other matters prescribed by the Joint Audit Code of Practice (Part 1 and 2) issued jointly by the Skills Funding Agency and the Education Funding Agency

In our opinion:

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

Michael Rowley

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

One Snowhill

Snow Hill Queensway

Birmingham

B4 6GH

Derby College

Members' report and financial statements

for the year ended 31 July 2015

Reporting Accountant's Report on Regularity to the Corporation of Derby College and the Secretary of State for Business, Innovation and Skills acting through the Skills Funding Agency

In accordance with the terms of our engagement letter dated 1 October 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 1 August 2014 to 31 July 2015 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 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.

Responsibilities of the Corporation 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 it.

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 1 August 2014 to 31 July 2015 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 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.

Derby College

Members' report and financial statements

for the year ended 31 July 2015

Reporting Accountant's Report on Regularity to the Corporation of Derby College and the Secretary of State for Business, Innovation and Skills acting through the Skills Funding Agency

The work undertaken to draw our conclusion 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 evidence to express a negative 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 1 August 2014 to 31 July 2015 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:

Derby College

Members' report and financial statements

for the year ended 31 July 2015

Consolidated Income and Expenditure Account

		2015 £'000	2014 £'000
Income			
Funding Body Grants	2	43,467	46,737
Tuition fees and education contracts	3	6,821	5,277
Other income		3,502	3,956
Investment income	4	81	3
Total income		53,871	55,973
Expenditure			
Staff costs	5	31,676	30,782
Exceptional restructuring costs	5	1,083	297
Other operating expenses	7	19,751	20,726
Depreciation		6,027	4,414
Interest and other finance costs	8	329	840
Total expenditure		58,866	57,059
Deficit on continuing operations after depreciation of tangible fixed assets at valuation and before exceptional items and tax		(4,995)	(1,086)
Profit on disposal of assets		7,551	4,209
Surplus on continuing operations after depreciation of assets at valuation, exceptional items and disposal of assets but before tax		2,556	3,123
Taxation	9	-	-
Surplus on continuing operations after depreciation of assets at valuation, exceptional items, disposals of assets and tax	10	2,556	3,123

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

Derby College

Members' report and financial statements

for the year ended 31 July 2015

Consolidated Income and Expenditure Account

Consolidated Statement of Total Recognised Gains and Losses

for the year ended 31 July 2015

	Note	2015 £'000	2014 £'000
Surplus on continuing operations after depreciation of assets at valuation and tax		2,556	3,123
Actuarial (loss)/gain in respect of pension scheme liabilities	18,27	(4,645)	2,840
Total recognised (loss)/gain relating to the year		(2,089)	5,963

		2015 £'000	2014 £'000
Reconciliation			
Opening reserves		2,354	(4,058)
Prior years deferred capital grant amendment		-	449
Total recognised (loss)/gain for the year		(2,089)	5,963
Closing reserves		265	2,354

Consolidated Note of Historical Cost Surpluses and Deficits

for the year ended 31 July 2015

	Note	2015 £'000	2014 £'000
Surplus on continuing operations after depreciation of assets at valuation and tax		2,556	3,123
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	20	9	38
Release of revaluation reserve following disposal of inherited fixed assets		306	106
Historical cost surplus for the year		2,871	3,267

Derby College

Members' report and financial statements for the year ended 31 July 2015 Consolidated Balance Sheet

As at 31 July 2015

	Note	2015 £'000	2014 £'000
Fixed assets			
Tangible assets	11	92,136	96,088
Investments	12	-	-
		92,136	96,088
Current assets			
Stocks	13	83	71
Debtors	14	6,672	2,227
Cash at bank and in hand		608	73
Fixed assets held for resale	11	270	360
		7,633	2,731
Creditors: Amounts falling due within one year	15	(13,177)	(15,026)
Net current liabilities		(5,544)	(12,295)
Total assets less current liabilities		86,592	83,793
Creditors: Amounts falling due after more than one year	16	(7,647)	(8,119)
Provisions for liabilities and charges	18	(5,989)	(4,880)
Net assets excluding pension liability		72,956	70,794
Net pension liability	27	(28,124)	(22,739)
NET ASSETS INCLUDING PENSION LIABILITY		44,832	48,055
Deferred capital grants	19	44,567	45,701
Reserves			
Income and expenditure account excluding pension reserve	21	28,014	24,403
Pension reserve	27	(28,124)	(22,739)
Income and expenditure account including pension reserve	21	(110)	1,664
Revaluation reserve	20	375	690
Total Reserves		265	2,354
TOTAL FUNDS		44,832	48,055

The financial statements on pages 28 to 55 were approved by the Corporation on 14 December 2015 and were signed on its behalf by:

Janet Morgan

Chair

Mandie Stravino

Accounting Officer

Derby College

Members' report and financial statements for the year ended 31 July 2015 College Balance Sheet

As at 31 July 2015

	Note	2015 £'000	2014 £'000
Fixed assets			
Tangible assets	11	92,094	96,018
Investments	12	14	14
		92,108	96,032
Current assets			
Stocks	13	75	67
Debtors	14	6,688	2,275
Cash at bank and in hand		142	6
Fixed assets held for resale	11	270	360
		7,175	2,708
Creditors: Amounts falling due within one year	15	(13,007)	(15,292)
Net current liabilities		(5,832)	(12,584)
Total assets less current liabilities		86,276	83,448
Creditors: Amounts falling due after more than one year	16	(7,647)	(8,119)
Provisions for liabilities and charges	18	(5,989)	(4,880)
Net assets excluding pension liability		72,640	70,449
Net pension liability	27	(28,124)	(22,739)
NET ASSETS INCLUDING PENSION LIABILITY		44,516	47,710
Deferred capital grants	19	44,567	45,701
Reserves			
Income and expenditure account excluding pension reserve	21	27,698	24,058
Pension reserve	27	(28,124)	(22,739)
Income and expenditure account including pension reserve	21	(426)	1,319
Revaluation reserve	20	375	690
Total reserves		(51)	2,009
TOTAL FUNDS		44,516	47,710

The financial statements on pages 28 to 55 were approved by the Corporation on 14 December 2015 and were signed on its behalf by:

Janet Morgan
Chair

Mandie Stravino
Accounting Officer

Derby College

Members' report and financial statements for the year ended 31 July 2015 Consolidated Cash-Flow Statement

	Note	2015 £'000	2014 £'000
Cash (outflow)/inflow from operating activities	22	(633)	1,534
Returns on investments and servicing of finance	23	(126)	(64)
Capital expenditure and financial investment	24	2,128	2,331
Cash inflow before use of liquid resources and financing		1,369	3,801
Financing	25	(834)	(4,178)
Increase/(decrease) in cash in the year	26	535	(377)

Reconciliation of net cash flow to movement in net debt

	Note	2015 £'000	2014 £'000
Increase/(decrease) in cash in the year	26	535	(377)
New loans raised		-	-
Repayment of loans		834	4,178
Movement in net debt in the period	26	1,369	3,801
Net debt at 1 August	26	(12,713)	(16,514)
Net debt at 31 July	26	(11,344)	(12,713)

Derby College

Members' report and financial statements

for the year ended 31 July 2015

Notes to the Accounts

1. Accounting policies

Statement of accounting policies

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

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2007 (the SORP), the Accounts Direction for 2014 to 2015 financial statements and in accordance with applicable Accounting Standards.

Basis of accounting

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

Going concern

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

The College currently has £6.7m of loans outstanding with bankers on terms negotiated in 2008. In addition an overdraft of £5.3m was drawn down as at 31 July 2015, from an available facility of £5.5m. The terms of the existing loan agreement are for up to another 22 years. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

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

Basis of consolidation

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

In accordance with Financial Reporting Standard (FRS) 2, the activities of the Student Union have not been consolidated because the College does not control those activities. All financial statements are prepared to 31 July 2015.

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

Recognition of income

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

Derby College

Members' report and financial statements for the year ended 31 July 2015

Notes to the Accounts

1. Accounting policies (continued)

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

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

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

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

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

Post-retirement benefits

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

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

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

Enhanced Pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by the College annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to the College's income and expenditure account in the year that the member of staff retires. In subsequent years a charge is made to provisions in the balance sheet using the enhanced pension spreadsheet provided by the funding bodies.

Derby College

Members' report and financial statements for the year ended 31 July 2015 Notes to the Accounts

1. Accounting policies (continued)

Tangible fixed assets

Land and buildings

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

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

Finance and interest costs, which are directly attributable to the construction of land and buildings, are capitalised as part of the cost of those assets.

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

On adoption of FRS 15, the College followed the transitional provision to retain the book value of land and buildings which were re-valued in 1993, but not to adopt a policy of revaluations of these properties in the future. These values are retained subject to the requirement to test assets for impairment in accordance with FRS 11.

Assets under construction

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

Subsequent expenditure on existing fixed assets

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

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

Buildings owned by third parties

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

Interest

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

Derby College

Members' report and financial statements for the year ended 31 July 2015

Notes to the Accounts

1. Accounting policies (continued)

Equipment

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

Equipment is depreciated on a straight line basis over its useful economic life as follows:

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

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

Leased assets

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

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

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

Investments

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

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

Stocks

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

Foreign currency translation

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

Derby College

Members' report and financial statements

for the year ended 31 July 2015

Notes to the Accounts

1. Accounting policies (continued)

Taxation

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

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

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

Deferred taxation

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

Liquid resources

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

Provisions

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

Agency arrangements

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

Derby College

Members' report and financial statements for the year ended 31 July 2015

Notes to the Accounts

2. Funding Body Grants

	2015		2014	
	£'000	£'000	£'000	£'000
EFA recurrent funding		25,597		27,320
SFA recurrent funding		15,056		16,855
HEFCE recurrent funding		276		215
EFA non-recurrent funding		-		21
SFA non-recurrent funding		1,395		1,312
Releases of deferred capital grants (note 19):				
SFA	1,135		1,006	
HEFCE	8	1,143	8	1,014
Total		43,467		46,737

3. Tuition fees and education contracts

	2015	2014
	£'000	£'000
Tuition fees	4,483	3,879
Education contracts	2,338	1,398
Total	6,821	5,277

Tuition fees funded by bursaries

Included within the above amounts are tuition fees funded by bursaries of £88,754 (2013/14 £78,474).

4. Investment Income

	2015	2014
	£'000	£'000
Other interest receivable	5	3
	5	3
Pension finance income (note 27)	76	-
Total	81	3

5. Staff costs

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

	2015	2014
	Number	Number
Teaching staff	740	729
Non-teaching staff	214	208
	954	937

Derby College

Members' report and financial statements for the year ended 31 July 2015 Notes to the Accounts

5. Staff costs (continued)

Staff costs for the above persons were as follows:

	2015 £'000	2014 £'000
Wages and salaries	24,934	24,647
Social security costs	1,739	1,748
Pension costs	3,244	3,217
Other pension costs	1,170	925
Payroll sub-total	31,087	30,537
Contracted out staffing services	589	245
	31,676	30,782
Exceptional restructuring costs	1,083	297
Total Staff costs	32,759	31,079

Other pension costs include £1,124,000 FRS17 adjustments (£876,000 in 2013/14)

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

	2015 Number of senior post-holders	2014	2015 Number of other staff	2014
£60,001 to £70,000	-	-	2	4
£70,001 to £80,000	1	-	5	5
£80,001 to £90,000	-	-	1	1
£100,001 to £110,000	-	-	1	1
£150,001 to £160,000	1	-	-	-
£160,001 to £170,000	-	1	-	-

6. Senior post-holders' emoluments

Senior post-holders are defined as the Accounting Officer and holders of other senior posts whom the Corporation has selected for the purposes of the articles of government of the College relating to the appointment and promotion of staff who are appointed by the Corporation. Within the year, the Corporation reviewed senior post-holder designations and two existing senior roles were re-defined as senior post-holder roles. FTE's are shown below:

	2015 Number	2014 Number
The number of senior post-holders including the Accounting officer	2	1

Derby College

Members' report and financial statements for the year ended 31 July 2015 Notes to the Accounts

6. Senior post-holders' emoluments (continued)

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

	2015 £'000	2014 £'000
Salaries	253	160
Benefits in kind	2	1
Pension contributions	30	17
Total emoluments	<u>285</u>	<u>178</u>

The above emoluments include amounts payable to the Accounting Officer (Chief Executive) who is also the highest paid senior post holder:

	2015 £'000	2014 £'000
Salaries	151	160
Benefits in kind	2	1
	<u>153</u>	<u>161</u>
Pension contributions	18	17
	<u>171</u>	<u>178</u>

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

Compensation for loss of office paid to former senior post-holders:

No amounts were paid as compensation for loss of office to senior post-holders during the year (2014: £nil).

The provision for the expected future costs of enhancements to the ongoing pensions of former senior post-holders is detailed below:

	2015 £'000	2014 £'000
Estimated value of other benefits, including provisions for pension benefits (ongoing enhanced pension payments provision)	<u>572</u>	<u>540</u>

The estimated value of other benefits has been calculated in accordance with Financial Reporting Standard 17. (Accounting Policies – Enhanced Pensions – Note 1, page 34, provides further clarification on this provision).

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

Derby College

Members' report and financial statements for the year ended 31 July 2015 Notes to the Accounts

7. Other operating expenses

	2015 £'000	2014 £'000
Teaching costs	5,062	6,113
Partnerships	5,275	5,382
Non-teaching costs	3,515	3,660
Premises costs	5,899	5,571
	19,751	20,726

Other operating expenses include:

Auditors' remuneration:

Financial statements audit - College	29	30
Financial statements audit – subsidiary companies	2	3
Internal audit	13	32
Other services from either external or internal audit	2	2
Hire of plant and machinery – operating leases	284	283
Hire of other assets – operating leases	917	1,186

8. Interest and other finance costs

	2015 £'000	2014 £'000
On bank loans and overdrafts:		
Repayable within five years, not by instalments	71	4
Repayable within five years, by instalments	-	-
Repayable wholly or partly in more than five years	60	63
	131	67
FRS17 Pension finance costs (note 27)	-	562
SSAP24 enhanced pension provision	198	211
Total	329	840

9. Taxation

The College's main activities are exempt from Corporation tax and no liability arose during the year (2014: £nil).

10. Surplus/ (deficit) on continuing operations for the year

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

	2015 £'000	2014 £'000
College's Surplus for the year	2,491	3,039
Surplus generated by subsidiary undertakings and transferred to College		
Deed of Covenant	93	91
Loss retained by subsidiary undertakings	(28)	(7)
Group surplus	2,556	3,123

Derby College

Members' report and financial statements for the year ended 31 July 2015

Notes to the Accounts

11. Tangible fixed assets (Group)

	Land & Buildings		Equipment	Assets under Construction	Total
	Freehold	Long Leasehold			
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2014	105,678	1,047	6,468	1,398	114,591
Work in progress	1,245	-	153	(1,398)	-
Transfer to Current Assets	(2,618)	-	-	-	(2,618)
Additions	2,026	-	663	-	2,689
Disposals	(399)	(140)	(3)	-	(542)
At 31 July 2015	105,932	907	7,281	-	114,120
Accumulated					
At 1 August 2014	13,399	548	4,556	-	18,503
Charge for year	4,709	499	819	-	6,027
Transfer to Current Assets	(2,403)	-	-	-	(2,403)
Elimination in respect of disposals	-	(140)	(3)	-	(143)
At 31 July 2015	15,705	907	5,372	-	21,984
Net book value at 31 July 2015	90,227	-	1,909	-	92,136
Net book value at 31 July 2014	92,279	499	1,912	1,398	96,088

Derby College

Members' report and financial statements for the year ended 31 July 2015 Notes to the Accounts

11. Tangible fixed assets (College Only)

	Land & Buildings				
	Freehold	Long Leasehold	Equipment	Assets under Construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2014	105,678	1,047	6,303	1,398	114,426
Work in progress	1,245	-	153	(1,398)	-
Transfer to Current assets	(2,618)	-	-	-	(2,618)
Additions	2,026	-	662	-	2,688
Disposals	(399)	(140)	(3)	-	(542)
At 31 July 2015	105,932	907	7,115	-	113,954
Accumulated					
At 1 August 2014	13,399	548	4,461	-	18,408
Charge for year	4,709	499	789	-	5,997
Transfer to Current assets	(2,403)	-	-	-	(2,403)
Eliminated in respect of disposals	-	(140)	(2)	-	(142)
At 31 July 2015	15,705	907	5,248	-	21,860
Net book value at 31 July 2015	90,227	-	1,867	-	92,094
Net book value at 31 July 2014	92,279	499	1,842	1,398	96,018

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

Land and buildings of the three merged Colleges were independently valued for the purpose of the 1994 financial statements at depreciated replacement cost by Mr T Foster of Derbyshire County Council, (in respect of Wilmorton, South East Derbyshire and Mackworth Colleges), and by a firm of independent chartered surveyors, in respect of Broomfield College. The valuations were in accordance with the RICS Statement of Asset Valuation Practice and Guidance notes.

Other tangible fixed assets inherited from the local education authority at incorporation have been valued by the Corporation on a depreciated replacement cost basis with the assistance of independent professional advice.

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

	£'000
Cost	Nil
Aggregate depreciation based on cost	Nil

Derby College

Members' report and financial statements for the year ended 31 July 2015

Notes to the Accounts

11. Tangible fixed assets (continued)

Land and buildings with a net book value of £270,000 are held for resale in 2015 (2014: £360,000). This relates to the final Phase three sale of the Prince Charles Avenue site at £55,000 and the site at Mundy Street at £215,000. The Mundy Street site has been written down to market value in 2015 prior to sale.

Land with a gross book value of £399,438 (3,950m²) was disposed from the Group and College fixed assets in year upon agreement of a 125 year lease at a peppercorn rent to the Derby Manufacturing UTC.

12. Investments

	2015		2014	
	Group £'000	College £'000	Group £'000	College £'000
Investments in subsidiary companies	-	14	-	14

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

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

13. Stocks

	2015		2014	
	Group £'000	College £'000	Group £'000	College £'000
Farm stock	75	75	67	67
Bar Stock	8	-	4	-
	<u>83</u>	<u>75</u>	<u>71</u>	<u>67</u>

14. Debtors

	2015		2014	
	Group £'000	College £'000	Group £'000	College £'000
Amounts falling due within one year:				
Trade debtors	4,912	4,771	811	705
Amounts owed by subsidiary	-	157	-	154
Amounts owed by funding bodies	510	510	341	341
Other debtors	625	625	346	346
Prepayments and accrued income	625	625	729	729
	<u>6,672</u>	<u>6,688</u>	<u>2,227</u>	<u>2,275</u>

Derby College

Members' report and financial statements for the year ended 31 July 2015

Notes to the Accounts

15. Creditors: Amounts falling due within one year

	2015		2014	
	Group £'000	College £'000	Group £'000	College £'000
Bank loans and overdrafts	5,596	5,596	6,128	6,538
Payments received on account	677	648	1,346	1,300
Trade creditors	629	607	772	696
Other creditors including taxation and social security	922	922	936	936
Amounts owed to subsidiary	-	-	-	-
Amounts owed to funding bodies	529	529	922	922
Accruals	4,103	3,984	4,201	4,179
Lennartz accounting	721	721	721	721
	13,177	13,007	15,026	15,292

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

	2015		2014	
	Group £'000	College £'000	Group £'000	College £'000
Bank loans	6,355	6,355	6,658	6,658
Lennartz accounting	1,292	1,292	1,461	1,461
	7,647	7,647	8,119	8,119

17. Analysis of borrowings

Bank loans and overdrafts

	2015		2014	
	Group £'000	College £'000	Group £'000	College £'000
Bank loans and overdrafts are repayable as follows:				
In one year or less	5,597	5,597	6,128	6,538
Between one and two years	303	303	303	303
Between two and five years	909	909	909	909
In five years or more	5,143	5,143	5,446	5,446
	11,952	11,952	12,786	13,196

Bank loans totalling £6,658,000 at base rate plus a margin of 0.38% are on a fixed term facility with repayments commenced in 2012. The Bank Overdraft, secured on a three monthly review basis; totals £5,294,000 at base rate plus 2.25% per annum.

Derby College

Members' report and financial statements for the year ended 31 July 2015 Notes to the Accounts

18. Provisions for liabilities and charges

Group and College

	Enhanced Pensions £'000	Other £'000	Total £'000
At 1 August 2014	4,880	-	4,880
Expenditure in the period	(367)	-	(367)
Transferred from income and expenditure account	198	970	1,168
Recognised in Statement of Recognised Gains and Losses	308	-	308
At 31 July 2015	5,019	970	5,989

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

The principle assumptions for this calculation are:

	2015	2014
Price Inflation	1.75%	2.25%
Discount Rate	3.46%	4.06%

Other provisions relate to a legal requirement to carry out dilapidations work to the College's leased building on planned exit.

19. Deferred capital grants

Group and College

	Funding Bodies £'000	Other grants £'000	Total £'000
At 1 August	25,788	19,913	45,701
Cash received	588	18	606
Released to income and expenditure account	(1,143)	(597)	(1,740)
At 31 July	25,233	19,334	44,567

Note: the opening balances split between funding body and other has been restated to address an historic anomaly.

20. Revaluation reserve

	Group £'000	College £'000
At 1 August	690	690
Transfer from revaluation reserve to income and expenditure account in respect of:		
Depreciation on revalued assets	(9)	(9)
Disposal of fixed assets	(306)	(306)
At 31 July	375	375

Derby College

Members' report and financial statements for the year ended 31 July 2015

Notes to the Accounts

21. Movement in general reserves

	2015		2014	
	Group £'000	College £'000	Group £'000	College £'000
Income and expenditure account reserve:				
At 1 August	1,664	1,319	(4,892)	(5,243)
Deferred capital grant prior year adjustment re land	-	-	449	449
Surplus retained for the year	2,556	2,584	3,123	3,130
Transfer from revaluation reserve	314	314	144	144
Actuarial (loss)/profit in respect of pension scheme	(4,645)	(4,645)	2,840	2,840
Rounding	1	2	-	(1)
At 31 July	(110)	(426)	1,664	1,319

	2015		2014	
	Group £'000	College £'000	Group £'000	College £'000
Balance represented by:				
Pension Reserve	(28,124)	(28,124)	(22,739)	(22,739)
Income and expenditure account excluding pension reserve	28,014	27,698	24,403	24,058
At 31 July	(110)	(426)	1,664	1,319

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

	2015 £'000	2014 £'000
Surplus on continuing operations after depreciation of assets at valuation	2,556	3,123
Depreciation (notes 1 and 11)	6,027	4,414
Deferred capital grants released to income (note 19)	(1,740)	(1,613)
(Profit) on disposal of fixed assets	(7,551)	(4,209)
Interest payable (note 8)	131	67
Interest receivable (note 4)	(5)	(3)
FRS 17 pension cost less contributions payable (notes 5 and 27)	1,124	876
FRS 17 pension finance (income)/costs (note 27)	(76)	562
Enhanced Pension Adjustment	(308)	(50)
(Increase) in stocks	(12)	(15)
(Increase)/decrease in debtors	(45)	350
(Decrease) in creditors	(1,843)	(1,914)
Increase/(decrease) in provisions	1,109	(54)
Net cash (outflow)/inflow from operating activities	(633)	1,534

Derby College

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23. Returns on investments and servicing of finance

	2015 £'000	2014 £'000
Interest received	5	3
Interest paid	(131)	(67)
Net cash outflow from returns on investments and servicing of finance	(126)	(64)

24. Capital expenditure and financial investment

	2015 £'000	2014 £'000
Purchase of tangible fixed assets	(2,334)	(9,112)
Proceeds from sales of tangible fixed assets	3,856	9,677
Deferred capital grants received	606	1,766
Net cash inflow from capital expenditure and financial investment	2,128	2,331

25. Financing

	2015 £'000	2014 £'000
Debt due beyond a year:		
New loans raised	-	-
Repayment of loans	(834)	(4,178)
Net cash outflow from financing	(834)	(4,178)

26. Analysis of changes in net funds

	At 1 August 2014 £'000	Cash flows £'000	At 31 July 2015 £'000
Cash at bank and in hand	73	535	608
Overdrafts	(5,825)	531	(5,294)
	(5,752)	1,066	(4,686)
Debts due within 1 year	(303)	-	(303)
Debts due after 1 year	(6,658)	303	(6,355)
Total	(12,713)	1,369	(11,344)

27. Pensions and similar obligations

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

Derby College

Members' report and financial statements for the year ended 31 July 2015 Notes to the Accounts

27. Pensions and similar obligations (continued)

Total pension cost for the year	2015	2014
	£'000	£'000
Teachers' Pension Scheme: contributions	1,627	1,585
Local Government Pension Scheme:		
Contributions paid	1,618	1,632
FRS17 charge	1,124	876
Charge to the Income and Expenditure Account	2,742	2,508
Enhanced pension charge to Income and Expenditure Account (staff costs)	46	49
Total Pension Cost for the year	4,415	4,142

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.

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension 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 too for teachers and lecturers in part-time employment following appointment or a change in contract. Teachers and lecturers are able to opt out of the TPS.

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' Pension 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.

TPS: 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) Directive 2014. The valuation report was published by the Department for Education (the Department) on 9 June 2014. The key results of the valuation are:

- Employer contribution rates were set at 16.4% of pensionable pay;
- 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 paid for the TPS will be implemented in September 2015.

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27. Pensions and similar obligations (continued)

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>

TPS: 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 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 £2,660,593 (2014: £2,526,165 – restated to include employees and employers costs).

TPS: FRS 17

Under the definitions set out in Financial Reporting Standards (FRS 17) Retirement Benefits, the TPS is a multi-employer pension scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme.

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

Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee funds administered by Derbyshire County Council. The total contributions made for the year ended 31 July 2015 were £2,276,556 of which employer contributions totalled £1,617,556 (inclusive of deficit reduction) and employees' contributions totalled £659,000. The agreed contribution rates for future years are for employers: 12.2% April 15 to March 16 and 12.7% April 16 to March 17. Future contribution rates for employees range from 5.5% and 12.5%, depending on salary.

LGPS: FRS 17

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund as at 31 March 2013 updated to 31 July 2015 by a qualified independent actuary.

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27. Pensions and similar obligations (continued)

LGPS (continued)

	As at 31 July 2015	As at 31 July 2014
Rate of increase in salaries	3.5%	3.5%
Rate of increase for pensions in payment	2.6%	2.7%
Discount rate for scheme liabilities	3.6%	4.0%
Inflation assumption (CPI)	0.1%	2.8%
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 2015 Years	At 31 July 2014 Years
<i>Retiring today</i>		
Males	22.0	22.0
Females	24.2	24.2
<i>Retiring in 20 years</i>		
Males	24.1	24.1
Females	26.6	26.6

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

	2015		2014	
	Long term rate of return expected at 31 July 2015	Value at 31 July 2015	Long term rate of return expected at 31 July 2014	Value at 31 July 2014
		£'000		£'000
Equities	3.6%	43,226	6.7%	38,899
Property	3.6%	3,088	4.7%	2,819
Bonds	3.6%	12,350	3.6%	10,711
Cash/liquidity/other	3.6%	3,088	3.6%	3,946
Total market value of assets		61,752		56,375
Present value of scheme liabilities:				
- Funded		(89,793)		(79,031)
- Unfunded		(83)		(83)
Related deferred tax liability		-		-
Deficit in the scheme		(28,124)		(22,739)

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

	2015 £'000	2014 £'000
Employer service cost (net of employee contributions)	2,736	2,508
Past service cost	6	-
Total operating charge	2,742	2,508

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27. Pensions and similar obligations (continued)

LGPS (continued)

LGPS: Analysis of pension finance income/ (costs)

	2015 £'000	2014 £'000
Expected return on pension scheme assets	3,270	2,956
Interest on pension scheme liabilities	(3,194)	(3,518)
Pension finance income/(costs)	76	(562)

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

	2015 £'000	2014 £'000
Actuarial (losses)/gains on pension scheme assets	(5,945)	1,150
Actuarial gains on scheme liabilities	1,608	1,740
Actuarial (loss)/gain recognised in STRGL	(4,337)	2,890

LGPS: Movement in deficit during year

	2015 £'000	2014 £'000
Deficit in scheme at 1 August	(22,739)	(24,191)
Movement in year:		
Employer service cost (net of employee contributions)	(2,736)	(2,508)
Employer contributions	1,618	1,632
Past service cost	(6)	-
Net interest/return on assets	76	(562)
Actuarial (loss)/ gain	(4,337)	2,890
Deficit in scheme at 31 July	(28,124)	(22,739)

LGPS: Asset and Liability Reconciliation

	2015 £'000	2014 £'000
Reconciliation of Liabilities		
Liabilities at start of period	79,114	75,734
Service Cost	2,736	2,508
Interest Cost	3,194	3,518
Employee contributions	657	668
Actuarial loss/(gain)	5,945	(1,745)
Benefits paid	(1,776)	(1,574)
Past service cost	6	-
Curtailments and settlements	-	5
Liabilities at end of period	89,876	79,114

Derby College

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27. Pensions and similar obligations (continued)

LGPS (continued)

	2015 £'000	2014 £'000
Reconciliation of Assets		
Assets at start of period	56,375	51,543
Expected return on assets	3,270	2,956
Actuarial gain	1,608	1,150
Employer contributions	1,618	1,632
Employee contributions	657	668
Benefits paid	(1,776)	(1,574)
Assets at end of period	61,752	56,375

The estimated value of employer contributions for the year ending 31 July 2016 is £1,687,000.

LGPS: Deficit Contributions

The College entered into an agreement with the LGPS to make additional contributions per annum over the three years from 1 April 2014 amounting to £401,000 for 2014-15; £414,000 2015-16 and £428,000 2016-17 in addition to normal funding levels until the next full valuation at which point the situation will be reviewed.

LGPS: History of experience gains or losses

	2015 £,000	2014 £'000	2013 £'000	2012 £'000	2011 £'000
Difference between the expected and actual return on assets	1,608	1,150	5,273	(1,509)	1,510
Experience gains and (losses) on scheme liabilities	619	584	23	-	2,989
Total amounts recognised in statement of total recognised gains and (losses)	(4,337)	2,890	(2,790)	(3,560)	(2,944)

28. Post balance sheet events

Final contractual proceeds from the sale of a further portion of the Prince Charles Avenue site completed in year were received in line with the terms in October 2015.

29. Capital commitments

	2015		2014	
	Group £'000	College £'000	Group £'000	College £'000
Commitments contracted for at 31 July	284	284	443	443
Commitments authorised but not contracted for at 31 July	-	-	1,689	1,689

Derby College

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30. Financial commitments

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

	2015		2014	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Expiring within one year	56	319	79	176
Expiring between two and five years inclusive	-	395	-	1,338
Expiring after five years	1,036	-	1,125	-
	<u>1,092</u>	<u>714</u>	<u>1,204</u>	<u>1,514</u>

31. Contingent liability

The college had no contingent liabilities as at 31 July 2015.

32. 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. No relationships have been identified which should be disclosed under Financial Reporting Standard 8 'Related Party Transaction Disclosures'.

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:

	£'000
Services provided to Merrill Academy 2014/15	69
Merrill Academy Alternative Curriculum Provision inc Free School meals	47
Digital Studio School services	12
	<u>128</u>

Derby College Education Trust had the following expenditure transactions with Derby College:

	£'000
SLA Professional Charges – contribution by Derby College 2014/15	1
Digital Studio School services	1
	<u>2</u>

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 has now completed the build phase and opened for business in September 2015.

Derby College

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32. Related Party Transactions (continued)

Derby College has provided the following to Derby Manufacturing UTC for which invoices have been raised:

	£'000
Staff secondment	18
Staff Payroll and Recharges	88
Recharges for marketing; legal & subscriptions and recruitment	30
	<hr/>
	136

Derby Manufacturing UTC has provided the following to Derby College for which invoices have been raised:

	£'000
Staff secondment	12
Sponsorship	5
	<hr/>
	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.

33. Amounts disbursed as agents

	2015 £'000	2014 £'000
Funding body grants – hardship support	1,258	1,354
Funding body grants – childcare	286	229
Funding body grants – residential bursaries	59	104
	<hr/>	<hr/>
Grants received	1,603	1,687
	<hr/>	<hr/>
Disbursed to students	(1,407)	(1,621)
Administration costs	(76)	(79)
	<hr/>	<hr/>
Balance unspent/(overspent) at 31 July, included in creditors	120	(13)

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