DERBY college

Derby College

Report and Financial Statements

For the year ended 31 July 2018

Derby College

Report and Financial Statements for the year ended 31 July 2018

Key Management Personnel, Corporation Board Members and Professional Advisors

Key management personnel

Key management personnel are defined as members of the Executive Team and were represented by the following in 2017/18:
Mandie Stravino; CEO; Accounting officer

Jonathan Fearon; Chief Finance Officer

Heather Simcox; Deputy CEO - Strategy and Corporate Services

April Hayhurst; Deputy Principal Employer and Economic Affairs

Board of Governors

A full list of Governors is given on pages 15 to 16 of these financial statements. Governors are referred to as members of the Derby College Corporation Board throughout the report.

Clerk to the Corporation is Rose Matthews.

Principal and registered office
Roundhouse Road
Derby
DE24 8JE

Professional advisers

Financial statements auditors and reporting accountants:

BDO LLP
Two Snowhill
Birmingham
B4 6GA

Internal auditors:

ICCA Education Training and Skills Ltd
46 The Priory Queensway
Birmingham
B4 7LR

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

Key Management Personnel, Corporation Board Members and Professional Advisors

Professional advisers (continued)

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

Freeths LLP
Cardinal Square
2nd Floor
West Point
10 Nottingham Road
Derby
DE1 3QT

Eversheds LLP
Bridgewater Place
Water Lane
Leeds
LS11 5DR

Derby College

Report and Financial Statements for the year ended 31 July 2018

Contents

Strategic report

NATURE, OBJECTIVES, AND STRATEGIES:

The Members present their report and the audited financial statements for the year ended 31 July 2018.

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 1 January 2002.

Mission

The College's mission is to 'Predict and serve the needs of our business and civic communities'.

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 Education as Principal Regulator for all FE Corporations in England. The members of the Corporation, who are trustees of the charity, are disclosed on pages 15 to 16.

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

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

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

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

Implementation of strategic plan

In July 2017 the College adopted a strategic plan for the period 1 August 2017 to 31 July 2020. This strategic plan includes property and financial plans. The Corporation monitors the performance of the College against these plans. The plans are reviewed and updated each year. The College's strategic priorities for 2017-18 are to:

- **Enable Economic Prosperity;** positively impact on economic prosperity by co-creating and jointly delivering an innovative offer for business.
- **Increase Social Mobility;** remove barriers and inspire aspiration to achieve social progression.
- **Excel in all that we do**; deliver an excellent experience to all customers.

The College is on target to achieve objectives underlying each of the above ambitions. In March 2016, Ofsted found the College to be 'Good' overall, with 'Outstanding' features, including recognition of the College's 'High Needs' provision. Ofsted's inspection followed the highly successful Higher Education QAA Review, Broomfield Hall residential 'Outstanding' grade in 2018, and 'Outstanding' grade for the College's Little Explorers Nursery in 2016. In June 2018 the Office for Students awarded Derby College a Teaching Excellence Framework rating of Silver. The College's Self-Assessment has maintained a 'Good' overall rating.

Ofsted praised the College as 'a valued resource for Derby and Derbyshire'. The FE Commissioner's D2N2 FE Area Review published August 2017 confirmed that Derby College should remain a stand-alone college and stated 'in terms of meeting current and future needs the college offers provision in all 15 sector subject areas. The College offers courses at a range of levels from entry level to higher education courses and has mapped its provision against LEP priority and growth sectors'.

Ofsted acknowledged as Outstanding the College's work with employers to design and deliver the curriculum, alongside the success evidenced by the College's Employer Academies, Ofsted highlighted this good practice in its 2016 Annual Report (December 2016).

The College continues to operate within challenging economic times and has worked hard to ensure it remains focused on a sustainable operating model in order to enable ***investment in the learning environment and improve financial health.***

In terms of property, the College has fulfilled its historic property strategy, with limited funding available resources are being prioritised to essential improvement and key curriculum developments. In 2018 Derby College is investing in the Technology Hub with support of a £1.3m grant for D2N2 Local Enterprise Partnership, the development of new T levels courses is also being prioritised.

The College has continued to see its people as a key resource and during the year minimised restructuring using natural wastage to reduce costs; the revised working practices saw the College meet its targets on efficiency.

Financial objectives

The College's financial objectives are:

1 **Financial Health**: *To achieve 'Good' financial performance in 2017/18 and maintain this in 2018/19 as defined by the ESFA financial health scoring. To be monitored and measured via the monthly management accounts.* ***Achieved*** *'Good' rating from ESFA in* ***2017/18, target 2018/19 rating is 'Good'.***

2 **Financial Operating Position**: *To achieve a sector target EBITDA surplus in 2017/18 of 8% and budget to maintain this for 2018/19 onwards, as calculated by the ESFA methodology. To be monitored and measured via the monthly management accounts.* ***Achieved 7% in 2017/18, target is 7% in 2018/19.***

3 **Income generation**: *Maintain strong commercial income (non-Agency funding) to offset reductions in ESFA funding. To be monitored and measured via the monthly management accounts. To grow Apprenticeship Income following Levy reforms and greater employer control of funding.* ***Achieved 10% growth in other income generating activities which are now at £1.3m per annum. Our Roundhouse Events operation (Mackworth Business Services Ltd) achieved record sales of £727,000 offering services through our outstanding facilities.***

The College is required to complete the annual Finance Record for the Education and Skills Funding Agency.

Performance indicators

Classroom Based Learning, including Functional Skills			**17/18**	**Provider Group Average (16/17)**
College Overall 16-18	CBL (inc FS)	Retention	92	91
		Pass	92	90
		Achievement	84	82
College Overall 19+	CBL (inc FS)	Retention	94	94
		Pass	96	94
		Achievement	91	88
College Overall	CBL (inc FS)	Retention	93	92
		Pass	94	92
		Achievement	87	84
Apprenticeships			17/18	Provider Group Average (16/17)
Apprenticeships Overall		Achievement	67	69

FINANCIAL POSITION

Financial results

The Further Education Sector has defined EBITDA as the key financial comparator, with a benchmark indicator of 5 to 8%. The table below illustrates that the College generated a sector EBITDA surplus of £3,132,000 (2017 £3,958,000) and has performed well against this measure. This identifies that the College is generating funds to reinvest in its future provision.

Sector EBITDA	2018
	£'000
(Deficit) before other gains and losses (per page 29)	**(3,431)**
Adjust for :	
Interest receivable	**(9)**
Interest / Finance costs (including pension interest)	**1,074**
Additional cost of pension service	**2,107**
Depreciation	**3,391**
Sector EBITDA surplus/(deficit)	**3,132**
% of Turnover	**7%**

The FE Commissioner recommends that colleges generate a positive underlying operating surplus, the table below shows that the College generated an Underlying Operating Deficit of £275,000.

Underlying operating position	2018
	£'000
(Deficit) before other gains and losses (per page 29)	**(3,431)**
Adjust for :	
Pension interest	**989**
Additional cost of pension service	**2,107**
Redundancy	**60**
Sector Underlying operating position	**(275)**

The total comprehensive income of £5,729,000 (2017 £8,269,000) is stated after accounting for a significant £8,844,000 (2017 £10,419,000) reduction in the LGPS defined benefit pension scheme liability.

The College has accumulated reserves of £55,325,000 (2017 £49,596,000) and cash and short-term investment balances of £3,628,000 (2017 £3,195,000). The College wishes to continue to strengthen the reserves and cash position, the current balance represents approximately 28 days of cash flow.

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2017/18 the FE funding bodies provided 78% of the College's total income.

The College has one active subsidiary company, Mackworth Business Services Limited (MBS). The principal activity of MBS is the rental of property and events. Any surpluses generated by the subsidiary is transferred to the College. In the current year, the surplus generated was £39,000.

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 which was reapproved by the Corporation in October 2017.

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

Cash flows and liquidity

At £1,184,000 (2017 £3,453,000), net cash flow from operating activities continued was positive, resulting in a £433,000 increase in cash. 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 interest and repayments.

Reserves Policy

The College has no formal Reserves Policy but recognises the importance of reserves in the financial stability of any organisation, and ensures that there are adequate reserves to support the College's core activities. The Income and Expenditure Unrestricted Reserves of the College of £55,325,000 are represented wholly by Fixed Assets. The College has made a substantial investment in facilities, providing a high-quality learning environment. The College plans to build up cash reserves over the three-year period 2017 to 2020. This will provide a level of free reserves for broader investment in provision.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Curriculum developments

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

- Maintaining a wide choice of A level options
- Increasing community based activity for ESOL, Maths and English
- Prioritising provision in Engineering, Construction and Health
- Widening opportunities for apprenticeships with employers
- Embedding work experience into programmes in preparation of the new T levels
- Enhancing access to learner loans.

The College has been responding to the new Apprenticeship Standards, with a major focus on manufacturing across the Midlands Engine area.

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During the accounting period 1 August 2017 to 31 July 2018, the College paid 81 percent of its invoices within 30 days, this represents 83 percent by invoice value. The College incurred no interest charges in respect of late payment for this period.

Events after the end of the reporting period

There are no significant post balance sheet events.

Future prospects

The College is seeking to maintain its strong financial performance and forecasts that it will maintain a 'Good' EFSA financial rating. The College is seeking to achieve small incremental growth in 16 to 18 ESFA funding.

The College has responded well to the introduction of the Apprenticeship Levy and is seeking significant growth in Health, Manufacturing and Engineering Apprenticeships, particularly linked to work with a group of key employers.

With the government's new approach to the potential future insolvency of FE colleges, the College is actively seeking to strengthen its cash position over the next three years to lower the impact of this risk.

The D2N2 FE Area Based Review recommended that Derby College remains a standalone college (August 2017).

RESOURCES

The College has various resources that it can deploy in pursuit of its strategic objectives. Tangible resources include the award-winning Roundhouse Campus including the Hudson Construction Centre, Joseph Wright Post-16 Academic and Arts Centre, Broomfield Hall (the College's specialist land-based and leisure campus), and Ilkeston Campus. The estate has a carrying value of £90.9m (note 10).

People

The College employed an average 937 people (expressed as full-time equivalents), of whom 732 are teaching / teaching support staff.

Reputation

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

A risk register is maintained at the College level which is reviewed at each meeting of the Audit Committee and Corporation Board. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

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

1 Government funding

The College has considerable reliance on continued government funding through the further education sector funding bodies and through the Office for Students. In 2017/18, 78% of the College's revenue was ultimately publicly funded, and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

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

- Changes to Apprenticeship funding provides greater opportunities with an increase in apprenticeship numbers planned. The College has revised its offer to respond to the new Levy, this saw growth in 2017/18.

This risk is mitigated in a number of ways:

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

2 Tuition fee policy

Ministers have confirmed that the fee assumption remains at 50% for Adult Learning. In line with the majority of other colleges, Derby College seeks to maximise tuition fees in accordance with the fee assumptions. However the revised fee policy for Apprenticeships has been amended to reflect the 10% compulsory fee for non-levy apprenticeship levy payers.

This risk is mitigated in a number of ways:

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

3 Maintain adequate funding of pension liabilities

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

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

4 Property Disposals

No further disposals are planned.

STAKEHOLDER RELATIONSHIPS

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

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

- students of all ages;
- students' union;
- parents, guardians, and carers of students;
- staff employed by the College;
- trade unions;
- alumni;
- education institutions for all age groups and abilities;
- training providers and sub-contractor partners;
- businesses of all sizes and all sectors, both private and publicly funded;
- local authorities and district/parish councils;
- local residents;
- community representatives, including local councilors and MPs;
- community and faith groups; and
- Government and funding agencies.

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

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

Equality and Diversity Policy and Disability statement

Equal opportunities

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

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

Disability statement

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

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

Disclosure of information to auditors

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

Approved by order of the members of the Corporation on 17 December 2018 and signed on its behalf by:

Janet Morgan

Janet Morgan

Chair

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 a better understanding of its governance and legal structure. This statement covers the period from 1 August 2017 to 31 July 2018 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

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

ii. in accordance with the principles laid down in the Association of Colleges in The Code of Good Governance for English Colleges ("the Code"); and

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

In the opinion of the Members, the College complies with the provisions of the Code, and it has complied throughout the year ended 31 July 2018. 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 account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted in May 2015.

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

Statement of Corporate Governance and Internal Control

The Corporation

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

Category	Name	Link Governor	Committee Membership	*First Appointed*	*First Term End Date*	Term renewal information approved by Corporation on 24 November 2014 and 18 May 2015, 13 March 2017, 17 July 2017, 30 Oct 2017, 11 Dec 2017, 21 May 2018		Total term of office served at end of renewal
						Re-appointed	Term End Date	
Student	Carl Anderson		Standards	01.08.17	**Resigned** 22.05.18	Appointed via SU		N/A nominated annually via student population
General	Jack Atwal	Safeguarding	Standards, Search and Governance & Remuneration, Strategy	01.01.16	31.12.18	01.12.18	31.12.20	4 Years
General	Richard Brewell			01.09.17	31.08.19			2 Years
Staff	Kate Cusick			01.08.18	31.07.19	Annual appointment via staff election		N/A appointed annually via staff population
General	Philip Dover	JWC/ English and Maths	Standards, Remuneration, Strategy	01.08.13	31.07.15	01.08.17	31.07.19	6 Years
General	Nick Freeman		Corporate College/MBS DCET	31.01.11	31.01.13	01.02.17	31.01.19	8 Years
General	Mike Kapur		Audit	30.10.17	29.10.19			2 Years
General	Peter Lewis	Ilkeston, H&S, Nursery & Residential	Audit	01.09.17	31.08.19			2 Years
Student	Gary Malcolm		Standards	01.08.18	31.07.19	Appointed via SU		N/A nominated annually via student population
General	Martyn Marples		Audit	30.10.17	29.10.19			2 Years
General	Jonathan McCluskey		Audit	22.03.10	22.03.12	01.04.17	31.03.18	8 Years

Category	Name	Link Governor	Committee Membership	*First Appointed*	*First Term End Date*	Term renewal information approved by Corporation on 24 November 2014 and 18 May 2015, 13 March 2017, 17 July 2017, 30 Oct 2017, 11 Dec 2017, 21 May 2018		Total term of office served at end of renewal
General	Janet Morgan ***Elected Chair for 2016-17 and 2017-18***		Standards Corporate College/MBS DCET, Search and Governance Strategy	Oct 2010	15.09.12	01.08.16	31.07.20	10 Years
Staff	Lee Pratt		Standards	01.08.17	31.07.18	Annual appointment via staff election		N/A appointed annually via staff population
General	Graham Schuhmacher	Apprenticeships/ Employer Engagement & Commercial	Standards	01.08.13	31.07.15	01.08.17	31.07.19	6 Years
General	Kevin Slack		Audit Remuneration Strategy	22.03.10	22.03.12	01.04.16	31.07.19	9 Years
General	Simon Smith		Audit	01.09.16	**Resigned** 12.04.18			2 Years
Chief Executive	Mandie Stravino		Standards, Corporate College/MBS DCET, Strategy, Search and Governance	N/A				
General	David Williams ***Elected Vice-Chair for 2016-17 and 2017-18***	Broomfield Hall Link	Search and Governance Remuneration Strategy	01.08.13	31.07.15	01.08.18	31.07.20	7 Years
Co-Opted	Rosslyn Green		Audit	10.03.14	31.07.15	31.07.16	31.07.19	

Committee attendance rates

A successful Corporation requires commitment from all members. The attendance target set by the Corporation is 80%. In the year 2017/18, the mean average for Corporation and Committees was 80%. The Audit Committee attendance was significantly impacted by one Member who failed to attend any Audit Committee meetings during 2017-18. Their absence also affected the Corporation's attendance figure. That Member resigned in April 2018.

	Corporation (6 meetings)	Audit (3 meetings)	Remuneration (1 meeting)	Search and Governance (2 meetings)	Standards (4 meetings)	Strategy (1 meeting)
Carl Anderson	100%				33%	
Jack Atwal	83%		100%	-	75%	100%
Richard Brewell	83%					
Philip Dover	66%	-	100%	-	100%	100%
Nick Freeman	100%	-		-	-	-
Mike Kapur	66%	67%				
Peter Lewis	66%	50%				
Martyn Marples	83%	67%				
Jonathan McCluskey	100%	67%		-	-	-
Gary Malcolm	100%					
Janet Morgan	100%	-	100%	100%	100%	100%
Lee Pratt	75%					
Graham Schuhmacher	50%	-		-	50%	
Kevin Slack	66%	100%	100%	-	-	100%
Simon Smith	33%	0%				
Mandie Stravino	83%	-		100%	100%	100%
David Williams	100%	-	100%	100%	100%	0%
Rosslyn Green (Audit Co-opted)	-	100%		-	-	-
Overall	80%	64%	100%	100%	80%	83%

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 six times a year.

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Audit; Strategy, Remuneration, Standards, Search and Governance. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website **derby-college.ac.uk** or from: **The Clerk to the Corporation, Derby College, The Roundhouse, Roundhouse Road, Pride Park, Derby, DE24 8JE.**

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

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

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

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

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

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search and Governance Committee, comprising of four 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. A full induction programme is carried out for new members.

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. The exceptions to this are the Chair of Corporation, whose term has been extended until 2020 to coincide with the College's strategic cycle and the Chair of the Audit Committee whose term has also been extended, to provide necessary relevant skills and knowledge to support the work of the Audit Committee.

Corporation performance

The College has self-assessed its provision as Good, which is in line with the April 2016 Ofsted Judgement. The ESFA rated the College's financial health as Good in November 2017, this was reconfirmed in October 2018 by the Standards Committee.

Remuneration Committee

Throughout the year ending 31 July 2018 the College's Remuneration Committee comprised five members of the Corporation. The CEO is not a member of the Committee. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Senior Post Holders (CEO and Deputy CEO). From September 2018 the Committee will be chaired by an independent member who is not the Chair of Governors.

Details of remuneration for the year ended 31 July 2018 are set out in note 7 to the financial statements.

Audit Committee

The Audit Committee comprises four members of the Corporation (who exclude the CEO and Chair) and a co-opted member. The Committee operates in accordance with written terms of reference which are reviewed annually, approved by the Corporation and available on the College website (details above). Its purpose is to advise the Corporation on the adequacy and effectiveness of the College's system of internal control and its arrangements for risk management, control, and governance processes.

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

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

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

The Audit Committee also advises the Corporation on the appointment of internal, reporting accountants and financial statements auditors and their remuneration for audit and non-audit work as well as reporting annually to the Corporation.

Internal control

Scope of responsibility

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

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

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims, and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of college policies, aims, and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Derby College for the year ended 31 July 2018 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that have been in place for the period ending 31 July 2018 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

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

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

Derby College has an internal audit service, which operates in accordance with the requirements of the ESFA Post 16 *Audit Code of Practice*. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee. As a minimum, annually, the Head of Internal Audit (HIA) provides the Corporation with a report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls, and governance processes.

Review of effectiveness

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

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

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

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

The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its 17 December 2018 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2018 by considering documentation from the senior management team and internal audit and taking account of events since 31 July 2018.

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 17 December 2018 and signed on its behalf by:

Janet Morgan

Janet Morgan

Chair of Governors

Mandie Stravino

Accounting Officer

Statement of Regularity, Propriety and Compliance

The corporation has considered its responsibility to notify ESFA of material irregularity, impropriety and non-compliance with terms and conditions of funding, under the corporation's grant funding agreements and contracts with ESFA. As part of our consideration we have had due regard to the requirements of grant funding agreements and contracts with ESFA.

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 terms and conditions of funding, under the college's grant funding agreements and contracts with ESFA.

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 ESFA.

Janet Morgan

Mandie Stravino

Accounting Officer

Janet Morgan

Chair of Governors

Statement of Responsibilities of the Members of the Corporation

The members of the corporation, as charity trustees, are required to present audited financial statements for each financial year.

Within the terms and conditions of the college's grant funding agreements and contracts with ESFA, the corporation – through its accounting officer – is required to prepare financial statements and an operating and financial review for each financial year in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education, ESFA's college accounts direction and the UK's Generally Accepted Accounting Practice, and which give a true and fair view of the state of affairs of the college and its deficit of income over expenditure for that period.

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 UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the college will continue in operation.

The corporation is also required to prepare a members' report which describes what it is trying to do and how it is going about it, including information about 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 relevant legislation including the Further and Higher Education Act 1992 and Charities Act 2011, and relevant accounting standards. It is responsible for taking steps that are reasonably open to it to safeguard its assets and to prevent and detect fraud and other irregularities.

The corporation is responsible for the maintenance and integrity of the college's website; the work carried out by 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 ESFA are used only in accordance with ESFA's grant funding agreements and contracts 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 ESFA are not put at risk.

Approved by order of the Members of the Corporation on 17 December 2018 and signed on its behalf by:

Janet Morgan

Janet Morgan

Chair of Governors

Independent Auditor's Report to the Corporation of Derby College

Opinion

We have audited the financial statements of Derby College ("the College") for the year ended 31 July 2018 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and College Statement of Changes in Reserves, the Consolidated and College Balance Sheet, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2018 and of the College's income and expenditure, gains and losses, changes in reserves and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education and relevant legislation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the College in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Corporation's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Corporation have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the College's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Members of the Corporation are responsible for the other information. Other information comprises the information included in the Members' report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information including the Members' Report, Statement of Corporate Governance and Internal Control and the Governing Body's statement on the College's regularity, propriety and propriety compliance with Funding body terms and conditions of funding and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Post-16 Audit Code of Practice issued by the Education and Skills Funding Agency requires us to report to you if, in our opinion:

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

Responsibilities of the Corporation

As explained more fully in the Statement of Responsibilities of the Members of the Corporation set out on page 23, the Corporation is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Members of the Corporation are responsible for assessing the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Members of the Corporation either intend to liquidate the College or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Corporation of the College, as a body, in accordance with the Further & Higher Education Act 1992. Our audit work has been undertaken so that we might state to the Corporation of the College 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 College and the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

Kyla Bellingall (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

Birmingham

Date: 19 December 2018

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Reporting Auditors' Assurance Report on Regularity

To: The corporation of Derby College and Secretary of State for Education, acting through Education and Skills Funding Agency (ESFA)

In accordance with the terms of our engagement letter dated 18 August 2017 and further to the requirements and conditions of funding in ESFA's grant funding agreements and contracts 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 2017 to 31 July 2018 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 Post-16 Audit Code of Practice (the Code) issued by ESFA. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record returns, for which ESFA has other assurance arrangements in place.

This report is made solely to the corporation of Derby College and ESFA 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 ESFA 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 ESFA for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Derby College and the reporting accountant

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. 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 2017 to 31 July 2018 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 Code issued by ESFA. 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. The work undertaken to draw to our conclusion includes:

- Documentation and walkthrough of relevant controls on significant transaction streams to assess the adequacy of design of relevant controls and whether they appear to have been implemented;
- Review of the books and records of the Corporation, along with associated minutes and registers as appropriate for matters relevant to the regularity requirements;
- Review of the College Corporation's completed Self-assessment Questionnaire (Annex C of the Post-16 Audit Code of Practice) for the Corporation's responses and supporting evidence to each of the regularity requirements;
- Testing of material income streams for matters relevant to the regularity requirements;
- Testing of specific areas required to provide a limited assurance opinion, including but not limited to, Learner Support Funds and Governors' and Senior Management Team's expenses.

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 2017 to 31 July 2018 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

BDO LLP

BDO LLP

Chartered Accountants

Birmingham

Date: 19 December 2018

BDO LLP is a Limited Liability Partnership registered in England and Wales (with registered number OC305127)

Consolidated Statement of Comprehensive Income

	Notes	Year ended 31 July 2018		Year ended 31 July 2017	
		Group	College	Group	College
		£'000	£'000	£'000	£'000
INCOME					
Funding body grants	2	36,358	36,358	37,748	37,748
Tuition fees and education contracts	3	7,290	7,290	7,762	7,762
Other grants and contracts	4	110	110	302	302
Other income	5	3,074	2,514	2,756	2,313
Investment income	6	9	8	6	5
Donations and Endowments		-	-	-	-
Total income		**46,841**	**46,280**	**48,574**	**48,130**
EXPENDITURE					
Staff costs	7	32,733	32,532	31,544	31,377
Fundamental restructuring costs	7	60	60	309	309
Other operating expenses	8	13,014	12,605	14,374	14,116
Depreciation and amortisation	10/11	3,391	3,385	3,820	3,809
Interest and other finance costs	9	1,074	1,074	972	972
Total expenditure		**50,272**	**49,656**	**51,019**	**50,583**
(Deficit) before other gains and losses		**(3,431)**	**(3,376)**	**(2,445)**	**(2,453)**
Profit on disposal of assets		316	316	295	295
(Deficit) before tax		**(3,115)**	**(3,060)**	**(2,150)**	**(2,158)**
Taxation		-	-	-	-
(Deficit) for the year		**(3,115)**	**(3,060)**	**(2,150)**	**(2,158)**
Actuarial gain/(loss) in respect of pensions schemes	23	8,844	8,844	10,419	10,419
Total Comprehensive Income for the year		**5,729**	**5,784**	**8,269**	**8,261**
Represented by:					
Restricted comprehensive income		-	-	-	-
Unrestricted comprehensive income		5,729	5,784	8,269	8,261
		5,729	5,784	8,269	8,261
(Deficit) for the year attributable to:					
Non-controlling interest		-	-	-	-
Group		**(3,115)**	**(3,060)**	**(2,150)**	**(2,158)**
Total Comprehensive Income for the year attributable to:					
Non-controlling interest		-	-	-	-
Group		**5,729**	**5,784**	**8,269**	**8,261**

Consolidated and College Statement of Changes in Reserves

	Income and expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Group			
Balance at 31 July 2016	**33,757**	**7,570**	**41,327**
(Deficit) from the income and expenditure account	(2,150)	-	(2,150)
Other comprehensive income	10,419	-	10,419
Transfers between revaluation and income and expenditure reserves	64	(64)	-
Total comprehensive income for the year	**8,333**	**(64)**	**8,269**
Balance at 31 July 2017	**42,090**	**7,506**	**49,596**
(Deficit) from the income and expenditure account	(3,115)	-	(3,115)
Other comprehensive income	8,844	-	8,844
Transfers between revaluation and income and expenditure reserves	6	(6)	-
Total comprehensive income for the year	**5,735**	**(6)**	**5,729**
Balance at 31 July 2018	**47,825**	**7,500**	**55,325**
College			
Balance at 31 July 2016	**33,400**	**7,570**	**40,970**
(Deficit) from the income and expenditure account	(2,158)	-	(2,158)
Other comprehensive income	10,419	-	10,419
Transfers between revaluation and income and expenditure reserves	64	(64)	-
Total comprehensive income for the year	**8,325**	**(64)**	**8,261**
Balance at 31 July 2017	**41,725**	**7,506**	**49,231**
(Deficit) from the income and expenditure account	(3,060)	-	(3,060)
Other comprehensive income	8,844	-	8,844
Transfers between revaluation and income and expenditure reserves	6	(6)	-
Total comprehensive income for the year	**5,790**	**(6)**	**5,784**
Balance at 31 July 2018	**47,515**	**7,500**	**55,015**

Balance Sheet as at 31 July

	Notes	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
Non current assets					
Tangible Fixed assets	10	90,892	90,877	93,577	93,558
Intangible Fixed Assets (Software)	11	41	41	59	59
Investments	12	-	14	-	14
		90,933	**90,932**	**93,636**	**93,631**
Current assets					
Stocks		92	92	83	83
Trade and other receivables	13	2,477	2,516	2,076	2,039
Cash and cash equivalents	18	3,628	3,091	3,195	2,621
		6,197	**5,699**	**5,354**	**4,743**
Less: Creditors – amounts falling due within one year	14	(5,368)	(5,179)	(6,569)	(6,318)
Net current assets/(liabilities)		**829**	**520**	**(1,215)**	**(1,575)**
Total assets less current liabilities		**91,762**	**91,452**	**92,421**	**92,056**
Creditors – amounts falling due after more than one year	15	(5,448)	(5,448)	(5,750)	(5,750)
Provisions					
Defined benefit obligations	17	(22,726)	(22,726)	(28,879)	(28,879)
Other provisions	17	(8,263)	(8,263)	(8,196)	(8,196)
Total net assets/(liabilities)		**55,325**	**55,015**	**49,596**	**49,231**
Unrestricted Reserves					
Income and expenditure account		47,825	47,515	42,090	41,725
Revaluation reserve		7,500	7,500	7,506	7,506
Total unrestricted reserves		**55,325**	**55,015**	**49,596**	**49,231**

The financial statements on pages 29 to 56 were approved and authorised for issue by the Corporation on 17 December 2018 and were signed on its behalf on that date by:

Janet Morgan

Janet Morgan
Chair of Governors

Mandie Stravino
Accounting Officer

Consolidated Statement of Cash Flows

	Notes	2018 £'000	2017 £'000
Cash flow from operating activities			
(Deficit) for the year		(3,115)	(2,150)
Adjustment for non-cash items			
Depreciation and amortisation		3,391	3,820
(Increase) in stocks		(9)	-
(Increase) in debtors		(401)	(90)
(Decrease) in creditors due within one year		(1,201)	(981)
(Decrease)/increase in provisions		67	660
Pensions costs less contributions payable		2,692	2,426
Taxation		-	-
Adjustment for investing or financing activities			
Investment income		(9)	(6)
Interest payable		85	69
Taxation paid		-	-
Profit on sale of fixed assets		(316)	(295)
Net cash flow from operating activities		1,184	3,453
Cash flows from investing activities			
Proceeds from sale of fixed assets		316	436
Investment income		9	6
Payments made to acquire fixed assets		(688)	(1,165)
		(363)	(723)
Cash flows from financing activities			
Interest paid		(85)	(69)
Repayments of amounts borrowed		(303)	(303)
		(388)	(372)
Increase in cash and cash equivalents in the year		**433**	**2,358**
Cash and cash equivalents at beginning of the year	18	3,195	837
Cash and cash equivalents at end of the year	18	3,628	3,195

Notes to the Accounts

1. Statement of accounting policies and estimation techniques

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

Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2015* (the 2015 FE HE SORP), the *College Accounts Direction for 2017 to 2018* and in accordance with Financial Reporting Standard 102 – *"The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland"* (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

Basis of accounting

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

Basis of consolidation

The consolidated financial statements include the College and its subsidiaries, Mackworth Business Services Limited and Corporate College Limited (dormant), controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS 102, the activities of the student union have not been consolidated because the College does not control those activities. All financial statements are made up to 31 July 2018.

Going concern

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

The College currently has £5.75m of loans outstanding with bankers on terms negotiated in 2012 and revised in 2016. The terms of the existing agreement are for 25 years. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

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

Recognition of income

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

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

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

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

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

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

Accounting for post-employment benefits

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

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

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

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

Short-term employment benefits

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

Enhanced Pensions

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

Non-current Assets - Tangible fixed assets

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

Land and buildings

Freehold land is not depreciated.

Freehold buildings are depreciated over their expected useful economic life to the College of between 25 and 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 25 and 50 years.

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

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

Subsequent expenditure on existing fixed assets

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

Equipment

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

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

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

Intangible assets and goodwill

Software development costs are capitalised over the planned useful life.

Borrowing costs

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

Leased assets

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

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

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

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

Investments

Investments in subsidiaries

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

Other investments

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

Inventories

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

Cash and cash equivalents

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

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

Financial liabilities and equity

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

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

Foreign currency translation

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

Taxation

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478-488 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The College is partially exempt in respect of Value Added Tax, so that it can only recover around 3% of the VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

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

Provisions and contingent liabilities

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

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

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

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

A provision for dilapidations relating to the withdrawal from the Johnson Building in 2034 has been recognised, based on estimates of the cost to make repairs to the building prior to exit. A provision has also been made for future VAT liabilities relating to a historic Lennartz VAT arrangement with HMRC.

Agency arrangements

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

Judgements in applying accounting policies and key sources of estimation uncertainty

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

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

Other key sources of estimation uncertainty

- *Tangible fixed assets*

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

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 23, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2018. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

- *Provisions*

The provision for costs that are likely to be incurred on the termination of the lease in 2029 on the Johnson building are estimates of the cost to return the building to the condition at the commencement of the lease. The Lennartz VAT provision is based upon a current VAT assessment of £1,837,000 and estimated future assessments of £1,028,000. The assessments relate to 'non-business' use of buildings.

2 Funding body grants

	Year ended 31 July 2018 Group £'000	Year ended 31 July 2018 College £'000	Year ended 31 July 2017 Group £'000	Year ended 31 July 2017 College £'000
Recurrent grants				
Skills Funding Agency	12,352	12,352	13,140	13,140
Education Funding Agency	23,694	23,694	24,311	24,311
Higher Education Funding Council	312	312	297	297
Specific grants				
Skills Funding Agency	-	-	-	-
SFA capital grants	-	-	-	-
HEFCE capital grants	-	-	-	-
Total	**36,358**	**36,358**	**37,748**	**37,748**

3 Tuition fees and education contracts

	Year ended 31 July 2018 Group £'000	Year ended 31 July 2018 College £'000	Year ended 31 July 2017 Group £'000	Year ended 31 July 2017 College £'000
Adult education fees	2,355	2,355	2,930	2,930
Apprenticeship fees and contracts	52	52	42	42
Fees for FE loan supported courses	988	988	2,009	2,009
Fees for HE loan supported courses	868	868	806	806
International students fees	7	7	-	-
Total tuition fees	4,270	4,270	5,787	5,787
Education contracts	3,020	3,020	1,975	1,975
Total	**7,290**	**7,290**	**7,762**	**7,762**

4 Other grants and contracts

	Year ended 31 July 2018 Group £'000	Year ended 31 July 2018 College £'000	Year ended 31 July 2017 Group £'000	Year ended 31 July 2017 College £'000
Erasmus	110	110	-	-
National Citizenship Contract	-	-	302	302
Total	**110**	**110**	**302**	**302**

5 Other income	**Year ended 31 July**		**Year ended 31 July**	
	2018	**2018**	**2017**	**2017**
	Group	**College**	**Group**	**College**
	£'000	**£'000**	**£'000**	**£'000**
Catering and residences	797	197	797	286
Other income generating activities	1,284	1,358	1,210	1,288
Other grant income	477	477	295	295
Non-government capital grants	17	17	16	16
Miscellaneous income	499	465	438	428
Total	**3,074**	**2,514**	**2,756**	**2,313**

6 Investment income	**Year ended 31 July**		**Year ended 31 July**	
	2018	**2018**	**2017**	**2017**
	Group	**College**	**Group**	**College**
	£'000	**£'000**	**£'000**	**£'000**
Other interest receivable	9	8	6	5
Total	**9**	**8**	**6**	**5**

7 Staff costs – Group and College

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

	2018 No.	2017 No.
Teaching staff	732	712
Non-teaching staff	205	199
	937	**911**

Staff costs for the above persons

	2018 Group £'000	2018 College £'000	2017 Group £'000	2017 College £'000
Wages and salaries	23,744	23,584	23,263	23,118
Social security costs	2,117	2,117	2,130	2,130
Other pension costs	5,731	5,731	5,149	5,149
Payroll sub total	**31,592**	**31,432**	**30,542**	**30,397**
Contracted out staffing services	1,141	1,100	1,002	980
	32,733	**32,532**	**31,544**	**31,377**
Fundamental restructuring costs - Contractual	60	60	309	309
- Non contractual	-	-	-	-
Total Staff costs	**32,793**	**32,592**	**31,853**	**31,686**

Key management personnel

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

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

	2018 No.	2017 No.
The number of key management personnel including the Accounting Officer was:	4	5

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

	Key management personnel		Other staff	
	2018	2017	2018	2017
	No.	No.	No.	No.
£60,001 to £70,000 p.a.	-	-	1	1
£70,001 to £80,000 p.a.	-	1	1	1
£80,001 to £90,000 p.a.	2	2	-	-
£90,001 to £100,000 p.a.	1	1	-	-
£100,001 to £110,000 p.a.	-	-	-	-
£150,001 to £160,000 p.a.	-	-	-	-
£160,001 to £170,000 p.a.	-	-	-	-
£170,001 to £180,000 p.a.	1	1	-	-
	4	**5**	**2**	**2**

Key management personnel compensation is made up as follows:

	2018	2017
	£'000	£'000
		(Restated)
Salaries	438	495
Employers National Insurance (or Social Security contributions)	56	66
Benefits in kind	14	15
	508	**576**
Pension contributions	63	68
Total key management personnel compensation	**571**	**644**

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

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

	2018	2017
	£'000	£'000
		(Restated)
Salaries	163	164
Benefits in kind	8	9
	171	173

Pension contributions	22	21

Compensation for loss of office paid to former key management personnel

	2018 £'000	2017 £'000
Compensation paid to the former post-holder – contractual	-	43
Estimated values of other benefits, including provision for pension benefits	566	584

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

8 Other operating expenses

	2018 Group £'000	2018 College £'000	2017 Group £'000	2017 College £'000
Teaching costs	4,693	4,693	4,958	4,958
Subcontracting costs	1,220	1,220	2,192	2,192
Non-teaching costs	2,562	2,195	2,509	2,275
Premises costs	4,539	4,497	4,715	4,691
Total	**13,014**	**12,605**	**14,374**	**14,116**

Other operating expenses include:	2018 £'000	2017 £'000
Auditors' remuneration:		
Financial statements audit*	52	30
Internal audit**	20	25
Other services provided by the financial statements auditor	5	2
Other services provided by the internal auditors	-	-
Hire of assets under operating leases	1,441	1,436

*Includes £50,000 in respect of the College (2017 £28,000)

** Includes £20,000 in respect of the College (2017 £25,000)

9 Interest and other finance costs – Group and College

	2018	2017
	£'000	£'000
On bank loans, overdrafts and other loans:	85	69
	85	69
Pension finance costs (note 23)	989	903
Total	**1,074**	**972**

10 Tangible fixed assets (Group)

	Land and buildings		Equipment	Total
	Freehold	Long leasehold		
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2017	114,136	907	7,599	122,642
Additions	290	-	393	683
Disposals	-	-	(6)	(6)
At 31 July 2018	**114,426**	**907**	**7,986**	**123,319**
Depreciation				
At 1 August 2017	21,507	907	6,651	29,065
Charge for the year	2,808	-	560	3,368
Elimination in respect of disposals	-	-	(6)	(6)
At 31 July 2018	**24,315**	**907**	**7,205**	**32,427**
Net book value at 31 July 2018	**90,111**	**-**	**781**	**90,892**
Net book value at 31 July 2017	92,629	-	948	93,577

10 Tangible fixed assets (College)

	Land and buildings		Equipment	Total
	Freehold	Long leasehold		
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2017	114,136	907	7,421	122,464
Additions	287	-	394	681
Disposals	-	-	(6)	(6)
At 31 July 2018	**114,423**	**907**	**7,809**	**123,139**
Depreciation				
At 1 August 2017	21,507	907	6,492	28,906
Charge for the year	2,808	-	554	3,362
Elimination in respect of disposals	-	-	(6)	(6)
At 31 July 2018	**24,315**	**907**	**7,040**	**32,262**
Net book value at 31 July 2018	**90,108**	**-**	**769**	**90,877**
Net book value at 31 July 2017	92,629	-	929	93,558

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

11 Intangible Assets

	Equipment - Software	
	Group	**College**
	£'000	**£'000**
Cost or valuation		
At 1 August 2017	434	434
Additions	5	5
Disposals	-	-
At 31 July 2018	**439**	**439**
Depreciation		
At 1 August 2017	375	375
Charge for the year	23	23
Elimination in respect of disposals	-	-
At 31 July 2018	**398**	**398**
Net book value at 31 July 2018	**41**	**41**
Net book value at 31 July 2017	59	59

12 Non-current investments

	College	College
	2018	**2017**
	£'000	**£'000**
Investments in subsidiary companies	14	14
Total	**14**	**14**

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

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

13 Debtors

	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
Amounts falling due within one year:				
Trade receivables	657	600	681	552
Amounts owed by group undertakings:				
Subsidiary undertakings	-	96	-	98
Prepayments and accrued income	1,312	1,321	1,070	1,064
Other taxation and social security	96	87	-	-
Amounts owed by the Skills Funding Agency	412	412	325	325
Total	**2,477**	**2,516**	**2,076**	**2,039**

14 Creditors: amounts falling due within one year

	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
Bank loans and overdrafts	303	303	303	303
Trade payables	574	510	402	392
Amounts owed to group undertakings:				
Subsidiary undertakings	-	-	-	-
Other taxation and social security	593	593	555	543
Accruals and deferred income	3,732	3,607	4,749	4,520
Amounts owed to the Skills Funding Agency/EFA	166	166	560	560
Total	**5,368**	**5,179**	**6,569**	**6,318**

15 Creditors: amounts falling due after one year

	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
Bank loans	5,448	5,448	5,750	5,750
Total	**5,448**	**5,448**	**5,750**	**5,750**

16 Maturity of debt

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
In one year or less	303	303	303	303
Between one and two years	303	303	303	303
Between two and five years	909	909	909	909
In five years or more	4,235	4,235	4,538	4,538
Total	**5,750**	**5,750**	**6,053**	**6,053**

Bank loans totalling £5,750,000 (2017: £6,053,000) at base rate plus a margin of 0.38% are on a fixed term facility with payments commencing in 2012.

17 Provisions

	Defined benefit obligations £'000	Enhanced Pensions £'000	Dilapidations £'000	Other Provisions £'000	Total £'000
At 1 August 2017	28,879	4,970	322	2,904	37,075
Released in the period	-	-	(30)	-	(30)
Expenditure in the period	2,914	(152)	(40)	66	2,788
Actuarial (gain)/loss in respect of pension provisions	(9,067)	223	-	-	(8,844)
At 31 July 2018	**22,726**	**5,041**	**252**	**2,970**	**30,989**

The dilapidations provision relates to a legal requirement to carry out dilapidations work to the College's leased building on exit. The value represents the current value of this liability. Included in other provisions is:

- The Lennartz VAT provision of £2,865,000 which relates to historic recovery of VAT to be repaid over use of the assets.
- S106 obligation of £105,000 in respect of previous site disposals.

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

The principal assumptions of this calculation are:	2018	2017
Price inflation	2.40%	1.30%
Discount rate	2.80%	2.30%

18 Cash and cash equivalents (Group)

	At 1 August 2017	Cash flows	Other changes	At 31 July 2018
	£'000	£'000	£'000	£'000
Cash and cash equivalents	3,195	433	-	3,628
Overdrafts	-	-	-	-
Total	**3,195**	**433**	**-**	**3,628**

19 Capital and other commitments

	Group and College	
	2018	2017
	£'000	£'000
Commitments contracted for at 31 July	84	32

20 Lease obligations

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

	Group and College	
	2018	2017
	£'000	£'000
Future minimum lease payments due		Restated
Land and buildings		
Not later than one year	1,036	1,049
Later than one year and not later than five years	5,828	5,694
Later than five years	6,775	7,945
	13,639	14,688
Other		
Not later than one year	415	199
Later than one year and not later than five years	705	349
Later than five years	-	-
	1,120	548

21 Contingent Liabilities

The College has an ongoing dispute with HMRC regarding historic recovery of VAT in relation to a Lennartz claim. Whilst the College expects that this matter can be fully resolved it is possible that HMRC may levy a penalty for unpaid VAT. The amount of any penalty is uncertain, but could range between £Nil and £753,000.
On 26 October 2018, the High Court handed down its judgment in the case involving the Lloyds Banking Group's defined benefit pension schemes and the rights of members to equality of treatment in relation to pension benefits. The Court's ruling has made it clear that schemes should be amended to equalise benefits for men and women in respect of guaranteed minimum pension benefits. The extent to which the judgement crystallises additional liabilities of the Derbyshire Pension Fund scheme is under consideration and any adjustment that may result is expected to be recognised in the 2018/19 financial year. At present, we are unable to quantify the financial effect of this.

22 Events after the reporting period

There are no events after the reporting period.

23 Defined benefit obligations

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

Total pension cost for the year		**2018**		**2017**
		£000		**£000**
Teachers' Pension Scheme: contributions paid		1,860		1,857
Local Government Pension Scheme:				
Contributions paid	1,749		1,675	
FRS 102 (28) charge	2,107		1,617	
Charge to the Statement of Comprehensive Income		3,856		3,292
Enhanced pension charge to Statement of Comprehensive Income		-		-
Total Pension Cost for Year within staff costs		**5,716**		**5,149**

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 2016.

There were no outstanding or prepaid contributions at either the beginning or the end of the financial year. Contributions amounting to £246,000 (2017 £235,000) were payable to the scheme at 31 July and are included within creditors.

Teachers' Pension Scheme

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

The Teachers' Pension Budgeting and Valuation Account

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

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

Valuation of the Teachers' Pension Scheme

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

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

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

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

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

Scheme Changes

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

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

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

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

The pension costs paid to TPS in the year amounted to £2,830,000 (2017: £2,703,000).

FRS 102 (28)

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

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

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Derbyshire County Council. The total contributions made for the year ended 31 July 2018 were £2,380,000, of which employer's contributions totalled £1,749,000 and employees' contributions totalled £631,000. The agreed contribution rates for future years are 13.7% for employers and range from 5.5% to 12.5% for employees, depending on salary.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2017 updated to 31 July 2018 by a qualified independent actuary.

	At 31 July 2018	At 31 July 2017
Rate of increase in salaries	2.9%	3.0%
Future pensions increases	2.4%	2.5%
Discount rate for scheme liabilities	2.8%	2.7%
Inflation assumption (CPI)	2.4%	2.5%
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 2018	At 31 July 2017
	years	years
Retiring today		
Males	21.9	21.9
Females	24.4	24.4
Retiring in 20 years		
Males	23.9	23.9
Females	26.5	26.5

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

	Long-term rate of return expected at 31 July 2018	Fair Value at 31 July 2018 £'000	Long-term rate of return expected at 31 July 2017	Fair Value at 31 July 2017 £'000
Equity instruments	2.8%	56,551	2.50%	52,841
Debt instruments	2.8%	16,037	2.50%	14,765
Property	2.8%	5,908	2.50%	5,440
Cash	2.8%	5,908	2.50%	4,663
Total fair value of plan assets		**84,404**		**77,709**
Weighted average expected long term rate of return	2.8%		2.50%	
Actual return on plan assets		**4,072**		**6,270**

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

	2018	2017
	£'000	£'000
Fair value of plan assets	84,404	77,709
Present value of plan liabilities	(107,052)	(106,507)
Present value of unfunded liabilities	(78)	(81)
Net pensions (liability) (Note 17)	**(22,726)**	**(28,879)**

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

	2018	2017
	£'000	£'000
Amounts included in staff costs		
Current service cost	3,856	3,292
Past service cost	-	-
Total	**3,856**	**3,292**
Amounts included in investment income		
Net interest income	807	903
	807	**903**

Amount recognised in Other Comprehensive Income

	2018	2017
Return on pension plan assets	4,072	6,270
Experience losses arising on defined benefit obligations	(1)	8,094
Changes in Demographic assumptions	-	1,560
Changes in assumptions underlying the present value of plan liabilities	4,996	(5,412)
Amount recognised in Other Comprehensive Income	**9,067**	**10,512**

Movement in net defined benefit (liability) during year

	2018	2017
	£'000	£'000
Net defined benefit (liability) in scheme at 1 August	(28,879)	(36,871)
Movement in year:		
Current service cost	(3,856)	(3,292)
Employer contributions	1,749	1,675
Past service cost		-
Net interest on the defined (liability)	(807)	(903)
Actuarial gain (loss)	9,067	10,512
Net defined benefit (liability) at 31 July	**(22,726)**	**(28,879)**

Asset and Liability Reconciliation

	2018	2017
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	106,588	106,162
Current service cost	3,856	3,292
Interest cost	2,911	2,571
Contributions by Scheme participants	607	619
Experience losses on defined benefit obligations	-	(8,094)
Changes in financial assumptions	(4,995)	5,412
Change in demographic	-	(1,560)
Estimated benefits paid	(1,837)	(1,814)
Past Service cost	-	-
Curtailments and settlements	-	-
Defined benefit obligations at end of period	**107,130**	**106,588**

Changes in fair value of plan assets

	2018	2017
Fair value of plan assets at start of period	77,709	69,291
Interest on plan assets	2,104	1,668
Return on plan assets	4,072	6,270
Employer contributions	1,749	1,675
Contributions by Scheme participants	607	619
Estimated benefits paid	(1,837)	(1,814)
Fair value of plan assets at end of period	**84,404**	**77,709**

24 Related party transactions

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

The total expenses paid to or on behalf of the Governors during the year was £1,183; 5 governors (2017: £539; 5 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2017: None).

Derby College Education Trust Limited

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

The College had the following income transactions with Derby College Education Trust:

	2018	2017
	£'000	£'000
Services provided to Derby College Education Trust (under SLA agreement)	66	166
Merrill Academy Alternative Curriculum Provision, incl. Free School Meals.	8	50
Recharges for occupational health, legal, mobile phones and digital services	-	22
	74	238

Balances outstanding owed by Derby College Educational Trust at 31 July 2018 was £Nil (2017: £15,000).

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

Derby College provided the following to Derby Manufacturing UTC for which invoices have been raised:	2018	2017
	£'000	£'000
Recharges for Finance / Payroll under SLA agreement	-	3
Recharges for marketing; legal & subscriptions and recruitment	3	8
	3	11

Balances outstanding owed by to Derby Manufacturing UTC as at 31 July 2018 was £Nil (2017: £4,000).

In addition to the above, the College carried out transactions under normal business with Rolls Royce plc, Geldards LLP and Archer Hampson 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.

The total sales to Rolls Royce plc in the year £836,000 (2017: £1,089,000).

The balance owed by Rolls Royce PLC at 31 July 2018 was £53,000 (2017: £91,000).

Derby College expenditure transactions with Geldards LLP in the year were £18,000 (2017: £33,000).

The balance owed by Geldards LLP at 31 July 2018 was £1,000 (2017: £Nil).

Derby College expenditure transactions with Archer Hampson in the year were £12,000 (2017: £6,000).

The balance owed to Archer Hampson at 31 July 2018 was £4,000 (2017:£Nil).

25 Amounts disbursed as agent

	2018	2017
		(Restated)
	£'000	£'000
Learner support funds:		
Funding body grants – discretionary learner support	1,435	1,426
Funding body grants – childcare	-	-
Funding body grants – residential bursaries	47	47
	1,482	1,473
Disbursed to students	(1,294)	(1,261)
Administration costs	(64)	(68)
Balance unspent as at 31 July, included in debtors/(creditors)	124	144

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