DCG

Report and Financial Statements

For the year ended 31 July 2019

DCG

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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 2018/19:

Mandie Stravino; CEO; Accounting officer

Jonathan Fearon; Chief Finance Officer

Heather Simcox; Deputy CEO

April Hayhurst; Deputy Principal

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 DCG 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

DCG

Report and Financial Statements for the year ended 31 July 2019

Contents

Strategic report

NATURE, OBJECTIVES, AND STRATEGIES:

The Members present their report and the audited financial statements for the year ended 31 July 2019.

Legal status

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

Mission

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

Public Benefit

DCG 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 DCG'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.

DCG has a commitment to deliver a significant, measurable public benefit, and a full Public Value Statement, setting out how DCG adds value to the social, economic and physical well-being of the community served by DCG, 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, DCG 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 DCG 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 DCG against these plans. The plans are reviewed and updated each year. DCG's strategic priorities for 2018-19 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.

DCG is on target to achieve objectives underlying each of the above ambitions. In March 2016, Ofsted found the DCG to be 'Good' overall, with 'Outstanding' features, including recognition of DCG'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 DCG Little Explorers Nursery in 2016. In June 2018 the Office for Students awarded DCG a Teaching Excellence Framework rating of Silver. The DCG Self-Assessment has maintained a 'Good' overall rating.

Ofsted praised DCG as 'a valued resource for Derby and Derbyshire'. The FE Commissioner's D2N2 FE Area Review published August 2017 confirmed that DCG should remain a stand-alone college and stated 'in terms of meeting current and future needs DCG offers provision in all 15 sector subject areas. DCG 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 DCG's work with employers to design and deliver the curriculum, alongside the success evidenced by the DCG Employer Academies, Ofsted highlighted this good practice in its 2016 Annual Report (December 2016).

DCG 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, DCG has fulfilled its historic property strategy, with limited funding available resources are being prioritised to essential improvement and key curriculum developments. In 2018/19 DCG has invested 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.

DCG 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 DCG meet its targets on efficiency.

Financial objectives

DCG's financial objectives are:

1. **Financial Health**: *To achieve 'Good' financial performance in 2018/19 and maintain this in 2019/20 as defined by the ESFA financial health scoring. To be monitored and measured via the monthly management accounts.* ***Achieved*** *'Good' rating from ESFA in* ***2018/19, target 2019/20 rating is 'Good'.***

2. **Financial Operating Position**: *To achieve a sector target EBITDA surplus in 2018/19 of 8% and budget to maintain this for 2019/20 onwards, as calculated by the ESFA methodology. To be monitored and measured via the monthly management accounts.* ***Achieved 6% in 2018/19, target is 7% in 2019/20.***

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.*

Performance indicators

Classroom Based Learning, including Functional Skills			DCG 18/19	Provider Group Average (17/18)
College Overall 16-18	CBL (inc FS)	Retention	89	91
		Pass	94	91
		Achievement	84	83
College Overall 19+	CBL (inc FS)	Retention	94	94
		Pass	96	95
		Achievement	90	89
College Overall	CBL (inc FS)	Retention	92	93
		Pass	95	93
		Achievement	87	86
Apprenticeships			18/19	Provider Group Average (17/18)
Apprenticeships Overall		Achievement	70	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 DCG generated a sector EBITDA surplus of £3,031,000 (2018 £3,132,000) and has performed well against this measure. This identifies that DCG is generating funds to reinvest in its future provision.

Sector EBITDA	**2019**
	£'000
(Deficit) before other gains and losses (per page 29)	**(2,413)**
Adjust for :	
Interest receivable	**(30)**
Interest / Finance costs (including pension interest)	**849**
Additional cost of pension service	**2,462**
Depreciation	**3,396**
Capital Grants	**(1,077)**
Holiday pay accrual	**(156)**
Sector EBITDA surplus	**3,031**
% of Turnover	**6%**

The FE Commissioner recommends that colleges generate a positive underlying operating surplus, the table below shows that DCG generated an Underlying Operating profit of £1,203,000.

Underlying operating position	**2019**
	£'000
(Deficit) before other gains and losses (per page 29)	**(2,413)**
Adjust for :	
Pension interest	**786**
Additional cost of pension service	**2,462**
Redundancy	**368**
Sector Underlying operating position	**1,203**

The total comprehensive income of (£19,672,000) (2018 £5,729,000) is stated after accounting for a significant £16,968,000 (2018 £8,844,000) increase in the LGPS defined benefit pension scheme liability.

DCG has accumulated reserves of £35,653,000 (2018 £55,325,000) and cash and short-term investment balances of £4,730,000 (2018 £3,628,000). DCG wishes to continue to strengthen the reserves and cash position, the current balance represents approximately 28 days of cash flow.

DCG has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2018/19 the FE funding bodies provided 75% of DCG total income.

DCG has two active subsidiary companies, Mackworth Business Services Limited (MBS) and DCG Services Limited. The principal activity of MBS is the rental of property and event and the principal activity of DCG Services Limited is the provision of cleaning services. Any surpluses generated by the subsidiary is transferred to DCG. In the current year, the surplus generated by MBS was £33,000 and £Nil for DCG Services Limited.

Treasury Policies and Objectives

Treasury management is the management of DCG 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.

DCG 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 £3,304,000 (2018 £1,184,000), net cash flow from operating activities continued was positive, resulting in a £1,102,000 increase in cash. The size of the DCG'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

DCG 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 DCG's core activities. The Income and Expenditure Unrestricted Reserves of DCG of £35,653,000 are represented wholly by Fixed Assets. DCG has made a substantial investment in facilities, providing a high-quality learning environment. DCG 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 DCG 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.

DCG 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 2018 to 31 July 2019, DCG paid 80.2 percent of its invoices within 30 days, this represents 82 percent by invoice value. DCG 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

DCG is seeking to maintain its strong financial performance and forecasts that it will maintain a 'Good' ESFA financial rating. DCG is seeking to achieve small incremental growth in 16 to 18 ESFA funding, especially in learner numbers.

DCG 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, DCG 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 DCG remains a standalone college (August 2017).

RESOURCES

DCG has various resources that it can deploy in pursuit of its strategic objectives. Tangible resources include the award-winning Roundhouse College including the Hudson Construction Centre, Joseph Wright Post-16 Academic and Arts Centre, Broomfield Hall (DCG's specialist land-based and leisure college), and Ilkeston College. The estate has a carrying value of £89.6m (note 10).

People

DCG employed an average 967 people (expressed as full-time equivalents), of whom 753 are teaching / teaching support staff.

Reputation

DCG has a good reputation locally and nationally. Maintaining a quality brand is essential for DCG'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

DCG 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 DCG assets and reputation.

Based on the strategic plan, the Risk Management Group undertakes a comprehensive review of the risks to which DCG is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on DCG. 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 DCG

A risk register is maintained at DCG 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 DCG 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 DCG. Not all the factors are within DCG's control. Other factors besides those listed below may also adversely affect DCG.

1 Government funding

DCG has considerable reliance on continued government funding through the further education sector funding bodies and through the Office for Students. In 2018/19, 75% of DCG'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.

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

- Change in Government and impact of Brexit
- Changes to Apprenticeship funding provides greater opportunities with an increase in apprenticeship numbers planned. DCG has revised its offer to respond to the new Levy, this saw growth in 2018/19.

This risk is mitigated in a number of ways:

- Funding is derived from a number of direct and indirect contractual arrangements.
- By ensuring DCG 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 DCG 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, DCG seeks to maximise tuition fees in accordance with the fee assumptions. However, the revised fee policy for Apprenticeships has been amended to reflect the 5% compulsory fee for non-levy apprenticeship levy payers.

This risk is mitigated in a number of ways:

- By ensuring DCG 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 DCG 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

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

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

- students of all ages;
- students' union;
- parents, guardians, and carers of students;
- staff employed by DCG;
- 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 including the DfE and ESFA
- Local Enterprise Partnership D2N2
- Office for Students

DCG 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:

- CEO and Link governor walks (including staff and student engagement)
- Ask the CEO including "pizza with the Principal"
- 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 DCG;
- 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 DCG.

Equality and Diversity Policy and Disability statement

Equal opportunities

DCG is committed to ensuring equality of opportunity for all who learn and work here. DCG respects and values positively differences in race, gender, sexual orientation, disability, religion or belief and age. DCG 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 DCG's Equal Opportunities Policy is published on the DCG Intranet site. DCG publishes an Annual Equality Report is produced to identify and remove/reduce any barriers to access and/or achievement gaps and to ensure compliance with all relevant equality legislation including the Equality Act 2010.

DCG is a 'Positive about Disabled' employer and has committed to the principles and objectives of the Positive about Disabled standard. DCG 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 DCG continues. DCG'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

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

a) As part of its accommodation strategy DCG 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) DCG 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 DCG 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 DCG's Charter. Appeals against a decision not to offer a place are dealt with under the Complaints Policy.
e) DCG 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 DCG prospectuses, and achievements and destinations are recorded and published in the standard DCG 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 DCG'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 DCG's auditors are aware of that information.

Approved by order of the members of the Corporation on 16 December 2019 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 DCG to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2018 to 31 July 2019 and up to the date of approval of the annual report and financial statements.

DCG 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, DCG complies with the provisions of the Code, and it has complied throughout the year ended 31 July 2019. 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.

DCG 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.

No	*Category*	Name	Link Governor	Lead Governor	Cttee M'Ship	*First Appointed*	*First Term End Date*	Term renewal information appvd by Corporation on 24 November 2014 and 18 May 2015, 13 March 2017, 17 July 2017, 30 Oct 17, 11 Dec 17, 21 May 2018	Total term of office served at end of renewal	
								Re-appointed	Term End Date	
	General	Jack Atwal *Elected Vice Chair for 2018-19 and 19-20*	Roundhouse/ Vocational Adult & Community LLDD/High Needs	Safeguarding	Standards, Search and Governance, Remuneration Strategy	01.01.16	31.12.18	01.12.18	RESIGNED 31.07.19	4 Years
	General	Richard Brewell				01.09.17	TERM ENDED 31.08.19			2 Years
1	General	Sue Bradley	Transitions		Standards	01.05.19	31.04.21			2 Years
2	Staff	John Clay			Standards	01.08.19	31.07.20	Annual appointment via staff election	N/A appointed annually via staff population	
3	General	Hazel Clint		Health and Safety	Audit	01.02.19	31.01.21			2 Years
4	General	Andrew Cochrane				11.02.19	10.02.21			2 Years
	Staff	Kate Cusick			Standards	01.08.18	TERM ENDED 31.07.19	Annual appointment via staff election	N/A appointed annually via staff population	
5	General	Philip Dover	JWC/ English and Maths	Higher Education	Standards, Remuneration	01.08.13	31.07.15	01.08.17	31.07.21	8 Years
	General	Nick Freeman		Health and Safety	Corporate College/ MBS	31.01.11	31.01.13	01.02.17	TERM ENDED 31.01.19	8 Years
6	Student	Sagar Johnson			Standards	01.07.19	31.06.20	Appointed via SU	N/A nominated annually via student population	

No	*Category*	Name	Link Governor	Lead Governor	Cttee M'Ship	*First Appointed*	*First Term End Date*	Term renewal information appvd by Corporation on 24 November 2014 and 18 May 2015, 13 March 2017, 17 July 2017, 30 Oct 17, 11 Dec 17, 21 May 2018	Total term of office served at end of renewal	
7	General	Mike Kapur			Audit	30.10.17	29.10.19			2 Years
	General	Peter Lewis	Nursery & Residential		Audit	01.09.17	TERM ENDED 31.08.19			2 Years
	Student	Gary Malcolm			Standards	01.08.18	TERM ENDED 31.07.19	Appointed via SU	N/A nominated annually via student population	
9	General	Martyn Marples			Finance	30.10.17	29.10.19			2 Years
10	General	Janet Morgan *Elected Chair for 2018-19 and 2019-20*			Standards, Corporate College/ MBS, Search and Governance, Finance	Oct 2010	15.09.12	01.08.16	31.07.20	10 Years
11	General	Graham Schuhmacher	Apprenticeships/ Employer Engagement & Commercial		Standards	01.08.13	31.07.15	01.08.17	31.07.21	8 Years
12	General	Kevin Slack			Audit, Remuneration,	22.03.10	22.03.12	01.04.16	31.07.21	11 Years
13	CEO	Mandie Stravino			Standards, Corporate College/ MBS, Finance Search and Governance	N/A				
	General	David Williams	Broomfield Hall		Search and Governance, Remuneration, Strategy	01.08.13	31.07.15	01.08.18	RESIGNED 31.12.18	7 Years
	Co-Opted	Rosslyn Green			Audit	10.03.14	31.07.15	31.07.16	31.07.20	

Committee attendance rates

A successful Corporation requires commitment from all members. The attendance target set by the Corporation is 80%. In the year 2018/19, the mean average for Corporation and Committees was 80%. The Audit Committee attendance was significantly impacted by one Member who missed two meetings, this member is no longer on Audit Committee and has since left the Corporation at the end of their term in August 2019.

Member	Attendance at Corporation meetings (5)	Attendance at Audit Cttee meetings (4)	Attendance at Standards Cttee meetings (3)	Attendance at Search and Governance Cttee meetings (2)	Attendance at Finance Committee meetings (1)	Attendance at Remuneration Cttee meetings (1)
Janet Morgan (Chair of the Corporation)	100%	-	100%	100%	100%	100%
Jack Atwal (Vice-Chair of the Corporation)	40%	-	-	100%	100%	100%
Sue Bradley	100%	-	-	-	-	-
Richard Brewell	100%	-	-	-	-	-
Hazel Clint	100%	100%	-	-	-	-
Andrew Cochrane	100%	-	-	-	-	-
Kate Cusick (Staff Governor)	60%	-	67%	-	-	-
Philip Dover	100%	-	100%	-	-	-
Nick Freeman (left the Board January 2019)	-	-	-	-	-	-
Mike Kapur	60%	50%	-	-	-	-
Pete Lewis (member of Audit Cttee until May 19)	60%	33%	-	-	100%	-
Gary Malcolm (Student Governor)	80%	-	100%	-	-	-
Martyn Marples (member of Audit Cttee until May 19)	100%	100%	-	-	100%	-
Graham Schuhmacher	80%	-	100%	-	-	-
Kevin Slack (Chair of Audit Committee)	100%	100%	-	-	-	100%
Mandie Stravino (Chief Executive)	100%	-	100%	100%	100%	-
David Williams	100%	-	-	-	-	-
Rosslyn Green (Co-opted Member – Audit Only)	-	100%	-	-	-	
Overall	81%	80%	70%	75%	100%	75%

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 DCG 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 five times a year.

Statement of Corporate Governance and Internal Control

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; Finance, Remuneration, Standards, Search and Governance. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the DCG's website **derby-college.ac.uk** or from: **The Clerk to the Corporation, DCG, 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 DCG'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 DCG 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

DCG has self-assessed its provision as Good, which is in line with the April 2016 Ofsted Judgement. The ESFA rated DCG's financial health as Good in November 2019.

Remuneration Committee

Throughout the year ending 31 July 2019 the DCG's Remuneration Committee comprised four members of the Corporation. The CEO is not a member of the Committee. The Committee's responsibilities are to set appraisal objectives and targets for the Senior Post Holders (CEO and Deputy CEO), review performance against these targets and make recommendations to the Board. 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 2019 are set out in note 7 to the financial statements.

Finance Committee

Although not a statutory committee, but considering the financial demands on the sector, the Corporation agreed to introduce a Finance Committee from May 2019. Further benefits of the Committee were to ensure increased scrutiny of the College's financial position and oversight of the Finance Team's capacity.

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, and presented to the Corporation and available on the Group's website (details above). Its purpose is to advise the Corporation on the adequacy and effectiveness of the Group'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 Group's internal, reporting accountants and financial statements auditors, who have access to the Committee for independent discussion, without the presence of Group's management. The Committee also receives and considers reports from the main FE funding bodies as they affect the Group's business.

DCG'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 DCG'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 DCG'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 DCG 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 DCG 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 DCG for the year ended 31 July 2019 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 DCG 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 DCG's significant risks that have been in place for the period ending 31 July 2019 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.

DCG 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 DCG 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 DCG. The report includes the HIA's independent opinion on the adequacy and effectiveness of the DCG'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 Group who have responsibility for the development and maintenance of the internal control framework; and
- comments made by the DCG'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 16 December 2019 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2019 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 DCG 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 DCG 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 16 December 2019 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 DCG, or material non-compliance with the terms and conditions of funding, under the DCG 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 DCG'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 DCG 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 DCG 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 DCG.

The corporation is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of DCG 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 DCG 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 DCG 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 16 December 2019 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 DCG ("the College") for the year ended 31 July 2019 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and College Statement of Changes in Reserves, the Consolidated and DCG 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 2019 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.

BDO LLP

Kyla Bellingall (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

Birmingham

Date: 19 December 2019

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 DCG 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 DCG during the period 1 August 2018 to 31 July 2019 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 DCG 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 DCG 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 DCG 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 2018 to 31 July 2019 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 2018 to 31 July 2019 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 2019

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 2019		Year ended 31 July 2018	
		Group	College	Group	College
		£'000	£'000	£'000	£'000
INCOME					
Funding body grants	2	38,331	38,331	36,358	36,358
Tuition fees and education contracts	3	8,239	8,239	7,290	7,290
Other grants and contracts	4	1,153	1,153	110	110
Other income	5	3,186	2,716	3,074	2,514
Investment income	6	30	27	9	8
Donations and Endowments		-	-	-	-
Total income		**50,939**	**50,466**	**46,841**	**46,280**
EXPENDITURE					
Staff costs	7	34,641	34,442	32,733	32,532
Fundamental restructuring costs	7	368	368	60	60
Other operating expenses	8	14,098	13,772	13,014	12,605
Depreciation and amortisation	10/11	3,396	3,390	3,391	3,385
Interest and other finance costs	9	849	849	1,074	1,074
Total expenditure		**53,352**	**52,821**	**50,272**	**49,656**
(Deficit) before other gains and losses		**(2,413)**	**(2,355)**	**(3,431)**	**(3,376)**
Profit on disposal of assets		12	13	316	316
(Deficit) before tax		**(2,401)**	**(2,342)**	**(3,115)**	**(3,060)**
Taxation		-	-	-	-
(Deficit) for the year		**(2,401)**	**(2,342)**	**(3,115)**	**(3,060)**
Actuarial (Loss)/Gain in respect of pensions schemes	17	(17,271)	(17,271)	8,844	8,844
Total Comprehensive Income for the year		**(19,672)**	**(19,613)**	**5,729**	**5,784**
Represented by:					
Restricted comprehensive income		-	-	-	-
Unrestricted comprehensive income		(19,672)	(19,613)	5,729	5,784
		(19,672)	**(19,613)**	5,729	5,784
(Deficit) for the year attributable to:					
Non-controlling interest		-	-	-	-
Group		**(2,401)**	**(2,342)**	**(3,115)**	**(3,060)**
Total Comprehensive Income for the year attributable to:					
Non-controlling interest		-	-	-	-
Group		**(19,672)**	**(19,613)**	**5,729**	**5,784**

The notes on pages 33 to 57 form part of the financial statements.

Consolidated and College Statement of Changes in Reserves

	Income and expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Group			
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**
(Deficit) from the income and expenditure account	(2,401)	-	(2,401)
Other comprehensive income	(17,271)	-	(17,271)
Transfers between revaluation and income and expenditure reserves	-	-	-
Total comprehensive income for the year	(19,672)	-	(19,672)
Balance at 31 July 2019	**28,153**	**7,500**	**35,653**
College			
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**
(Deficit) from the income and expenditure account	(2,342)	-	(2,342)
Other comprehensive income	(17,271)	-	(17,271)
Transfers between revaluation and income and expenditure reserves	-	-	-
Total comprehensive income for the year	**(19,613)**	-	**(19,613)**
Balance at 31 July 2019	**27,902**	**7,500**	**35,402**

The notes on pages 33 to 57 form part of the financial statements.

Balance Sheet as at 31 July

	Notes	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
Non current assets					
Tangible Fixed assets	10	89,560	89,548	90,892	90,877
Intangible Fixed Assets (Software)	11	28	28	41	41
Investments	12	-	14	-	14
		89,588	**89,590**	**90,933**	**90,932**
Current assets					
Stocks		103	103	92	92
Trade and other receivables	13	2,248	2,276	2,477	2,516
Cash and cash equivalents	18	4,730	4,270	3,628	3,091
		7,081	**6,649**	**6,197**	**5,699**
Less: Creditors – amounts falling due within one year	14	(6,365)	(6,186)	(5,368)	(5,179)
Net current assets		**716**	**463**	**829**	**520**
Total assets less current liabilities		**90,304**	**90,053**	**91,762**	**91,452**
Creditors – amounts falling due after more than one year	15	(5,145)	(5,145)	(5,448)	(5,448)
Provisions					
Defined benefit obligations	17	(42,826)	(42,826)	(22,726)	(22,726)
Other provisions	17	(6,680)	(6,680)	(8,263)	(8,263)
Total net assets		**35,653**	**35,402**	**55,325**	**55,015**
Unrestricted Reserves					
Income and expenditure account		28,153	27,902	47,825	47,515
Revaluation reserve		7,500	7,500	7,500	7,500
Total unrestricted reserves		**35,653**	**35,402**	**55,325**	**55,015**

The notes on pages 33 to 57 form part of the financial statements.

The financial statements on pages 29 to 57 were approved and authorised for issue by the Corporation on 16 December 2019 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	2019 £'000	2018 £'000
Cash flow from operating activities			
(Deficit) for the year		(2,401)	(3,115)
Adjustment for non-cash items			
Depreciation and amortisation		3,396	3,391
Decrease / (Increase) in stocks		(11)	(9)
Decrease / (Increase) in debtors		229	(401)
Increase / (Decrease) in creditors due within one year		997	(1,201)
(Decrease) / increase in provisions		(1,755)	67
Pensions costs less contributions payable		2,829	2,692
Taxation			-
Adjustment for investing or financing activities			
Investment income		(30)	(9)
Interest payable		63	85
Taxation paid		-	-
Profit on sale of fixed assets		(13)	(316)
Net cash flow from operating activities		3,304	1,184
Cash flows from investing activities			
Proceeds from sale of fixed assets		13	316
Investment income		30	9
Payments made to acquire fixed assets		(1,879)	(688)
Net cashflow from investing activities		(1,836)	(363)
Cash flows from financing activities			
Interest paid		(63)	(85)
Repayments of amounts borrowed		(303)	(303)
Net cashflow from financing activities		(366)	(388)
Increase in cash and cash equivalents in the year		**1,102**	**433**
Cash and cash equivalents at beginning of the year	18	3,628	3,195
Cash and cash equivalents at end of the year	18	4,730	3,628

The notes on pages 33 to 57 form part of the financial statements.

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 2018 to 2019* and in accordance with Financial Reporting Standard 102 – *"The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland"* (FRS 102). DCG 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 Group'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 Group and its subsidiaries, Mackworth Business Services Limited and DCG Services Limited, controlled by DCG. Control is achieved where DCG 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 Group does not control those activities. All financial statements are made up to 31 July 2019.

Going concern

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

DCG currently has £5.49m of loans outstanding with bankers on terms negotiated in 2012 and revised in 2016. The terms of the existing agreement are for 25 years. DCG's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

Accordingly, DCG 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 Group 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 Group 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 Group 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 Group 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 Group 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 Group. Any unused benefits are accrued and measured as the additional amount the Group 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 Group 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 DCG'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 DCG of between 25 and 50 years. DCG 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, DCG 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 DCG, 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. DCG 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 DCG 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 DCG 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 DCG 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

DCG 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, DCG 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.

DCG 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.

DCG'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 DCG 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 DCG a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of DCG. 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

DCG 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 DCG where DCG 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 DCG 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 DCG'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 2019. 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 £1,194,000.

Notes to the Accounts

2 Funding body grants	Year ended 31 July		Year ended 31 July	
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Recurrent grants				
Skills Funding Agency	13,817	13,817	12,352	12,352
Education Funding Agency	24,036	24,036	23,694	23,694
Higher Education Funding Council	318	318	312	312
Specific grants				
Skills Funding Agency	160	160	-	-
SFA capital grants	-	-	-	-
HEFCE capital grants	-	-	-	-
Total	**38,331**	**38,331**	**36,358**	**36,358**

3 Tuition fees and education contracts	Year ended 31 July		Year ended 31 July	
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Adult education fees	2,141	2,141	2,355	2,355
Apprenticeship fees and contracts	121	121	52	52
Fees for FE loan supported courses	644	644	988	988
Fees for HE loan supported courses	947	947	868	868
International students fees	7	7	7	7
Total tuition fees	3,860	3,860	4,270	4,270
Education contracts	4,379	4,379	3,020	3,020
Total	**8,239**	**8,239**	**7,290**	**7,290**

4 Other grants and contracts	Year ended 31 July		Year ended 31 July	
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Erasmus	76	76	110	110
National Citizenship Contract	-	-	-	-
Other Government	1,077	1,077	-	-
Total	**1,153**	**1,153**	**110**	**110**

5 Other income

	Year ended 31 July		Year ended 31 July	
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Catering and residences	779	131	797	197
Other income generating activities	1,077	1,163	1,284	1,358
Other grant income	712	712	477	477
Non-government capital grants	17	17	17	17
Miscellaneous income	601	693	499	465
Total	**3,186**	**2,716**	**3,074**	**2,514**

6 Investment income

	Year ended 31 July		Year ended 31 July	
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other interest receivable	30	27	9	8
Total	**30**	**27**	**9**	**8**

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:

	2019	2018
	No.	No.
Teaching staff	753	732
Non-teaching staff	214	205
	967	**937**

Staff costs for the above persons

	2019 Group £'000	2019 College £'000	2018 Group £'000	2018 College £'000
Wages and salaries	25,467	25,341	23,744	23,584
Social security costs	2,224	2,213	2,117	2,117
Other pension costs	6,316	6,297	5,731	5,731
Payroll sub total	**34,007**	**33,851**	**31,592**	**31,432**
Contracted out staffing services	634	591	1,141	1,100
	34,641	**34,442**	**32,733**	**32,532**
Fundamental restructuring costs - Contractual	368	368	60	60
- Non contractual	-	-	-	-
Total Staff costs	**35,009**	**34,810**	**32,793**	**32,592**

List of Senior post holders covered by the Remit of the Remuneration Committee

Mandie Stravino

Heather Simcox

Policy for remuneration for post holders within the remit of the Remuneration Committee

In considering reward proposals for the Chief Executive, the Senior Post Holder and the Clerk, the Group adhere to the following key elements:

- A fair, appropriate and justifiable level of remuneration
- Procedural fairness; and
- Transparency and accountability.

The following factors are taken into consideration:

- Performance in support of the Group's strategic objectives in areas such as
  - Teaching, learning and outcomes for students
  - Management, financial performance and administration
  - Leadership of staff
  - Stakeholder, partner and employer satisfaction
  - External relations nationally and locally

- The size and complexity of the Group
- The nature of post-16 markets and issues of recruitment and retention of senior staff.

In addition, when viewing the performance of senior post-holders, members consider;

- The size and complexity of the role
- Impact on students, finance and people, including employees and stakeholders
- Discretion (level of accountability, degree of autonomy and decision-making authority)
- Levels of experience
- Knowledge and skills (including specialist skills) required
- Reputation and academic/professional credibility needed for the role
- An ability to recruit and retain key staff; and
- External comparisons (benchmarking data in respect of comparator institutions with a similar turnover and demographic).

Choice of Comparator Organisations

Top 25 colleges in the UK, including vacant CEO positions at the time of the last Remuneration Committee.

Policy on Income derived from external Activities

No Income is derived from external activities for senior post holders.

Pay Multiple

The total pay multiple of the Group Chief Executive's earnings against the median of the Group's whole workforce is: 6.32:1. Including Total Emoluments, the ratio of the Group Chief Executive total emoluments against the Median of the groups whole workforce is 6.62:1. Further detail of changes over an extended period of time, will be detailed in future annual reports."

Key Management Personnel

Similar processes to those used by the Remuneration Committee are used to set the total emoluments for the other Key Management Personnel.

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of DCG 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

	2019	2018
	No.	No.
The number of key management personnel including the Accounting Officer was:	4	4

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	
	2019	2018	2019	2018
	No.	No.	No.	No.
£60,001 to £65,000 p.a.	-	-	2	-
£60,001 to £65,000 p.a.	-	-	-	-
£65,001 to £70,000 p.a	-	-	-	-
£70,001 to £75,000 p.a	-	-	1	2
£75,001 to £80,000 p.a	-	-	-	-
£80,001 to £85,000 p.a.	-	-	1	-
£85,001 to £90,000 p.a	2	2	-	-
£90,001 to £95,000 p.a.	-	-	-	-
£95,001 to £100,000 p.a.	1	1	-	-
£100,001 to £105,000 p.a.	-	-	-	-
£105,001 to £110,000 p.a	-	-	-	-
£110,001 to £115,000 p.a	-	-	-	-
£115,001 to £120,000 p.a	-	-	-	-
£120,001 to £125,000 p.a	-	-	-	-
£125,001 to £130,000 p.a	-	-	-	-
£130,001 to £135,000 p.a	-	-	-	-
£135,001 to £140,000 p.a	-	-	-	-
£140,001 to £145,000 p.a	-	-	-	-
£145,001 to £150,000 p.a	-	-	-	-
£150,001 to £155,000 p.a	-	-	-	-
£155,001 to £160,000 p.a	-	-	-	-
£160,001 to £165,000 p.a	-	-	-	-
£165,001 to £170,000 p.a	-	-	-	-
£170,001 to £175,000 p.a	1	1	-	-
£175,001 to £180,000 p.a	-	-	-	-
	4	4	4	2

Key management personnel compensation is made up as follows:

	2019 £'000	2018 £'000
Salaries	437	438
Employers National Insurance (or Social Security contributions)	57	56
Benefits in kind	15	14
	509	**508**
Pension contributions	63	63
Total key management personnel compensation	**572**	**571**

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:

	2019 £'000	2018 £'000
Salaries	163	163
Benefits in kind	8	8
	171	171
Pension contributions	22	22

Compensation for loss of office paid to former key management personnel

	2019 £'000	2018 £'000
Compensation paid to the former post-holder – contractual	-	-
Estimated values of other benefits, including provision for pension benefits	630	566

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

	2019 Group £'000	2019 College £'000	2018 Group £'000	2018 College £'000
Teaching costs	4,306	4,306	4,693	4,693
Subcontracting costs	2,617	2,617	1,220	1,220
Non-teaching costs	2,586	2,297	2,562	2,195
Premises costs	4,589	4,552	4,539	4,497
Total	**14,098**	**13,772**	**13,014**	**12,605**

Other operating expenses include:	2019 £'000	2018 £'000
Auditors' remuneration:		
Financial statements audit*	41	52
Internal audit**	24	20
Other services provided by the financial statements auditor	8	5
Other services provided by the internal auditors	-	-
Hire of assets under operating leases	1,477	1,441

*Includes £41,000 in respect of the College (2018 £52,000)

** Includes £24,000 in respect of the College (2018 £20,000)

9 Interest and other finance costs – Group and College

	2019	2018
	£'000	£'000
On bank loans, overdrafts and other loans:	63	85
	63	85
Pension finance costs (note 23)	786	989
Total	**849**	**1,074**

10 Tangible fixed assets (Group)

	Land and buildings		Equipment	Total
	Freehold	Long leasehold		
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2018	114,426	907	7,986	123,319
Additions	124	-	1,755	1,879
Disposals	-	-	(135)	(135)
At 31 July 2019	**114,550**	**907**	**9,606**	**125,063**
Depreciation				
At 1 August 2018	24,315	907	7,205	32,427
Charge for the year	2,963	-	420	3,383
Elimination in respect of disposals	-	-	(135)	(135)
Other	-	-	(172)	(172)
At 31 July 2019	**27,278**	**907**	**7,318**	**35,503**
Net book value at 31 July 2019	**87,272**	**-**	**2,288**	**89,560**
Net book value at 31 July 2018	90,111	-	781	90,892

10 Tangible fixed assets (College)

	Land and buildings Freehold	Land and buildings Long leasehold	Equipment	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2018	114,423	907	7,809	123,139
Additions	125	-	1,749	1,874
Disposals	-	-	(136)	(136)
At 31 July 2019	**114,548**	**907**	**9,422**	**124,877**
Depreciation				
At 1 August 2018	24,315	907	7,040	32,262
Charge for the year	2,963	-	414	3,377
Elimination in respect of disposals	-	-	(136)	(136)
Other	-	-	(174)	(174)
At 31 July 2019	**27,278**	**907**	**7,144**	**35,329**
Net book value at 31 July 2019	**87,270**	**-**	**2,278**	**89,548**
Net book value at 31 July 2018	90,108	-	769	90,877

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 2018	439	439
Additions	-	-
Disposals	-	-
At 31 July 2019	**439**	**439**
Depreciation		
At 1 August 2018	398	398
Charge for the year	13	13
Elimination in respect of disposals	-	-
At 31 July 2019	**411**	**411**
Net book value at 31 July 2019	**28**	**28**
Net book value at 31 July 2018	41	41

12 Non-current investments

	College	College
	2019	2018
	£'000	£'000
Investments in subsidiary companies	14	14
Total	**14**	**14**

DCG'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 Limited	100% ordinary £1	Facilities hire and events	1 April 1993
DCG Services Limited	100% ordinary £1 shares	Provision of support services	14 November 2001

13 Debtors

	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
Amounts falling due within one year:				
Trade receivables	641	555	657	600
Amounts owed by group undertakings:				
Subsidiary undertakings	-	119	-	96
Prepayments and accrued income	1,095	1,090	1,312	1,321
Other taxation and social security	-	-	96	87
Amounts owed by the Skills Funding Agency	512	512	412	412
Total	**2,248**	**2,276**	**2,477**	**2,516**

14 Creditors: amounts falling due within one year

	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
Bank loans and overdrafts	303	303	303	303
Trade payables	448	424	574	510
Amounts owed to group undertakings:				
Subsidiary undertakings	-	6	-	-
Other taxation and social security	587	580	593	593
Accruals and deferred income	4,859	4,705	3,732	3,607
Amounts owed to the Skills Funding Agency/EFA	168	168	166	166
Total	**6,365**	**6,186**	**5,368**	**5,179**

15 Creditors: amounts falling due after one year

	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
Bank loans	5,145	5,145	5,448	5,448
Total	**5,145**	**5,145**	**5,448**	**5,448**

16 Maturity of debt

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'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	3,933	3,933	4,235	4,235
Total	**5,448**	**5,448**	**5,750**	**5,750**

Bank loans totalling £5,448,000 (2018: £5,750,000) 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 2018	22,726	5,041	252	2,970	30,989
Released in the period					
Expenditure in the period	3,132	(220)	20	(1,686)	1,246
Actuarial loss in respect of pension provisions	16,968	303	-	-	17,271
At 31 July 2019	**42,826**	**5,124**	**272**	**1,284**	**49,506**

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

- The Lennartz VAT provision of £1,194,000 which relates to historic recovery of VAT to be repaid over use of the assets.
- S106 obligation of £90,000 in respect of previous site disposals.

The enhanced pension provision relates to the cost of staff who have already left DCG employment and commitments for reorganisation costs from which DCG 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:	2019	2018
Price inflation	2.00%	2.40%
Discount rate	2.20%	2.80%

18 Cash and cash equivalents (Group)

	At 1 August 2018	Cash flows	Other changes	At 31 July 2019
	£'000	£'000	£'000	£'000
Cash and cash equivalents	3,628	1,102	-	4,730
Overdrafts	-	-	-	-
Total	**3,628**	**1,102**	**-**	**4,730**

19 Capital and other commitments

	Group and College	
	2019	2018
	£'000	£'000
Commitments contracted for at 31 July	289	84

20 Lease obligations

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

	Group and College	
	2019	2018
	£'000	£'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	1,136	1,036
Later than one year and not later than five years	5,887	5,828
Later than five years	5,431	6,775
	12,454	13,639
Other		
Not later than one year	459	415
Later than one year and not later than five years	538	705
Later than five years	-	-
	997	1,120

21 Contingent Liabilities

DCG has an ongoing dispute with HMRC regarding historic recovery of VAT in relation to a Lennartz claim. Whilst DCG 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.

22 Events after the reporting period

There are no events after the reporting period.

23 Defined benefit obligations

DCG 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		**2019**		**2018**
		£000		**£000**
Teachers' Pension Scheme: contributions paid		2,059		1,860
Local Government Pension Scheme:				
Contributions paid	1,795		1,749	
FRS 102 (28) charge	2,462		2,107	
Charge to the Statement of Comprehensive Income		4,257		3,856
Enhanced pension charge to Statement of Comprehensive Income		-		-
Total Pension Cost for Year within staff costs		**6,316**		**5,716**

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.

Contributions amounting to £260,000 (2018 £246,000) 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 £3,109,000 (2018: £2,830,000).

FRS 102 (28)

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

Accordingly, the DCG 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. DCG has set out above the information available on the plan and the implications for DCG 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 2019 were £2,497,000, of which employer's contributions totalled £1,795,000 and employees' contributions totalled £702,000. 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 2019	**At 31 July 2018**
Rate of increase in salaries	2.9%	2.9%
Future pensions increases	2.4%	2.4%
Discount rate for scheme liabilities	2.1%	2.8%
Inflation assumption (CPI)	2.4%	2.4%
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 2019	**At 31 July 2018**
	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

DCG'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 2019	**Fair Value at 31 July 2019 £'000**	**Long-term rate of return expected at 31 July 2018**	**Fair Value at 31 July 2018 £'000**
Equity instruments	2.10%	55,935	2.80%	56,551
Debt instruments	2.10%	20,750	2.80%	16,037
Property	2.10%	7,217	2.80%	5,908
Cash	2.10%	6,315	2.80%	5,908
Total fair value of plan assets		**90,217**		**84,404**
Weighted average expected long term rate of return	2.10%		2.80%	
Actual return on plan assets		**2,903**		**4,072**

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

	2019	2018
	£'000	£'000
Fair value of plan assets	90,217	84,404
Present value of plan liabilities	(132,962)	(107,052)
Present value of unfunded liabilities	(81)	(78)
Net pensions (liability) (Note 17)	**(42,826)**	**(22,726)**

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

	2019	2018
	£'000	£'000
Amounts included in staff costs		
Current service cost	3,848	3,856
Past service cost	521	-
Total	**4,369**	**3,856**
Amounts included in investment income		
Net interest income	670	807
	670	**807**
Amount recognised in Other Comprehensive Income		
Return on pension plan assets	2,903	4,072
Experience losses arising on defined benefit obligations	(4)	(1)
Changes in Demographic assumptions	-	-
Changes in assumptions underlying the present value of plan liabilities	(19,867)	4,996
Amount recognised in Other Comprehensive Income	**(16,968)**	**9,067**

Movement in net defined benefit (liability) during year

	2019 £'000	2018 £'000
Net defined benefit (liability) in scheme at 1 August	(22,726)	(28,879)
Movement in year:		
Current service cost	(3,848)	(3,856)
Employer contributions	1,907	1,749
Past service cost	(521)	-
Net interest on the defined (liability)	(670)	(807)
Actuarial (loss)/ Gain	(16,968)	9,067
Net defined benefit (liability) at 31 July	**(42,826)**	**(22,726)**

Asset and Liability Reconciliation

	2019 £'000	2018 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	107,130	106,588
Current service cost	3,848	3,856
Interest cost	3,039	2,911
Contributions by Scheme participants	638	607
Experience losses on defined benefit obligations	4	-
Changes in financial assumptions	19,867	(4,995)
Change in demographic	-	-
Estimated benefits paid	(2,004)	(1,837)
Past Service cost	521	-
Curtailments and settlements	-	-
Defined benefit obligations at end of period	**133,043**	**107,130**
Changes in fair value of plan assets		
Fair value of plan assets at start of period	84,404	77,709
Interest on plan assets	2,369	2,104
Return on plan assets	2,903	4,072
Employer contributions	1,907	1,749
Contributions by Scheme participants	638	607
Estimated benefits paid	(2,004)	(1,837)
Fair value of plan assets at end of period	**90,217**	**84,404**

24 Related party transactions

Owing to the nature of DCG'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 DCG's financial regulations and normal procurement procedures.

The total expenses paid to or on behalf of the Governors during the year was £797; 5 governors (2018: £1,183; 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 DCG or its subsidiaries during the year (2018: None).

Derby College Education Trust Limited

DCG 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.

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

	2019	2018
	£'000	£'000
Services provided to Derby College Education Trust (under SLA agreement)	-	66
Merrill Academy Alternative Curriculum Provision, incl. Free School Meals.	-	8
Recharges for occupational health, legal, mobile phones and digital services	-	-
	-	74

Balances outstanding owed by Derby College Educational Trust at 31 July 2019 was £Nil (2018: Nil).

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

DCG provided the following to Derby Manufacturing UTC for which invoices have been raised:	2019	2018
	£'000	£'000
Staff Secondment	41	-
Recharges for Finance / Payroll under SLA agreement	-	-
Recharges for marketing; legal & subscriptions and recruitment	3	3
	44	3

Balances outstanding owed by to Derby Manufacturing UTC as at 31 July 2019 was £6,000 (2018: £4,000).

In addition to the above, DCG 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 £668,000 (2018: £836,000). The balance owed by Rolls Royce PLC at 31 July 2019 was £25,000 (2018: £53,000).

DCG expenditure transactions with Geldards LLP in the year were £27,000 (2018: £18,000). The balance owed by Geldards LLP at 31 July 2019 was £NIL(2018: £1,000).

DCG expenditure transactions with Archer Hampson in the year were £1,000 (2018: £12,000). The balance owed to Archer Hampson at 31 July 2019 was £1,000 (2018:£4000).

25 Amounts disbursed as agent

	2019	2018
	£'000	£'000
Learner support funds:		
Funding body grants – discretionary learner support	1,356	1,435
Funding body grants – childcare	-	-
Funding body grants – residential bursaries	45	47
	1,401	1,482
Disbursed to students	(1,182)	(1,294)
Administration costs	(58)	(64)
Balance unspent as at 31 July, included in debtors/(creditors)	161	124

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