DCG

# DCG

## Report and Financial Statements

**For the year ended 31 July 2020**

# DCG

## Report and Financial Statements for the year ended 31 July 2020

## 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 2019/20:

Mandie Stravino; CEO; Accounting Officer
Heather Simcox; Deputy CEO
April Hayhurst; Deputy Principal
Richard Eaton, Chief Finance Officer

**Board of Governors**

A full list of Governors is given on pages 16 to 17 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
25 Gresham Street
London
EC2V 7HN

## 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 2020

**Contents**

## Strategic report

### NATURE, OBJECTIVES, AND STRATEGIES:

The Members present their report and the audited financial statements for the year ended 31 July 2020.

**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 16 to 17.

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.

## Strategic report

**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 2019-20 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.

In September 2019, the Group commenced its strategic planning and consultation process as defined in its strategic planning cycle, with the Board participating in a Strategy Planning Day. This included Governors and the Executive Team reviewing the external environment, business intelligence and the Group's current position to consider the challenges and opportunities facing the Group.

The Board undertook a review of the Group's educational mission, purpose and values, together with strategic discussion and activities to conceptualise the future vision, direction and long term strategic priorities for the Group. This formed the basis of a wide reaching strategic consultation and the development of a new five year draft Corporate Strategy, approved by the Board in December 2019.

DCG is on target to achieve objectives underlying each of the above ambitions. In January 2020, Ofsted found the DCG to be 'Good' overall. 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.

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'.

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.*** The COVID-19 pandemic impacted upon DCG's non-government income lines from March 2020 onwards, and effectively forced the closure of our Events Business operated through the Mackworth Business Services Limited (MBS) Subsidiary. The principal activity of MBS is the rental of property and event services provision.

In terms of property, DCG has fulfilled its historic property strategy, with limited funding available resources being prioritised to essential improvement and key curriculum developments. In 2019/20 DCG has invested in the development of new T levels courses with projects at Broomfield Hall, Hudson Building and Stephenson Building providing new state of the art facilities. As a result of the pandemic, we had to quickly mobilise our IT resources to support staff and learners working from home/remotely.

DCG has continued to see its people as a key resource, paid a pay rise during the year and an increment. As a result of the pandemic, we made a number of redundancies connected to our Events Business in July 2020.

### Financial objectives

DCG's financial objectives are:

1. **Financial Health**: *To achieve 'Good' financial performance in 2019/20 and maintain this in 2020/21 as defined by the ESFA financial health scoring. To be monitored and measured via the monthly management accounts.* ***Achieved*** *'Good' rating from ESFA in* ***2019/20, target 2020/21 rating is 'Good'.***
2. **Financial Operating Position**: *To achieve a sector target EBITDA surplus in 2019/20 of 7% and budget to maintain this for 2020/21 onwards, as calculated by the ESFA methodology. To be monitored and measured via the monthly management accounts.* ***Achieved 7% in 2019/20, target is 6% in 2020/21 due to the impact of COVID-19.***
3. **Income generation**: *Maintain strong commercial income (non-Agency funding) to offset reductions in ESFA funding. To be monitored and measured via the monthly management accounts. To grow Apprenticeship Income following Levy reforms and greater employer control of funding. This was much more difficult to do in light of COVID-19 impact, which has meant that we have closed our Events business, and other full-cost activities that have been impacted by the pandemic, and thus were not sustainable in the sort to medium term, nor no longer sat complimentary to the core student facing business. Apprenticeship Income was not protected in the same way by Government as the Adult Education Budget or 16-19 Budget was.*

### Performance indicators

As a result of the Pandemic, the DFE has confirmed that:

- All those working with schools and colleges, such as Ofsted, Department for Education regional teams and local authorities, should use data from previous years when assessing school and college performance, and not the 2020 data;
- We will not be publishing school, college or multi-academy trust (MAT) level performance data based on summer 2020 tests, assessments and exams at any phase;
- We will not be publishing, or sharing, school, college or MAT level accountability measures, such as Progress 8 and level 3 value added, using the summer 2020 data;
- The performance tables that were due to be released in October and December 2020, and in January and March 2021, will not go ahead; and
- We will also not publish any institution-level qualification achievement rates in the national achievement rate tables for the 2019 to 2020 academic year.

## 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 £3,313,000 (2018/19: £3,031,000) and has performed well against this measure. This identifies that DCG is generating funds to reinvest in its future provision.

| Sector EBITDA | 2020 £'000 |
|---|---|
| **(Deficit) before other gains and losses (per page 31)** | **(2,475)** |
| Adjust for : | |
| Interest receivable | **(20)** |
| Interest / Finance costs (including pension interest) | **1,083** |
| Additional cost of pension service | **2,676** |
| Depreciation | **3,010** |
| Capital Grants | **(1,120)** |
| Holiday pay accrual | **159** |
| **Sector EBITDA surplus** | **3,313** |
| **% of Turnover** | **7%** |

The FE Commissioner recommends that colleges generate a positive underlying operating surplus, the table below shows that DCG generated an Underlying Operating profit of £1,484,000 (2018/19: £1,203,000).

| Underlying operating position | 2020 £'000 |
|---|---|
| **(Deficit) before other gains and losses (per page 31)** | **(2,475)** |
| Adjust for : | |
| Interest / Finance costs (including pension interest) | **1,083** |
| Additional cost of pension service | **2,676** |
| Redundancy | **200** |
| **Sector Underlying operating position** | **1,484** |

**Financial results (continued)**

The total comprehensive loss of £12,341,000 (2018/19: £19,672,000) is stated after accounting for a significant £9,282,000 (2018/19: £16,968,000) increase in the LGPS defined benefit pension scheme liability.

DCG has accumulated reserves of £23,311,000 (2018/19: £35,653,000) and cash and short-term investment balances of £4,324,000 (2018/19: £4,730,000). 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 2019/20 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 services provision 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 £15,000 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 £3,153,000 (2018/19: £3,304,000), net cash flow from operating activities continued was positive, however the significant investment in fixed assets meant a reduction of £406,000 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 £23,311,000 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 however the COVID-19 pandemic has hit this somewhat. This will provide a level of free reserves for broader investment in provision.

## Strategic report

### 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:

- Increased 16-19 learner numbers to 4,973 versus an allocation of 4,868 learners
- 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 2019 to 31 July 2020, DCG paid 86.56% percent of its invoices within 30 days, this represents 83 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 £89,724,000 (note 11).

**People**
DCG employed an average 1,008 people (expressed as full-time equivalents), of whom 758 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**

COVID-19 impacted from March 2020 onwards, with the College forced to close to all but the children of key workers for 10 weeks, and the current pandemic continues to impact on learning delivery going forwards. This meant remote delivery of training was enacted, which required a swift move to delivery online via electronic methods. The negative impact on income in 2019/20 included a reduction in Nursery income, Events income and other curriculum courses as a result of the College premises needing to close in line with Government guidance. There was no significant impact on cash as a number of cost saving measures were implemented and the T-Level capital projects were delivered in summer 2020 as planned.

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 2019/20, 75% of DCG's revenue was ultimately publicly funded, and this level of requirement is expected to increase as a result of COVID-19. 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, and also revised its processes following the new centralised non-levy approach following enhanced employer incentives following the July 2020 Budget.

**1 Government funding *(continued)***

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;

**STAKEHOLDER RELATIONSHIPS *(continued)***

- 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 Climate walks (including staff and student engagement)
- Ask the CEO (staff feedback system)
- Staff surveys carried out as real time pulse questions
- Student Representative structure including "lunch with the leadership"
- Student surveys on general and specific matters;
- engagement with the Students' Union;
- employer forums – including Employment and Skills Boards
- 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 ethnicity, 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 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.

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

**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 14 December 2020 and signed on its behalf by:**

**Phil Dover**
**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 2019 to 31 July 2020 and up to the date of approval of the annual report and financial statements.

The college endeavours to conduct its business:

i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
ii. in full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges ("the Code"); and
iii. having due regard to the UK Corporate Governance Code 2018 insofar as it is applicable to the further education sector.

In the opinion of the Governors, the College complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2020. This opinion is based on an internal review of compliance with the Code reported to the Search and Governance Committee on 24 January 2020 and reported to the Corporation on 25 February 2020. A review of governance carried out by the Internal Auditors, ICCA on 10 March 2020 and reported to the Audit Committee on 16 June 2020. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted on 18 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 , 11 Dec 17, 21 May 2018, March 2019, July 2019, Oct 19 | | Total term of office served at end of renewal |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | Re-appointed | Term End Date | |
| 1 | General | Sue Bradley | | Safeguarding | Standards | 01.05.19 | 31.04.21 | | | 2 Years |
| 2 | General | Alan Brady | JWC | | Local Education Board, Standards | 11.11.19 | 10.11.21 | | | 2 Years |
| 3 | Staff | John Clay | | | | 01.08.19 | 31.07.20 | Annual appointment via staff election | | N/A appointed annually via staff population |
| 4 | General | Hazel Clint | | Health and Safety | Audit | 01.02.19 | 31.01.21 | | | 2 Years |
| 5 | General | Andrew Cochrane | | | | 11.02.19 | 10.02.21 | | | 2 Years |
| 6 | General | Philip Dover *Elected Vice Chair for 2019-20* | | Higher Education | Standards, Remuneration, HE Academic Board | 01.08.13 | 31.07.15 | 01.08.17 | 31.07.21 | 8 Years |
| 7 | General | Stuart Ellis | | | | 01.12.19 | 30.11.21 | | | 2 Years |
| 8 | Student | Angela Cruz | | | Standards | 01.07.20 | 31.06.21 | Appointed via SU | | N/A nominated annually via student population |
| 9 | Student | Sagar Johnson | | | Standards | 01.07.19 | 31.06.20 | Appointed via SU | | N/A nominated annually via student population |
| 10 | General | Mike Kapur | | | Audit | 30.10.17 | 29.10.19 | 30.10.19 | 29.10.21 | 4 Years |
| 11 | General | Jane McNeil | | | He academic board | 01.09.20 | 31.08.22 | | | 2 Years |
| 12 | General | Martyn Marples | | | | 30.10.17 | 29.10.19 | 30.10.19 | 29.10.21 | 4 Years |
| 13 | General | Janet Morgan *Elected Chair for 2018-19 and 2019-20* | | | Standards, DCG Services/ MBS, Search and Governance, | Oct 2010 | 15.09.12 | 01.08.16 | 31.07.20 | 10 Years |
| 14 | General | Graham Schuhmacher | Apprenticeships/ Employer Engagement & Commercial | | Standards | 01.08.13 | 31.07.15 | 01.08.17 | 31.07.21 | 8 Years |

| *No* | *Category* | Name | Link Governor | Lead Governor | Cttee M'Ship | *First Appointed* | *First Term End Date* | Term renewal information appvd by Corporation on , 11 Dec 17, 21 May 2018, March 2019, July 2019, Oct 19 | | Total term of office served at end of renewal |
|---|---|---|---|---|---|---|---|---|---|---|
| 15 | General | Kevin Slack | | | Audit, Remuneration, | 22.03.10 | 22.03.12 | 01.04.16 | 31.07.21 | 11 Years |
| 16 | CEO | Mandie Stravino | | | Standards, DCG Services / MBS, Search and Governance, HE Academic Board | N/A | | | | |
| | Co-Opted | Rosslyn Green | | | Audit | 10.03.14 | 31.07.15 | 31.07.16 | 31.07.21 | |

*Committee attendance rates*

A successful Corporation requires commitment from all members. The attendance target set by the Corporation is 80%. In the year 2019/20, the mean average for Corporation and Committees was 89%. The Corporation was impacted by one member who missed three of five meetings during the year. This was due to personal reasons and the individual has confirmed their commitment to the Corporation for the new academic year.

| 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 (1 | Attendance at Remuneration Cttee meetings (1) |
|---|---|---|---|---|---|
| Janet Morgan (Chair of the Corporation) | 100% | - | 100% | 100% | 100% |
| Phil Dover (Vice-Chair of the Corporation) | 100% | - | 100% | - | 100% |
| Alan Brady | 100% | - | 100% | - | - |
| Sue Bradley | 40% | - | 50% | - | - |
| John Clay (Staff Governor) | 80% | - | - | - | - |
| Hazel Clint | 80% | 75% | - | - | - |
| Andrew Cochrane | 60% | - | - | 100% | - |
| Stuart Ellis | 100% | - | - | - | - |
| Sagar Johnson (Student Governor) | 75% | - | 100% | - | - |
| Mike Kapur | 80% | 75% | - | - | - |
| Martyn Marples | 100% | - | - | - | - |
| Graham Schuhmacher | 100% | - | 100% | - | - |
| Kevin Slack (Chair of Audit Committee) | 80% | 100% | - | - | 100% |
| Mandie Stravino (Chief Executive) | 100% | - | 100% | 100% | - |
| Rosslyn Green (Co-opted Member – Audit Only) | - | 100% | - | - | |

## Statement of Corporate Governance and Internal Control

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

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

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Audit; Remuneration, Standards, Search and Governance.

During 2018-19, the Corporation agreed to introduce a Finance Committee from May 2019, however, the decision was taken in February 2020 to dissolve the Finance Committee. The Corporation receive a financial report at each meeting and assurance is provided through the Audit Committee. The Finance Lead Governor remains and continues to meet with the CFO to provide financial oversight and scrutiny.

A review of the higher education governance model was undertaken in May 2020 to meet the requirements of the OFS Conditions of Funding and the Higher Education Public Interest Governance Principles, students and stakeholders, with targeted recruitment to the Corporation to include higher education expertise, along with student and staff representation on the Higher Education Board.

Corporation had agreed to a local governance board being trialed at the Joseph Wright Centre, which allowed scrutiny of key areas for improvement identified at the Joseph Wright Centre.

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

Formal agendas, papers and reports are supplied to governors in a timely manner, prior to Board meetings. Briefings are 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.

## Statement of Corporate Governance and Internal Control

A Corporation Meeting Protocol was introduced in March 2020 to enable remote working during COVID-19. A revision was made to the Instruments and Articles during a periodic review to include tele-conferencing for those members with limited wi-fi access.

A COVID-19 Leadership and Governance Board was introduced in May 2020 to review the Increasing Attendance Action Plan.

**Appointments to the Corporation**

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search and Governance Committee, comprising of three members of the Corporation, including the Chief Executive, which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required. 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 2020 the DCG's Remuneration Committee comprised three members of the Corporation (all Corporation Committee Chairs). 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 was Chaired by the Chair of the Audit Committee, an independent member who is not the Chair of Governors.
Details of remuneration for the year ended 31 July 2020 are set out in note 8 to the financial statements.
The Corporation adopted the principles of the AoC's Senior Staff Remuneration Code in March 2019.

**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. From September 2020 the Audit Committee agreed to separate higher education and report as a separate agenda item.

## Statement of Corporate Governance and Internal Control

**Audit Committee *(continued)***

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 2020 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 2020 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

**Internal control *(continued)***

*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.

*Review of effectiveness (continued)*

The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its 14 December 2020 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2020 by considering documentation from the senior management team and internal audit and taking account of events since 31 July 2020.

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**

In preparing the financial statements, the Governors have considered going concern. Financial sustainability was already a key foundation for the Strategy but has become a more significant focus in the light of COVID-19. This involved a forecast and various scenario plans covering the period 1 August 2020 to 31 December 2021 including an assessment of the opportunities, risks and mitigating actions should the College's financial performance be unexpectedly worse than the forecasts. The College has already taken a series of actions to ensure financial sustainability.

The negative impact on income in 2019/20 included a reduction in Nursery income, Events income and other curriculum courses delivery as a result of the College premises needing to close in line with Government guidance. There was no significant impact on cash as a number of cost saving measures were implemented and the T-Level capital projects were delivered in summer 2020 as planned.

A number of scenarios were modelled for the cash flow forecasts for the period 1 August 2020 to 31 December 2021 with resilience testing also performed. As a significant and increasing element of our income is funded either directly or indirectly by the Government, this means that cash inflow is already quantified and guaranteed for a significant portion of our income. We are also able to flex our capital expenditure as required in line with our historic low point of cash in March of each year.

The forecasts demonstrate that the College remains financially viable and is able to meet all its financial obligations as they fall due with significant cash balances being maintained, all loan payments being made on time and covenant compliance being maintained for at least 12 months.

At this point the Corporation Members do not believe that there is a need for any major cost reduction programmes, but this remains under review, and this kind of action could be taken if there were to be a deterioration in performance expectations, in addition there are parts of the capital programme which could be delayed or cancelled if a need to use the cash for other purposes was identified.

**Going concern *(continued)***

At the date of approval of these financial statements, the Corporation has prepared cash flow forecasts to 31 December 2021 and performed an assessment which considers a period of at least 12 months from this date of approval. Given the unprecedented nature of the COVID-19 events, it is difficult to predict future performance and cash flows with certainty. The actual scenarios which materialise in the period ahead will undoubtedly be different to the scenarios modelled. In the event that the actual position is worse than that modelled in the forecasts, the Corporation Members have a reasonable expectation that the College's current liquidity and the further mitigation actions available would enable the College to respond to such circumstances. As such, the Corporation Members acknowledge that uncertainty exists but do not consider this to be material uncertainty in relation to going concern that would cast doubt on the College's ability to continue as a going concern.

At the date of approval of these financial statements and having taken into consideration all of the aforementioned comments, the Corporation Members consider that the College has adequate resources to continue in operational existence for the foreseeable future, being a period of at least 12 months from the signing of these financial statements. Therefore the Corporation Members consider it appropriate to continue to adopt the going concern basis in preparing the annual financial statements.

**Approved by order of the members of the Corporation on 14 December 2020 and signed on its behalf by:**

| | |
|---|---|
| **Phil Dover** | **Mandie Stravino** |
| Chair of Governors | 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 the 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 the 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 the 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 the ESFA.

**Mandie Stravino**

**Accounting Officer**

**Phil Dover**

**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 2019 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 14 December 2020 and signed on its behalf by:**

**Phil Dover**
**Chair of Governors**

## Independent Auditor's Report to the Corporation of DCG

### Opinion

We have audited the financial statements of DCG ("the College") for the year ended 31 July 2020 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and College Statement of Changes in Reserves, the Consolidated and College Balance Sheet, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2020 and of the College's income and expenditure, gains and losses, changes in reserves and cash flows for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

### 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 Group and 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 Group's or 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.

## Independent Auditor's Report to the Corporation of DCG

**Other information *(continued)***

In connection with our audit of the financial statements, our responsibility is to read the other information 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.

**Opinion on other matters required by the Education and Skills Funding Agency ("ESFA") and Office for Students ("OfS")**

In our opinion, in all material respects:

- Funds from whatever source administered by the Institution for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- Funds provided by the ESFA and OfS have been applied in accordance with the relevant terms and conditions; and
- The requirements of the OfS's Accounts Direction (OfS 2019.41) have been met.

We have nothing to report in respect of the following matters in relation to which the OfS requires us to report to you if, in our opinion:

- The Institution's grant and fee income, as disclosed in the note to the accounts, has been materially misstated.
- The Institution's expenditure on access and participation activities for the financial year has been materially misstated.

**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 25, 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.

# Independent Auditor's Report to the Corporation of DCG

**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.

In addition, we also report to you whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the College have been properly applied only for the purposes for which they were received and whether income has been applied in accordance with the Statutes and, where appropriate, with the Terms and Conditions of Funding with the ESFA and OfS.

**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

Samantha Lifford (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Birmingham
Date: 17 December 2020

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

## Reporting Auditors' Assurance Report on Regularity

**To: The corporation of DCG and the Secretary of State for Education acting through the Education and Skills Funding Agency**

In accordance with the terms of our engagement letter dated 3 December 2020 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 2019 to 31 July 2020 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 DCG and ESFA for our work, for this report, or for the conclusion we have formed.

**Respective responsibilities of DCG 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 2019 to 31 July 2020 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.

## Reporting Auditors' Assurance Report on Regularity

**Approach *(continued)***

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 2019 to 31 July 2020 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: 17 December 2020

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 2020 | | Year ended 31 July 2019 | |
|---|---|---|---|---|---|
| | | Group | College | Group | College |
| | | £'000 | £'000 | £'000 | £'000 |
| **INCOME** | | | | | |
| Funding body grants | 2 | 38,061 | 38,061 | 38,331 | 38,331 |
| Tuition fees and education contracts | 3 | 7,281 | 7,281 | 8,239 | 8,239 |
| Other grants and contracts | 4 | 2,104 | 2,104 | 1,153 | 1,153 |
| Other income | 6 | 2,814 | 2,372 | 3,186 | 2,716 |
| Investment income | 7 | 20 | 19 | 30 | 27 |
| Donations and Endowments | | - | - | - | - |
| **Total income** | | **50,280** | **49,837** | **50,939** | **50,466** |
| **EXPENDITURE** | | | | | |
| Staff costs | 8 | 37,505 | 36,833 | 34,641 | 34,442 |
| Fundamental restructuring costs | 8 | 200 | 180 | 368 | 368 |
| Other operating expenses | 9 | 10,957 | 11,194 | 14,098 | 13,772 |
| Depreciation and amortisation | 11/12 | 3,010 | 3,005 | 3,396 | 3,390 |
| Interest and other finance costs | 10 | 1,083 | 1,083 | 849 | 849 |
| **Total expenditure** | | **52,755** | **52,295** | **53,352** | **52,821** |
| **(Deficit) before other gains and losses** | | **(2,475)** | **(2,458)** | **(2,413)** | **(2,355)** |
| Profit on disposal of assets | | - | - | 12 | 13 |
| **(Deficit) before tax** | | **(2,475)** | **(2,458)** | **(2,401)** | **(2,342)** |
| Taxation | | - | - | - | - |
| **(Deficit) for the year** | | **(2,475)** | **(2,458)** | **(2,401)** | **(2,342)** |
| Actuarial (Loss) in respect of pensions schemes | 18 | (9,866) | (9,866) | (17,271) | (17,271) |
| **Total Comprehensive loss for the year** | | **(12,341)** | **(12,324)** | **(19,672)** | **(19,613)** |
| Represented by: | | | | | |
| Restricted comprehensive income | | - | - | - | - |
| Unrestricted comprehensive loss | | (12,341) | (12,324) | (19,672) | (19,613) |
| | | **(12,341)** | **(12,324)** | **(19,672)** | **(19,613)** |
| **(Deficit) for the year attributable to:** | | | | | |
| Non-controlling interest | | - | - | - | - |
| Group | | **(2,475)** | **(2,458)** | **(2,401)** | **(2,342)** |
| **Total Comprehensive loss for the year attributable to:** | | | | | |
| Non-controlling interest | | - | - | - | - |
| Group | | **(12,341)** | **(12,324)** | **(19,672)** | **(19,613)** |

The notes on pages 35 to 63 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 2018** | **47,825** | **7,500** | **55,325** |
| (Deficit) from the income and expenditure account | (2,401) | - | (2,401) |
| Other comprehensive loss | (17,271) | - | (17,271) |
| Transfers between revaluation and income and expenditure reserves | - | - | - |
| **Total comprehensive loss for the year** | **(19,672)** | **-** | **(19,672)** |
| **Balance at 31 July 2019** | **28,153** | **7,500** | **35,653** |
| (Deficit) from the income and expenditure account | (2,475) | - | (2,475) |
| Other comprehensive loss | (9,866) | | (9,866) |
| Transfers between revaluation and income and expenditure reserves | - | - | - |
| **Total comprehensive loss for the year** | (12,341) | - | (12,341) |
| **Balance at 31 July 2020** | **15,812** | **7,500** | **23,312** |
| **College** | | | |
| **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** |
| (Deficit) from the income and expenditure account | (2,458) | - | (2,458) |
| Other comprehensive income | (9,866) | - | (9,866) |
| Transfers between revaluation and income and expenditure reserves | - | - | - |
| **Total comprehensive income for the year** | **(12,324)** | **-** | **(12,324)** |
| **Balance at 31 July 2020** | **15,578** | **7,500** | **23,078** |

The notes on pages 35 to 63 form part of the financial statements.

### Consolidated and College Balance Sheet as at 31 July

| | Notes | Group 2020 £'000 | College 2020 £'000 | Group 2019 £'000 | College 2019 £'000 |
|---|---|---|---|---|---|
| **Non current assets** | | | | | |
| Tangible Fixed assets | 11 | 89,724 | 89,717 | 89,560 | 89,548 |
| Intangible Fixed Assets (Software) | 12 | 83 | 83 | 28 | 28 |
| Investments | 13 | - | 14 | - | 14 |
| | | **89,807** | **89,814** | **89,588** | **89,590** |
| **Current assets** | | | | | |
| Stocks | | 99 | 99 | 103 | 103 |
| Trade and other receivables | 14 | 2,278 | 2,402 | 2,248 | 2,276 |
| Cash and cash equivalents | 19 | 4,324 | 3,977 | 4,730 | 4,270 |
| | | **6,701** | **6,478** | **7,081** | **6,649** |
| **Less: Creditors – amounts falling due within one year** | 15 | (5,584) | (5,651) | (6,365) | (6,186) |
| **Net current assets** | | **1,117** | **827** | **716** | **463** |
| **Total assets less current liabilities** | | 90,924 | 90,61 | 90,304 | 90,053 |
| Creditors – amounts falling due after more than one year | 16 | (4,842) | (4,842) | (5,145) | (5,145) |
| **Provisions** | | | | | |
| Defined benefit obligations | 18 | (55,717) | (55,717) | (42,826) | (42,826) |
| Other provisions | 18 | (7,053) | (7,004) | (6,680) | (6,680) |
| **Total net assets** | | 23,312 | 23,078 | 35,653 | 35,402 |
| **Unrestricted Reserves** | | | | | |
| Income and expenditure account | | 15,812 | 15,578 | 28,153 | 27,902 |
| Revaluation reserve | | 7,500 | 7,500 | 7,500 | 7,500 |
| **Total unrestricted reserves** | | 23,312 | 23,078 | 35,653 | 35,402 |

The notes on pages 35 to 63 form part of the financial statements.

The financial statements on pages 31 to 63 were approved and authorised for issue by the Corporation on 14 December 2020 and were signed on its behalf on that date by:

**Phil Dover**
**Chair of Governors**

**Mandie Stravino**
**Accounting Officer**

## Consolidated Statement of Cash Flows

| | Notes | 2020 £'000 | 2019 £'000 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| (Deficit) for the year | | (2,475) | (2,401) |
| **Adjustment for non-cash items** | | | |
| Depreciation and amortisation | | 3,010 | 3,396 |
| (Decrease) / increase in stocks | | 4 | (11) |
| (Increase) / decrease in debtors | | (30) | 229 |
| (Decrease) / increase in creditors due within one year | | (781) | 997 |
| Increase / (decrease) in provisions | | 373 | (1,755) |
| Pensions costs less contributions payable | | 3,025 | 2,829 |
| Taxation | | - | - |
| **Adjustment for investing or financing activities** | | | |
| Investment income | | (20) | (30) |
| Interest payable | | 47 | 63 |
| Taxation paid | | - | - |
| Profit on sale of fixed assets | | - | (13) |
| **Net cash flow from operating activities** | | 3,153 | 3,304 |
| **Cash flows from investing activities** | | | |
| Proceeds from sale of fixed assets | | - | 13 |
| Investment income | | 20 | 30 |
| Payments made to acquire fixed and intangible assets | | (3,229) | (1,879) |
| **Net cash flow from investing activities** | | (3,209) | (1,836) |
| **Cash flows from financing activities** | | | |
| Interest paid | | (47) | (63) |
| Repayments of amounts borrowed | | (303) | (303) |
| **Net cash flow from financing activities** | | (350) | (366) |
| **(Decrease) / increase in cash and cash equivalents in the year** | | **(406)** | **1,102** |
| Cash and cash equivalents at beginning of the year | 19 | 4,730 | 3,628 |
| Cash and cash equivalents at end of the year | 19 | 4,324 | 4,730 |

The notes on pages 35 to 63 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 2019 (the 2019 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). The college is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

**Basis of accounting**

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

**Basis of consolidation**

The consolidated financial statements include the 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 2020.

**Going concern**

In preparing the financial statements, the Governors have considered going concern. Financial sustainability was already a key foundation for the Strategy but has become a more significant focus in the light of COVID-19. This involved a forecast and various scenario plans covering the period 1 August 2020 to 31 December 2021 including an assessment of the opportunities, risks and mitigating actions should the College's financial performance be unexpectedly worse than the forecasts. The College has already taken a series of actions to ensure financial sustainability.

The negative impact on income in 2019/20 included a reduction in Nursery income, Events income and other curriculum courses delivery as a result of the College premises needing to close in line with Government guidance. There was no significant impact on cash as a number of cost saving measures were implemented and the T-Level capital projects were delivered in summer 2020 as planned.

A number of scenarios were modelled for the cash flow forecasts for the period 1 August 2020 to 31 December 2021 with resilience testing also performed. As a significant and increasing element of our income is funded either directly or indirectly by the Government, this means that cash inflow is already quantified and guaranteed for a significant portion of our income. We are also able to flex our capital expenditure as required in line with our historic low point of cash in March of each year.

**Going concern *(continued)***

The forecasts demonstrate that the College remains financially viable and is able to meet all its financial obligations as they fall due with significant cash balances being maintained, all loan payments being made on time and covenant compliance being maintained for at least 12 months.

At this point the Corporation Members do not believe that there is a need for any major cost reduction programmes, but this remains under review, and this kind of action could be taken if there were to be a deterioration in performance expectations, in addition there are parts of the capital programme which could be delayed or cancelled if a need to use the cash for other purposes was identified.

At the date of approval of these financial statements, the Corporation has prepared cash flow forecasts to 31 December 2021 and performed an assessment which considers a period of at least 12 months from this date of approval. Given the unprecedented nature of the COVID-19 events, it is difficult to predict future performance and cash flows with certainty. The actual scenarios which materialise in the period ahead will undoubtedly be different to the scenarios modelled. In the event that the actual position is worse than that modelled in the forecasts, the Corporation Members have a reasonable expectation that the College's current liquidity and the further mitigation actions available would enable the College to respond to such circumstances. As such, the Corporation Members acknowledge that uncertainty exists but do not consider this to be material uncertainty in relation to going concern that would cast doubt on the College's ability to continue as a going concern.

At the date of approval of these financial statements and having taken into consideration all of the aforementioned comments, the Corporation Members consider that the College has adequate resources to continue in operational existence for the foreseeable future, being a period of at least 12 months from the signing of these financial statements. Therefore the Corporation Members consider it appropriate to continue to adopt the going concern basis in preparing the annual 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.

**Recognition of income *(continued)***

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 former members of staff is paid by the 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.

**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.

**Provisions and contingent liabilities *(continued)***

A provision for dilapidations relating to the withdrawal from the Johnson Building in 2029 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 25, 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 20. 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.

## 2 Funding body grants

| | Year ended 31 July | | Year ended 31 July | |
|---|---|---|---|---|
| | 2020 | 2020 | 2019 | 2019 |
| | Group | College | Group | College |
| | £'000 | £'000 | £'000 | £'000 |
| **Recurrent grants** | | | | |
| Skills Funding Agency | 12,520 | 12,520 | 13,817 | 13,817 |
| Education Funding Agency | 24,586 | 24,586 | 24,036 | 24,036 |
| Higher Education Funding Council | 322 | 322 | 318 | 318 |
| **Specific grants** | | | | |
| Skills Funding Agency | 633 | 633 | 160 | 160 |
| SFA capital grants | - | - | - | - |
| HEFCE capital grants | - | - | - | - |
| **Total** | **38,061** | **38,061** | **38,331** | **38,331** |

## 3 Tuition fees and education contracts

| | Year ended 31 July | | Year ended 31 July | |
|---|---|---|---|---|
| | 2020 | 2020 | 2019 | 2019 |
| | Group | College | Group | College |
| | £'000 | £'000 | £'000 | £'000 |
| Adult education fees | 1,857 | 1,857 | 2,141 | 2,141 |
| Apprenticeship fees and contracts | 107 | 107 | 121 | 121 |
| Fees for FE loan supported courses | 606 | 606 | 644 | 644 |
| Fees for HE loan supported courses | 977 | 977 | 947 | 947 |
| International students fees | - | - | 7 | 7 |
| Total tuition fees | 3,547 | 3,547 | 3,860 | 3,860 |
| Education contracts | 3,734 | 3,734 | 4,379 | 4,379 |
| **Total** | **7,281** | **7,281** | **8,239** | **8,239** |

## 4 Other grants and contracts

| | Year ended 31 July | | Year ended 31 July | |
|---|---|---|---|---|
| | 2020 | 2020 | 2019 | 2019 |
| | Group | College | Group | College |
| | £'000 | £'000 | £'000 | £'000 |
| Erasmus | - | - | 76 | 76 |
| Other Government | 2,104 | 2,104 | 1,077 | 1,077 |
| **Total** | **2,104** | **2,104** | **1,153** | **1,153** |

| 5 Details of grant and fee analysis including HE | Year ended 31 July | | Year ended 31 July | |
|---|---|---|---|---|
| | 2020 | 2020 | 2019 | 2019 |
| | Group | College | Group | College |
| | £'000 | £'000 | £'000 | £'000 |
| Grant income from OFS | 322 | 322 | 317 | 317 |
| Grant income from other bodies | 40,035 | 39,993 | 39,167 | 39,167 |
| Fee income for taught awards (exclusive of Vat) | 1,515 | 1,515 | 1,692 | 1,692 |
| Fee income for research awards (exclusive of Vat) | - | - | - | - |
| Fee income from non-qualifying courses (exclusive of Vat) | 5,766 | 5,766 | 6,547 | 6,547 |
| **Total** | **47,638** | **47,596** | **47,723** | **47,723** |

| 6 Other income | Year ended 31 July | | Year ended 31 July | |
|---|---|---|---|---|
| | 2020 | 2020 | 2019 | 2019 |
| | Group | College | Group | College |
| | £'000 | £'000 | £'000 | £'000 |
| Catering and residences | 616 | 116 | 779 | 131 |
| Other income generating activities | 741 | 808 | 1,077 | 1,163 |
| Other grant income | 877 | 877 | 712 | 712 |
| Non-government capital grants | 17 | 17 | 17 | 17 |
| Miscellaneous income | 563 | 554 | 601 | 693 |
| Inter academy sales | - | - | - | - |
| **Total** | **2,814** | **2,372** | **3,186** | **2,716** |

| 7 Investment income | Year ended 31 July | | Year ended 31 July | |
|---|---|---|---|---|
| | 2020 | 2020 | 2019 | 2019 |
| | Group | College | Group | College |
| | £'000 | £'000 | £'000 | £'000 |
| Other interest receivable | 20 | 19 | 30 | 27 |
| **Total** | **20** | **19** | **30** | **27** |

**8 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:

| | 2020 No. | 2019 No. |
|---|---|---|
| Teaching staff | 758 | 753 |
| Non-teaching staff | 250 | 214 |
| | **1,008** | **967** |

**Staff costs for the above persons**

| | 2020 Group £'000 | 2020 College £'000 | 2019 Group £'000 | 2019 College £'000 |
|---|---|---|---|---|
| Wages and salaries | 26,792 | 26,219 | 25,467 | 25,341 |
| Social security costs | 2,307 | 2,292 | 2,224 | 2,213 |
| Other pension costs | 7,692 | 7,670 | 6,316 | 6,297 |
| **Payroll sub total** | **36,791** | **36,181** | **34,007** | **33,851** |
| Contracted out staffing services | 714 | 652 | 634 | 591 |
| | **37,505** | **36,833** | **34,641** | **34,442** |
| Fundamental restructuring costs - Contractual | 200 | 180 | 368 | 368 |
| - Non contractual | - | - | - | - |
| **Total Staff costs** | **37,705** | **37,013** | **35,009** | **34,810** |

**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: 7.64:1. Including Total Emoluments, the ratio of the Group Chief Executive total emoluments against the Median of the group's whole workforce 7.33:1. Further detail of changes over an extended period of time, will be detailed in future annual reports.

**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**

| | 2020 No. | 2019 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 | |
|---|---|---|---|---|
| | 2020 No. | 2019 No. | 2020 No. | 2019 No. |
| £60,001 to £65,000 p.a. | - | - | 1 | 2 |
| £65,001 to £70,000 p.a | - | - | - | - |
| £70,001 to £75,000 p.a | - | - | 1 | 1 |
| £75,001 to £80,000 p.a | - | - | - | - |
| £80,001 to £85,000 p.a | - | - | - | 1 |
| £85,001 to £90,000 p.a | 2 | 2 | 1 | - |
| £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** | **3** | **4** |

Key management personnel compensation is made up as follows:

| | 2020 | 2019 |
|---|---|---|
| | **£'000** | **£'000** |
| Salaries | 451 | 437 |
| Employers National Insurance (or Social Security contributions) | 57 | 57 |
| Benefits in kind | 1 | 15 |
| | **509** | **509** |
| Pension contributions | 74 | 63 |
| Total key management personnel compensation | **583** | **572** |

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:

| | 2020 | 2019 |
|---|---|---|
| | **£'000** | **£'000** |
| Salaries | 171 | 163 |
| Benefits in kind | 1 | 8 |
| | 172 | 171 |
| Pension contributions | 25 | 22 |

**Compensation for loss of office paid to former key management personnel**

| | 2020 | 2019 |
|---|---|---|
| | **£'000** | **£'000** |
| Compensation paid to the former post-holder – contractual | - | - |
| Estimated values of other benefits, including provision for pension benefits | 664 | 630 |

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. Pension benefits were paid in respect of 2 (2018:19: 2) former key management personnel.

## 9 Other operating expenses

| | 2020 Group £'000 | 2020 College £'000 | 2019 Group £'000 | 2019 College £'000 |
|---|---|---|---|---|
| Teaching costs | 3,556 | 3,556 | 4,306 | 4,306 |
| Subcontracting costs | 1,179 | 1,179 | 2,617 | 2,617 |
| Non-teaching costs | 2,200 | 2,004 | 2,586 | 2,297 |
| Premises costs | 4,022 | 4,455 | 4,589 | 4,552 |
| **Total** | **10,957** | **11,194** | **14,098** | **13,772** |

| **Other Operating expenses include:** | **2020 £'000** | **2019 £'000** |
|---|---|---|
| Auditors' remuneration: | | |
| Financial statements audit* | 50 | 41 |
| Internal audit** | 21 | 24 |
| Other services provided by the financial statements auditor | 1 | 8 |
| Other services provided by the internal auditors | - | [illegible] |
| Hire of assets under operating leases | 1,573 | 1,477 |

* Includes £47,000 in respect of the College (2018/19: £41,000)

** Includes £21,000 in respect of the College (2018/19: £24,000)

## 10 Interest and other finance costs – Group and College

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| On bank loans, overdrafts and other loans | 47 | 63 |
| Pension finance costs | 1,036 | 786 |
| **Total** | **1,083** | **849** |

**11 Tangible fixed assets (Group)**

| | Land and buildings | | Equipment | Asset in the course of construction | Total |
|---|---|---|---|---|---|
| | Freehold | Long leasehold | | | |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Cost or valuation** | | | | | |
| At 1 August 2019 | **114,550** | **907** | **9,606** | **-** | **125,063** |
| Additions | 636 | - | 1,111 | 1,411 | 3,158 |
| Disposals | - | - | (4) | - | (4) |
| **At 31 July 2020** | **115,186** | **907** | **10,713** | **1,411** | **128,217** |
| **Depreciation** | | | | | |
| At 1 August 2019 | **27,278** | **907** | **7,318** | **-** | **35,503** |
| Charge for the year | 2,348 | - | 646 | - | 2,994 |
| Elimination in respect of disposals | - | - | (4) | - | (4) |
| **At 31 July 2020** | **29,626** | **907** | **7,960** | **-** | **38,493** |
| **Net book value at 31 July 2020** | **85,560** | **-** | **2,753** | **1,411** | **89,724** |
| Net book value at 31 July 2019 | **87,272** | **-** | **2,288** | **-** | **89,560** |

## Notes to the Accounts

**11 Tangible fixed assets (College)**

| | Land and buildings | | Equipment | Asset in the course of construction | Total |
|---|---|---|---|---|---|
| | Freehold | Long leasehold | | | |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Cost or valuation** | | | | | |
| At 1 August 2019 | **114,548** | **907** | **9,422** | - | **124,877** |
| Additions | 636 | - | 1,111 | 1,411 | 3,158 |
| Disposals | - | - | (4) | - | (4) |
| **At 31 July 2020** | **115,184** | **907** | **10,529** | **1,411** | **128,031** |
| **Depreciation** | | | | | |
| At 1 August 2019 | **27,278** | **907** | **7,144** | - | **35,329** |
| Charge for the year | 2,343 | - | 646 | - | 2,989 |
| Elimination in respect of disposals | - | - | (4) | - | (4) |
| **At 31 July 2020** | **29,621** | **907** | **7,786** | - | **38,314** |
| **Net book value at 31 July 2020** | **85,563** | - | **2,743** | **1,411** | **89,717** |
| Net book value at 31 July 2019 | **87,270** | - | **2,278** | - | **89,548** |

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.

## 12 Intangible Assets

| | Equipment - Software | |
|---|---|---|
| | Group | College |
| | £'000 | £'000 |
| **Cost or valuation** | | |
| At 1 August 2019 | 439 | 439 |
| Additions | 71 | 71 |
| Disposals | - | - |
| **At 31 July 2020** | **510** | **510** |
| **Depreciation** | | |
| At 1 August 2019 | 411 | 411 |
| Charge for the year | 16 | 16 |
| Elimination in respect of disposals | - | - |
| **At 31 July 2020** | **427** | **427** |
| **Net book value at 31 July 2020** | **83** | **83** |
| Net book value at 31 July 2019 | 28 | 28 |

## 13 Non-current investments

| | College | College |
|---|---|---|
| | 2020 | 2019 |
| | £'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 shares | Facilities hire and events | 1 April 1993 |
| DCG Services Limited | 100% ordinary £1 shares | Provision of support services | 14 November 2001 |

**14 Debtors**

| | Group 2020 £'000 | College 2020 £'000 | Group 2019 £'000 | College 2019 £'000 |
|---|---|---|---|---|
| Amounts falling due within one year: | | | | |
| Trade receivables | 175 | 180 | 641 | 555 |
| Amounts owed by group undertakings: | | | | |
| Subsidiary undertakings | - | 124 | - | 119 |
| Prepayments and accrued income | 1,580 | 1,575 | 1,095 | 1,090 |
| Amounts owed by the Skills Funding Agency | 523 | 523 | 512 | 512 |
| **Total** | **2,278** | **2,402** | **2,248** | **2,276** |

**15 Creditors: amounts falling due within one year**

| | Group 2020 £'000 | College 2020 £'000 | Group 2019 £'000 | College 2019 £'000 |
|---|---|---|---|---|
| Bank loans and overdrafts | 303 | 303 | 303 | 303 |
| Trade payables | 946 | 949 | 448 | 424 |
| Amounts owed to group undertakings: | | | | |
| Subsidiary undertakings | - | 62 | - | 6 |
| Other taxation and social security | 587 | 574 | 587 | 580 |
| Accruals and deferred income | 3,641 | 3,656 | 4,859 | 4,705 |
| Amounts owed to the Skills Funding Agency/EFA | 107 | 107 | 168 | 168 |
| **Total** | **5,584** | **5,651** | **6,365** | **6,186** |

**16 Creditors: amounts falling due after one year**

| | Group 2020 £'000 | College 2020 £'000 | Group 2019 £'000 | College 2019 £'000 |
|---|---|---|---|---|
| Bank loans | 4,842 | 4,842 | 5,145 | 5,145 |
| **Total** | **4,842** | **4,842** | **5,145** | **5,145** |

## 17 Maturity of debt

### (a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

| | Group 2020 £'000 | College 2020 £'000 | Group 2019 £'000 | College 2019 £'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 | 3,630 | 3630 | 3,933 | 3,933 |
| **Total** | **5,145** | **5,145** | **5,448** | **5,448** |

Bank loans totalling £5,145,000 (2019: £5,448,000) at base rate plus a margin of 0.38% are on a fixed term facility with payments commencing in 2012.

## 18 Provisions

| | Defined benefit obligations £'000 | Enhanced Pensions £'000 | Dilapidations £'000 | Other Provisions £'000 | Total £'000 |
|---|---|---|---|---|---|
| At 1 August 2019 | **42,826** | **5,124** | **272** | **1,284** | **49,506** |
| Released in the period | - | (238) | (19) | - | (257) |
| Expenditure in the period | 3,606 | - | - | 49 | 3,655 |
| Actuarial loss in respect of pension provisions | 9,285 | 581 | - | - | 9,866 |
| **At 31 July 2020** | **55,717** | **5,467** | **253** | **1,333** | **62,770** |

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: | **2020** | **2019** |
|---|---|---|
| Price inflation | 2.2% | 2.2% |
| Discount rate | 1.3% | 2.0% |

### 19 Cash and cash equivalents (Group)

| | At 1 August 2019 | Cash flows | Other changes | At 31 July 2020 |
|---|---|---|---|---|
| | **£'000** | **£'000** | **£'000** | **£'000** |
| Cash and cash equivalents | 4,730 | (406) | - | 4,324 |
| **Total** | **4,730** | **(406)** | **-** | **4,324** |

### 20 Financial instruments

| | Group 2020 | College 2020 | Group 2019 | College 2019 |
|---|---|---|---|---|
| | **£'000** | **£'000** | **£'000** | **£'000** |
| **Financial assets at fair value through Statement of Comprehensive Income** | | | | |
| Multi-asset funds | - | - | - | - |
| Fixed term deposits | - | - | - | - |
| **Financial assets that are equity instruments measured at cost less impairment** | | | | |
| Other investments | - | - | - | - |
| **Financial assets that are equity instruments measured at cost less impairment** | | | | |
| Cash and cash equivalents | 4,324 | 3,977 | 4,730 | 4,270 |
| Trade receivables | 175 | 180 | 641 | 555 |
| Other debtors | 2,103 | 2,222 | 1,607 | 1,721 |
| **Total** | **6,602** | **6,379** | **6,978** | **6,546** |
| **Financial liabilities** | | | | |
| **Financial liabilities measured at amortised cost** | | | | |
| Loans | 5,145 | 5,145 | 5,448 | 5,448 |
| Trade creditors | 946 | 949 | 448 | 424 |
| Accruals | 3,310 | 3,325 | 4,596 | 4,442 |
| Other creditors | 107 | 107 | 168 | 168 |
| | **9,508** | **9,526** | **10,660** | **10,482** |

### 21 Capital and other commitments

| | Group and College 2020 | 2019 |
|---|---|---|
| | **£'000** | **£'000** |
| Commitments contracted for at 31 July | 414 | 289 |

**22 Lease obligations**

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

| | Group and College | |
|---|---|---|
| | 2020 | 2019 |
| | £'000 | £'000 |
| **Future minimum lease payments due** | | |
| **Land and buildings** | | |
| Not later than one year | 1,152 | 1,136 |
| Later than one year and not later than five years | 4,734 | 5,887 |
| Later than five years | 5,540 | 5,431 |
| | 11,426 | 12,454 |
| **Other** | | |
| Not later than one year | 509 | 459 |
| Later than one year and not later than five years | 466 | 538 |
| Later than five years | - | - |
| | 975 | 997 |

**23 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.

**24 Events after the reporting period**

There are no events after the reporting period.

**25 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** | | **2020** | | **2019** |
|---|---|---|---|---|
| | | **£'000** | | **£'000** |
| Teachers' Pension Scheme: contributions paid | | 3,097 | | 2,059 |
| Local Government Pension Scheme: | | | | |
| Contributions paid | 1,919 | | 1,795 | |
| FRS 102 (28) charge | 2,676 | | 2,462 | |
| Charge to the Statement of Comprehensive Income | | 4,595 | | 4,257 |
| Enhanced pension charge to Statement of Comprehensive Income | | - | | - |
| **Total Pension Cost for Year within staff costs** | | **7,692** | | **6,316** |

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 2016 and of the LGPS 31 March 2016.

Contributions amounting to £275,000 (2019 £260,000) 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' Pension Scheme Regulations 2014. These regulations apply to teachers in schools, colleges and other educational establishments. Membership is automatic for teachers and lecturers at eligible institutions. Teachers and lecturers are able to opt out of the TPS.

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. Retirement and other pension benefits are paid by public funds provided by Parliament.

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

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

The valuation of the TPS is carried out in line with regulations made under the Public Service Pension Act 2013. Valuations credit the teachers' pension account with a real rate of return assuming funds are invested in notional investments that produce that real rate of return.

**Teachers' Pension Scheme *(continued)***

The latest actuarial review of the TPS was carried out as at 31 March 2016. The valuation report was published by the Department for Education in April 2019. The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £198 billion giving a notional past service deficit of £22 billion.

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/19). DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2019-20 academic year.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website.

The pension costs paid to TPS in the year amounted to £4,218,000 (2018/19: £3,109,000).

**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.

***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 2020 were £2,549,000, of which employer's contributions totalled £1,919,000 and employees' contributions totalled £630,000. The agreed contribution rates for future years are 16.5% 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 2020 by a qualified independent actuary.

| | **At 31 July 2020** | **At 31 July 2019** |
|---|---|---|
| Rate of increase in salaries | 2.9% | 2.9% |
| Pension increase rate | 2.2% | 2.4% |
| Discount rate for scheme liabilities | 1.4% | 2.1% |
| Commutation of pensions to lump sums | | |
| - Pre April 2008 | 50% | 50% |
| - Post April 2008 | 75% | 75% |

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

| | **At 31 July 2020** | **At 31 July 2019** |
|---|---|---|
| | years | years |
| *Retiring today* | | |
| Males | 21.6 | 21.9 |
| Females | 23.7 | 24.4 |
| *Retiring in 20 years* | | |
| Males | 22.6 | 23.9 |
| Females | 25.1 | 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 2020** | **Fair Value at 31 July 2020 £'000** | **Long-term rate of return expected at 31 July 2019** | **Fair Value at 31 July 2019 £'000** |
|---|---|---|---|---|
| Equity instruments | 1.40% | 51,774 | 2.10% | 55,935 |
| Debt instruments | 1.40% | 20,370 | 2.10% | 20,750 |
| Property | 1.40% | 6,790 | 2.10% | 7,217 |
| Cash | 1.40% | 5,941 | 2.10% | 6,315 |
| **Total fair value of plan assets** | | **84,875** | | **90,217** |
| **Weighted average expected long term rate of return** | 1.40% | | 2.10% | |
| **Actual return on plan assets** | | **(7,484)** | | **2,903** |

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

| | 2020 | 2019 |
|---|---|---|
| | £'000 | £'000 |
| Fair value of plan assets | 84,875 | 90,217 |
| Present value of plan liabilities | (140,529) | (132,962) |
| Present value of unfunded liabilities | (63) | (81) |
| **Net pensions (liability) (Note 18)** | **(55,717)** | **(42,826)** |

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

| | 2020 | 2019 |
|---|---|---|
| | £'000 | £'000 |
| **Amounts included in staff costs** | | |
| Current service cost | 4,982 | 3,848 |
| Past service cost | (387) | 521 |
| **Total** | **4,595** | **4,369** |
| | | |
| **Amounts included in investment income** | | |
| Net interest income | 933 | 670 |
| | **933** | **670** |
| | | |
| **Amount recognised in Other Comprehensive Income** | | |
| Return on pension plan assets | (7,484) | 2,903 |
| Experience losses arising on defined benefit obligations | - | (4) |
| Changes in Demographic assumptions | 13,133 | - |
| Changes in assumptions underlying the present value of plan liabilities | (14,931) | (19,867) |
| **Amount recognised in Other Comprehensive Income** | **(9,282)** | **(16,968)** |

## Notes to the Accounts

**Movement in net defined benefit (liability) during year**

| | 2020 | 2019 |
|---|---|---|
| | £'000 | £'000 |
| Net defined benefit (liability) in scheme at 1 August | (42,826) | (22,726) |
| Movement in year: | | |
| Current service cost | (4,982) | (3,848) |
| Employer contributions | 1,919 | 1,907 |
| Past service cost | 387 | (521) |
| Net interest on the defined (liability) | (933) | (670) |
| Actuarial (loss) | (9,282) | (16,968) |
| **Net defined benefit (liability) at 31 July** | **(55,717)** | **(42,826)** |

**Asset and Liability Reconciliation**

| | 2020 | 2019 |
|---|---|---|
| | £'000 | £'000 |
| **Changes in the present value of defined benefit obligations** | | |
| **Defined benefit obligations at start of period** | 133,043 | 107,130 |
| Current service cost | 4,982 | 3,848 |
| Interest cost | 2,834 | 3,039 |
| Contributions by Scheme participants | 630 | 638 |
| Experience losses on defined benefit obligations | - | 4 |
| Changes in financial assumptions | 14,931 | 19,867 |
| Change in demographic | (13,133) | - |
| Estimated benefits paid | (2,308) | (2,004) |
| Past Service cost | (387) | 521 |
| Curtailments and settlements | - | - |
| **Defined benefit obligations at end of period** | **140,592** | **133,043** |

**Changes in fair value of plan assets**

| | | |
|---|---|---|
| **Fair value of plan assets at start of period** | 90,217 | 84,404 |
| Interest on plan assets | 1,901 | 2,369 |
| Return on plan assets | (7,484) | 2,903 |
| Employer contributions | 1,919 | 1,907 |
| Contributions by Scheme participants | 630 | 638 |
| Estimated benefits paid | (2,308) | (2,004) |
| **Fair value of plan assets at end of period** | **84,875** | **90,217** |

### 26 Analysis of changes in net debt

| | At 1 August 2019 | Cash flows | Other Non-cash changes | At 31 July 2020 |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| **Cash and cash equivalents** | | | | |
| Cash | 4,730 | (406) | - | 4,324 |
| Overdrafts | - | - | - | - |
| | 4,730 | (406) | - | 4,324 |
| **Borrowings** | | | | |
| Debt due within one year | (303) | 303 | (303) | (303) |
| Debt due after one year | (5,145) | - | 303 | (4,842) |
| | (5,448) | 303 | - | (5,145) |
| **Total** | **(718)** | **(103)** | **-** | **(821)** |

### 27 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 £1,337; 1 governor (2018/19: £797; 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 (2018/19: None).

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. The UTC now has a new sponsor from the 1st of December 2019, and DCG is not involved in the UTC anymore after this date.

| DCG provided the following to Derby Manufacturing UTC for which invoices have been raised: | 2020 | 2019 |
|---|---|---|
| | £'000 | £'000 |
| Staff Secondment | 9 | 41 |
| Recharges for Finance / Payroll under SLA agreement | - | - |
| Recharges for marketing; legal & subscriptions and recruitment | - | 3 |
| | 9 | 44 |

Balances outstanding owed by Derby Manufacturing UTC as at 31 July 2020 was £Nil (2018/19: £6,000).

In addition to the above, DCG carried out transactions under normal business with Rolls Royce plc, Flint Bishop LLP, Signum, Smith Cooper 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 £656,000 (2018/19: £668,000). The balance owed by Rolls Royce PLC at 31 July 2020 was £3,400 (2018/19: £25,000).

## 27 Related party transactions *(continued)*

The total Sales to Derby City council in the year was £1,710,717 (2018/19: 1,910,300) the balance owed by Derby city council at 31 July 2020 was £Nil (2018/19: £310,564).

DCG expenditure transactions with Flint Bishop LLP in the year were £27,724 (2018/19: £28,562) - The balance owed to Flint Bishop at 31 July 2020 was £1,200 (2018/19: £Nil).

DCG Expenditure with Signum was £1,000 (2018/19: £1,000) and the amount owed at 31 July 2020 was £Nil (2018/19: £Nil).

DCG Expenditure with Smith Cooper was £4,644 in 2020 (£2018/19: £3,426) and the amount owed at 31 July 2020 was £Nil (2018/19: £Nil).

## 28 Amounts disbursed as agent

| | 2020 | 2019 |
|---|---|---|
| | £'000 | £'000 |
| **Learner support funds:** | | |
| Funding body grants – discretionary learner support | 1,389 | 1,356 |
| Funding body grants – childcare | - | - |
| Funding body grants – residential bursaries | 43 | 45 |
| | 1,432 | 1,401 |
| Disbursed to students | (1,285) | (1,182) |
| Administration costs | (64) | (58) |
| Balance unspent as at 31 July, included in creditors | 83 | 161 |

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.

**29 Access and Participation Plan Expenditure 2019-20**

| | **£'000** |
|---|---|
| Access investment | 76 |
| Financial support | 30 |
| Support for disabled students | 32 |
| Research and Evaluation | - |
| | **138** |

The total of the approved expenditure in our Access and participation plan for the year ended 31 July 2020 was £83,000.

The details of the approved plan for 2020 can be found at:
https://apis.officeforstudents.org.uk/accessplansdownloads/1920/DerbyCollege_APP_2019-20_V1_10001919.pdf

As set out in the Accounts Direction (OfS 2019.41), no comparatives have been given as the prior year expenditure relates to the Widening Participation Plan and the amounts are not comparable.

DCG spent more than it originally planned to spend due to higher learner numbers when compared to the Access and Participation plan, which was submitted in May 2018.