



DCG

Members' Report and Financial Statements

For the year ended 31 July 2021

Web accessible version. Signed version available upon request.

DCG

Report and Financial Statements for the year ended 31 July 2021

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 2020/21:

Mandie Stravino, OBE; CEO; Accounting Officer
Heather Simcox; Deputy CEO
April Hayhurst; Deputy Principal (left on 26 February 2021)
Richard Eaton, Chief Finance Officer

Board of Governors

A full list of Governors is given on pages 26 to 27 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

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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
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Freeths LLP
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2nd Floor
West Point
10 Nottingham Road
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Bridgewater Place
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LS11 5DR

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Strategic Report

NATURE, OBJECTIVES, AND STRATEGIES:

The Members present their report and the audited financial statements for the year ended 31 July 2021.

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, vision, and values

DCG's mission as set by the Corporation is to "predict and serve the needs of our business and civic communities by preparing students for the next stage of their lives" including:

- advancement to further study, including preparation for university life
- success in the world of work, business start-up and career development
- social progression and positive citizenship
- independent living

DCG has high aspirations for its community and its vision, strategic intent and ambitions outline these. DCG will continually strive to 'create world class, accessible opportunities' that inspire our students, widen their horizons and enrich lives'.

Shared values have been approved by the Board, following widespread consultation. They capture the organisations ethos, commitment and the guiding principles that underpin all aspects of DCG's work.

- *OPTIMISTIC Positive, happy people inspiring success and belief in what can be achieved.*
- *INCLUSIVE Embracing and celebrating inclusivity, equality and diversity, educating and empowering individuals.*
- *HEALTHY Caring about all aspects of well-being, providing an environment that is safe and supportive for everyone.*
- *INNOVATIVE Promoting an environment where innovation, ideas and creativity are actively encouraged.*
- *COLLABORATIVE Proactively working with others, helping each other to achieve common goals as 'one team'.*

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 26 to 27.

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,

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can be found at www.derby-college.ac.uk/corporate-information. The delivery of public benefit is also covered further within this Members' Report and this Operating and Financial Review.

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

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

Implementation of the strategic intent

Strategic review and planning

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 2020-2025 Strategy

In July 2020, DCG adopted a strategic plan from the period 1 August 2020 to 31 July 2025. The DCG umbrella corporate strategy provides a holistic view of DCG, articulating its strategic intent and priorities that steer specific, focused core and facilitating strategies, curriculum business plans, which in turn inform its peoples' objectives.

DCG's strategic priorities for 2020 -2025 are to:

- **Deliver Educational Excellence** – *students first*
- **Champion Social Mobility** – *challenge perceptions, remove barriers*
- **Enable Economic Prosperity** – *co-creating future talent*

DCG explicit core strategies have their own sense of purpose, but nevertheless, all directly align to its mission and overarching strategic priorities. These strategies include several focused themes and a wide range of inclusive curriculum strategies including study programmes, adult and community, career learning, higher education and apprenticeships, all informed by economic drivers, local, regional and national priorities. Curriculum teaching, design and improvement is influenced by DCG's determination to deliver educational excellence, together with its careers and student experience strategies that seek to encourage and nurture positive behaviours and attitudes, through a holistic pastoral and academic support programme that prepares students as professionals at work and as social contributors in life.

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DCG facilitating strategies, together with its business support functions, play a crucial enabling role and these strategies include Property and Estates, Human Resources, Systems and Data, Marketing and Communications, underpinned by its Financial Plan. Furthermore, its Employer Partnerships strategy is critical in putting employers and employer representative bodies at the heart of its curriculum development, they play a central role in co-design and delivery to ensure that the education and training people receive is directly linked to the skills needed for good, productive jobs.

All DCG strategies include annual development plans and a range of KPIs and success measures which are monitored and reviewed through the organisational meeting structure, a tiered approach from individual one to ones and team meetings, management and leadership meetings and cross college groups, which report into themed SLT Boards, governance committees and ultimately the Corporation.

The Corporation monitors the performance of DCG using strategic KPIs measures. The plans are reviewed and updated each year.

Overview of Achievements - Strategic Impact

Despite the continued challenges and significant impacts of Covid-19 and an academic year like no other, DCG is on target to achieve objectives underlying each of its strategic ambitions. The DCG Annual Review publication highlights its progress towards its strategic ambitions, key achievements and the positive impact the organisation has made on its students, communities and wider stakeholders.

An overview of evidence of enactment against its strategic priorities and headline achievements against operational objectives set out for 2020/21 are detailed in the tables below.

'Students First'

Students are at the heart of all that it does and this was paramount in ensuring it continued to deliver a high-quality learning experience whilst prioritising safety and wellbeing during the national lockdowns and constantly changing restrictions. DCG staff and students were asked to work very differently from before. The 'new normal' and working arrangements were continually adapted and the examples below highlight just some of the key actions that supported its focus to continue to deliver ***'Educational Excellence'***.

'Challenge perceptions, remove barriers'

There was significant impact on its delivery in the community, with venues being closed for long periods due to lock down and remote access difficult for some learners. DCG serves a diverse multicultural city and county where there are pockets of high levels of deprivation and communities where there are higher risks of social marginalisation, magnified further because of the impacts of the pandemic. It continues to promote fairness, inclusion and equity, rooted in the firm belief that everyone can thrive and succeed regardless of their background. Again, below are some key headlines to demonstrate how it is making a difference in ***'championing social mobility'***.

'Co-creating future talent'

Genuine partnerships with employers, rather than mere transactional relationships, underpin the curriculum at DCG. The government has articulated a clear mandate that a skills-led, post-pandemic recovery is the key to unlocking the UK's potential, greater productivity, innovation and economic wellbeing. DCG is privileged to have such strong employer collaborations which continued throughout the pandemic, ensuring it is well positioned to

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respond to the post 16 skills reforms, working ever more closely with its employer partners to provide the talent pipeline and **'enable economic prosperity'** across the region.

Strategic Priority	Key Achievements / headlines in 2020-21
<p>Priority One: Deliver Educational Excellence <i>This means</i></p> <ul style="list-style-type: none"> ➤ Providing every student with an excellent education - enabling them to study a coherent and challenging curriculum that develops the knowledge, skills, behaviours, preparing them to be successful in future learning, employment and life ➤ Driving innovative practice, risk taking and collaboration across our community of teaching professionals ➤ Nurturing students to deploy effective behaviours and attitudes, preparing them as professionals at work and as social contributors in life ➤ Put student views, employer voice and customer satisfaction at the heart of our service delivery – embracing continuous improvement across all aspects of our customers' experience 	<p>'Students First'</p> <p>'The right results' – rigorous assessments, teacher assessed grades, underpinned by robust evidence, mock exams, tests and coursework ensured the 2021 cohort progressed with confidence to the next stage of their lives.</p> <p>'Learning by doing' – employer led projects provided valuable insights into real scenarios they will encounter in the workplace. DCG participated in a consortium to pilot project-based learning which was then featured as a best practice case study by the Edge Foundation.</p> <p>'Digital Pedagogy Trailblazers' – a DCG Digital Trainer Award established, new technology and innovative ways to inspire staff and students has led to DCG being chosen by the Government as an EdTech Schools and College Demonstrator. DCG provided peer to peer support to more than 30 primary, secondary and SEND schools, FE colleges and providers across the country. DCG also participated as a keynote speaker at the AoC annual Teaching, Learning and Assessment Conference.</p> <p>'Responsible citizens' – DCG has continued to instil a strong sense of citizenship so students become effective members of society. Students have participated in a number of initiatives from neighbourhood crime prevention measures to local environmental campaigns and the city council's Christmas Cheer Campaign – bringing goodwill to some of the most vulnerable people in the city, the cooking of 300 meals, creating gift hampers and hand-crafted cards.</p> <p>'Student voice' - at the heart of DCG's service delivery with a number of mechanisms and activities to enable students to express their views. DCG's 2020-21 student survey highlighted some excellent outcomes with 98% saying they were satisfied with the quality of their programme overall and 98% also saying they would recommend DCG to a friend.</p> <p>'Wellbeing Award' - The Derby College Student Union successfully launched a Student Mental Health Society to help students content with the challenges of lockdown. This</p>

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	<p>received high-level recognition by winning a National Societies and Volunteering Award.</p>
<p>Priority Two: Champion Social Mobility <i>This means</i></p> <ul style="list-style-type: none"> ➤ Developing our breadth of community provision to engage with individuals with no or low qualifications, or those at risk of social marginalisation - removing obstacles to learning and progression ➤ Enabling smooth transition and engagement with schools and young people - so they can be supported from day one and are best prepared for 'college life' ➤ Removing barriers for advancement to Higher Education through of progression opportunities, widening participation and positively impact on students' life chances and future earning potential ➤ Utilising our excellent relations and engagement with employers, sector skills bodies and wider stakeholders to raise awareness of career choices and industry opportunities, helping us to tackle gender stereotyping, broadening horizons and inspiring social progression 	<p><i>'Challenge perceptions, remove barriers'</i></p> <p>'Reaching further' – to play a vital role on raising aspirations, removing barriers and creating a level playing field for all, DCG has broadened it part-time, flexible and distance learning offer for people of all ages. DCG continues to contribute as a key member of the Derby Opportunity Area programme.</p> <p>'Dedicated adult and community learning' – to widen the scope and options DCG opened dedicated adult and community learning facilities at Ilkeston. The Community College is now home to an expanded adult learning offer to support upskilling and retraining that has been designed to create a relaxed and inviting environment for people who may be hesitant by the prospect of returning to education.</p> <p>'English and Maths for a better future' - during 2020-21 DCG supported around 2500 students (young people and adults) to complete their GCSEs in Maths and/or English, with improved year on year results, as well as closing the gap for disadvantaged students – bucking the national trend.</p> <p>'Successful transitions' – building on the positive impact of DCG's pre-16 schools vocational programmes, new initiatives have been launched to support school pupils on the threshold of post-16 education including support mechanisms for learners at high risk of becoming NEET, information sharing protocols with city schools, a 'Bridging the Gap' site to access pre-start guidance and study materials.</p> <p>'Local Higher Education' – DCG has provided opportunities for students to enhance life chances and balance learning with their work and family commitments. With the advantages of small class sizes, DCG HE Study Support Coaches have ensured that 'HE in FE' is an attractive proposition. New programmes and the range of Access to HE diplomas have been added to its HE portfolio. 97% of HE students said they felt part of a community of staff and students.</p> <p>'Job Broker and Work Coach support' – DCG has played a key role on two far reaching initiatives to support individuals overcome the barriers preventing them from securing a job or accessing training. DCG is one of several organisations delivering the Towards Work and Way2Work programmes and</p>

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	<p>has received recognition from the Project Manager Lead in having “continually delivered above target for participants, and the numbers that progress into employment and job search”.</p> <p>‘Sharing Expertise’ - DCG has continued placing inclusion right at the centre of further education curriculum through its role as one of three national Centres for Excellence in Special Educational Needs and Disabilities (SEND) by sharing knowledge, expertise and best practice both locally and nationally.</p> <p>‘College of Sanctuary status’ - in December 2020 DCG became just the fourth UK institution to be awarded College of Sanctuary status in recognition of its support for the asylum and refugee community. Specific study programmes for young people and adults who are new arrivals in the city have been developed and delivered both at main college sites and in the community.</p>
<p>Priority Three: Enable Economic Prosperity <i>This means</i></p> <ul style="list-style-type: none"> ➤ Exploiting business intelligence to drive strategic intent and inform a responsive curriculum plan – to meets the needs of students and employers, as well as local, regional and national priorities ➤ Co-designing our curriculum with employers, to ensure the talent pool generated is equipped to effectively transition between education and industry, contributing to the productivity and prosperity of our city, county and region. ➤ Co-delivering career pathways with business, to enhance our students’ exposure to ‘world of work’ opportunities and essential life skills, to supporting positive destinations into employment ➤ Upskilling and retraining the adult workforce to meet the needs of the economy, provide tailored programmes for employers to 	<p>‘Co-creating future talent’</p> <p>‘Meeting local needs’ – labour market intelligence, future skills demand and supply, and local priorities have continued to drive curriculum developments, co-design and co-delivery with employers, even during the pandemic. Employer partnerships moved online in innovative ways - virtual work experience, mentoring and workplace tours became the norm, enabling more students and companies to get involved than would have been practical before.</p> <p>Employment and Skills Boards met via Microsoft Teams, which proved a productive and time-efficient method of retaining contact. These 23 established Boards represent a broad spectrum of sectors and together with the other employer representative bodies, will be pivotal in advising on the the advanced technical and higher technical skills they need to in their workforce to boost productivity and support progression.</p> <p>‘T Level trailblazer’ - the new ‘gold standard’ technical qualifications were introduced at DCG in September 2020, with DCG being the first college in the East Midlands to offer all of the T Levels in the first wave in Construction: Design, Surveying and Planning; Digital Production, Design and Development; and Education and Childcare. DCG were well placed for preparations for the second tranche (September 2021) in Civil</p>

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<p>support people and business to thrive</p>	<p>Engineering and Building Services, Digital Support Services and Health and Science collaborating with employer partners including securing industry placements (30 students took part in the T Level programme during the academic year)</p> <p>‘The Tech Revolution’ – again, DCG is at the forefront of developments and collaboration to meet current and future technical skills requirements, playing a key role in the bid to develop a new East Midlands Institute of Technology (IoT). Furthermore, DCG was successful in securing a joint strategic development fund pilot and will build local collaborations with four other partner colleges and universities to support the development of a high value curriculum offer, longer-term skills priorities and the strengthening the relationship with employers.</p> <p>‘Apprenticeship demand’ – DCG has supported local employers to put their post-COVID re-building plans into action with over 1500 apprentices on programmes at the end of July, more than at the same point in previous years. Despite the disruption, employers were keen to ensure their apprentices continued through remote learning to keep on track. New apprenticeships have also been added to the DCG portfolio to meet the skills demands in software development and digital marketing.</p> <p>‘New initiatives’ – ongoing collaboration with key employers both large and small has resulted in a number of new projects and pilots to support adults retrain and reskill for in demand jobs, including: an intensive Digital Bootcamp, funded Level 3 programmes for adults and the opportunity for young people to access a new Traineeship Programme in partnership with Rolls-Royce plc.</p>
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Below DCG outlines its headline priorities and objectives aligned to its key core focused strategies and provides some highlights from 2020-21.

Core Strategy Area - Curriculum Strategies including:	<i>Study Programmes, Career Learning Ladder, Adult and Community, Higher Education and Apprenticeships</i>
Headline Priorities	Highlights
Provide greater specialisation in our curriculum offer, purposely grow our STEM provision, continue to develop and deliver a co-designed curriculum - to meet current and future skills needs.	The introduction of specialisation in the curriculum management structure has positively impacted on performance monitoring improvements to meet KPIs on attendance, retention and progression. Industry relevant study programmes are meeting sector needs, with relevant qualifications, examples include land based, creative and digital

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<p>Design a more holistic curriculum that enables students to be 'life ready', creating pathways to success leading to next steps progression and steers into positive destinations.</p> <p>Create more flexible environments to better match the needs of curriculum and students to influence thoughts and behaviours.</p>	<p>and e-sports. STEM provision has grown to 52% in apprenticeships and 49% of study programmes.</p> <p>DCG has continued to see breadth and depth in its academic offer for those students looking to progress to higher education pathways with over 30 A Level options available.</p> <p>As the first college in the East Midlands to offer all T Levels in the first wave of the rollout, its pioneering students have benefitted from key businesses and employer partners contributing to the co-design and co-delivery of these new gold standard technical qualifications. It has been vital to keep the momentum going during the challenges of the pandemic, for example, over 100 students were put through virtual workshops around career opportunities, work related maths and English, transferable skills, presentations and interview techniques before being matched with employer mentors ahead of their placements. Whilst industry placements are pivotal to T Levels, students have also benefited from updates to DCGs own industry standard facilities and resources.</p> <p>A number of developments across the college estate have also included: the transformation of 'student space' and use of the Round and Library, creating a one-stop shop for student and academic support at the Roundhouse, pods in place in the atrium at the Joseph Wright Centre to encourage a working environment for whole building, electronic self-serve allowing open access to journals and books.</p>
<p>Core Strategy Area -Adult and Community</p>	
<p>Headline Priorities</p>	<p>Highlights</p>
<p>Increase DCG's community impact and contribute to social mobility. This included a focus on expanding presence in the most deprived areas of Derby and targeted areas in Derbyshire, delivery of essential digital skills in more community venues, a curriculum offer that includes bespoke, remote and short programmes.</p> <p>Implementation of the Community College at Ilkeston – repurposing this college to create an adult learning environment, increasing presence from</p>	<p>The covid pandemic had a significant impact on the organisation's delivery in the community, with venues being closed for long period due to lock down and remote access difficult for some learners. However, a number of achievements and progress towards the community strategy's priorities included: expanding reach with contacts now existing in each of the socially deprived wards in Derby, bespoke programmes developed for community groups including Community Action and Derwent Stepping Stones. New community partnerships developed to support the engagement of the hardest to reach including JCP, Erewash Borough Council and Voluntary Action.</p> <p>16 – 19 provision was relocated from Ilkeston to enable the adult learning environment to be created, increasing footfall and community engagement. Participation and retention in adult learning increased together with continued learning progression from short introductory courses onto accredited programmes.</p>

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external services and community engagement.	
Core Strategy Area - Higher Education	
Headline Priorities	Highlights
Remove barriers for advancement to Higher Education – a focus on teaching and learning measures, progression opportunities, and widening participation to positively impact on students’ life chances.	There are a number of specific KPI requirements and measures set out in the organisation’s HE curriculum strategy. Highlights of 2020-21 progress and feedback included: strong retention throughout all areas of HE provision, increased response rates for HE student voice with an overall course satisfaction rate of 96% and consistently high teaching quality scores. Students said teachers made the subject interesting (97%), courses were intellectually stimulating (97%) and marking and assessment was fair (97%).
Core Strategy Area – Curriculum Teaching, Design and Improvement	
Headline Priorities	Highlights
Develop expert use of pedagogically sound EdTech in teaching, learning and assessment, cement professional development practices, collaboration and innovation. Guide the enhancement of curriculum design, build a culture of high expectations within TLA.	In the last year, considerable effort to improve digital teaching, learning and assessment was supported across the whole organisation, so that students experienced high quality remote teaching throughout disruption caused by the pandemic. Thoughtful curriculum design and ‘flex’ supported the successful transfer to remote education. All areas have trialled a digital portfolio. The TLA Hub (online resource hub to support teaching staff) was renewed. A valuable resource as evidenced by the high number of site visits, engagement with Talk about Teaching and podcasts. ‘Team around the table’ practices have supported continuous TLA improvements together with the creation of Study and Digital Skills online learning and a Bridging Transitions site.
Core Strategy Area - Academic and Pastoral Support	
Headline Priorities	Highlights
Pastoral Leadership, systems and structures development Enhancing development of behaviours and attitudes with DCG A focus on Character Education - to evidence submission for the Character Education Kitemark	The original post-covid planning, once again had to be rapidly amended and adapted to ensure the organisation’s ways of working to a blended model meant DCG was covid-secure and safe. Throughout the academic year, DCG ensured engagement and pastoral care was at the forefront as an offer to students and academic support was accelerated by offering students additional tutoring to support with their study habits and / or assignments, as well as practical learning opportunities when the college was reopened. A continued focus on pastoral support, enhanced developments around positive behaviours practices has continued to nurture and support students in their preparations for work and life.

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	<p>A Character Education and Tutorial lead was appointed, enhancements made to the tutorial platform (one stop shop), on-line enrichment activities and student led societies have been introduced, together with a plethora of workshops to support.</p> <p>DCG has now become the first college in the UK to achieve the College of Character kitemark, recognising the organisation's commitment to developing well-rounded and work ready citizens. (October 2021)</p>
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Inspection, Reviews and Awards

- Ofsted 'Good' Provider (January 2020 Report)
- Ofsted 'Outstanding nursery – Little Explorers pre-school nursery
- Career Mark Quality Award
- Matrix Standard
- Character Education kitemark - The first UK FE College to be awarded the kitemark by the Association of Character Education
- A Microsoft Showcase College
- SEND Centre of Excellence – one of three Centres for Excellence in Special Educational Needs and Disabilities (SEND) under a national programme
- Autism Friendly Accolade – first college in the East Midlands to be officially recognised by Autism East Midlands
- A college of Sanctuary – recognition of efforts to create a climate of welcome and safety for the asylum and refugees community – the fourth organisation to be granted this honour.
- ESFA's 'Good' rating (per these accounts)

Property and Estates Strategy

In 2020/21 DCG continued to enact its Estates and Property strategy, where concentrated efforts were made to ensure resulting works from FEDC survey reporting were completed to schedule across all sites. This allowed a number of projects to be fulfilled to the benefit of the respective sites and included such works as infrastructure and boiler replacement in the Stephenson Building, Main server room cooling within the Roundhouse, Drive refurbishment at Equine, Classroom and building refurbishment in Horticulture and Plant sciences, Domestic resident upgrades to the Lodge, Larches and Broomfield Farmyard Houses, upgraded Welfare and Emergency escape provision at JWC, with licensable works being completed for the removal of AIM (Roof replacement – Equine). Maintaining, reviewing and upgrading owned asset where possible to increase longevity of use and an appreciating value.

Significant time was attributed in the renewal and reappointment for 3rd party operational contracts, with appointment of a new external security provider, engaged to compliment in house activity and out of hours coverage across the estate for asset and building management. Fleet vehicle management for the provision of minibuses resulted in new vehicles addressing issues of driver qualification and weight restrictions.

The increasing and continued delivery of T level courses saw further development of resource at the JWC where aged and dated provision was refurbished and reassigned for the delivery of associated science courses and further enhanced IT resource, works completed to schedule for the forth coming academic 21/22 calendar year.

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Throughout the year a number of capital applications were made for external grant funding, a number of these as individual applications and one as a beneficiary of a joint application. Following notification of availability, applications were submitted for the following:

- Salix – Decarbonisation Funding - Broomfield Hall
- Post Sixteen Capacity Funding - Hudson Building
- Institute of Technology Funding - Stephenson Building (Joint application)
- Further Education Transformation Funding - Lathkilldale - Broomfield Hall
- T Level – Business/Engineering Sept 2022 - JWC/Roundhouse
- The outcomes and notification of award remained outstanding as of the 31.07.21.

Continued demand for community education and delivery, required a review of current provision with extended occupancy agreed to align the term dates for short term lease agreements, thus giving continuity of provision based on the projected level of need. Further discussions attributable to the Johnson Building have been ongoing with respective agents and potential occupants in lieu of addressing the associated liability for maintaining the property as a College controlled resource.

Following the impact of increased financial constraint, additional restructuring of the administration structure within the Estates department took place, staff numbers were adjusted to accommodate a change in working protocols, but also to fulfil the need for the appointment of a new position in Environmental and Sustainability monitoring, compliance and reporting. The position remains outstanding, hopeful for an imminent appointment.

IT, Digital, Systems and Data

As a result of the pandemic, and the first lockdown in March 2020, DCG had to quickly mobilise its IT resources to support staff and learners working from home/remotely.

In terms of devices and facilitation of learning 413 devices were given or delivered to students to enable remote learning during the pandemic. An additional 375 were received from the DfE and were deployed as home devices for students during the second lockdown.

DCG employees were largely working from home or to a hybrid model of onsite and remote. This additional security challenge of large numbers of people suddenly not being behind the corporate firewall led to the roll out of several additional enterprise security tools. Remote management of laptops and endpoint protection were primary achievements, alongside increased cyber resilience for the onsite infrastructure.

MS Teams was already part of teaching practice, but the engagement and adoption were escalated rapidly. This led to policy changes to standardise and secure remote teaching and recording.

On-boarding, induction and aspects of CPD have become more targeted and automated due to Dev Ops activities.

Human Resources Strategy

DCG has continued to see its people as a key resource, with a large payroll being a significant element of its cost base. In order to respond to the financial challenges faced by the organisation during 2020/21 and beyond, it made significant changes to its workforce by closing some activities and restructuring how it operated in order to deliver the cost savings required to meet these challenges. These changes included a number of redundancies.

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Financial Strategy

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 continued to impact upon DCG's income lines. Specifically, the government's decision to claw-back from the adult education budget.

Prior to the pandemic DCG had a track record of delivering its AEB allocation. As a result of the two lockdowns, and the nature of much of its offer being roll-on roll-off community learning, ESOL, literacy, numeracy and employability programmes, DCG, like other large urban colleges, experienced an underspend against its allocated AEB funding. This was significantly below the government announced tolerance level of 90%, which was announced much later than expected, and had a devastating impact on DCG and the adult community it serves.

DCG has submitted a business case to the ESFA, and evidenced its costs incurred over and above the tolerance level, and awaits a response from the ESFA

Financial objectives

DCG's financial objectives are:

1. **Financial Health:** *To achieve 'Good' financial performance in 2020/21 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 2020/21, target 2021/22 rating is 'Good'**.*
2. **Financial Operating Position:** *To achieve a sector target EBITDA surplus in 2020/21 of 5% and budget to maintain this for 2021/22 onwards, as calculated by the ESFA methodology. To be monitored and measured via the monthly management accounts. **Achieved 5% in 2020/21, target is 7% in 2021/22.***
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 DCG have closed its Events business, and other full-cost activities that have been impacted by the pandemic, and thus were not sustainable in the short 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 2021 data;
- They 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; however will publish QAR data for those qualifications where assessment was unaffected.
- They 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 2021 data;

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- The performance tables that were due to be released in December 2021 will only be partly released for those qualifications that were unaffected by teacher assessed grades, and in January and March 2022, will not go ahead; and
- DCG will also not publish any institution-level qualification achievement rates in the national achievement rate tables for the 2020 to 2021 academic year.

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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 £2,611,000 (2019/20: £3,313,000) and has performed well against this measure. This identifies that DCG is generating funds to reinvest in its future provision.

Sector EBITDA	2021
	£'000
(Deficit) before other gains and losses (per page 43)	(2,740)
Adjust for :	
Interest receivable	-
Interest / Finance costs (including pension interest)	865
Additional cost of pension service	2,948
Depreciation	3,473
Capital Grants	(1,848)
Holiday pay accrual	(87)
Sector EBITDA surplus	2,611
% of Turnover	5%

The FE Commissioner recommends that colleges generate a positive underlying operating surplus, the table below shows that DCG generated an Underlying Operating profit of £2,290,000 (2019/20: £1,484,000).

Underlying operating position	2021
	£'000
(Deficit) before other gains and losses (per page 43)	(2,740)
Adjust for :	
Interest / Finance costs (including pension interest)	865
Additional cost of pension service	2,948
Redundancy	1,217
Sector Underlying operating position	2,290

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Financial results (continued)

The total comprehensive loss of £2,887,000 (2019/20: £12,341,000) is stated after accounting for a significant reduction £147,000 (2019/20: £9,282,000) of the increase in the LGPS defined benefit pension scheme liability.

DCG has accumulated reserves of £20,425,000 (2019/20: £23,312,000) and cash and short-term investment balances of £10,565,000 (2019/20: £4,324,000). There are corresponding creditors for clawbacks of circa £4m. DCG wishes to continue to strengthen the reserves and cash position.

DCG has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2020/21 the FE funding bodies provided 82% of DCG total income.

DCG has two active subsidiary companies, Mackworth Business Services Limited (MBS) and DCG Services Limited. The principal activity of MBS was the rental of property and event services provision however this stopped in Summer 2020 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 loss generated by MBS was £12,000 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 December 2020.

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 £9,476,000 (2019/20: £3,153,000), net cash flow from operating activities continued was positive, however this includes corresponding creditors of circa £4m and investments in fixed assets. 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 £20,425,000 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 2020 to 2023 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

DCG's curriculum offer will continue to respond to the demands of students, employers, and the LEP to meet local and regional priorities, changing technologies, and industry needs. DCG is taking actions to maintain its reputation as a pioneer and leader in curriculum co-design and co-delivery with business and employers, responding rapidly to the Government's education and skills agenda as laid out in the Skills and Post-16 Education Bill and currently passing through parliament. It will plan and conduct a strategic review into how well the education and training it provides meets local need, to have due regard to the forthcoming statutory duty. Key areas of focus include:

- Increasing HTQ curriculum offer linked to T level routes with continued roll out of T Level programmes
- Prioritising provision in local (LEP) and government sector priorities (Adult Social Care, Construction, Digital and technology, Manufacturing, Logistics, Net Zero)
- Embedding of sustainability and the environmental agenda into all areas of curriculum development
- SDF Projects (Advanced Manufacturing, Modern Methods Construction, Health Science, Digital)
- 'Scaling up' its adult provision (for individuals, community learning and employers) to support retraining, reskilling and enabling progression to further learning, higher level skills training and better jobs
- Widening apprenticeship opportunities, delivering new standards in priority sectors
- Maintaining a wide choice of A level options to facilitate progression opportunities to higher level programmes including university

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 2020 to 31 July 2021, DCG paid 82.96% percent of its invoices within 30 days, this represents 80 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.

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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 the Community College. The estate has a carrying value of £89,272,000 (note 11 and note 12).

People

DCG employed an average 968 people (expressed as full-time equivalents), of whom 754 are teaching / teaching support staff.

Reputation

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

PRINCIPAL RISKS AND UNCERTAINTIES

DCG's 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 also consider any risks which may arise as a result of a new area of work being undertaken by DCG.

A corporate risk register is maintained at DCG level, together with an HE specific risk register and an FE curriculum and quality risk register, which are reviewed at each meeting of the Audit Committee (corporate and HE), Standards Committee (curriculum and quality) and Corporation Board. The corporate 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.

In the year 2020-21 principal risks were identified as:

Risk or uncertainty	How we manage it	Assurances received during 2020/21	Strength of assurance
The Strategic Planning process isn't embedded and DCGs strategic ambitions aren't translated into practice	Management KPIs Report to Senior Leadership Team	IA: Strategic Business Planning	Substantial
Poor sub-contracting arrangements for compliance and quality.	Sub-contracting Controls Monthly reports from the apprenticeship team	External Assurance (ICCA)	Advisory (Substantial)
The Capital planning process isn't effective resulting in the College not maintaining / enhancing its' infrastructure	Management KPIs Monthly management reports to the SLT Risk management Group	IA: Capital Strategy	Substantial

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	Compliance with regulatory bodies		
Controls are sufficiently robust to enable DCG to take assurance that information contained on the student record system is accurate and reliable in supporting the College's funding claim	Management KPIs Compliance with regulatory bodies Monthly management reports to the SLT	IA: ESFA Mock Funding Audit	Reasonable
Compliance to the Additional Learning Support (ALS) and High needs students (HNS) funding control framework	Management KPIs Compliance with regulatory bodies Audit of HNS funded via ESFA / LA	IA: Additional Learning Support (ALS) and High needs students (HNS)	Substantial
Student retention and ensuring best outcomes for its students	Management KPIs Monthly management reports to the SLT	IA: Student Retention and Intervention	Substantial
Compliance with fundamental financial controls	Monthly management accounts Compliance with regulatory bodies	IA: Fundamental Financial Controls	Substantial
Implementation of previously agreed audit and review recommendations.	Monitoring of agreed recommendations	IA: 19/20 Follow-Up of Previous Recommendations	Reasonable

COVID-19 continued to have adverse impact in the year 2020-21 with lockdowns preventing the majority of students being engaged in on-campus learning and therefore studying remotely. Particular adverse impact was experienced by adult learners the Group serves, predominately those who attend community provision to learn English, maths and digital skills in order to be able to enter the workforce or progress their learning. As a result of an announcement by the ESFA to only reduce the tolerance on the AEB funding stream to 90%, significantly higher than the previous year where there was a lesser impact on adult education for DCG, DCG undertook a major restricting exercise in the latter part of 2021-21 in order to compensate for the anticipated clawback of AEB funding.

DCG was successful in capital applications for T Levels (Science) and Decarbonisation (Salix). As a result of the pandemic, specifically materials and labour shortages, risks were managed to ensure projects were completed on time and capital funds spent in line with the grant deadlines.

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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;
- employers;
- students' union;
- parents, guardians, and carers of students;
- staff employed by DCG;
- trade unions;
- alumni;
- Chamber of Commerce, CBI and other employer representative bodies
- Collaborative partners
- 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;
- Job Centre Plus
- 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)
- 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 surveys carried out as real time pulse questions
- 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.

Strategic Report

Equal opportunities

DCG is committed to ensuring equality of opportunity for all who learn and work there. 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.

DCG has utilised many of the college strategic aims to embed knowledge, skills, and behaviours around the use of the social model of disability in training and development activities for teachers and support teams. The impact has been that staff are developing robust skills in working from a position of unconditional positive regard. Teachers and support teams are confident in starting conversations to enable students and team members to share their starting points and create inclusive teaching and employment plans together.

Equality is vital for students to have the same opportunities to start with positive educational outcomes, and equity helps makes sure those equal opportunities are adjusted to make room for students who might need further support or reasonable adjustment.

Equality and Diversity Policy and 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.

Strategic Report

Mental Health and Wellbeing

Derby College Group acknowledges the importance of its employees and students and is committed to providing an environment which is safe, healthy and supportive and managed in a way that minimises the risk to health, including mental health and promotes positive wellbeing. The College is committed to providing a supportive culture whereby healthy lifestyle choices are valued and encouraged. DCG has a Health and Wellbeing Strategy which sets out its strategic intent, vision and commitment to a whole organisational approach to health and wellbeing for its students, its employees and its wider civic and moral duties in actively prioritising, promoting and enacting its health and wellbeing objectives.

The impact of the Coronavirus pandemic on young people and adult mental health cannot be underestimated. According to Mind nearly one in three adults (30%) and over one in three young people (34%) said their mental health has got much worse during the pandemic. Over half of young people said they will enjoy school, college or university when restrictions ease. But around one in five (21%) do not think they will enjoy school, college or university without restrictions. (Mind 2021 *Coronavirus: the consequences for mental health*). This research underlines the importance of DCG placing a high priority on its student and employee's health and wellbeing.

The strategic framework sets out how DCG will continue to meet its statutory requirements and respond to government policy, guidance and what it will report on. DCG has produced a related annual work plan which details the operational objectives, actions, targets and success measures and is the main tool for the Senior Leadership Team to monitor health and wellbeing priorities, support and challenge performance throughout 2021-22.

DCG will continue to meet its core statutory responsibilities by ensuring that it is compliant with The Health and Safety at Work Act (1974).

It will ensure that it responds to recommendations set out in government guidance including;

- DFE *Promoting and supporting mental health and wellbeing in schools and colleges* (21 September 2021)

DCG Group is committed to creating an environment that promotes and supports student and employee health and wellbeing. We will achieve this by:

- **Making Health and Wellbeing an ongoing strategic priority** - prioritising mental health in the workplace and learning environments by developing and delivering a systematic programme of activity
- **Promoting positive and preventative health and wellbeing with early intervention** – ensuring organisational culture drives positive mental health outcomes
- **Running health and wellbeing initiatives to support the student and employee journey** – providing mental health tools and support
- **Engaging with key stakeholders to shape our health and wellbeing support, resources and services** - promote an open culture around mental health
- Increase transparency and accountability through internal and external reporting

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Going Concern

The Corporation has prepared a budget and associated financial forecasts for 2021-22 and 2022-23. This confirms that DCG has enough working capital to continue to trade, the latest set of management accounts for Period 3 in 2021-22 indicate that DCG is on track to meet its budgeted EBITDA and the cash position has a positive variance to budget. Refer to note 1 for additional details.

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 13 December 2021 and signed on its behalf by:

Phil Dover
Chair

Statement of Corporate Governance and Internal Control

Governance Statement

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 2020 to 31 July 2021 and up to the date of approval of the annual report and financial statements.

Governance Code

The Group 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 Board of Governors, the Group complies with all the ‘must’ provisions of the Code, and it has complied throughout the year ended 31 July 2021.

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 and revised in May 2019, 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.

The Corporation

Category	Name	Link Governor	Lead Governor	Cttee M’Ship	First Appointed	First Term End Date	Term renewal information last appvd by Corporation on 18 October 2021		Total term of office served at end of renewal
							Re-appointed	Term End Date	
Staff	John Clay			Standards	01.08.19	31.07.21	Annual appointment via staff election	N/A appointed annually via staff population	
General	Alan Brady	JWC		Standards	11.11.19	10.11.21	11.11.21	10.11.23	4 Years
General	Sue Bradley	Safeguarding/ Little Explorers/ Broomfield		Standards	01.05.19	31.04.21	01.05.23	31.04.23	4 Years
General	Hazel Clint		Health and Safety	Audit	01.02.19	31.01.21	01.02.21	31.01.23	4 Years
General	Andrew Cochrane <i>Elected Vice Chair for 2021-22</i>				11.02.19	10.02.21	11.02.21	10.02.23	4 Years

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Statement of Corporate Governance and Internal Control

Category	Name	Link Governor	Lead Governor	Cttee M'Ship	First Appointed	First Term End Date	Term renewal information last appvd by Corporation on 18 October 2021		Total term of office served at end of renewal
General	Philip Dover <i>Elected Chair for 2021-22</i>		Higher Education	Standards, Remuneration DCG Services, Search & Governance HE Academic Board, Finance & Resources	01.08.13	31.07.15	01.08.17	31.07.23	10 Years
Student	Angela Cruz			Standards	01.07.20	31.06.22	Appointed via SU		N/A nominated annually via student population
General	Stuart Ellis	Engineering, Construction & Motor Vehicle			01.12.19	30.11.21	01.12.21	30.11.23	4 Years
General	Mike Kapur			Audit	30.10.17	29.10.19	30.10.19	31.12.21	4 Years
General	Jane McNeil			HE Academic Board	01.09.20	31.08.22			2 Years
General	Martyn Marples		Finance	Finance & Resources	30.10.17	29.10.19	30.10.19	29.10.23	6 Years
General	Graham Schuhmacher	Apprenticeships/ Employer Engagement & Commercial		Standards	01.08.13	31.07.15	01.08.17	31.07.21	8 Years
Staff	Vanessa Simpson			Standards	01.08.21	31.07.22	Annual appointment via staff election		N/A appointed annually via staff population
General	Kevin Slack			Audit, Remuneration	22.03.10	22.03.12	01.04.16	31.07.23	13 Years
CEO	Mandie Stravino			Standards, DCG Services/ MBS, Search and Governance HE Academic Board, Finance & Resources	N/A				
Co-Opted	Rosslyn Green			Audit	10.03.14	31.07.15	31.07.16	31.07.23	

Corporation Attendance

Member	Attendance at Corporation meetings	Attendance at Audit Cttee meetings	Attendance at Standards Cttee meetings	Attendance at Search and Governance Cttee meetings	Attendance at HE Academic Board	Attendance at Remuneration Cttee meetings	Committee membership
Alan Brady	100%	-	100%	-	-	-	Standards
Sue Bradley	100%	-	100%	-	-	-	Standards
John Clay (Staff Governor)	100%	-	-	-	-	-	
Hazel Clint	83%	100%	-	-	-	-	Audit
Andrew Cochrane (Vice Chair)	100%	-	-	100%	-	-	Search & Governance
Angela Cruz (Student Governor)	50%	-	100%	-	-	-	Standards
Philip Dover (Chair)	100%	-	100%	100%	100%	100%	Standards, HE Academic Board,

Statement of Corporate Governance and Internal Control

Member	Attendance at Corporation meetings	Attendance at Audit Cttee meetings	Attendance at Standards Cttee meetings	Attendance at Search and Governance Cttee meetings	Attendance at HE Academic Board	Attendance at Remuneration Cttee meetings	Committee membership
							Remuneration & Search and Governance
Stuart Ellis	100%	-	-	-	-	-	
Mike Kapur	100%	100%	-	-	-	-	Audit
Martyn Marples	66%	-	-	-	-	-	
Jane McNeil	83%	-	-	-	100%	-	HE Academic Board
Graham Schuhmacher	83%	-	100%	-	-	-	Standards
Kevin Slack (Chair of Audit Committee)	100%	100%	-	-	-	100%	Audit & Remuneration
Mandie Stravino (Chief Executive)	83%	-	75%	100%	33%	-	Search & Governance, Standards & HE Academic Board
Roslyn Green (Co-opted Member – Audit Only)	-	100%	-	-	-	-	Audit

Corporation Training

Newly appointed members participate in an induction programme and receive a comprehensive information pack providing detailed information on the Group, as well as about the role of a governor, with training materials provided by external agencies, such as DFE, AoC and Eversheds. An existing member can act as a mentor to each newly appointed member, giving guidance and advice as required.

Members of the Corporation received training during 2020-21. The following training sessions were attended:

Event	Date	Attended by
AoC Midlands Chairs' Network	Monthly	Chair
ICCA Fraud and Irregularity and the Post-16 Audit Code of Practice	22/09/2020	Audit Committee members
Internal Training – HE Audit Code of Practice	22/09/2020	Audit Committee members
Induction with Clerk	13/10/2020	Jane McNeil
Clerks Network Presentation on Covid-19 Risk and Fraud	24/11/2020	Audit Committee members
ETF New Governor Induction	25/11/2020	Jane McNeil
AoC College Finance for Governors	03/12/2020	Chair
ETF Board Diversity – An Ongoing Challenge for FE College Boards	16/12/2020	Chair

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Statement of Corporate Governance and Internal Control

AoC Cashflow Forecasts and Loans: An AoC Governance Masterclass	17/12/2020	Chair
AoC Funding and Data: An AoC Governance Masterclass	14/01/2021	Chair
Standards Committee SAR Event	19/01/2021	Standards Committee members
AoC Curriculum Planning: An AoC Governance Masterclass	21/01/2021	Chair
AoC Preparing for an EIF – An AoC Governance Masterclass	23/02/2021	Alan Brady
ETF Chairs Development Network	09/03/2021	Chair
AoC Regional Governance Conference	23/03/2021	Hazel Clint & Clerk
ETF Chairs Leadership and Development Event – The FE White Paper	12/05/2021	Chair
Induction with Clerk	07/09/2021	Vanessa Simpson
Corporation SAR Event	13/09/2021	All Corporation members
ICCA – Audit Committee Training (Post-16 ACOP etc)	21/09/2021	Audit Committee members
ETF New Governor Induction	22/09/2021	Vanessa Simpson
AoC Chair's Q&A Webinar	25/10/2021	Chair
ETF Governors Providing T Levels Part 1	04/11/2021	Andrew Cochrane
Prince of Wales School – Challenging Questions for Governors	09/11/2021	Jane McNeil
ETF Governors Providing T Levels Part 2	11/11/2021	Andrew Cochrane

Sessions are scheduled for Safeguarding, Health and Safety and EDI later in the 2021-22 academic year.

The Corporation was clerked for the year by Rose Matthews to ensure independence. The experience of the Clerk is considered vital in appropriately advising the Corporation and committees on legal, statutory, and regulatory issues within this complex sector. The Clerk has six years' experience in FE governance and experience in secondary academy and third-sector governance. She is undertaking the ETF Expert Level Programme and has a certificate in school clerking. The Clerk regularly undertakes professional development, which is detailed below:

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Event	Date	Attended by
Eversheds Charity Law for Educational Institutions	28/10/2020 & 21/04/2021	Clerk
AoC Midlands Clerks' Network	Monthly	Clerk
Landex Ofsted Webinar	20/11/2020	Clerk
EAUC Streamlined Energy and Carbon Reporting	24/02/2021	Clerk
-Audit Committee Institute (KPMG) - HE Governance to Audit Committee	09/03/2021	Clerk
Eversheds Company Law Refresher for Educational Institutions	25/05/2021	Clerk
The Race Equality Code – Board Member Recruitment	30/06/2021	Clerk
ETF – Governance Professionals Development Workshop – Position and own the value of your governance role	23/09/2021	Clerk
ETF Expert Level Governance Professionals Programme	13/10/2021	Clerk
ETF – Governance Professionals Development Workshop – Communicate with Impact and Influence Naturally	25/11/2021	Clerk

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 Group 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 met six times in 2020-21.

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; Finance and Resources and HE Academic Board.

In light of the ESFA Strategic meetings and higher expectations around governance, the Finance and Resources Committee was introduced in September 2021 to strengthen oversight of financial, human and physical resource matters.

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.

Statement of Corporate Governance and Internal Control

All governors are able to take independent professional advice in furtherance of their duties at the Group'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 and training are also provided on an ad hoc basis to cover areas identified as requiring further development.

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.

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. To date, the Corporation meetings have remained virtual. However, individual governor visits to site have resumed.

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, 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 the Audit Committee whose term has been extended, to provide necessary relevant skills and knowledge to support the work of the Audit Committee.

A recruitment exercise is currently underway.

Corporation performance

DCG has self-assessed its provision as Good, which is in line with the December 2019 Ofsted Judgement and its self-assessment of 2020-21. The ESFA rated DCG's financial health as Good in October 2021.

The Corporation undertakes a review of the effectiveness of its performance after each meeting to facilitate ongoing improvement, with a governance evaluation report presented to the Search and Governance Committee. An annual review is to be re-introduced for the 2021-22 academic year.

An annual review against the inspection frameworks for further education, higher education and early years was undertaken in September 2021.

DCG

Report and Financial Statements for the year ended 31 July 2021

Statement of Corporate Governance and Internal Control

An annual attendance review takes place and was presented to the Search and Governance Committee on 15 November 2021.

Governors also meet annually, on an individual basis, with the Chair, Chief Executive, Deputy Chief Executive and the Clerk, for individual reviews of governance.

Remuneration Committee

Throughout the year ending 31 July 2021 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) and the Clerk, review performance against these targets and make recommendations to the Board. 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 2021 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 three members of the Corporation (this excludes 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. The Committee receives a separate risk register for Higher Education to ensure sufficient oversight of the area's risks.

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.

DCG

Report and Financial Statements for the year ended 31 July 2021

Statement of Corporate Governance and Internal Control

The Corporation has delegated the day-to-day responsibility to the Chief Executive, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of 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 Funding Agreement 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 2021 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 2021 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

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

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

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

The audit plan was adjusted in 2020-21 for some audits to take place virtually.

Control weaknesses identified

Statement of Corporate Governance and Internal Control

ICCA Education and Training Skills Limited provided the Internal Audit Service for the College. During 2020/21 it was judged to have overall adequacy and effectiveness of the organisation's risk management, control and governance processes

Responsibilities under funding agreements

The College governors confirm that they have met all conditions under the funding agreement.

Statement from the Audit Committee

The audit committee must advise the Corporation on the adequacy and effectiveness of the Corporation's assurance framework. The audit committee must play a robust role in good stewardship and risk management and may refer to the ESFA's guidance on the scope of work of audit committees and internal auditors in college Corporations. In addition, the Audit Committee advises and supports the Corporation in explaining, in its annual accounts, the measures taken to ensure it has fulfilled its statutory and regulatory responsibilities. The College Accounts Direction sets out the ESFA's specific requirements including the required format of the corporation's statement of corporate governance and internal control.

The Audit Committee has increased flexibilities and freedoms as to how it can obtain the assurances required to prepare and advise the Corporation on the adequacy and effectiveness of the Group's framework of governance, risk management and internal controls. The Audit Committee Annual Report draws together a range of assurances from several key assurance providers in order to form and provide an opinion as outlined above. Its annual report is set out by initially providing the Annual Opinion of the Audit Committee, with subsequent sections documenting the sources and strength of assurances provided during the year. The sections are broken down as follows:

- 1. Corporate Governance;
- 2. Value for Money Statement;
- 3. Risk Management, and;
- 4. Internal Control.

On the basis of the independent audit reports received and the assurances provided throughout the academic year by management, the Committee's opinion is that the Group does have in place an adequate and effective assurance framework. As a result of the assurances received throughout the academic year, the Committee can confirm that the Group has in place adequate and effective audit arrangements. It is the Committee's opinion that the framework of governance, risk management and control, and processes for the effective and efficient use of resources, the solvency of the institution and the safeguarding of its assets are sufficiently robust to provide a reasonable opinion.

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

DCG

Report and Financial Statements for the year ended 31 July 2021

Statement of Corporate Governance and Internal Control

- comments made by the DCG's financial statements auditors; the regularity auditors and the appointed funding auditors in their management letters and other reports.

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

The Executive Management Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Executive Management Team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Executive Management Team and the Audit Committee.

The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its 13 December 2021 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2021 by considering documentation from the senior management team and internal audit and taking account of events since 31 July 2021.

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”*.

Approved by order of the members of the Corporation on 13 December 2021 and signed on its behalf by:

Phil Dover
Chair of Governors

Mandie Stravino
Accounting Officer

DCG

Report and Financial Statements for the year ended 31 July 2021

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

DCG

Report and Financial Statements for the year ended 31 July 2021

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 13 December 2021 and signed on its behalf by:

Phil Dover
Chair of Governors

Derby College

Report and Financial Statements for the year ended 31 July 2021

Reporting Auditors' Assurance Report on Regularity

Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the College's affairs as at 31 July 2021 and of the Group's and the College's income and expenditure, changes in reserves and of the Group's and the College's cash flows for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

We have audited the financial statements of DCG ("the College") and its subsidiaries ("the Group") for the year ended 31 July 2021 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and College Statement of Changes in Reserves, the Consolidated and College Balance Sheets, 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).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Corporation members' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and College's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Corporation members with respect to going concern are described in the relevant sections of this report.

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Report and Financial Statements for the year ended 31 July 2021

Independent Auditor's Report to the Corporation of DCG

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information 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 the Office for Students ("OfS")

In our opinion, in all material respects:

- Funds from whatever source administered by the College for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- Funds provided by the OfS and the ESFA have been applied in accordance with the relevant terms and conditions
- 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 College's grant and fee income, as disclosed in the note to the accounts, has been materially misstated.
- The College'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 37, the Corporation are 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.

Independent Auditor's Report to the Corporation of DCG

In preparing the financial statements, the Corporation are responsible for assessing the Group and 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 Corporation either intends to liquidate the Group or the College or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Based on our understanding of the Group and the sector in which it operates, we identified that the principal risks of non-compliance with laws and regulations are related to their registration with the Office for Students ("OfS) and their ongoing conditions of registration, and we considered the extent to which non-compliance might have a material effect on the Group Financial Statements or their continued operation. We also considered those laws and regulations that have a direct impact on the financial statements such as compliance with the OfS Accounts Direction and tax legislation. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Corporation and other management and inspection of regulatory and legal correspondence if any.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results and management bias in accounting estimates.

The audit procedures to address the risks identified included:

- Reading minutes of meetings of those charged with governance, reviewing internal audit reports and relevant regulators to identify any actual or potential frauds or any potential weaknesses in internal control which could result in fraud susceptibility;
- Discussions with the Audit Committee and management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Reviewing items included in the fraud register as well as the results of internal audit's investigation into these matters;
- Challenging assumptions made by management in their significant accounting estimates in particular in relation to the assumptions related to the useful economic life of fixed assets, other provisions and the pension liability;
- In addressing the risk of fraud, including the management override of controls and improper income recognition, we tested the appropriateness of certain journals, reviewed the application of judgements associated with accounting estimates for the indication of potential bias and tested the application of cut-off and revenue recognition; and
- Identifying and testing journal entries, in particular journals to cash and revenue codes, material journals, duplicate entries, rounded entries and journals containing specific text.

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Report and Financial Statements for the year ended 31 July 2021

Independent Auditor's Report to the Corporation of DCG

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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 OfS and Research England.

Use of our report

This report is made solely to the College Corporation, as a body, in accordance with Section 75 of the Higher Education Research Act 2017. Our audit work has been undertaken so that we might state to the College's Corporation 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.

Hamid Ghafoor (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

Manchester

Date:

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

Derby College

Report and Financial Statements for the year ended 31 July 2021

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 21 September 2021 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 2020 to 31 July 2021 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 2020 to 31 July 2021 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.

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Report and Financial Statements for the year ended 31 July 2021

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 2020 to 31 July 2021 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

BDO LLP
Chartered Accountants
Manchester
Date:

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

Derby College

Report and Financial Statements for the year ended 31 July 2021

Consolidated Statement of Comprehensive Income

	Notes	Year ended 31 July 2021		Year ended 31 July 2020	
		Group £'000	College £'000	Group £'000	College £'000
INCOME					
Funding body grants	2	42,066	42,066	38,061	38,061
Tuition fees and education contracts	3	6,429	6,429	7,281	7,281
Other grants and contracts	4	1,303	1,303	2,104	2,104
Other income	6	1,757	1,755	2,814	2,372
Investment income	7	-	-	20	19
Donations and Endowments		-	-	-	-
Total income		51,555	51,553	50,280	49,837
EXPENDITURE					
Staff costs	8	38,373	37,897	37,505	36,833
Fundamental restructuring costs	8	1,217	1,217	200	180
Other operating expenses	9	10,367	10,837	10,957	11,194
Depreciation and amortisation	11/12	3,473	3,466	3,010	3,005
Interest and other finance costs	10	865	865	1,083	1,083
Total expenditure		54,295	54,282	52,755	52,295
(Deficit) before other gains and losses		(2,740)	(2,729)	(2,475)	(2,458)
Profit on disposal of assets		-	-	-	-
(Deficit) before tax		(2,740)	(2,729)	(2,475)	(2,458)
Taxation		-	-	-	-
(Deficit) for the year		(2,740)	(2,729)	(2,475)	(2,458)
Actuarial (Loss) in respect of pensions schemes	18	(147)	(147)	(9,866)	(9,866)
Total Comprehensive loss for the year		(2,887)	(2,876)	(12,341)	(12,324)
Represented by:					
Restricted comprehensive income		-	-	-	-
Unrestricted comprehensive loss		(2,887)	(2,876)	(12,341)	(12,324)
		(2,887)	(2,876)	(12,341)	(12,324)
(Deficit) for the year attributable to:					
Non-controlling interest		-	-	-	-
Group		(2,740)	(2,729)	(2,475)	(2,458)
Total Comprehensive loss for the year attributable to:					
Non-controlling interest		-	-	-	-
Group		(2,887)	(2,876)	(12,341)	(12,324)

The notes on pages 48 to 76 form part of the financial statements.

DCG

Report and Financial Statements for the year ended 31 July 2021

Consolidated and College Statement of Changes in Reserves

	Income and expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Group			
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
(Deficit) from the income and expenditure account			
Other comprehensive loss	(2,740)	-	(2,740)
Transfers between revaluation and income and expenditure reserves	(147)	-	(147)
Total comprehensive loss for the year	(2,887)	-	(2,887)
Balance at 31 July 2021	12,925	7,500	20,425
College			
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
(Deficit) from the income and expenditure account	(2,729)	-	(2,729)
Other comprehensive income	(147)	-	(147)
Transfers between revaluation and income and expenditure reserves			
Total comprehensive income for the year	(2,876)	-	(2,876)
Balance at 31 July 2021	12,702	7,500	20,202

The notes on pages 48 to 76 form part of the financial statements.

DCG

Report and Financial Statements for the year ended 31 July 2021

Consolidated and College Balance Sheet as at 31 July

	Notes	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
Non current assets					
Tangible Fixed assets	11	89,078	89,078	89,724	89,717
Intangible Fixed Assets (Software)	12	194	194	83	83
Investments	13	-	14	-	14
		89,272	89,286	89,807	89,814
Current assets					
Stocks		134	134	99	99
Trade and other receivables	14	2,332	2,354	2,278	2,402
Cash and cash equivalents	19	10,565	10,304	4,324	3,977
		13,031	12,792	6,701	6,478
Less: Creditors – amounts falling due within one year	15	(11,612)	(11,659)	(5,584)	(5,651)
Net current assets		1,419	1,133	1,117	827
Total assets less current liabilities		90,691	90,419	90,924	90,641
Creditors – amounts falling due after more than one year	16	(4,540)	(4,540)	(4,842)	(4,842)
Provisions					
Defined benefit obligations	18	(60,147)	(60,147)	(55,717)	(55,717)
Other provisions	18	(5,579)	(5,530)	(7,053)	(7,004)
Total net assets		20,425	20,202	23,312	23,078
Unrestricted Reserves					
Income and expenditure account		12,925	12,702	15,812	15,578
Revaluation reserve		7,500	7,500	7,500	7,500
Total unrestricted reserves		20,425	20,202	23,312	23,078

The notes on pages 48 to 76 form part of the financial statements.

The financial statements on pages 44 to 76 were approved and authorised for issue by the Corporation on 13 December 2021 and were signed on its behalf on that date by:

Phil Dover
Chair of Governors

Mandie Stravino
Accounting Officer

DCG

Report and Financial Statements for the year ended 31 July 2021

Consolidated Statement of Cash Flows

	Notes	2021 £'000	2020 £'000
Cash flow from operating activities			
Deficit for the year		(2,740)	(2,475)
Adjustment for non-cash items			
Depreciation and amortisation		3,473	3,010
(Increase) / decrease in stocks		(35)	4
Increase in debtors		(54)	(30)
Increase / (decrease) in creditors due within one year		6,028	(781)
(Decrease)/ increase in provisions		(1,474)	373
Pensions costs less contributions payable		4,284	3,025
Taxation		-	-
Adjustment for investing or financing activities			
Investment income		-	(20)
Interest payable		(6)	47
Taxation paid		-	-
Profit on sale of fixed assets		-	-
Net cash flow from operating activities		<u>9,476</u>	<u>3,153</u>
Cash flows from investing activities			
Proceeds from sale of fixed assets		-	-
Investment income		-	20
Payments made to acquire fixed and intangible assets		(2,939)	(3,229)
Net cash flow from investing activities		<u>(2,939)</u>	<u>(3,209)</u>
Cash flows from financing activities			
Interest paid		6	(47)
Repayments of amounts borrowed		(302)	(303)
Net cash flow from financing activities		<u>(296)</u>	<u>(350)</u>
Increase / (decrease) in cash and cash equivalents in the year		<u>6,241</u>	<u>(406)</u>
Cash and cash equivalents at beginning of the year	19	4,324	4,730
Cash and cash equivalents at end of the year	19	10,565	4,324

The notes on pages 48 to 76 form part of the financial statements.

Notes to the Accounts

1. Statement of accounting policies and estimation techniques

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

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 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 2021.

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 2021 to 31 December 2022 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 2020/21 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 2021 to 31 December 2022 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.

Notes to the Accounts

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 2022 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.

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Report and Financial Statements for the year ended 31 July 2021

Notes to the Accounts

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.

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Report and Financial Statements for the year ended 31 July 2021

Notes to the Accounts

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 8 and 25 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

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Report and Financial Statements for the year ended 31 July 2021

Notes to the Accounts

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.

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Report and Financial Statements for the year ended 31 July 2021

Notes to the Accounts

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.

Notes to the Accounts

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.

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 2019 has been used by the actuary in valuing the pensions liability at 31 July 21. 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.

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Report and Financial Statements for the year ended 31 July 2021

Notes to the Accounts

2	Funding body grants	Year ended 31 July		Year ended 31 July	
		2021	2021	2020	2020
		Group	College	Group	College
		£'000	£'000	£'000	£'000
Recurrent grants					
	Skills Funding Agency	11,111	11,111	12,520	12,520
	Education Funding Agency	28,167	28,167	24,586	24,586
	Higher Education Funding Council	394	394	322	322
Specific grants					
	Skills Funding Agency	546	546	633	633
	SFA capital grants	1,848	1,848	-	-
	HEFCE capital grants			-	-
	Total	42,066	42,066	38,061	38,061

3	Tuition fees and education contracts	Year ended 31 July		Year ended 31 July	
		2021	2021	2020	2020
		Group	College	Group	College
		£'000	£'000	£'000	£'000
	Adult education fees	1,512	1,512	1,857	1,857
	Apprenticeship fees and contracts	111	111	107	107
	Fees for FE loan supported courses	643	643	606	606
	Fees for HE loan supported courses	1,187	1,187	977	977
	International students fees	-	-	-	-
	Total tuition fees	3,453	3,453	3,547	3,547
	Education contracts	2,976	2,976	3,734	3,734
	Total	6,429	6,429	7,281	7,281

4	Other grants and contracts	Year ended 31 July		Year ended 31 July	
		2021	2021	2020	2020
		Group	College	Group	College
		£'000	£'000	£'000	£'000
	Erasmus	-	-	-	-
	Other Government	1,303	1,303	2,104	2,104
	Total	1,303	1,303	2,104	2,104

DCG

Report and Financial Statements for the year ended 31 July 2021

Notes to the Accounts

5	Details of grant and fee analysis including HE	Year ended 31 July		Year ended 31 July	
		2021	2021	2020	2020
		Group	College	Group	College
		£'000	£'000	£'000	£'000
	Grant income from OFS	394	394	322	322
	Grant income from other bodies	43,064	43,062	40,035	39,993
	Fee income for taught awards (exclusive of Vat)	1,559	1,559	1,515	1,515
	Fee income for research awards (exclusive of Vat)	-	-	-	-
	Fee income from non-qualifying courses (exclusive of Vat)	4,870	4,870	5,766	5,766
	Total	49,887	49,885	47,638	47,596

6	Other income	Year ended 31 July		Year ended 31 July	
		2021	2021	2020	2020
		Group	College	Group	College
		£'000	£'000	£'000	£'000
	Catering and residences	49	49	616	116
	Other income generating activities	654	654	741	808
	Other grant income	626	626	877	877
	Non-government capital grants	17	17	17	17
	Miscellaneous income	411	409	563	554
	Inter academy sales	-	-	-	-
	Total	1,757	1,755	2,814	2,372

7	Investment income	Year ended 31 July		Year ended 31 July	
		2021	2021	2020	2020
		Group	College	Group	College
		£'000	£'000	£'000	£'000
	Other interest receivable	-	-	20	19
	Total	-	-	20	19

Notes to the Accounts

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:

	2021	2020
	No.	No.
Teaching staff	754	758
Non-teaching staff	214	250
	968	1,008

Staff costs for the above persons

	2021	2021	2020	2020
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Wages and salaries	26,926	26,642	26,792	26,219
Social security costs	2,383	2,368	2,307	2,292
Other pension costs	8,247	8,242	7,692	7,670
Payroll sub total	37,556	37,252	36,791	36,181
Contracted out staffing services	817	645	714	652
	38,373	37,897	37,505	36,833
Fundamental restructuring costs - Contractual	1,217	1,217	200	180
- Non contractual	-	-	-	-
Total Staff costs	39,590	39,114	37,705	37,013

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.

Notes to the Accounts

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

Benchmarking has been carried out using the ESFA's Financial Benchmarking Tool, the AoC Senior Pay Survey and a comparison of the Top 30 colleges in the UK, including vacant CEO positions and direct competitor colleges with a similar demographic 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: 7.90:1. Including Total Emoluments, the ratio of the Group Chief Executive total emoluments against the Median of the group's whole workforce 7.79:1. Further detail of changes over an extended period of time, will be detailed in future annual reports.

The data shows the Chief Executive's salary is in line with the median for further education colleges in the East Midlands (which range from 4.6:1-8.0:1).

The data that supports these indicators is drawn from;

- The Group's financial record data
- AoC Senior Staff Pay Survey
- The ESFA Benchmarking Tool
- College Internal Analysis and External Reports.

Notes to the Accounts

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

	2021	2020
	No.	No.
The number of key management personnel including the Accounting Officer was:	4	4

Included in 2021 is a member of staff that was made redundant during the year and not in post at 31 July 2021

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	
	2021 No.	2020 No.	2021 No.	2020 No.
£60,001 to £65,000 p.a.	-	-	2	1
£65,001 to £70,000 p.a.	-	-	1	-
£70,001 to £75,000 p.a.	-	-	-	1
£75,001 to £80,000 p.a.	-	-	1	-
£80,001 to £85,000 p.a.	-	-	-	-
£85,001 to £90,000 p.a.	-	2	2	1
£90,001 to £95,000 p.a.	1	-	-	-
£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.	-	-	-	-

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£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.	-	-	-	-
	<u>3</u>	<u>4</u>	<u>6</u>	<u>3</u>

Key management personnel compensation is made up as follows:

	2021	2020
	£'000	£'000
Salaries	414	451
Employers National Insurance (or Social Security contributions)	57	57
Benefits in kind	1	1
	<u>472</u>	<u>509</u>
Pension contributions	73	74
	<u>545</u>	<u>583</u>

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:

	2021	2020
	£'000	£'000
Salaries	171	171
Benefits in kind	1	1
	<u>172</u>	<u>172</u>
Pension contributions	29	25

Compensation for loss of office paid to former key management personnel

	2021	2020
	£'000	£'000
Compensation paid to the former post-holder – contractual	45	-
Estimated values of other benefits, including provision for pension benefits	92	664
	<u>137</u>	<u>664</u>

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 (2019:20: 2) former key management personnel.

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9 Other operating expenses

	2021	2021	2020	2020
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Teaching costs	3,929	3,929	3,556	3,556
Subcontracting costs	937	937	1,179	1,179
Non-teaching costs	1,401	1,397	2,200	2,004
Premises costs	4,100	4,574	4,022	4,455
Total	10,367	10,837	10,957	11,194

Other Operating expenses include:

	2021	2020
	£'000	£'000
Auditors' remuneration:		
Financial statements audit*	46	50
Internal audit**	26	21
Other services provided by the financial statements auditor	3	1
Other services provided by the internal auditors	-	-
Hire of assets under operating leases	1,550	1,573

* Includes £42,000 in respect of the College (2020/21: £47,000)

** Includes £26,000 in respect of the College (2020/21: £21,000)

10 Interest and other finance costs – Group and College

	2021	2020
	£'000	£'000
On bank loans, overdrafts and other loans	(6)	47
Pension finance costs	871	1,036
Total	865	1,083

Included in "On bank loans, overdrafts and other loans" is a credit amount of £30,000 related to release of an historic interest accrual for Lennartz repayment if the legal case was unsuccessful.

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Notes to the Accounts

11 Tangible fixed assets (Group)

	Land and buildings	Equipment	Asset in the	Total
	Freehold	Long leasehold	course of construction	
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2020	115,186	907	1,411	128,217
Additions	615	-	840	2,786
Disposals	-	-	-	(3)
Transfers	951	-	(1,411)	-
At 31 July 2021	116,752	907	840	131,000
Depreciation				
At 1 August 2020	29,626	907	-	38,493
Charge for the year	2,550	-	-	3,432
Elimination in respect of disposals	-	-	-	(3)
At 31 July 2021	32,176	907	-	41,922
Net book value at 31 July 2021	84,576	-	840	89,078
Net book value at 31 July 2020	85,560	-	1,411	89,724

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Notes to the Accounts

11 Tangible fixed assets (College)

	Land and buildings		Equipment	Asset in the	Total
	Freehold	Long leasehold		course of construction	
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2020	115,184	907	10,529	1,411	128,031
Additions	615	-	1,331	840	2,786
Disposals	-	-	(3)	-	(3)
Transfers	951	-	460	(1,411)	-
At 31 July 2021	116,750	907	12,317	840	130,814
Depreciation					
At 1 August 2020	29,621	907	7,786	-	38,314
Charge for the year	2,550	-	875	-	3,425
Elimination in respect of disposals	-	-	(3)	-	(3)
At 31 July 2021	32,171	907	8,658	-	41,736
Net book value at 31 July 2021	84,579	-	3,659	840	89,078
Net book value at 31 July 2020	85,563	-	2,743	1,411	89,717

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.

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Notes to the Accounts

12 Intangible Assets

	Equipment - Software	
	Group	College
	£'000	£'000
Cost or valuation		
At 1 August 2020	510	510
Additions	156	156
Disposals	-	-
At 31 July 2021	666	666
Depreciation		
At 1 August 2020	427	427
Charge for the year	45	45
Elimination in respect of disposals	-	-
At 31 July 2021	472	472
Net book value at 31 July 2021	194	194
Net book value at 31 July 2020	83	83

13 Non-current investments

	College	College
	2021	2020
	£'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

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Notes to the Accounts

14 Debtors

	Group	College	Group	College
	2021	2021	2020	2020
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade receivables	294	294	175	180
Amounts owed by group undertakings:				
Subsidiary undertakings	-	22	-	124
Prepayments and accrued income	1,374	1,374	1,580	1,575
Amounts owed by the Skills Funding Agency	664	664	523	523
Total	2,332	2,354	2,278	2,402

15 Creditors: amounts falling due within one year

	Group	College	Group	College
	2021	2021	2020	2020
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	303	303	303	303
Trade payables	209	209	946	949
Amounts owed to group undertakings:				
Subsidiary undertakings	-	54	-	62
Other taxation and social security	571	567	587	574
Accruals and deferred income	6,759	6,756	3,641	3,656
Amounts owed to the Skills Funding Agency/EFA	3,770	3,770	107	107
Total	11,612	11,659	5,584	5,651

Deferred Income

Included within creditors less than one year, are the following items of income, which have been deferred until specific performance related conditions have been met.

	Group	College	Group	College
	2021	2021	2020	2020
	£'000	£'000	£'000	£'000
Capital grant income	1,440	1,440	183	183
Total	1,440	1,440	183	183

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Notes to the Accounts

16 Creditors: amounts falling due after one year

	Group	College	Group	College
	2021	2021	2020	2020
	£'000	£'000	£'000	£'000
Bank loans	4,540	4,540	4,842	4,842
Total	4,540	4,540	4,842	4,842

17 Maturity of debt

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	Group	College	Group	College
	2021	2021	2020	2020
	£'000	£'000	£'000	£'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	3,328	3,328	3,630	3,630
Total	4,843	4,843	5,145	5,145

Bank loans totalling £4,843,000 (2020: £5,145,000) 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	Enhanced Pensions	Dilapidations	Other Provisions	Total
	£'000	£'000	£'000	£'000	£'000
At 1 August 2020	55,717	5,467	253	1,333	62,770
Released in the period	-	(251)	-	(1,194)	(1,445)
Expenditure in the period	3,748	-	506	-	4,254
Actuarial loss in respect of pension provisions	682	(535)	-	-	147
At 31 July 2021	60,147	4,681	759	139	65,726

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Notes to the Accounts

In light of an upper tribunal verdict against HMRC in a group case concerning Lennartz Vat accounting and published HMRC guidance they "will not impose the primary decision on any FE institution", therefore the previous Lennartz provision has been released wholly during the year.

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:

- 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:

	2021	2020
Price inflation	2.2%	2.2%
Discount rate	1.3%	1.3%

19 Cash and cash equivalents (Group)

	At 1 August 2020	Cash flows	Other changes	At 31 July 2021
	£'000	£'000	£'000	£'000
Cash and cash equivalents	4,324	6,241	-	10,565
Total	4,324	6,241	-	10,565

20 Financial instruments

	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'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	10,565	10,304	4,324	3,977
Trade receivables	294	294	175	180
Other debtors	2,038	2,060	2,103	2,222
Total	12,897	12,658	6,602	6,379

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Notes to the Accounts

Financial liabilities

Financial liabilities measured at amortised cost

Loans	4,842	4,842	5,145	5,145
Trade creditors	209	209	946	949
Accruals	4,356	4,353	3,310	3,325
Other creditors	3,770	3,770	107	107
	<u>13,177</u>	<u>13,174</u>	<u>9,508</u>	<u>9,526</u>

21 Capital and other commitments

	Group and College	
	2021	2020
	£'000	£'000
Commitments contracted for at 31 July	<u>3,461</u>	<u>414</u>

22 Lease obligations

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

	Group and College	
	2021	2020
	£'000	£'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	1,152	1,152
Later than one year and not later than five years	4,886	4,734
Later than five years	4,128	5,540
	<u>10,166</u>	<u>11,426</u>
Other		
Not later than one year	357	509
Later than one year and not later than five years	261	466
Later than five years	-	-
	<u>618</u>	<u>975</u>

23 Contingent Liabilities

DCG has no contingent liabilities in the current year (2020: £753,000).

Notes to the Accounts

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	2021	2020
	£'000	£'000
Teachers' Pension Scheme: contributions paid	3,250	3,097
Local Government Pension Scheme:		
Contributions paid	2,044	1,919
FRS 102 (28) charge	2,948	2,676
Charge to the Statement of Comprehensive Income	4,992	4,595
Enhanced pension charge to Statement of Comprehensive Income	-	-
Total Pension Cost for Year within staff costs	8,242	7,692

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 2019.

Contributions amounting to £271,000 (2020 £275,000) 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.

Notes to the Accounts

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 2020-21 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 £4,399,000 (2019/20: £4,218,000).

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.

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Notes to the Accounts

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 2021 were £2,811,000, of which employer's contributions totalled £2,187,000 and employees' contributions totalled £624,000. The agreed contribution rates for future years are 17.5% 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 2021	At 31 July 2020
Rate of increase in salaries	3.55%	2.9%
Pension increase rate	2.85%	2.2%
Discount rate for scheme liabilities	1.6%	1.4%
Commutation of pensions to lump sums		
- Pre April 2008	50%	50%
- Post April 2008	75%	75%

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

	At 31 July 2021	At 31 July 2020
	years	years
<i>Retiring today</i>		
Males	21.3	21.6
Females	23.9	23.7
<i>Retiring in 20 years</i>		
Males	22.5	22.6
Females	25.8	25.1

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 2021	Fair Value at 31 July 2021 £'000	Long-term rate of return expected at 31 July 2020	Fair Value at 31 July 2020 £'000
Equity instruments	1.60%	63,785	1.40%	51,774
Debt instruments	1.60%	24,299	1.40%	20,370
Property	1.60%	7,087	1.40%	6,790
Cash	1.60%	6,075	1.40%	5,941
Total fair value of plan assets		101,246		84,875
Weighted average expected long term rate of return	1.60%		1.40%	
Actual return on plan assets		14,481		(7,484)

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

	2021	2020
	£'000	£'000
Fair value of plan assets	101,246	84,875
Present value of plan liabilities	(161,330)	(140,529)
Present value of unfunded liabilities	(63)	(63)
Net pensions (liability) (Note 18)	(60,147)	(55,717)

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

	2021	2020
	£'000	£'000
Amounts included in staff costs		
Current service cost	(5,071)	4,982
Past service cost	(68)	(387)
Total	(5,139)	4,595
Amounts included in investment income		
Net interest income	800	933
	800	933

Amount recognised in Other Comprehensive Income

Return on pension plan assets	14,481	(7,484)
Experience losses arising on defined benefit obligations	-	-
Changes in Demographic assumptions	(271)	13,133
Changes in assumptions underlying the present value of plan liabilities	(14,892)	(14,931)
Amount recognised in Other Comprehensive Income	682	(9,282)

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Movement in net defined benefit (liability) during year

	2021	2020
	£'000	£'000
Net defined benefit (liability) in scheme at 1 August	(55,717)	(42,826)
Movement in year:		
Current service cost	(5,071)	(4,982)
Employer contributions	2,191	1,919
Past service cost	(68)	387
Net interest on the defined (liability)	(800)	(933)
Actuarial (loss)	(682)	(9,282)
Net defined benefit (liability) at 31 July	60,147	(55,717)

Asset and Liability Reconciliation

	2021	2020
	£'000	£'000

Changes in the present value of defined benefit obligations

Defined benefit obligations at start of period	140,592	133,043
Current service cost	5,071	4,982
Interest cost	1,992	2,834
Contributions by Scheme participants	624	630
Experience losses on defined benefit obligations	-	-
Changes in financial assumptions	14,892	14,931
Change in demographic	271	(13,133)
Estimated benefits paid	(2,117)	(2,308)
Past Service cost	68	(387)
Curtailements and settlements	-	-
Defined benefit obligations at end of period	161,393	140,592

Changes in fair value of plan assets

Fair value of plan assets at start of period	84,875	90,217
Interest on plan assets	1,192	1,901
Return on plan assets	14,481	(7,484)
Employer contributions	2,191	1,919
Contributions by Scheme participants	624	630
Estimated benefits paid	(2,117)	(2,308)
Fair value of plan assets at end of period	101,246	84,875

Notes to the Accounts

26 Analysis of changes in net debt

	At 1 August 2020	Cash flows	Other Non- cash changes	At 31 July 2021
	£'000	£'000	£'000	£'000
Cash and cash equivalents				
Cash	4,324	6,241	-	10,565
Overdrafts	-	-	-	-
	<u>4,324</u>	<u>6,241</u>	<u>-</u>	<u>10,565</u>
Borrowings				
Debt due within one year	(303)	303	(303)	(303)
Debt due after one year	(4,842)	-	303	(4539)
	<u>(5,145)</u>	<u>303</u>	<u>-</u>	<u>(4,842)</u>
Total	<u>(821)</u>	<u>6,544</u>	<u>-</u>	<u>5,723</u>

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 £601; 3 governor's (2019/20: £1337; 1 governor). 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 (2019/20: 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.

	2021	2020
	£'000	£'000
DCG provided the following to Derby Manufacturing UTC for which invoices have been raised:		
Staff Secondment	-	9
Recharges for Finance / Payroll under SLA agreement	-	-
Recharges for marketing; legal & subscriptions and recruitment	-	-
	<u>-</u>	<u>9</u>

Balances outstanding owed by Derby Manufacturing UTC as at 31 July 2021 was £Nil (2019/20: Nil).

In addition to the above, DCG carried out transactions under normal business with Rolls Royce plc, Flint Bishop LLP, Nottingham Trent university and PKF Smith Cooper 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 £509,000 (2019/20: £656,000). The balance owed by Rolls Royce PLC at 31 July 2021 was £167,000 (2019/20: £3,400). The total purchases to Rolls Royce PLC in the year were £44,000 (2019/20: Nil) the balance owed to Rolls Royce PLC at 31 July 2021 was £Nil (2019/20: Nil)

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27 Related party transactions (*continued*)

The total Sales to Derby City council in the year was £1,767,491 (2019/20: 1,710,717) the balance owed by Derby city council at 31 July 2021 was £Nil (2019/20: £Nil). The total purchases to Derby City council £41,000 (2019/20: £46,000) the balance owed to Derby City Council at 31 July 2021 was £24,000 (2019/20: £24,000)

The total Sales to Nottingham Trent University in the year was £7,500 the balance owed by Nottingham Trent University at 31 July 2021 was £Nil (2019/20: £Nil)

DCG expenditure transactions with Flint Bishop LLP in the year were £19,267 (2019/20: £27,724) - The balance owed to Flint Bishop at 31 July 2021 was £3,600 (2019/20: £1,200).

DCG Expenditure with PKF Smith Cooper was £4,200 in 2021 (£2019/20: £4,644) and the amount owed at 31 July 2021 was £Nil (2019/20: £Nil).

28 Amounts disbursed as agent

	2021	2020
	£'000	£'000
Learner support funds:		
Funding body grants – discretionary learner support	1,252	1,389
Funding body grants – childcare	-	-
Funding body grants – residential bursaries	-	43
	<u>1,252</u>	<u>1,432</u>
Disbursed to students	(569)	(1,285)
Administration costs	(28)	(64)
	<u>655</u>	<u>83</u>
Balance unspent as at 31 July, included in creditors	<u>655</u>	<u>83</u>

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.

DCG

Report and Financial Statements for the year ended 31 July 2021

Notes to the Accounts

29 Access and Participation Plan Expenditure 2020-21

	2021	2020
	£'000	£'000
Access investment	78	76
Financial support	39	30
Support for disabled students	32	32
Research and Evaluation	18	-
	<u>167</u>	<u>138</u>

The total of the approved expenditure in our Access and participation plan for the year ended 31 July 2021 was £129,388 (2019/20 £83,000).

The details of the approved plan for 2020-21 can be found at:

https://apis.officeforstudents.org.uk/accessplansdownloads/2024/DerbyCollegeGroupDCG_APP_2020-21_V1_10001919.pdf

Staff costs of which £128,000 have been included in the above APP Expenditure analysis, are recorded in Note 8 of the accounts.