

Derby College Education Trust

Registered number: 08072758

Trustees report and financial statements

For the year ended 31 August 2016

DERBY COLLEGE EDUCATION TRUST
(A company limited by guarantee)

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DERBY COLLEGE EDUCATION TRUST
(A company limited by guarantee)

REFERENCE AND ADMINISTRATIVE DETAILS OF THE ACADEMY, ITS TRUSTEES AND ADVISERS
FOR THE YEAR ENDED 31 AUGUST 2016

Members	Nick Freeman Janet Morgan Mandie Stravino
Trustees	Katherine Henshaw, (Sponsor) Timothy Park, (Sponsor) Joseph Russo, (Parent) Heather Simcox, (Sponsor) Anita Straffon, (Sponsor) Leslie Spalding-Wells, (Parent) (resigned 11 October 2016) Jane Elizabeth Odea, (Parent) (appointed 11 October 2016) Nick Freeman, (Sponsor) Mandie Stravino, (Sponsor) Janet Morgan, (Sponsor)
Company registered number	08072758
Company name	Derby College Education Trust
Principal and registered office	Derby College Roundhouse Road Pride Park Derby DE24 8JE
Company secretary	Rose Matthews
Senior management team	Marcus Shepherd (from 30 October 2016), Academy Head and Accounting Officer Michael Davie (to 30 October 2016), Executive Principal and Accounting Officer Joanne Walker, Assistant Principal Brendan Pearce-Brindley, Senior Assistant Head Paul Beedle, Deputy Head
Independent auditor	Mazars LLP Chartered Accountants Park View House 58 The Ropewalk Nottingham NG1 5DW
Bankers	Lloyds Bank plc Butt Dyke House 33 Park Row Nottingham NG1 6GY

DERBY COLLEGE EDUCATION TRUST
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REFERENCE AND ADMINISTRATIVE DETAILS OF THE ACADEMY, ITS TRUSTEES AND ADVISERS
FOR THE YEAR ENDED 31 AUGUST 2016

Advisers (continued)

Solicitors	SGH Matineau 1 Colmore Square Birmingham B4 6AA
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DERBY COLLEGE EDUCATION TRUST

(A company limited by guarantee)

TRUSTEES' REPORT

FOR THE YEAR ENDED 31 AUGUST 2016

The Trustees (who are also directors of the charity for the purposes of the Companies Act) present their annual report together with the audited financial statements and Auditor's report of Derby College Education Trust (the academy) for the ended 31 August 2016. The annual report serves the purposes of both a trustees' report and a directors' report under company law.

The trust operates an academy for pupils aged 11 to 19 serving a catchment area of 5 main wards in the city of Derby, 2 of which are in the lowest 10% of poverty nationally. It has a pupil capacity of 1,200 and had a roll of 722 in the school census in October 2016.

Structure, governance and management

• CONSTITUTION

The academy is a charitable company limited by guarantee (registration number 08072758) and an exempt charity.

The charitable company's Trust deed is the primary governing document of the academy trust.

The Trustees of Derby College Education Trust are also the directors of the charitable company for the purpose of company law.

The charitable company is known as Derby College Education Trust.

Details of the Trustees who served during the are included in the Reference and administrative details on page 1.

• MEMBERS' LIABILITY

Each member of the charitable company undertakes to contribute to the assets of the charitable company in the event of it being wound up while they are a member, or within one year after they cease to be a member, such amount as may be required, not exceeding £10, for the debts and liabilities contracted before they ceased to be a member.

• TRUSTEES' INDEMNITIES

A Trustee may benefit from any indemnity insurance purchased at the Academy Trust's expense to cover the liability of the Trustees which by virtue of any rule of law would otherwise attach to them in respect of any negligence, default or breach of trust or breach of duty of which they may be guilty in relation to the Academy Trust: Provided that any such insurance shall not extend to any claim arising from any act or omission which the Trustees knew to be a breach of trust or breach of duty or which was committed by the Trustees in reckless disregard to whether it was a breach of trust or breach of duty or not and provided also that any such insurance shall not extend to the costs of any unsuccessful defence to a criminal prosecution brought against the Trustees in their capacity as directors of the Academy Trust.

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TRUSTEES' REPORT (continued)

FOR THE YEAR ENDED 31 AUGUST 2016

• METHOD OF RECRUITMENT AND APPOINTMENT OR ELECTION OF TRUSTEES

The members of the Trust currently comprise of the Sponsor; three people (maximum) appointed by the Sponsor and the Chair of the Trustees. Each of the persons entitled to appoint members as above also have the right to remove and reappoint by written notice. The members may also agree unanimously in writing to appoint such additional members as they see fit.

The Board of Trustees must comprise of no less than three members but (unless otherwise determined by ordinary resolution) shall not be subject to a maximum. The Trust may have the following Trustees:

- Up to ten sponsor trustees;
- Up to three trustees from each Academy;
- The Chief Executive Officer or Accounting Officer;
- A minimum of two parent trustees;
- Any additional trustees appointed under the articles 61, 61A, 61C, 62 or 67A.

The Trust may also have any Co-opted Trustee appointed under Article 58.

The term of office for any Trustee is four years with the exclusion of the Accounting Officer who remains in office while in post.

• POLICIES AND PROCEDURES ADOPTED FOR THE INDUCTION AND TRAINING OF TRUSTEES

The training and induction provided for new Trustees or local governing bodies depends on the level of existing experience. Where necessary, induction and training will be provided on all matters pertaining to the Academy operation, in particular to educational, legal; and financial matters. The Academy Trust will perform an annual skills audit of governors, should any gaps be identified training courses are offered to address these issues.

• ORGANISATIONAL STRUCTURE

Derby College Education Trust is sponsored by Derby College, which is an exempt charity for the purposes of the Charities Act 2011, and was established under the Further and Higher Education Act 1992. The Trust currently runs Merrill Academy in Derby which converted in January 2013.

Derby College Education Trust is governed by a Board of Trustees who are responsible for and oversee the management and administration of the Trust. Each academy then has a local governing body to ensure the good governance of the Academy and to ensure each Academy's mission is fulfilled, exercising local control via an agreed scheme of delegation.

• ARRANGEMENTS FOR SETTING PAY AND REMUNERATION OF KEY MANAGEMENT PERSONNEL

Remuneration for the Executive Principal and Academy Head are agreed by the full board of trustees, consideration is taken of individual performance and improvement with the Academy. Other key personnel pay is reviewed by the Pay and Performance Committee in line with teacher terms and conditions. .

• CONNECTED ORGANISATIONS, INCLUDING RELATED PARTY RELATIONSHIPS

Merrill Academy is part of the Derby College Education Trust as mentioned in the organisation structure.

DERBY COLLEGE EDUCATION TRUST

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TRUSTEES' REPORT (continued) FOR THE YEAR ENDED 31 AUGUST 2016

Objectives and Activities

• OBJECTS AND AIMS

Derby College Education Trust has the principal activities, as defined by the Articles of Association of:

- Advancing for the public benefit, education in the United Kingdom, in particular the management and development of schools offering a broad and balanced curriculum; and
- Promoting for the benefit of individuals living in the United Kingdom, the provision of facilities for recreation or other leisure time activities in the interests of social welfare.

• OBJECTIVES, STRATEGIES AND ACTIVITIES

The success of our learners is central to everything we do at Derby College Education Trust. Our vision is *"to inspire our learners to make life changing differences for their personal success and social welfare"*.

Our mission, as approved by the trustees is *"to release potential and achieve outstanding success"*.

The vision and mission of the Trust will be reflected by individual strategic aims within each academy. These strategic aims are intended to translate our Vision and Mission into reality and outline how we will achieve this.

A range of key performance indicators will measure our success in meeting our goals.

Merrill Academy

Merrill Academy's three year strategy encompasses the following strategic objectives:

1. Improve standards of teaching and learning
2. Raise levels of attainment and achievement
3. Become an innovative and inclusive learning environment.

• PUBLIC BENEFIT

The Trustees have complied with the duty, in Section 4 of the Charities Act 2006, to have due regard to public benefit guidance published by the Charity Commission in exercising their powers or duties. In particular, the Trustees consider how planned activities will contribute to the aims and objectives they have set. The Academy has provided a fully comprehensive education to all pupils in its care. To support its wider educational objectives the Trust has had a wider strong community role supporting work with parents, other schools and out of school activities.

• ACHIEVEMENTS AND PERFORMANCE

Progress 8 is used as the key success measure, the figure for 2015-16 of -0.22 is slightly lower than predicted which follows the same pattern observed across the city with predictions, however Merrill still stands above six other main stream schools in the city in this new progress measure and appears to sit in the centre of other schools in the vicinity. English and Maths results are not yet at national levels but due to a skewed intake towards prior low attainment at KS2, the Maths element of progress 8 indicated a significant positive outcome of +0.26. The open group element mirrored that of many other schools in the city showing a negative significance and highlighted an area of focus. The performance of middle and higher ability students along with those who are disadvantaged are a focus moving forwards.

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TRUSTEES' REPORT (continued)

FOR THE YEAR ENDED 31 AUGUST 2016

• KEY FINANCIAL PERFORMANCE INDICATORS

In addition to the Progres 8 Measure, the Trust also monitors the following KPIs:

	Target	Actual	
Pupil numbers	843	764	The number is planned to stabilise around 760 in 2017/18
Year 7 to 11 attendance	95%	91.5%	Further progress has been made in 2016/17 on this measure.
Teaching cost as a % of income	55%	54.5%	On target
Total pay cost as a % of income	62%	61.8%	On target

• GOING CONCERN

After making appropriate enquiries, the trustees have a reasonable expectation that the academy trust has adequate resources to continue in operational existence for the foreseeable future. For this reason it continues to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern can be found in the Statement of Accounting Policies.

Financial review

• FINANCIAL REVIEW

Merrill Academy

Merrill Academy is the main activity of the Trust, the Academy adjusted well in year to lower income from changes to deprivation funding and changes to pupil numbers. Before the impact of FRS102 pension costs the reserves reduced by £48k in 2015/16 which was broadly in line with expectations. This has allowed the Trust to retain funds for further improvement activities in 2016/17. The Trust continues to ensure that funds are invested in providing education and supporting improvement of the Academy. A budget which uses a further £150k of reserves has been set for 2016/17 which supports the improvement work within the Academy.

• RESERVES POLICY

The Trust requires any use of reserves to be in specific furtherance of its stated objectives and must be approved by the Board. Trustees will continue to regularly monitor the reserve levels for the Academy, encompassing the nature of income and expenditure streams, and the need to match income with existing commitments. The Trust currently holds free reserves of £1,004k, which is approximately 2.2 months turnover, the trust seeks to hold a minimum reserve of one month's turnover, prioritising reserves for improvement within Merrill Academy.

• INVESTMENT POLICY

The Trust keeps the majority of cash within an interest bearing current account. A risk-averse approach to investment has been adopted and funds will be placed on short-term interest bearing deposit with the Trust's main bankers in addition to the main current account.

DERBY COLLEGE EDUCATION TRUST

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TRUSTEES' REPORT (continued)

FOR THE YEAR ENDED 31 AUGUST 2016

• PRINCIPAL RISKS AND UNCERTAINTIES

The trustees have responsibility to assess the major risks to which the Trust is exposed. The Trust has approved a risk register to formally identify the risks, financial and otherwise, to which the Academy is exposed. An effective system of internal controls is in place to minimise these risks and agree any required mitigating actions. The Trustees review the risk log on a regular basis.

The Trust categorises risks by type; likelihood and severity of outcome. Lack of learner attainment and progress remains the highest risk to the academy effecting:

- Learner outcomes
- Ofsted grading
- Reputation
- Enrolments
- Staff recruitment; and
- Funding allocations and financial security.

The key actions and controls used by the Trust to reduce risk include:

- Refocussing of SLT roles
- Rigorous performance management
- Focussed public relations activity
- Embedded teaching and learning continuous development
- Regular meetings at all levels to assess progress; achievement and attainment of learners.
- Regular management accounting information

Other risks and uncertainties that the Trust recognises are

- Significant changes to the funding of schools and academies with the introduction of the National Funding Formula, the Trust is using information from the DfE to model the impact of this.
- Changes to Maths and English examinations may have an impact on historic success rates, the Trust along with others in the sector is monitoring this.
- Changes to the structure of Multi Academy Trusts, the Trust works closely with the Regional School Commissioner to discuss the potential outcomes for the Trust.
- Significant growth in pupils, the Trust has agreed with Derby City to increase the admission number of Merrill to 240 pupils per year.

Plans for future periods

• PLANS FOR FUTURE PERIODS

The Trust continues to further embed Merrill Academy in the community; reinforcing links with link schools; employers and the wider community. The financial environment for schools continues to be challenging; cost savings have been achieved and further savings are planned to return Merrill Academy to a small in year surplus by 2018/19. Reserves are being used to meet the excess expenditure in future years, which allows the Trust to continue improvement activities.

FUNDS HELD AS CUSTODIAN

There are no funds held as Custodian Trustee on behalf of others.

DERBY COLLEGE EDUCATION TRUST
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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2016

DISCLOSURE OF INFORMATION TO AUDITOR

Insofar as the trustees are aware:

- there is no relevant audit information of which the charitable company's auditor is unaware, and
- the trustees have taken all the steps that ought to have been taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

AUDITOR

The auditor, Mazars LLP, has indicated its willingness to continue in office. The Designated Trustees will propose a motion re-appointing the auditor at a meeting of the Trustees.

This report was approved by order of the board of trustees as the company directors, on 6/12/2016 and signed on its behalf by:


.....
Nick Freeman
Chair of Trustees

DERBY COLLEGE EDUCATION TRUST

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GOVERNANCE STATEMENT

SCOPE OF RESPONSIBILITY

As trustees, we acknowledge we have overall responsibility for ensuring that Derby College Education Trust has an effective and appropriate system of control, financial and otherwise. However such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The board of trustees has delegated the day-to-day responsibility to the Academy Head, as Accounting Officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between Derby College Education Trust and the Secretary of State for Education. They are also responsible for reporting to the board of trustees any material weaknesses or breakdowns in internal control.

GOVERNANCE

The information on governance included here supplements that described in the Trustees' report and in the Statement of Trustees' responsibilities. The board of trustees has formally met 5 times during the year. Attendance during the year at meetings of the board of trustees was as follows:

	Meetings attended	Out of a possible
Katherine Henshaw, (Sponsor)	5	5
Timothy Park, (Sponsor)	5	5
Joseph Russo, (Parent)	3	5
Heather Simcox, (Sponsor)	5	5
Anita Straffon, (Sponsor)	4	5
Leslie Spalding-Wells, (Parent)	1	5
Jane Elizabeth Odea, (Parent)	0	0
Nick Freeman, (Sponsor)	0	0
Mandie Stravino, (Sponsor)	5	5
Janet Morgan, (Sponsor)	3	5

Governance reviews:

The Trust made no changes to governance in 2015/16 and plans no future changes.

REVIEW OF VALUE FOR MONEY

As accounting officer the Academy Head has responsibility for ensuring that the academy trust delivers good value in the use of public resources. The accounting officer understands that value for money refers to the educational and wider societal outcomes achieved in return for the taxpayer resources received.

The accounting officer considers how the trust's use of its resources has provided good value for money during each academic year, and reports to the board of trustees where value for money can be improved, including the use of benchmarking data where available. The accounting officer for the academy trust has delivered improved value for money during the year by:

- Using shared services with Derby College to reduce administration costs.
- Made use of sector procurement contracts to reduce purchasing costs
- Reducing the size of educational management to provide resources for teaching and learning

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GOVERNANCE STATEMENT (continued)

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 academy policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Derby College Education Trust for the year 1 September 2015 to 31 August 2016 and up to the date of approval of the annual report and financial statements.

CAPACITY TO HANDLE RISK

The board of trustees has reviewed the key risks to which the academy is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The board of trustees is of the view that there is a formal ongoing process for identifying, evaluating and managing the academy's significant risks, that has been in place for the year 1 September 2015 to 31 August 2016 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the board of trustees.

THE RISK AND CONTROL FRAMEWORK

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

- comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports which are reviewed and agreed by the board of trustees;
- regular reviews by the Finance and Audit Committee of reports which indicate financial performance against the forecasts and of major purchase plans, capital works and expenditure programmes;
- setting targets to measure financial and other performance;
- clearly defined purchasing (asset purchase or capital investment) guidelines.
- delegation of authority and segregation of duties;
- identification and management of risks.

The board of trustees has considered the need for a specific internal audit function and has decided to rely the internal control processes of Derby College who provide financial services to the Trust. The Chief Financial Officer reports any irregularities to the Board of Trustees.

The appointee's role includes giving advice on financial matters and performing a range of checks on the academy's financial systems. On an annual basis, the appointee reports to the board of trustees on the operation of the systems of control and on the discharge of the board of trustees' financial responsibilities.

No irregularities have been reported by Derby College.

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GOVERNANCE STATEMENT (continued)

REVIEW OF EFFECTIVENESS

As Accounting Officer, the Academy Head has responsibility for reviewing the effectiveness of the system of internal control. During the year in question the review has been informed by:

- the work of the external auditor;
- the financial management and governance self-assessment process;
- the work of the executive managers within the academy who have responsibility for the development and maintenance of the internal control framework.

The Accounting Officer has been advised of the implications of the result of their review of the system of internal control by the Finance and Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Approved by order of the members of the board of trustees on 6/12/2014 and signed on their behalf, by:



.....
Nick Freeman
Chair of Trustees



.....
Marcus Shephard
Accounting Officer

DERBY COLLEGE EDUCATION TRUST
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STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE

As Accounting Officer of Derby College Education Trust I have considered my responsibility to notify the academy trust board of trustees and the Education Funding Agency of material irregularity, impropriety and non-compliance with EFA terms and conditions of funding, under the funding agreement in place between the academy trust and the Secretary of State for Education. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2015.

I confirm that I and the academy trust board of trustees are able to identify any material irregular or improper use of funds by the academy trust, or material non-compliance with the terms and conditions of funding under the academy trust's funding agreement and the Academies Financial Handbook 2015.

I 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 board of trustees and EFA.



Marcus Shephard
Accounting Officer

6/12/2016

DERBY COLLEGE EDUCATION TRUST

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STATEMENT OF TRUSTEES' RESPONSIBILITIES

FOR THE YEAR ENDED 31 AUGUST 2016

The Trustees (who act as governors of Derby College Education Trust and are also the directors of the charitable company for the purposes of company law) are responsible for preparing the Trustees' report and the financial statements in accordance with the Annual Accounts Direction issued by the Education Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

Company law requires the Trustees to prepare financial statements for each financial year. Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of its incoming resources and application of resources, including its income and expenditure, for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles of the Charities SORP 2015 and the Academies' Accounts Direction 2015 to 2016;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards (FRS 102) have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees are responsible for ensuring that in its conduct and operation the charitable company applies financial and other controls, which conform with the requirements both of propriety and of good financial management. They are also responsible for ensuring grants received from the EFA/DfE have been applied for the purposes intended.

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by order of the members of the board of trustees and signed on its behalf by:


.....
Nick Freeman
Chair of Trustees

Date: 6/12/2016

DERBY COLLEGE EDUCATION TRUST

(A company limited by guarantee)

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF DERBY COLLEGE EDUCATION TRUST

We have audited the financial statements of Derby College Education Trust for the year ended 31 August 2016 which comprise the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law the Academies Accounts Direction 2015 to 2016 issued by the Education Funding Agency and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP 2015 (FRS 102)).

RESPECTIVE RESPONSIBILITIES OF TRUSTEES AND AUDITOR

As explained more fully in the Statement of Trustees' responsibilities, the Trustees (who are also the directors of the academy for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors. This report is made solely to the Trustees as a body. Our audit work has been undertaken so that we might state to the members 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 Academy Trust and the members as a body for our audit work, for this report, or for the opinions we have formed.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the academy's affairs as at 31 August 2016 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and the Academies Accounts Direction 2015 to 2016 issued by the Education Funding Agency.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Trustees' report, incorporating the Strategic Report, for the financial year for which the financial statements are prepared is consistent with the financial statements.

DERBY COLLEGE EDUCATION TRUST
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**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS TO THE
MEMBERS OF DERBY COLLEGE EDUCATION TRUST**

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Trustees were not entitled to take advantage of the small companies' exemption from the requirement to prepare a Strategic report.

David Hoose

David Hoose (Senior statutory auditor)

for and on behalf of

Mazars LLP

Chartered Accountants
Statutory Auditor

Park View House
58 The Ropewalk
Nottingham
NG1 5DW

Date: 6/12/16

DERBY COLLEGE EDUCATION TRUST

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INDEPENDENT REPORTING AUDITOR'S ASSURANCE REPORT ON REGULARITY TO DERBY COLLEGE EDUCATION TRUST AND THE EDUCATION FUNDING AGENCY

In accordance with the terms of our engagement letter dated 4 October 2016 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2015 to 2016, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Derby College Education Trust during the year 1 September 2015 to 31 August 2016 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to Derby College Education Trust and the EFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to Derby College Education Trust and the EFA 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 Derby College Education Trust and the EFA, for our work, for this report, or for the conclusion we have formed.

RESPECTIVE RESPONSIBILITIES OF DERBY COLLEGE EDUCATION TRUST'S ACCOUNTING OFFICER AND THE REPORTING AUDITOR

The accounting officer is responsible, under the requirements of Derby College Education Trust's funding agreement with the Secretary of State for Education dated 31 December 2012, and the Academies Financial Handbook extant from 1 September 2015, 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 Academies Accounts Direction 2015 to 2016. 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 year 1 September 2015 to 31 August 2016 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 Academies Accounts Direction 2015 to 2016 issued by the EFA. We performed a limited assurance engagement as defined in our engagement letter.

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity.

A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

Our engagement includes examination, on a test basis, of evidence relevant to the regularity and propriety of the academy's income and expenditure.

A summary of the work we have undertaken is as follows:

- Planned our assurance procedures including identifying key risks;
- Carried out sample testing on controls;
- Carried out substantive testing including analytical review; and
- Concluded on procedures carried out.

**INDEPENDENT REPORTING AUDITOR'S ASSURANCE REPORT ON REGULARITY TO
DERBY COLLEGE EDUCATION TRUST AND THE EDUCATION FUNDING AGENCY
(continued)**

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 year 1 September 2015 to 31 August 2016 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Mazars LLP

David Hoose (Senior statutory auditor)

for and on behalf of

Mazars LLP

Chartered Accountants
Statutory Auditor

Park View House
58 The Ropewalk
Nottingham
NG1 5DW

Date: *6/12/16*

DERBY COLLEGE EDUCATION TRUST
(A company limited by guarantee)

STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED 31 AUGUST 2016

	Note	Unrestricted funds 2016 £000	Restricted funds 2016 £000	Restricted fixed asset funds 2016 £000	Total funds 2016 £000	Total funds 2015 £000
Income from:						
Donations and capital grants	2	-	-	16	16	22
Charitable activities	3	100	5,527	-	5,627	5,804
Other trading activities	4	26	13	-	39	34
Investments	5	8	-	-	8	7
Total income		134	5,540	16	5,690	5,867
Expenditure on:						
Raising funds	6	-	18	-	18	-
Charitable activities	7	248	5,539	199	5,986	6,053
Total expenditure		248	5,557	199	6,004	6,053
Net expenditure before other gains and losses		(114)	(17)	(183)	(314)	(186)
Actuarial gains/(losses) on defined benefit pension schemes	19	-	(774)	-	(774)	23
Net movement in funds		(114)	(791)	(183)	(1,088)	(163)
Reconciliation of funds:						
Total funds brought forward		401	(830)	16,710	16,281	16,444
Total funds carried forward		287	(1,621)	16,527	15,193	16,281

DERBY COLLEGE EDUCATION TRUST

Registered number: 08072758

(A company limited by guarantee)**BALANCE SHEET****AS AT 31 AUGUST 2016**

	Note	£000	2016 £000	2015 £000
Fixed assets				
Tangible assets	11		16,526	16,700
Current assets				
Debtors	12	190		934
Cash at bank and in hand		1,591		1,119
		1,781		2,053
Creditors: amounts falling due within one year	13	(776)		(991)
Net current assets			1,005	1,062
Total assets less current liabilities			17,531	17,762
Defined benefit pension scheme liability	19		(2,338)	(1,481)
Net assets including pension scheme liabilities			15,193	16,281
FUNDS OF THE ACADEMY TRUST				
Restricted funds:				
Restricted funds	14	717		651
Restricted fixed asset funds	14	16,527		16,710
Restricted funds excluding pension liability		17,244		17,361
Pension reserve		(2,338)		(1,481)
Total restricted funds			14,906	15,880
Unrestricted funds	14		287	401
Total funds			15,193	16,281

The financial statements were approved by the Trustees, and authorised for issue, on
6 / 12 / 2016 and are signed on their behalf, by:



Nick Freeman
Chair of Trustees

The notes on pages 21 to 38 form part of these financial statements.

DERBY COLLEGE EDUCATION TRUST
(A company limited by guarantee)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 AUGUST 2016

	Note	2016 £000	2015 £000
Cash flows from operating activities			
Net cash provided by operating activities	16	<u>473</u>	<u>23</u>
Cash flows from investing activities:			
Dividends, interest and rents from investments		8	7
Purchase of property, plant and equipment		(25)	(25)
Capital grants from DfE/EFA		<u>16</u>	<u>22</u>
Net cash (used in)/provided by investing activities		<u>(1)</u>	<u>4</u>
Change in cash and cash equivalents in the year	17	472	27
Cash and cash equivalents brought forward		<u>1,119</u>	<u>1,092</u>
Cash and cash equivalents carried forward	17	<u><u>1,591</u></u>	<u><u>1,119</u></u>

DERBY COLLEGE EDUCATION TRUST

(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2016

1. Accounting policies

A summary of the principal accounting policies adopted (which have been applied consistently, except where noted), judgements and key sources of estimation uncertainty, is set out below.

1.1 Basis of preparation of financial statements

The financial statements of the academy trust, which is a public benefit entity under FRS 102, have been prepared under the historical cost convention in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP (FRS 102)), the Academies Accounts Direction 2015 to 2016 issued by EFA, the Charities Act 2011 and the Companies Act 2006.

Derby College Education Trust constitutes a public benefit entity as defined by FRS 102.

First time adoption of FRS 102

These financial statements are the first financial statements of Derby College Education Trust prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102) and the Charities SORP 2015 (SORP 2015). The financial statements of Derby College Education Trust for the year ended 31 August 2015 were prepared in accordance with previous Generally Accepted Accounting Practice ('UK GAAP') and SORP 2005.

Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the Trustees have amended certain accounting policies to comply with FRS 102 and SORP 2015.

Reconciliations to previous UK GAAP for the comparative figures are included in note 24.

1.2 Going concern

The Trustees assess whether the use of going concern is appropriate, i.e. whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the academy to continue as a going concern. The Trustees make this assessment in respect of a period of at least one year from the date of authorisation for issue of the financial statements and have concluded that the academy trust has adequate resources to continue in operational existence for the foreseeable future and there are no material uncertainties about the academy trust's ability to continue as a going concern, thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

DERBY COLLEGE EDUCATION TRUST

(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2016

1. Accounting policies (continued)

1.3 Income

All income is recognised once the Academy Trust has entitlement to the income, it is probable that the income will be received and the amount of income receivable can be measured reliably.

Grants are included in the Statement of Financial Activities on a receivable basis. The balance of income received for specific purposes but not expended during the period is shown in the relevant funds on the Balance Sheet. Where income is received in advance of meeting any performance-related conditions there is not unconditional entitlement to the income and its recognition is deferred and included in creditors as deferred income until the performance-related conditions are met. Where entitlement occurs before income is received, the income is accrued.

General Annual Grant is recognised in full in the Statement of Financial Activities in the year for which it is receivable and any abatement in respect of the period is deducted from income and recognised as a liability.

Capital grants are recognised when there is entitlement and are not deferred over the life of the asset on which they are expended. Unspent amounts of capital grant are reflected in the balance in the restricted fixed asset fund.

Sponsorship income provided to the Academy Trust which amounts to a donation is recognised in the Statement of Financial Activities in the period in which it is receivable, where the receipt is probable and the amount can be measured reliably.

Donations are recognised on a receivable basis (where there are no performance-related conditions) where the receipt is probable and the amount can be measured reliably.

Other income, including the hire of facilities, is recognised in the period in which it is receivable and to the extent the goods have been provided or on completion of the service.

1.4 Expenditure

Expenditure is recognised once there is a legal or constructive obligation to transfer economic benefit to a third party, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably. Expenditure is classified by activity. The costs of each activity are made up of the total of direct costs and shared costs, including support costs involved in undertaking each activity. Direct costs attributable to a single activity are allocated directly to that activity. Shared costs which contribute to more than one activity and support costs which are not attributable to a single activity are apportioned between those activities on a basis consistent with the use of resources. Central staff costs are allocated on the basis of time spent, and depreciation charges allocated on the portion of the asset's use.

Expenditure on Raising Funds

This includes all expenditure incurred by the academy trust to raise funds for its charitable purposes and includes costs of all fundraising activities events and non-charitable trading.

Charitable Activities

These are costs incurred on the academy trust's educational operations, including support costs and costs relating to the governance of the academy trust apportioned to charitable activities.

All resources expended are inclusive of irrecoverable VAT.

DERBY COLLEGE EDUCATION TRUST

(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2016

1. Accounting policies (continued)

1.5 Tangible fixed assets and depreciation

Assets costing £1,000 or more are capitalised as tangible fixed assets and are carried at cost, net of depreciation and any provision for impairment.

Where tangible fixed assets have been acquired with the aid of specific grants, either from the government or from the private sector, they are included in the Balance Sheet at cost and depreciated over their expected useful economic life. Where there are specific conditions attached to the funding requiring the continued use of the asset, the related grants are credited to a restricted fixed asset fund in the Statement of Financial Activities and carried forward in the Balance Sheet. Depreciation on the relevant assets is charged directly to the restricted fixed asset fund in the Statement of Financial Activities. Where tangible fixed assets have been acquired with unrestricted funds, depreciation on such assets is charged to the unrestricted fund.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the Statement of Financial Activities.

Assets in the course of construction are included at cost. Depreciation on these assets is not charged until they are brought into use.

Tangible fixed assets are carried at cost, net of depreciation and any provision for impairment. Depreciation is not charged on freehold land. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold property	- 68 years
Fixtures and fittings	- 3 years straight line

1.6 Liabilities

Liabilities are recognised when there is an obligation at the Balance Sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Liabilities are recognised at the amount that the Academy Trust anticipates it will pay to settle the debt or the amount it has received as advanced payments for the goods or services it must provide.

1.7 Provisions

Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

1.8 Operating leases

Rentals under operating leases are charged to the Statement of financial activities on a straight line basis over the lease term.

DERBY COLLEGE EDUCATION TRUST

(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2016

1. Accounting policies (continued)

1.9 Taxation

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

1.10 Pensions

Retirement benefits to employees of the academy are provided by the Teachers' Pension Scheme ("TPS") and the Local Government Pension Scheme ("LGPS"). These are defined benefit schemes and the assets are held separately from those of the academy.

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the Academy trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective unit credit method. As stated in note 19, the TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate.

The LGPS is a funded scheme and the assets are held separately from those of the academy trust in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method and discounted at a rate equivalent to 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 financial activities 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.

1.11 Fund accounting

Unrestricted income funds represent those resources which may be used towards meeting any of the charitable objects of the Academy Trust at the discretion of the Trustees.

Restricted fixed asset funds are resources which are to be applied to specific capital purposes imposed by funders where the asset acquired or created is held for a specific purpose.

Restricted general funds comprise all other restricted funds received with restrictions imposed by the funder and include grants from the Department for Education.

DERBY COLLEGE EDUCATION TRUST

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2016

1. Accounting policies (continued)

1.12 Private finance initiative

The school buildings were built under a private finance initiative ("PFI") agreement between Derby City Council and Vinci Construction UK. When the school converted to an academy on 1 January 2013 the agreement was legally amended to take account of the change in circumstances.

The cost included in these financial statements for the year to 31 August 2016 is £905,494 and it is included in the Statement of Financial Activities under academy's educational operations. The Education Funding Agency currently fund PFI factors 1 and 2 which totalled £324,718 during the year and the academy fund the operational charges which amounted to £580,776, plus ongoing PFI benchmarking charges. Each year the payments are subject to an increase which is linked to the retail price index.

As the private finance initiative liability does not rest with the academy, the trustees have decided to treat the payments made in the year to 31 August 2016, as if they were made under an operating lease agreement on the grounds that these payments related entirely to operating and maintenance costs.

1.13 Agency arrangements

The academy trust acts as an agent in distributing 16-19 bursary funds from EFA. Payments received from EFA and subsequent disbursements to students are excluded from the statement of financial activities as the trust does not have control over the charitable application of the funds. The funds received and paid and any balances held are disclosed in note 22.

1.14 Critical accounting estimates and areas of judgement

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions:

The academy trust makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

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 19, 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 2013 has been used by the actuary in valuing the pensions liability at 31 August 2016. 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.

DERBY COLLEGE EDUCATION TRUST
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

2. Income from donations and capital grants

	Unrestricted funds 2016 £000	Restricted funds 2016 £000	Restricted fixed asset funds 2016 £000	Total funds 2016 £000	Total funds 2015 £000
Capital grants	-	-	16	16	22

In 2015, of the total income from donations and capital grants, £ *NIL* was to unrestricted funds and £22k was to restricted funds

3. Funding for Academy's educational operations

	Unrestricted funds 2016 £000	Restricted funds 2016 £000	Total funds 2016 £000	Total funds 2015 £000
DfE/EFA grants				
General Annual Grant (GAG)	-	4,969	4,969	5,079
Start-up grants	-	3	3	18
Other DfE/EFA Grants	-	499	499	558
	-	5,471	5,471	5,655
Other government grants				
Local authority grants	-	31	31	39
Special educational projects	-	25	25	2
	-	56	56	41
Other income from the academy trust's educational operations				
	100	-	100	108
	100	5,527	5,627	5,804

In 2015, of the total income from charitable activities, £108k was to unrestricted funds and £5,696k was to restricted funds.

DERBY COLLEGE EDUCATION TRUST
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

4. Other trading activities

	Unrestricted funds 2016 £000	Restricted funds 2016 £000	Total funds 2016 £000	Total funds 2015 £000
Trips	-	13	13	7
Other income	19	-	19	27
Catering income	7	-	7	-
	<u>26</u>	<u>13</u>	<u>39</u>	<u>34</u>

In 2015, of the total fundraising income, £27k was to unrestricted funds and £7k was to restricted funds.

5. Investment Income

	Unrestricted funds 2016 £000	Restricted funds 2016 £000	Total funds 2016 £000	Total funds 2015 £000
Short term deposits	8	-	8	7

In 2015, of the total investment income, £7k was to unrestricted funds and £ NIL was to restricted funds.

6. Resources expended

	Staff costs £000	Premises £000	Other costs £000	Total 2016 £000	Total 2015 £000
Costs of activities for generating funds	-	-	18	18	-
Academy's educational operations					
- Direct costs	3,207	199	578	3,984	4,325
- Allocated support costs	545	1,117	340	2,002	1,728
Total	<u>3,752</u>	<u>1,316</u>	<u>936</u>	<u>6,004</u>	<u>6,053</u>

DERBY COLLEGE EDUCATION TRUST
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

7. Charitable activities

	Total 2016 £000	Total 2015 £000
Direct costs - educational operations	3,984	4,325
Support costs - educational operations	2,002	1,728
Total	5,986	6,053

Support costs

	Total 2016 £000	Total 2015 £000
Support staff costs	545	380
Premises costs	1,117	1,098
Other support costs	171	221
Governance costs	169	29
Total	2,002	1,728

In 2015, of the total expenditure, £116k was to unrestricted funds and £5,937k was to restricted funds.

8. Net incoming resources/(resources expended)

This is stated after charging:

	2016 £000	2015 £000
Depreciation of tangible fixed assets:		
- owned by the charity	199	187
Auditor's remuneration	10	11
Auditor's remuneration - non-audit	2	2
Operating lease rentals:		
- other operating leases	22	14

DERBY COLLEGE EDUCATION TRUST
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

9. Staff costs

Staff costs were as follows:

	2016 £000	2015 £000
Wages and salaries	2,781	3,043
Social security costs	227	218
Other pension costs (Note 19)	430	438
	<u>3,438</u>	<u>3,699</u>
Supply staff costs	145	195
Staff restructuring	112	66
Defined benefit pension costs	57	46
	<u>3,752</u>	<u>4,006</u>

The average number of persons employed by the academy during the year was as follows:

	2016 No.	2015 No.
Teachers	62	79
Administration and support	49	48
Management	8	8
	<u>119</u>	<u>135</u>

The number of employees whose employee benefits (excluding employer pension costs) exceeded £60,000 was:

	2016 No.	2015 No.
In the band £60,001 - £70,000	2	2
In the band £70,001 - £80,000	1	0

The above employees participated in the Teachers' Pension Scheme. During the period ended 31 August 2016 pension contributions paid amounted to £33,370 (2015 - £18,438).

Non statutory/non-contractual staff severance payments

There were no non-statutory/non-contractual severance payments within the staff restructuring costs (2015: £Nil).

Key management personnel

The key management personnel of the academy trust comprise the trustees and the senior management team as listed on page 1. The total amount of employee benefits (including employer pension contributions) received by key management personnel for their services to the academy trust was £384,923 (2015: £369,092).

DERBY COLLEGE EDUCATION TRUST
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

10. Trustees' and Officers' Insurance

In accordance with normal commercial practice the academy has purchased insurance to protect trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy business. The insurance provides cover up to £1,000,000 on any one claim and the cost for the year ended 31 August 2016 was £619 (2015 - £619).

11. Tangible fixed assets

	Freehold property £000	Fixtures and fittings £000	Total £000
Cost			
At 1 September 2015	17,161	34	17,195
Additions	-	25	25
At 31 August 2016	17,161	59	17,220
Depreciation			
At 1 September 2015	490	5	495
Charge for the year	183	16	199
At 31 August 2016	673	21	694
Net book value			
At 31 August 2016	16,488	38	16,526
At 31 August 2015	16,671	29	16,700

Included in land and buildings is freehold land at valuation of £4,680,100 (2015 - £4,680,100) which is not depreciated.

12. Debtors

	2016 £000	2015 £000
Trade debtors	1	5
Other debtors	46	249
Prepayments and accrued income	143	680
	<u>190</u>	<u>934</u>

DERBY COLLEGE EDUCATION TRUST
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

13. Creditors: Amounts falling due within one year

	2016	2015
	£000	£000
Trade creditors	22	764
Other taxation and social security	65	54
Other creditors	12	59
Accruals and deferred income	677	114
	<u>776</u>	<u>991</u>

	2016	2015
	£000	£000
Deferred income		
Deferred income at 1 September 2015	59	62
Resources deferred during the year	70	59
Amounts released from previous years	(59)	(62)
Deferred income at 31 August 2016	<u>70</u>	<u>59</u>

Deferred income as at 31 August 2016 consists of: 16/17 Devolved Formula Capital £20k (2015: £17k), 16/17 Rates Relief £25k (2015: £25k), 16/17 SEN £Nil (2015: £15k), Locality Panel Funding £12k (2015: £Nil), Trip income £Nil (2015: £2k) and training activities £13k (2015: £Nil).

DERBY COLLEGE EDUCATION TRUST
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

14. Statement of funds

	Brought Forward As restated £000	Income £000	Expenditure £000	Gains/ (Losses) £000	Carried Forward £000
Unrestricted funds					
Unrestricted funds	401	134	(248)	-	287
Restricted funds					
General Annual Grant (GAG)	651	4,969	(4,903)	-	717
Pupil Premium	-	457	(457)	-	-
Other Restricted	-	114	(114)	-	-
Pension reserve	(1,481)	-	(83)	(774)	(2,338)
	(830)	5,540	(5,557)	(774)	(1,621)
Restricted fixed asset funds					
DfE/EFA capital grants	38	16	(16)	-	38
Main Academy Building	16,672	-	(183)	-	16,489
	16,710	16	(199)	-	16,527
Total restricted funds	15,880	5,556	(5,756)	(774)	14,906
Total of funds	16,281	5,690	(6,004)	(774)	15,193

The specific purposes for which the funds are to be applied are as follows:

- Unrestricted funds represent those resources which may be used towards meeting any of the charitable objects of the academy at the discretion of the Trustees;
- Restricted funds (excluding pension and other restricted reserves) represent funds received from the Department for Education and is specifically spent on the running of the academy;
- Pension reserve represents the movements on the Local Government Pension Scheme liability;
- Other restricted reserve represents funds which are restricted by the donor including school trip income;
- Restricted fixed asset funds represent resources which are applied to specific capital purposes imposed by the Department for Education where the asset acquired or created is held for a specific purpose.

Under the funding agreement with the Secretary of State, the academy was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2016.

DERBY COLLEGE EDUCATION TRUST
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

15. Analysis of net assets between funds

	Unrestricted funds 2016 £000	Restricted funds 2016 £000	Restricted fixed asset funds 2016 £000	Total funds 2016 £000	Total funds 2015 £000
Tangible fixed assets	-	-	16,526	16,526	16,700
Current assets	287	1,493	1	1,781	2,054
Creditors due within one year	-	(776)	-	(776)	(992)
Provisions for liabilities and charges	-	(2,338)	-	(2,338)	(1,481)
	<u>287</u>	<u>(1,621)</u>	<u>16,527</u>	<u>15,193</u>	<u>16,281</u>

16. Reconciliation of net movement in funds to net cash flow from operating activities

	2016 £000	2015 £000
Net expenditure for the year (as per Statement of financial activities)	(314)	(186)
Adjustment for:		
Depreciation charges	199	187
Losses on investments	(8)	(7)
Decrease in debtors	744	116
Decrease in creditors	(215)	(156)
Capital grants from DfE and other capital income	(16)	(22)
Defined benefit pension scheme finance cost	83	91
Net cash provided by operating activities	<u>473</u>	<u>23</u>

17. Analysis of cash and cash equivalents

	2016 £000	2015 £000
Cash in hand	1,591	1,119
Total	<u>1,591</u>	<u>1,119</u>

18. Capital commitments

At 31 August 2016 the academy had capital commitments as follows:

	2016 £000	2015 £000
Contracted for but not provided in these financial statements	<u>33</u>	<u>-</u>

DERBY COLLEGE EDUCATION TRUST

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2016

19. Pension commitments

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

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS related to the period ended 31 March 2012 and of the LGPS 31 March 2013.

There were no outstanding or prepaid contributions at either the beginning or the end of the financial year.

Teachers' Pension Scheme

Introduction

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations (2010) and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. Membership is automatic for full-time teachers in academies and, from 1 January 2007, automatic for teachers in part-time employment following appointment or a change of contract, although they are able to opt out.

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

Valuation of the Teachers' Pension Scheme

Not less than every four years the Government Actuary, using normal actuarial principles, conducts a formal actuarial review of the TPS in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 published by HM Treasury. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. The latest actuarial valuation of the TPS was carried out as at 31 March 2012 and in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education on 9 June 2014. The key elements of the valuation and subsequent consultation are:

- employer contribution rates set at 16.48% of pensionable pay, including a 0.08% employer administration charge (currently 14.1%)
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £191,500 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176,600 million giving a notional past service deficit of £14,900 million
- an employer cost cap of 10.9% of pensionable pay will be applied to future valuations
- the assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

During the previous year the employer contribution rate was 14.1%. The TPS valuation for 2012 determined an employer rate of 16.4%, which was payable from September 2015. The next valuation of the TPS will be as at March 2016, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

The employer's pension costs paid to TPS in the period amounted to £305,503 (2015 - £296,745).

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2016

19. Pension commitments (continued)

A copy of the valuation report and supporting documentation is on the Teachers' Pensions website (www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx).

Under the definitions set out in FRS 102, the TPS is a multi-employer pension scheme. The trust has accounted for its contributions to the scheme as if it were a defined contribution scheme. The trust has set out above the information available on the scheme.

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2016 was £127,000 (2015 - £133,000), of which employers' contributions totalled £99,000 (2015 - £103,000) and employees contributions totalled £28,000 (2015 - £30,000). The agreed contribution rates for future years are 11.2% for employers and 5.5% to 7.5% for employees.

Parliament has agreed, at the request of the Secretary of State for Education, to a guarantee that, in the event of academy closure, outstanding Local Government Pension Scheme liabilities would be met by the Department for Education. The guarantee came into force on 18 July 2013.

Principal actuarial assumptions at the Balance sheet date (expressed as weighted averages):

	2016	2015
Discount rate for scheme liabilities	2.10 %	3.80 %
Expected return on scheme assets at 31 August	2.10 %	5.10 %
Rate of increase in salaries	3.10 %	3.60 %
Rate of increase for pensions in payment / inflation	2.10 %	2.70 %

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

	2016	2015
Retiring today		
Males	22.0	22.0
Females	24.2	24.2
Retiring in 20 years		
Males	24.1	24.1
Females	26.6	26.6

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19. Pension commitments (continued)

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

	Fair value at 31 August 2016 £000	Fair value at 31 August 2015 £000
Equities	443	296
Bonds	137	87
Property	39	26
Cash	33	26
Total market value of assets	652	435

The amounts recognised in the Statement of financial activities are as follows:

	2016 £000	2015 £000
Current service cost	(125)	(142)
Interest on obligation	(76)	(66)
Expected return on scheme assets	19	14
Total	(182)	(194)
Actual return on scheme assets	96	10

Movements in the present value of the defined benefit obligation were as follows:

	2016 £000	2015 £000
Opening defined benefit obligation	1,916	1,722
Current service cost	125	142
Interest cost	76	66
Contributions by scheme participants	28	30
Actuarial Losses/(gains)	851	(27)
Benefits paid	(6)	(17)
Closing defined benefit obligation	2,990	1,916

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FOR THE YEAR ENDED 31 AUGUST 2016

19. Pension commitments (continued)

Movements in the fair value of the academy's share of scheme assets:

	2016 £000	2015 £000
Opening fair value of scheme assets	435	309
Expected return on assets	19	14
Actuarial gains and (losses)	77	(4)
Contributions by employer	99	103
Contributions by employees	28	30
Benefits paid	(6)	(17)
	<u>652</u>	<u>435</u>

20. Operating lease commitments

At 31 August 2016 the total of the Academy trust's future minimum lease payments under non-cancellable operating leases was:

	Land and buildings		Other	
	2016 £000	2015 £000	2016 £000	2015 £000
Expiry date:				
Within 1 year	-	-	15	14
Between 1 and 5 years	-	-	21	-
Total	<u>-</u>	<u>-</u>	<u>36</u>	<u>14</u>

On conversion, the Private Finance Initiative ("PFI") property used by the Trust was transferred from Derby City Council to the trust via a donation. No liability has arisen as a result of this transaction as Derby City Council retained ultimate responsibility for the outstanding capital finance. However a financial commitment exists for the Trust in the form of PFI charges to cover the service charge element of the unitary charge payable by Derby City Council. The commitment currently amounts to approximately £580,776 per annum over the term of 25 years, plus PFI benchmarking charges. These charges are subject to an increase which is linked to the retail price index. The PFI contributions are recognised in the Statement of Financial Activities.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2016

21. Related party transactions

Owing to the nature of the academy trust and the composition of the board of trustees being drawn from local public and private sector organisations, transactions may take place with organisations in which the trust has an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the trust's financial regulations and normal procurement procedures. The following related party transactions took place between Derby College Education Trust and Derby College:

	2016 £000	2015 £000
Services provided to Merrill Academy	160	45
Alternative Curriculum Provision Incl Free School meals	68	71
Services provided to Digital Studio School	-	12
	<u>228</u>	<u>128</u>

No items were outstanding at 31 August 2016.

22. Agency arrangements

The academy trust distributes 16-19 bursary funds to students as an agent for EFA. In the accounting period ending 31 August 2016 the trust received £18k (2015: £18k) and disbursed £15k (2015: £15k) from the fund. An amount of £6k (2015: £3k) is included in other creditors relating to undistributed funds that is repayable to EFA.

23. Members' liability

Each member of the charitable company undertakes to contribute to the assets of the company in the event of it being wound up while he/she is a member, or within one year after he/she ceases to be a member, such amount as may be required, not exceeding £10 for the debts and liabilities contracted before he/she ceases to be a member.

24. First time adoption of FRS 102

It is the first year that the Academy Trust has presented its financial statements under SORP 2015 and FRS 102. The following disclosures are required in the year of transition. The last financial statements prepared under previous UK GAAP were for the year ended 31 August 2015 and the date of transition to FRS 102 and SORP 2015 was therefore 1 September 2014. As a consequence of adopting FRS 102 and SORP 2015, a number of accounting policies have changed to comply with those standards.

The policies applied under the academy's previous accounting framework are not materially different to FRS 102 and have not impacted on funds or net income/expenditure.