Derby College

Report and Financial Statements

For the year ended 31 July 2017

Derby College

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Key Management Personnel, Corporation Board Members and Professional Advisors

Key management personnel

Key management personnel are defined as members of the Executive Team and were represented by the following in 2016/17:
Mandie Stravino; CEO; Accounting officer

Jonathan Fearon; Chief Finance Officer

Heather Simcox; Deputy CEO - Strategy and Corporate Services

Anita Straffon; Deputy Principal - Education and Learner Experience (resigned 23 June 2017)

April Hayhurst; Deputy Principal Employer and Economic Affairs

Board of Governors

A full list of Governors is given on pages 16 and 17 of these financial statements. Governors are referred to as members of the Derby College Corporation Board throughout the report.

Clerk to the Corporation is Rose Matthews.

Professional advisers

Financial statements auditors and reporting accountants:

BDO LLP
Two Snowhill
Birmingham
B4 6GA

Internal auditors:

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

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

Barclays Bank plc
PO Box 3333
Snow Hill Queensway
Birmingham
B3 2WN

Professional advisers (continued)

Solicitors:

Flint Bishop LLP
St Michaels Court
St Michaels Lane
Derby
DE1 3HQ

Geldards LLP
Number One Pride Place
Pride Park
Derby
DE24 8QR

Shakespeare Martineau LLP (up to 31 March 2017)
1 Colmore Square
Birmingham
B4 6AA

Freeths LLP (from 1 April 2017)
Cardinal Square
2nd Floor
West Point
10 Nottingham Road
Derby
DE1 3QT

Eversheds LLP
Bridgewater Place
Water Lane
Leeds
LS11 5DR

Derby College

Report and Financial Statements for the year ended 31 July 2017

Contents

Members' Report

NATURE, OBJECTIVES, AND STRATEGIES:

The Members present their report and the audited financial statements for the year ended 31 July 2017.

Legal status

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

Mission

The College's mission is to 'Prepare individuals for the next phase of their lives: the world of work, entrepreneurship, advanced learning, career progression and to contribute as positive citizens.'

Public Benefit

Derby College is an exempt charity under the Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education as Principal Regulator for all FE Corporations in England. The members of the Corporation, who are trustees of the charity, are disclosed on pages 16 and 17.

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

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

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

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

Implementation of strategic plan

In July 2014 the College adopted a strategic plan for the period 1 August 2014 to 31 July 2017. This strategic plan includes property and financial plans. The Corporation monitors the performance of the College against these plans. The plans are reviewed and updated each year. The College's strategic ambitions for 2014-17 are to:

- **Transform the learners' experience**
- **Revolutionise the offer**
- **Contribute to economic growth and social prosperity**

- **Invest in the learning environment by improving financial health**

The College is on target to achieve objectives underlying each of the above ambitions. In March 2016, Ofsted found the College to be 'Good' overall, with 'Outstanding' features, including recognition of the College's 'High Needs' provision. Ofsted's inspection followed the highly successful Higher Education QAA Review, Broomfield Hall residential 'Outstanding' grade in 2015, and 'Outstanding' grade for the College's Little Explorers Nursery in 2016. The College's Self-Assessment has maintained this rating.

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

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

In ***transforming the learners' experience*** and preparing young people for the next stage of their lives, appropriate and impartial advice and guidance for students is crucial. Evidence of how Derby College achieves this is the Gold Standard Provider Career Mark Award. The College's student voice surveys outcomes continue to show a positive impact in that 98% of learners agreed that the information, advice, and guidance (IAG) received was *'helpful and enabled them to make an informed choice.'*

The College has worked tirelessly to continue to improve teaching and learning practices, to provide appropriate, safe and inspiring environments and create learning zones, such as the Fujitsu and Intel Innovation Hub and the dedicated Higher Education Centre. All of this was recognised by Ofsted, and via strong multi-agency partnerships, the College continues to be recognised as a leader within the region in regard to providing safe environments and practices for learners. Ofsted highlighted that the College have *'particularly effective arrangements for ensuring learners' safety from extremism.'*

Ensuring learners progress into positive destinations at the end of their learning journey is crucial, and this year the College has continued to grow alumni and capturing their success stories to illustrate their progression. Over 1,500 members have signed up to the Derby College Alumni Association.

The College's outstanding partnership work with employers to design and deliver the College's curriculum has supported the College's ambition to ***revolutionise its offer.*** Employment and Skills Advisory Boards strategically engage employers and business to help provide fit-for-purpose programmes that will meet their needs. There are currently 320 employers involved in 17 Advisory Boards. During 2016/17 1,380 students undertook a workplace visit, 727 students took part in 48 employer led projects to provider additional industry relevant skill, and 2,538 students attended presentations from industry specialist speakers.

- 100% of students attending work experience projects felt that their work experience project helped put their knowledge into practice.
- 99% of employers agreed that the student placed with them had the right employability skills.
- 99% of employers said that students had the right attitude in the workplace.

The College's work and partnerships with employers and the business community is directly ***contributing to economic growth and social prosperity,*** as the College looks to support business by providing a pipeline of future talent needed to support the economy in the region, including *'a wide range of well-planned apprenticeships to* *meet employer needs in the region.'* (Ofsted March 2016) Establishing Employer Academies was pivotal in moving employer relationships forward to create impactful partnerships and the College now has over 3,000 employers and stakeholders involved in some form. Not only have they delivered valued work experience, special projects and guru lecture opportunities for learners, they have also enabled involvement in a wide range of community-focused activities.

The College continues to operate within challenging economic times and has worked hard to ensure it remains focused on a sustainable operating model in order to enable ***investment in the learning environment and improve financial health.*** The College has established some successful ventures under 'The Roundhouse' brand which continue to generate substantial commercial and full-cost income. Further new 'Learning for Leisure' programmes have been developed which have received high satisfaction ratings. This part-time learning offer for adults provides an opportunity to learn for fun, to master a new hobby or to meet like-minded people, enabling access to valued College resources and contributing to social enrichment.

In terms of property, the College has fulfilled its current property strategy, completing the last planned disposal and reducing overall space by subletting space to Derbyshire Health United. The College has continued to see its people as a key resource and during the year minimised restructuring using natural wastage to reduce costs; the revised working practices saw the College meet its targets on efficiency.

Financial objectives

The College's financial objectives are:

1. **Financial Health**: *To achieve satisfactory financial performance in 2016/17 and improve to good by 2017/18 as defined by the SFA financial health scoring. To be monitored and measured via the monthly management accounts.* ***Achieved 2016/17 target 2017/18 rating is 'Good'.***

2. **Financial Operating Position**: *To achieve a sector EBITDA surplus in 2016/17 of 8% and budget to maintain this for 2017/18 onwards, as calculated by the ESFA methodology. To be monitored and measured via the monthly management accounts.* ***Achieved 2016/17 target.***

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.* ***Achieved in excess of £1.2m in 2016/17.***

The College is required to complete the annual Finance Record for the Education and Skills Funding Agency. The College is assessed by the Education and Skills Funding Agency as having a "Good" financial health grading.

Performance indicators

Classroom Based Learning, including Functional Skills			16/17	Provider Group Average (15/16)
College Overall 16-18	CBL (inc FS)	Retention	92	90
		Pass	88	88
		Achievement	81	79
College Overall 19+	CBL (inc FS)	Retention	94	93
		Pass	96	93
		Achievement	90	86
College Overall	CBL (inc FS)	Retention	93	91
		Pass	92	90
		Achievement	85	82
Apprenticeships			16/17	Provider Group Average (15/16)
Apprenticeships Overall		Achievement	71	69

FINANCIAL POSITION

Financial results

The Further Education Sector has defined EBITDA as the key financial comparator, with a benchmark indicator of 5 to 8%. The table below illustrates that the College generated a sector EBITDA surplus of £3,958,000 (2016 £2,455,000) and has performed well against this measure. This identifies that the College is generating funds to reinvest in its future provision.

Sector EBITDA	**2017**
	£'000
(Deficit) before other gains and losses (per page 29)	**(2,445)**
Adjust for :	
Interest receivable	**(6)**
Interest / Finance costs (including pension interest)	**972**
Additional cost of pension service	**1,617**
Depreciation	**3,820**
Sector EBITDA surplus/(deficit)	**3,958**
% of Turnover	**8.1%**

The FE Commissioner recommends that colleges generate a positive underlying operating surplus, the table below shows that the College generated an Underlying Operating Surplus of £384,000.

Underlying operating position	**2017**
	£'000
(Deficit) before other gains and losses (per page 29)	**(2,445)**
Adjust for :	
Pension interest	**903**
Additional cost of pension service	**1,617**
Redundancy	**309**
Sector Underlying operating position	**384**

The total comprehensive income of £8,269,000 (2016 loss £10,012,000) is stated after accounting for a significant £10,419,000 reduction in the LGPS defined benefit pension scheme liability.

The College has accumulated reserves of £49,596,000 (2016 £41,327,000) and cash and short-term investment balances of £3,195,000 (2016 £837,000). The College wishes to continue to strengthen the reserves and cash position.

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2016/17 the FE funding bodies provided 78% of the College's total income.

The College has one active subsidiary company, Mackworth Business Services Ltd (MBS). The principal activity of MBS is the rental of property and events. Any surpluses generated by the subsidiary is transferred to the College. In the current year, the surplus generated was £101,000.

Treasury Policies and Objectives

Treasury management is the management of the College's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

The College has a separate Treasury Management Policy in place.

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

Cash flows and liquidity

At £3.4m (2016 £1.8m), net cash flow from operating activities continued to strengthen. The size of the College's total borrowing and its approach to interest rates has been calculated to ensure a reasonable cushion between the total interest and repayments.

Reserves Policy

The Income and Expenditure Unrestricted Reserves of the College of £49,596,000 are represented wholly by Fixed Assets. The College has made a substantial investment in facilities, providing a high-quality learning environment. A final phase of rationalisation was completed in 2017. The College plans to build up cash reserves over the three-year period 2017 to 2020. This will provide a level of free reserves for broader investment in provision.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Curriculum developments

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

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

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

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During the accounting period 1 August 2016 to 31 July 2017, the College paid 85 percent of its invoices within 30 days, this represents 87 percent by invoice value. The College incurred no interest charges in respect of late payment for this period.

Events after the end of the reporting period

There are no significant post balance sheet events.

Future prospects

The College is seeking to maintain its strong financial performance and forecasts that it will maintain a 'Good' EFSA financial rating. The College is seeking to achieve small incremental growth in 16 to 18 ESFA funding whilst achieving significant growth in Health, Manufacturing and Engineering Apprenticeships, particularly linked to work with a group of key employers.

There are two significant changes occurring in the sector. The first is the introduction of the Employer Levy from April 2017, which will impact the ESFA funding of Apprenticeships. The College's core base of Apprenticeships is with SME companies who are not impacted by this change. The Levy provides opportunities for the College to grow work with major employers particularly in manufacturing and engineering, we are working with the D2N2 Local Enterprise Partnership to implement a major investment in the provision in this area along with construction and rail. The second change is the government's new approach to the potential future insolvency of FE colleges. In response to this, the College is actively seeking to strengthen its cash position over the next three years to lower the impact of this risk.

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

RESOURCES

The College has various resources that it can deploy in pursuit of its strategic objectives. Tangible resources include the award-winning Roundhouse Campus including the Hudson Construction Centre, Joseph Wright Post-16 Academic and Arts Centre, Broomfield Hall (the College's specialist land-based and leisure campus), and Ilkeston Campus. The estate has a carrying value of £93m (note 10).

People

The College employed an average 911 people (expressed as full-time equivalents), of whom 712 are teaching / teaching support staff.

Reputation

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

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

1 Government funding

The College has considerable reliance on continued government funding through the further education sector funding bodies and through HEFCE. In 2016/17, 78% of the College's revenue was ultimately publicly funded, and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

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

- Changes to Apprenticeship funding provides greater opportunities with an increase in apprenticeship numbers planned. The College has revised its offer to respond to the new Levy.
- European funding will be removed in the longer term, from 2016/17 the College has reduced its reliance on this income substantially.

This risk is mitigated in a number of ways:

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

2 Tuition fee policy

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

This risk is mitigated in a number of ways:

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

3 Maintain adequate funding of pension liabilities

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

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

4 Property Disposals

No further disposals are planned.

STAKEHOLDER RELATIONSHIPS

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

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

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

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

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

Equality and Diversity Policy and Disability statement

Equal opportunities

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

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

Disability statement

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

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

Disclosure of information to auditors

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

Approved by order of the members of the Corporation on 11 December 2017 and signed on its behalf by:

Janet Morgan

Janet Morgan

Chair

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2016 to 31 July 2017 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

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

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

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

In the opinion of the Members, the College complies with the provisions of the Code, and it has complied throughout the year ended 31 July 2017. The Corporation recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted in May 2015.

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

The Corporation

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

No	Category	Name	Link Governor	Cttee M'Ship	First Appointed	First Term End Date	Term renewal information appvd by Corporation on 24 November 2014 and 18 May 2015, 13 March 2017, 17 July 2017, 30th October 2107		Total term of office served at end of renewal
							Re-appointed	Term End Date	
1	Student	Carl Anderson	[redacted]	Standards	01.08.17	31.07.18	Appointed via SU		N/A nominated annually via student population
2	General	Jack Atwal	[redacted]	Standards	01.01.16	31.12.18	01.12.18	31.12.20	4 Years
3	Staff	Tim de Ville	[redacted]	Standards	01.08.16	31.07.17	Annual appointment via staff election	N/A appointed annually via staff population	
4	General	Richard Brewell	[redacted]		01.09.17	31.08.19			2 Years
5	General	Philip Dover	JWC/ HE Link	Standards, Remuneration, Strategy	01.08.13	31.07.15	01.08.17	31.07.19	6 Years
6	General	Nick Freeman	[redacted]	Corporate College/MBS DCET	31.01.11	31.01.13	01.02.17	31.01.19	8 Years
7	General	Mike Kapur	[redacted]	Audit	30/10/17	29/10/19			2 years
8	General	Peter Lewis	[redacted]	Audit	01.09.17	31.08.19			2 Years
9	General	Jonathan McCluskey	Ilkeston/ Roundhouse Safeguarding Link	Audit	22.03.10	22.03.12	01.04.17	31.03.18	8 Years
10	Student	Gary Malcolm	[redacted]		10.11.16	31.07.17	Appointed via SU		N/A nominated annually via student population
11	General	Martyn Marples	[redacted]	Audit	30/10/17	29/10/19			2 years
12	General	Janet Morgan ***Elected Chair for 2016-17 and 2017-18***	[redacted]	Standards Corporate College/MBS DCET, Review Search and Governance Strategy	Oct 2010	15.09.12	01.08.16	31.07.18	8 Years
13	Staff	Lee Pratt	[redacted]	Standards	01.08.17	31.07.18	Annual appointment via staff election	N/A appointed annually via staff population	
14	General	Graham Schuhmacher	Apprenticeships/ Employer Engagement/ Engineering	Standards, Strategy	01.08.13	31.07.15	01.08.17	31.07.19	6 Years
15	General	Kevin Slack	[redacted]	Audit Remuneration Strategy	22.03.10	22.03.12	01.04.16	31.07.19	9 Years
16	General	Simon Smith	[redacted]	Audit	01.09.16	31.08.18			2 Years
17	Chief Executive	Mandie Stravino	[redacted]	Standards, Corporate College/MBS DCET, Strategy.	N/A				

Statement of Corporate Governance and Internal Control

No	Category	Name	Link Governor	Cttee M'Ship	First Appointed	First Term End Date	Term renewal information appvd by Corporation on 24 November 2014 and 18 May 2015, 13 March 2017, 17 July 2017, 30th October 2107		Total term of office served at end of renewal
			[redacted]	Search and Governance					
18	General	David Williams *Elected Vice-Chair for 2016-17 and 2017-18*	Broomfield Hall Link	Search and Governance Remuneration Strategy	01.08.13	31.07.15	01.08.18	31.07.20	7 Years
	Co-Opted	Rosslyn Green	[redacted]	Audit	10.03.14	31.07.15	31.07.16	31.07.19	

Committee attendance rates

A successful Corporation requires commitment from all members. The attendance target set by the Corporation is 80%. In the year 2016/17, one member, through ill health, was unable to attend meetings. Excluding this member, overall attendance at Corporation meetings was 86%. A summary of attendance is shown below:

	Corporation (6 meetings)	Audit (3 meetings)	Search and Governance (2 meetings)	Curriculum and Quality (4 meetings)	Strategy (1 meeting)
Jack Atwal	67%	100%	-	-	-
Tim de Ville	100%	-	-	67%	-
Philip Dover	83%	-	-	100%	100%
Nick Freeman	67%	-	-	-	-
Gary Malcolm	100%				
Jonathan McCluskey	67%	100%	-	-	-
Janet Morgan	100%	-	100%	100%	100%
Graham Schuhmacher	67%	-	-	75%	100%
Kevin Slack	100%	100%	-	-	100%
Simon Smith	100%	50%			
Mandie Stravino	100%	-	100%	75%	100%
David Williams	83%	-	100%	-	0%
Rosslyn Green (Audit Co-opted)	-	100%	-	-	-
Overall	86%	90%	100%	83%	83%

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

Statement of Corporate Governance and Internal Control

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

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Audit; Strategy, Remuneration, Curriculum and Quality, Search and Governance. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website **derby-college.ac.uk** or from: **The Clerk to the Corporation, Derby College, The Roundhouse, Roundhouse Road, Pride Park, Derby, DE24 9JE.**

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

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

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

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

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

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search and Governance Committee, comprising of three members of the Corporation, including the Chief Executive, which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

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. One exception to this is the Chair of Audit Committee whose term has been extended, with approval of the Corporation, on the basis this individual provides necessary relevant skills and knowledge to support the work of the Audit Committee.

Corporation performance

The College has self-assessed its provision as Good, which is in line with the April 2016 Ofsted Judgement. The ESFA rated the College's financial health as Good in November 2017.

Remuneration Committee

Throughout the year ending 31 July 2017 the College's Remuneration Committee comprised four members of the Corporation. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Senior Post Holders (CEO and Deputy CEO).

Details of remuneration for the year ended 31 July 2017 are set out in note 7 to the financial statements.

Statement of Corporate Governance and Internal Control

Audit Committee

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

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

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

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

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

Internal control

Scope of responsibility

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

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

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims, and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of college policies, aims, and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Derby College for the year ended 31 July 2017 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that have been in place for the period ending 31 July 2017 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

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

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

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

Review of effectiveness

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

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

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

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

Statement of Corporate Governance and Internal Control

The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its 11th December 2017 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2017 by considering documentation from the senior management team and internal audit and taking account of events since 31 July 2017.

Based on the advice of the Audit Committee and the Accounting Officer, the Corporation is of the opinion that the College has an adequate and effective framework for governance, risk management, and control, and has fulfilled its statutory responsibility for *"the effective and efficient use of resources, the solvency of the institution and the body and the safeguarding of their assets"*.

Going concern

After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

Approved by order of the members of the Corporation on 11 December 2017 and signed on its behalf by:

Janet Morgan

Chair of Governors

Janet Morgan

Mandie Stravino

Accounting Officer

Statement of Regularity, Propriety and Compliance

The Corporation has considered its responsibility to notify the Education Skills Funding Agency of material irregularity, impropriety and non-compliance with Education Skills Funding Agency terms and conditions of funding, under the financial memorandum in place between the College and the Education Skills Funding Agency. As part of this consideration, the Corporation has had due regard to the requirements of the financial memorandum.

We confirm, on behalf of the Corporation, that after due enquiry, and to the best of our knowledge, we are able to identify any material irregular or improper use of funds by the College, or material non-compliance with the Education Skills Funding Agency's terms and conditions of funding under the College's financial memorandum.

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 Education Skills Funding Agency.

Janet Morgan

Mandie Stravino

Accounting Officer

Janet Morgan

Chair of Governors

Statement of Responsibilities of the Members of the Corporation

The Members of the Corporation are required to present audited financial statements for each financial year.

Within the terms and conditions of the Financial Memorandum between the Skills Funding Agency and the Corporation of the College, the Corporation, through its Accounting Officer, is required to prepare Financial Statements for each financial year in accordance with the *2015 Statement of Recommended Practice – Accounting for Further and Higher Education* and with the *College Accounts Direction 2016 to 2017* issued by the EFSA, and which give a true and fair view of the state of affairs of the College and the result for that year.

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

The Corporation is also required to prepare a Members' Report which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College.

The Corporation is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the College, and which enable it to ensure that the financial statements are prepared in accordance with the relevant legislation of incorporation and other relevant accounting standards. It is responsible for taking steps that are reasonably open to it in order to safeguard the assets of the College and to prevent and detect fraud and other irregularities.

The maintenance and integrity of the College website is the responsibility of the Corporation of the College; the work carried out by the 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 the Education Skills Funding Agency are used only in accordance with the Financial Memorandum with the Education Skills Funding Agency 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 in order to safeguard public and other funds and to ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the College's resources and expenditure, so that the benefits that should be derived from the application of public funds from the Education Skills Funding Agency are not put at risk.

Approved by order of the Members of the Corporation on 11 December 2017 and signed on its behalf by:

Janet Morgan

Janet Morgan

Chair of Governors

Independent Auditor's Report to the Corporation of Derby College

Opinion

We have audited the financial statements of Derby College ("the College") for the year ended 31 July 2017 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and College Statement of Changes in Reserves, the Consolidated and College Balance Sheet, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2017 and of the College's income and expenditure, gains and losses, changes in reserves and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education and relevant legislation.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information including the Members' Report, Statement of Corporate Governance and Internal Control and the Governing

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Responsibilities of the Corporation

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

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

Auditor's responsibilities for the audit of the financial statements

This report is made solely to the Corporation of the College, as a body, in accordance with the Further & Higher Education Act 1992. Our audit work has been undertaken so that we might state to the Corporation of the College those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the College and the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

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

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

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

BDO LLP

Kyla Bellingall (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

Birmingham

Date: 15 December 2017

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

Reporting Auditors' Assurance Report on Regularity

To: The Corporation of Derby College and the Department for Education acting through the Education and Skills Funding Agency

In accordance with the terms of our engagement letter dated 18 August 2017 and further to the requirements of the financial memorandum with the Education and Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Derby College ("the College") during the period 1 August 2016 to 31 July 2017 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 issued by the Education and Skills Funding Agency. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record (ILR) returns, for which the Education and Skills Funding Agency has other assurance arrangements in place.

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

Respective responsibilities of Derby College and the reporting accountant

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Post-16 Audit Code of Practice. 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 2016 to 31 July 2017 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 Post-16 Audit Code of Practice issued by the Education and Skills Funding Agency. We performed a limited assurance engagement as defined in that framework.

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

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

Reporting Auditors' Assurance Report on Regularity

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 2016 to 31 July 2017 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

BDO LLP

BDO LLP

Chartered Accountants

Birmingham

Date: 15 December 2017

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

Consolidated Statement of Comprehensive Income

	Notes	Year ended 31 July 2017		Year ended 31 July 2016	
		Group	**College**	**Group**	**College**
		£'000	**£'000**	**£'000**	**£'000**
INCOME					
Funding body grants	2	37,748	37,748	37,131	37,131
Tuition fees and education contracts	3	7,762	7,762	7,283	7,283
Other grants and contracts	4	302	302	952	952
Other income	5	2,756	2,313	2,789	2,181
Investment income	6	6	5	4	2
Donations and Endowments		-	-	-	-
Total income		**48,574**	**48,130**	**48,159**	**47,549**
EXPENDITURE					
Staff costs	7	31,544	31,377	31,047	30,869
Fundamental restructuring costs	7	309	309	259	259
Other operating expenses	8	14,374	14,116	15,267	14,905
Depreciation and amortisation	10/11	3,820	3,809	3,714	3,689
Interest and other finance costs	9	972	972	1,246	1,246
Total expenditure		**51,019**	**50,583**	**51,533**	**50,968**
(Deficit) before other gains and losses		**(2,445)**	**(2,453)**	**(3,374)**	**(3,419)**
Profit on disposal of assets		295	295	233	233
(Deficit) before tax		**(2,150)**	**(2,158)**	**(3,141)**	**(3,186)**
Taxation		-	-	-	-
(Deficit) for the year		**(2,150)**	**(2,158)**	**(3,141)**	**(3,186)**
Actuarial gain/(loss) in respect of pensions schemes	23	10,419	10,419	(6,871)	(6,871)
Total Comprehensive Income for the year		**8,269**	**8,261**	**(10,012)**	**(10,057)**
Represented by:					
Restricted comprehensive income		-	-	-	-
Unrestricted comprehensive income		8,269	8,261	(10,012)	(10,057)
		8,269	8,261	(10,012)	(10,057)
(Deficit) for the year attributable to:					
Non-controlling interest		-	-	-	-
Group		**(2,150)**	**(2,158)**	**(3,141)**	**(3,186)**
Total Comprehensive Income for the year attributable to:					
Non-controlling interest		-	-	-	-
Group		**8,269**	**8,261**	**(10,012)**	**(10,057)**

Derby College

Report and Financial Statements for the year ended 31 July 2017

Consolidated and College Statement of Changes in Reserves

	Income and expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Group			
Balance at 31 July 2015	**43,760**	**7,579**	**51,339**
(Deficit) from the income and expenditure account	(3,141)	-	(3,141)
Other comprehensive income	(6,871)	-	(6,871)
Transfers between revaluation and income and expenditure reserves	9	(9)	-
Total comprehensive income for the year	**(10,003)**	**(9)**	**(10,012)**
Balance at 31 July 2016	**33,757**	**7,570**	**41,327**
(Deficit) from the income and expenditure account	(2,150)	-	(2,150)
Other comprehensive income	10,419	-	10,419
Transfers between revaluation and income and expenditure reserves	64	(64)	-
Total comprehensive income for the year	**8,333**	**(64)**	**8,269**
Balance at 31 July 2017	**42,090**	**7,506**	**49,596**
College			
Balance at 31 July 2015	**43,448**	**7,579**	**51,027**
(Deficit) from the income and expenditure account	(3,186)	-	(3,186)
Other comprehensive income	(6,871)	-	(6,871)
Transfers between revaluation and income and expenditure reserves	9	(9)	-
Total comprehensive income for the year	**(10,048)**	**(9)**	**(10,057)**
Balance at 31 July 2016	**33,400**	**7,570**	**40,970**
(Deficit) from the income and expenditure account	(2,158)	-	(2,158)
Other comprehensive income	10,419	-	10,419
Transfers between revaluation and income and expenditure reserves	64	(64)	-
Total comprehensive income for the year	**8,325**	**(64)**	**8,261**
Balance at 31 July 2017	**41,725**	**7,506**	**49,231**

Balance Sheet as at 31 July

	Notes	Group 2017 £'000	College 2017 £'000	Group 2016 £'000 Restated	College 2016 £'000 Restated
Non current assets					
Tangible Fixed assets	10	93,577	93,558	96,399	96,370
Intangible Fixed Assets (Software)	11	59	59	32	32
Investments	12	-	14	-	14
		93,636	**93,631**	**96,431**	**96,416**
Current assets					
Stocks		83	83	83	75
Trade and other receivables	13	2,076	2,039	1,986	1,932
Cash and cash equivalents	18	3,195	2,621	837	386
		5,354	**4,743**	**2,906**	**2,393**
Less: Creditors – amounts falling due within one year	14	(6,569)	(6,318)	(7,550)	(7,379)
Net current liabilities		**(1,215)**	**(1,575)**	**(4,644)**	**(4,986)**
Total assets less current liabilities		**92,421**	**92,056**	**91,787**	**91,430**
Creditors – amounts falling due after more than one year	15	(5,750)	(5,750)	(6,053)	(6,053)
Provisions					
Defined benefit obligations	17	(28,879)	(28,879)	(36,871)	(36,871)
Other provisions	17	(8,196)	(8,196)	(7,536)	(7,536)
Total net assets/(liabilities)		**49,596**	**49,231**	**41,327**	**40,970**
Unrestricted Reserves					
Income and expenditure account		42,090	41,725	33,757	33,400
Revaluation reserve		7,506	7,506	7,570	7,570
Total unrestricted reserves		**49,596**	**49,231**	**41,327**	**40,970**

Note 17 refers to the restatement.

The financial statements on pages 29 to 56 were approved and authorised for issue by the Corporation on 11 December 2017 and were signed on its behalf on that date by:

Janet Morgan

Janet Morgan
Chair of Governors

Mandie Stravino
Accounting Officer

Consolidated Statement of Cash Flows

	Notes	2017 £'000	2016 £'000 Restated
Cash flow from operating activities			
(Deficit) for the year		(2,150)	(3,141)
Adjustment for non-cash items			
Depreciation		3,820	3,714
(Increase) in stocks		-	-
Decrease/(increase) in debtors		(90)	284
(Decrease) in creditors due within one year		(981)	(2,321)
(Decrease)/increase in provisions		660	1,547
Pensions costs less contributions payable		2,426	1,876
Taxation		-	-
Adjustment for investing or financing activities			
Investment income		(6)	(4)
Interest payable		69	97
Taxation paid		-	-
Profit on sale of fixed assets		(295)	(233)
Net cash flow from operating activities		3,453	1,819
Cash flows from investing activities			
Proceeds from sale of fixed assets		436	4,857
Investment income		6	4
Payments made to acquire fixed assets		(1,165)	(757)
		(723)	4,104
Cash flows from financing activities			
Interest paid		(69)	(97)
Repayments of amounts borrowed		(303)	(303)
		(372)	(400)
Increase in cash and cash equivalents in the year		**2,358**	**5,523**
Cash and cash equivalents at beginning of the year	18	837	(4,686)
Cash and cash equivalents at end of the year	18	3,195	837

Note 17 refers to the restatement.

Notes to the Accounts

1. Statement of accounting policies and estimation techniques

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

Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2015* (the 2015 FE HE SORP), the *College Accounts Direction for 2016 to 2017* and in accordance with Financial Reporting Standard 102 – *"The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland"* (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

Basis of accounting

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

Basis of consolidation

The consolidated financial statements include the College and its subsidiaries, Mackworth Business Services Limited and Corporate College Limited (dormant), controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS 102, the activities of the student union have not been consolidated because the College does not control those activities. All financial statements are made up to 31 July 2017.

Going concern

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

The College currently has £6.1m of loans outstanding with bankers on terms negotiated in 2012 and revised in 2016. The terms of the existing agreement are for 25 years. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

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

Recognition of income

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

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

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

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

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

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

Accounting for post-employment benefits

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

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

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

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

Short-term employment benefits

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

Enhanced Pensions

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

Non-current Assets - Tangible fixed assets

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

Land and buildings

Freehold land is not depreciated.

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

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

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

Subsequent expenditure on existing fixed assets

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

Equipment

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

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

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

Intangible assets and goodwill

Software development costs are capitalised over the planned useful life.

Borrowing costs

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

Leased assets

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

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

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

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

Investments

Investments in subsidiaries

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

Other investments

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

Inventories

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

Cash and cash equivalents

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

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

Financial liabilities and equity

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

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

Foreign currency translation

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

Taxation

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

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

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

Provisions and contingent liabilities

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

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

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

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

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

Agency arrangements

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

Judgements in applying accounting policies and key sources of estimation uncertainty

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

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

Other key sources of estimation uncertainty

- *Tangible fixed assets*

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

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 23, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2017. 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 2034 on the Johnston building are estimates of the cost to return the building to the condition at the commencement of the lease. The Lennartz VAT provision is based upon a current VAT assessment of £798,000 and estimated future assessments of £1,559,000. The assessments relate to 'non-business' use of buildings.

2 Funding body grants	Year ended 31 July		Year ended 31 July	
	2017	2017	2016	2016
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Recurrent grants				
Skills Funding Agency	13,140	13,140	12,987	12,987
Education Funding Agency	24,311	24,311	23,801	23,801
Higher Education Funding Council	297	297	233	233
Specific grants				
Skills Funding Agency	-	-	95	95
SFA capital grants	-	-	-	-
HEFCE capital grants	-	-	15	15
Total	**37,748**	**37,748**	**37,131**	**37,131**

3 Tuition fees and education contracts	Year ended 31 July		Year ended 31 July	
	2017	2017	2016	2016
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Adult education fees	2,930	2,930	3,392	3,392
Apprenticeship fees and contracts	42	42	78	78
Fees for FE loan supported courses	2,009	2,009	1,326	1,326
Fees for HE loan supported courses	806	806	638	638
International students fees	-	-	-	-
Total tuition fees	5,787	5,787	5,434	5,434
Education contracts	1,975	1,975	1,849	1,849
Total	**7,762**	**7,762**	**7,283**	**7,283**

4 Other grants and contracts	Year ended 31 July		Year ended 31 July	
	2017	2017	2016	2016
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Erasmus	-	-	110	110
National Citizenship Contract	302	302	842	842
Total	**302**	**302**	**952**	**952**

Notes to the Accounts

5 Other income	Year ended 31 July		Year ended 31 July	
	2017	2017	2016	2016
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Catering and residences	797	286	1,054	385
Other income generating activities	1,210	1,288	1,261	1,321
Other grant income	295	295	150	150
Non-government capital grants	16	16	-	-
Miscellaneous income	438	428	324	325
Total	**2,756**	**2,313**	**2,789**	**2,181**

6 Investment income	Year ended 31 July		Year ended 31 July	
	2017	2017	2016	2016
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other interest receivable	6	5	4	2
Total	**6**	**5**	**4**	**2**

7 Staff costs – Group and College

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

	2017	2016
	No.	No.
Teaching staff	712	713
Non-teaching staff	199	203
	911	**916**

Staff costs for the above persons

	2017	2016
	£'000	£'000
Wages and salaries	23,263	23,789
Social security costs	2,130	1,773
Other pension costs	5,149	4,615
Payroll sub total	**30,542**	**30,177**
Contracted out staffing services	1,002	870
	31,544	**31,047**
Fundamental restructuring costs - Contractual	309	259
- Non contractual	-	-
Total Staff costs	**31,853**	**31,306**

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the Executive Team which comprises the Chief Executive; Deputy Chief Executive, Chief Finance Officer; Deputy Principal Education and Learner Experience; 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

	2017	2016
	No.	No.
The number of key management personnel including the Accounting Officer was:	5	5

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

	Key management personnel		Other staff	
	2017	**2016**	**2017**	**2016**
	No.	**No.**	**No.**	**No.**
£60,001 to £70,000 p.a.	-	-	1	2
£70,001 to £80,000 p.a.	1	1	1	1
£80,001 to £90,000 p.a.	2	3	-	-
£90,001 to £100,000 p.a.	1	-	-	-
£100,001 to £110,000 p.a.	-	-	-	-
£150,001 to £160,000 p.a.	-	-	-	-
£160,001 to £170,000 p.a.	-	1	-	-
£170,001 to £180,000 p.a.	1	-	-	-
	5	**5**	**2**	**3**

Key management personnel compensation is made up as follows:

	2017	2016
	£'000	**£'000**
Salaries	508	480
Employers National Insurance (or Social Security contributions)	66	53
Benefits in kind	2	2
	576	**535**
Pension contributions	68	62
Total key management personnel compensation	**644**	**597**

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:

	2017	2016
	£'000	**£'000**
Salaries	171	161
Benefits in kind	2	2
	173	163
Pension contributions	21	20

Compensation for loss of office paid to former key management personnel

	2017	2016
	£	£
Compensation paid to the former post-holder - contractual	43	-

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

8 Other operating expenses

	2017	2017	2016	2016
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Teaching costs	4,958	4,958	5,048	5,048
Subcontracting costs	2,192	2,192	3,318	3,318
Non-teaching costs	2,509	2,275	2,796	2,460
Premises costs	4,715	4,691	4,105	4,079
Total	**14,374**	**14,116**	**15,267**	**14,905**

Other operating expenses include:	**2017**	**2016**
	£'000	**£'000**
Auditors' remuneration:		
Financial statements audit*	30	41
Internal audit**	25	14
Other services provided by the financial statements auditor	2	3
Other services provided by the internal auditors	-	-
Hire of assets under operating leases	1,436	1,316

*Includes £27,750 in respect of the College (2016 £39,000)

** Includes £25,000 in respect of the College (2016 £14,000)

9 Interest and other finance costs – Group and College

	2017	2016
	£'000	£'000
On bank loans, overdrafts and other loans:	69	97
	69	97
Pension finance costs (note 23)	903	1,149
Total	**972**	**1,246**

10 Tangible fixed assets (Group)

	Land and buildings		Equipment	Total
	Freehold	Long leasehold		
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2016	113,440	907	7,385	121,732
Additions	819	-	288	1,107
Disposals	(123)	-	(74)	(197)
At 31 July 2017	**114,136**	**907**	**7,599**	**122,642**
Depreciation				
At 1 August 2016	18,527	907	5,899	25,333
Charge for the year	3,017	-	771	3,788
Elimination in respect of disposals	(37)	-	(19)	(56)
At 31 July 2017	**21,507**	**907**	**6,651**	**29,065**
Net book value at 31 July 2017	**92,629**	**-**	**948**	**93,577**
Net book value at 31 July 2016	94,913	-	1,486	96,399

10 Tangible fixed assets (College)

	Land and buildings		Equipment	Total
	Freehold	Long leasehold		
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2016	113,440	907	7,207	121,554
Additions	819	-	288	1,107
Disposals	(123)	-	(74)	(197)
At 31 July 2017	**114,136**	**907**	**7,421**	**122,464**
Depreciation				
At 1 August 2016	18,527	907	5,750	25,184
Charge for the year	3,017	-	760	3,777
Elimination in respect of disposals	(37)	-	(18)	(55)
At 31 July 2017	**21,507**	**907**	**6,492**	**28,906**
Net book value at 31 July 2017	**92,629**	**-**	**929**	**93,558**
Net book value at 31 July 2016	94,913	-	1,457	96,370

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

11 Intangible Assets

	Equipment - Software	
	Group	College
	£'000	£'000
Cost or valuation		
At 1 August 2016	375	375
Additions	59	59
Disposals	-	-
At 31 July 2017	**434**	**434**
Depreciation		
At 1 August 2016	343	343
Charge for the year	32	32
Elimination in respect of disposals	-	-
At 31 July 2017	**375**	**375**
Net book value at 31 July 2017	**59**	**59**
Net book value at 31 July 2016	32	32

12 Non-current investments

	College	College
	2017	2016
	£'000	£'000
Investments in subsidiary companies	14	14
Total	**14**	**14**

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

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

13 Debtors

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
Amounts falling due within one year:				
Trade receivables	681	552	1,102	961
Amounts owed by group undertakings:				
Subsidiary undertakings	-	98	-	87
Prepayments and accrued income	1,070	1,064	501	501
Amounts owed by the Skills Funding Agency	325	325	383	383
Total	**2,076**	**2,039**	**1,986**	**1,932**

14 Creditors: amounts falling due within one year

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000 Restated	College 2016 £'000 Restated
Bank loans and overdrafts	303	303	303	303
Trade payables	402	392	380	372
Amounts owed to group undertakings:				
Subsidiary undertakings	-	-	-	8
Other taxation and social security	555	543	1,987	1,987
Accruals and deferred income	4,749	4,520	4,757	4,586
Amounts owed to the Skills Funding Agency/EFA	560	560	123	123
Total	**6,569**	**6,318**	**7,550**	**7,379**

Note 17 refers to the restatement.

15 Creditors: amounts falling due after one year

	Group 2017 £'000	College 2017 £'000	Group 2016 Restated £'000	College 2016 Restated £'000
Bank loans	5,750	5,750	6,053	6,053
Total	**5,750**	**5,750**	**6,053**	**6,053**

Note 17 refers to the restatement.

16 Maturity of debt

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	Group 2017 £'000	College 2017 £'000	Group 2016 £'000	College 2016 £'000
In one year or less	303	303	303	303
Between one and two years	303	303	303	303
Between two and five years	909	909	909	909
In five years or more	4,538	4,538	4,841	4,841
Total	**6,053**	**6,053**	**6,356**	**6,356**

Bank loans totalling £6,053,000 (2016: £6,356,000) at base rate plus a margin of 0.38% are on a fixed term facility with payments commencing in 2012.

17 Provisions

	Defined benefit obligations	Enhanced Pensions	Dilapidations	Other Provisions	Total
	£'000	£'000	£'000	£'000	£'000
				Restated	
At 1 August 2016 (as restated)	36,871	5,200	322	2,014	44,407
Additions in the period	-	-	-	890	890
Expenditure in the period	2,520	(323)	-	-	2,197
Actuarial (gain)/loss in respect of pension provisions	(10,512)	93	-	-	(10,419)
At 31 July 2017	**28,879**	**4,970**	**322**	**2,904**	**37,075**

Restatement

The Lennartz creditor in the prior year financial statements was recognised within creditors less than one year of £1,788,000 and creditors greater than one year of £226,000. The Members have re-classified this to provisions as they consider this to more accurately reflect the nature of the possible liability. This reclassification has had no impact on the Statement of Comprehensive Income or the total net assets, but has decreased the net current liabilities by £1,788,000. The Statement of Cash Flows has also been restated to reflect this reclassification.

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

Included in other provisions is:

- The Lennartz VAT provision of £2,779,000 which relates to historic recovery of VAT to be repaid over use of the assets.
- S106 obligation of £105,000 in respect of previous site disposals.

The enhanced pension provision relates to the cost of staff who have already left the College's employ and commitments for reorganisation costs from which the College cannot reasonably withdraw at the balance sheet date. This provision has been recalculated in accordance with guidance issued by the funding bodies.

The principal assumptions of this calculation are:	**2017**	**2016**
Price inflation	1.30%	1.30%
Discount rate	2.30%	2.30%

18 Cash and cash equivalents (Group)

	At 1 August 2016	**Cash flows**	**Other changes**	**At 31 July 2017**
	£'000	**£'000**	**£'000**	**£'000**
Cash and cash equivalents	837	2,358	-	3,195
Overdrafts	-	-	-	-
Total	**837**	**2,358**	**-**	**3,195**

19 Capital and other commitments

	Group and College	
	2017	**2016**
	£'000	**£'000**
Commitments contracted for at 31 July	32	235

20 Lease obligations

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

	Group and College	
	2017	**2016**
	£'000	**£'000**
Future minimum lease payments due		
Land and buildings		
Not later than one year	1,049	1,049
Later than one year and not later than five years	5,181	5,181
Later than five years	6,533	7,569
	12,763	13,799
Other		
Not later than one year	199	551
Later than one year and not later than five years	349	271
Later than five years	-	-
	548	822

21 Contingent liabilities

The College has an ongoing dispute with HMRC regarding historic recovery of VAT in relation to a Lennartz claim. Whilst the College expects that this matter can be fully resolved it is possible that HMRC may levy a penalty for unpaid VAT. The amount of any penalty is uncertain, but could range between £Nil and £400,000.

22 Events after the reporting period

There are no events after the reporting period.

23 Defined benefit obligations

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

Total pension cost for the year		**2017**		**2016**
		£000		**£000**
Teachers' Pension Scheme: contributions paid		1,857		1,710
Local Government Pension Scheme:				
Contributions paid	1,675		1,674	
FRS 102 (28) charge	1,617		1,231	
Charge to the Statement of Comprehensive Income		3,292		2,905
Enhanced pension charge to Statement of Comprehensive Income		-		-
Total Pension Cost for Year within staff costs		**5,149**		**4,615**

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2012 and of the LGPS 31 March 2016.

There were no outstanding or prepaid contributions at either the beginning or the end of the financial year. Contributions amounting to £235,000 (2016 £375,000) were payable to the scheme at 31st July and are included within creditors.

Teachers' Pension Scheme

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

The Teachers' Pension Budgeting and Valuation Account

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

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

Valuation of the Teachers' Pension Scheme

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

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

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

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

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

Scheme Changes

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

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

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

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

The pension costs paid to TPS in the year amounted to £2,703,000 (2016: £2,713,000).

FRS 102 (28)

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

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

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Derbyshire County Council. The total contributions made for the year ended 31 July 2017 were £2,294,000, of which employer's contributions totalled £1,675,000 and employees' contributions totalled £619,000. The agreed contribution rates for future years are 13.7% for employers and range from 5.5% to 12.5% for employees, depending on salary.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2017 by a qualified independent actuary.

	At 31 July 2017	At 31 July 2016
Rate of increase in salaries	3.0%	2.9%
Future pensions increases	2.5%	1.9%
Discount rate for scheme liabilities	2.7%	2.4%
Inflation assumption (CPI)	2.5%	1.9%
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 2017	At 31 July 2016
	years	years
Retiring today		
Males	21.9	22.0
Females	24.4	24.2
Retiring in 20 years		
Males	23.9	24.1
Females	26.5	26.6

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

	Long-term rate of return expected at 31 July 2017	Fair Value at 31 July 2017 £'000	Long-term rate of return expected at 31 July 2016	Fair Value at 31 July 2016 £'000
Equity instruments	2.50%	52,841	2.40%	47,811
Debt instruments	2.50%	14,765	2.40%	13,858
Property	2.50%	5,440	2.40%	4,157
Cash	2.50%	4,663	2.40%	3,465
Total fair value of plan assets		**77,709**		**69,291**
Weighted average expected long term rate of return	2.50%		2.40%	
Actual return on plan assets		**6,270**		**4,752**

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

	2017	2016
	£'000	£'000
Fair value of plan assets	77,709	69,291
Present value of plan liabilities	(106,507)	(106,079)
Present value of unfunded liabilities	(81)	(83)
Net pensions (liability) (Note 17)	**(28,879)**	**(36,871)**

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

	2017	2016
	£'000	£'000
Amounts included in staff costs		
Current service cost	3,292	2,868
Past service cost	-	37
Total	**3,292**	**2,905**
Amounts included in investment income		
Net interest income	903	1,034
	903	**1,034**
Amount recognised in Other Comprehensive Income		
Return on pension plan assets	6,270	4,752
Experience losses arising on defined benefit obligations	8,094	1,129
Changes in Demographic assumptions	1,560	-
Changes in assumptions underlying the present value of plan liabilities	(5,412)	(12,363)
Amount recognised in Other Comprehensive Income	**10,512**	**(6,482)**

Notes to the Accounts

Movement in net defined benefit (liability) during year

	2017	2016
	£'000	£'000
Net defined benefit (liability) in scheme at 1 August	(36,871)	(28,124)
Movement in year:		
Current service cost	(3,292)	(2,868)
Employer contributions	1,675	1,674
Past service cost	-	(37)
Net interest on the defined (liability)	(903)	(1,034)
Actuarial gain (loss)	10,512	(6,482)
Net defined benefit (liability) at 31 July	**(28,879)**	**(36,871)**

Asset and Liability Reconciliation

	2017	2016
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	106,162	89,876
Current service cost	3,292	2,868
Interest cost	2,571	3,267
Contributions by Scheme participants	619	628
Experience losses on defined benefit obligations	(8,094)	(1,129)
Changes in financial assumptions	5,412	12,363
Change in demographic	(1,560)	-
Estimated benefits paid	(1,814)	(1,748)
Past Service cost	-	37
Curtailments and settlements	-	-
Defined benefit obligations at end of period	**106,588**	**106,162**
Changes in fair value of plan assets		
Fair value of plan assets at start of period	69,291	61,752
Interest on plan assets	1,668	2,233
Return on plan assets	6,270	4,752
Employer contributions	1,675	1,674
Contributions by Scheme participants	619	628
Estimated benefits paid	(1,814)	(1,748)
Fair value of plan assets at end of period	**77,709**	**69,291**

24 Related party transactions

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

The total expenses paid to or on behalf of the Governors during the year was £539; 5 governors (2016: £1,000; 5 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2016: None).

Derby College Education Trust Limited

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

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

	2017	**2016**
	£'000	**£'000**
Services provided to Derby College Education Trust (under SLA agreement)	166	167
Merrill Academy Alternative Curriculum Provision, incl. Free School Meals.	50	35
Recharges for occupational health, legal, mobile phones and digital services	22	25
	238	227

Balances outstanding owed by Derby College Educational Trust at 31 July 2017 was £15,000 (2016: £84,000).

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

Derby College provided the following to Derby Manufacturing UTC for which invoices have been raised:	**2017**	**2016**
	£'000	**£'000**
Recharges for Finance / Payroll under SLA agreement	3	28
Recharges for marketing; legal & subscriptions and recruitment	8	10
	11	38

Balances outstanding owed by to Derby Manufacturing UTC as at 31 July 2017 was £4,000 (2016: £7000).

In addition to the above, the College carried out transactions under normal business with Rolls Royce plc and Geldards LLP 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 £1,089,000 (2016: £1,676,000).

The balance by owed Rolls Royce PLC at 31 July 2017 was £91,000 (2016: £93,000).

Derby College expenditure transactions with Geldards LLP in the year were £33,000 (2016: £17,000).

The balance owed to Geldards LLP at 31 July 2017 was £Nil (2016: £Nil).

25 Amounts disbursed as agent

	2017	2016
	£'000	£'000
Learner support funds:		
Funding body grants – discretionary learner support	1,264	1,330
Funding body grants – childcare	-	-
Funding body grants – residential bursaries	47	47
	1,311	1,377
Disbursed to students	(1,176)	(1,377)
Administration costs	(60)	(65)
Balance unspent as at 31 July, included in debtors/(creditors)	75	(65)

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