DN Colleges Group

(formerly North Lindsey College)

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 July 2018

KEY MANAGEMENT PERSONNEL, BOARD OF GOVERNORS AND PROFESSIONAL ADVISERS

Key management personnel

Key management personnel are defined as members of the Group Executive Leadership Team and were represented by the following in 2017/18:

Anne Tyrrell - Chief Executive Officer; Accounting Officer
Peter Doherty – Chief Operating Officer
Mick Lochran – Principal (North Lindsey College)
Kathryn Brentnall – Acting Principal (Doncaster College)

Board of Governors

A full list of Governors is given on pages 12 and 13 of these financial statements.
Laura Clark (until 2 May 2018) and Jeannie Charles (until 31 July 2018) acted as Clerk to the Corporation. Claire Houlden covered the role of Clerk from 1 August 2018. Joanne Garrison was appointed Clerk to the Corporation from 1 October 2018.

Professional advisers

Financial statements auditors and reporting accountants:
RSM UK Audit LLP
Two Humber Quays
Wellington Street West
Hull
HU1 2BN

Internal auditors
Mazars LLP
45 Church Street
Birmingham
B3 2RT

BDO
1 Bridgewater Place
Water Lane
Leeds LS11 5RU

Bankers
Lloyds Bank plc
2nd Floor, 14 Church Street
Sheffield
S1 2HP

Santander UK plc
7th Floor, 4 St Paul's Square
Liverpool
L3 9SJ

Close Brothers Limited
10 Crown Place
London
EC2A 4FT

Solicitors

Eversheds Sutherland LLP
Bridgewater Place
Water Lane
Leeds
LS11 5DR

Wilkin Chapman LLP
Cartergate House
26 Chantry Lane
Grimsby
DN31 1HE

Rollits LLP
Citadel House
58 High Street
Hull
HU1 1QE

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REPORT OF THE GOVERNING BODY

NATURE, OBJECTIVES AND STRATEGIES

The members present their report and the audited financial statements for the year ended 31 July 2018.

Legal Status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting DN Colleges Group, comprising Doncaster College and North Lindsey College. The Group is an exempt charity for the purposes of part 3 of the Charities Act 2011.

Doncaster College merged with North Lindsey College on 1 November 2017. On that date, all trade, assets and liabilities of Doncaster College transferred to the corporation of North Lindsey College immediately prior to the Corporation of Doncaster College being dissolved.

The Secretary of State for Education granted consent to the Corporation of North Lindsey College to change its name to 'DN Colleges Group' with effect from 1 November 2017.

Doncaster College and North Lindsey College will continue as operating divisions of DN Colleges Group under their existing branding, continuing to meet the needs of their respective communities.

Vision

The DN Colleges Group vision as approved by its members is as follows:

"Transforming our communities through learning"

Mission

The DN Colleges Group mission as approved by its members is as follows:

Outstanding education and training that enables students to achieve their full potential; meeting social, economic and community needs"

Public Benefit

DN Colleges Group is an exempt charity under Part 3 of the Charities Act 2011 and following the Machinery of Government changes in July 2017, is regulated by the Secretary of State for Education as Principal Regulator for all FE Corporations in England. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 12 and 13.

In setting and reviewing the Group's strategic objectives, the Governing Body 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.

DN Colleges Group adds value to the social, economic and physical well-being of its whole community by:

- Enabling the development of skills and knowledge to support and build the local economy.
- Unlocking the potential of individuals by raising ambition and aspiration.
- Ensuring continuous improvement through critical self-evaluation and action.
- Promoting and building skills of employability and entrepreneurship.
- Working with partner organisations to ensure collective problem solving and action for improvement.
- Reflecting the needs of our community in the courses we offer for individuals and employers.
- Working with vulnerable groups to enable inclusion and participation.
- Contributing to the regeneration of the sub-region through positive engagement with new and existing industries.
- Contributing to the local economy as a major employer as well as a provider of education and training.
- Ensuring we live by and reinforce our core values which underpin everything we do:
  - Ambition - to achieve the highest standards
  - Support - a caring, safe and inclusive environment
  - Partnership - collaborative working to achieve shared goals
  - Innovation - we use our initiative and are agile in finding creative solutions

REPORT OF THE GOVERNING BODY (Continued)

- Responsibility – we take individual and collective responsibility
- Equality - we work with integrity and are open, honest and respectful of each other

- Working closely with the Sheffield City Region and Greater Lincolnshire and Humber Local Enterprise Partnerships (LEPs) to develop and deliver the education and training needs of local communities and businesses.

The delivery of public benefit is also covered throughout the report of the Governing Body.

Strategic Plan
The Corporation members received and approved a new Strategic Plan for the Group for 2018-2021 at a meeting held on 4 July 2018. Detailed targets for this plan were approved at the same meeting.

The Strategic Plan was informed by the outcomes of the Area Based Review which concluded in August 2017 and the subsequent merger of Doncaster College and North Lindsey College on 1 November 2017. DN Colleges Group was then able to assess its process, strategic drivers and its future direction utilising a Group perspective providing for a challenging Strategic Plan.

The principles driving our Strategic Plan are:
- Outstanding and inspirational teaching and learning
- Local and regional growth through partnership and collaboration
- A high performing culture that realises potential
- Financially sustainable, investing in growth
- Responsive and adaptive to change
- Innovative and maximising the benefits of technology.

The key performance indicator targets to be achieved by 2021 are:
- Ofsted Outstanding TEF Silver
- Outstanding Financial Health
- Top 25% Staff Satisfaction
- Top 25% National Student Survey Employer & Student Surveys
- Top 25% Achievement Rates – timely achievement / value added / student progress / HE Continuation
- Top 25% National Destination Tables, School League Tables

The Corporation monitors the performance of the Group against its Strategic Plan throughout the year. The Strategic Plan is reviewed and updated annually.

Financial Objectives
The Group's financial objectives and key performance indicators have been aligned to the 2018 – 2021 Strategic Plan to secure the financial sustainability, resilience and future development of the Group.

The key financial performance indicator targets for 2018/19 are:
- Finance Health Grade – Outstanding
- Total Combined Income – £51.62m
- Sector EBITDA as % of Income – 9.93%
- Capital Expenditure - £2.25m
- Solvency (Adjusted Current Ratio) – 3.04
- Borrowings as % of Annual Income – 9.64%
- Staff Costs as % of Annual Income – 65.50%
- Financial Statements' audit opinion - Unqualified

A range of performance indicators are used to monitor the financial performance of the College and are reported to the Corporation throughout the year.

REPORT OF THE GOVERNING BODY (Continued)

FINANCIAL POSITION

Financial Results

The Group generated an operating surplus in the year of £0.2 million (2016/17: £5.7 million deficit).

The Group has accumulated reserves of £30.7 million (2016/17: £23.6 million) and cash balances of £6.6 million (2016/17: £8.8 million).

Tangible fixed asset additions during the year amounted to £1.6 million. This was split between land and buildings additions of £0.3 million and equipment purchased of £1.3 million.

The Group has significant reliance on the funding bodies for its principal funding source, largely from recurrent grants. In 2017/18 the funding bodies provided 68% (2016/17: 66%) of the Group's total income.

The Group has five subsidiary companies, Kingsway Consulting Ltd, Optime Support Limited, DC Teach Limited, Doncaster College and North Lindsey College. The principal activities of Kingsway Consulting Ltd were the rental of property and the provision of conferencing facilities, whilst Optime Support Limited and DC Teach Limited carry out employment services. Any surpluses generated by the subsidiaries are transferred to the College as a gift aid distribution. In the current year, Kingsway Consulting Ltd, Optime Support Limited and DC Teach Limited generated the following profits £13k, £164k and £9k respectively. All profits will be gift aided to the College during the academic year 2018/19. Doncaster College and North Lindsey College were incorporated on 29 March 2018 and did not trade in the period to 31 July 2018.

Treasury Policies and Objectives

Treasury management is the management of the Group'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 Group has a separate treasury management policy in place. All borrowing requires the authorisation of the Corporation.

Cash Flows and Liquidity

At £2.8 million (2016/17: £3.5 million), the Group's cash inflow from operating activities remained very strong. The net cash outflow of £2.2 million (2016/17: £0.7 million inflow) resulted from net outflow from investing activities of £1.0 million (2016/17: £1.3 million) and an outflow from bank loan repayments and interest of £3.9 million (2016/17: £1.4 million).

The size of the Group's total borrowing and its approach to interest rates have been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cash flow. During the year this margin was comfortably exceeded.

Reserves policy

Total reserves were £30.7 million at 31 July 2018 (2016/17: £23.6 million) and comprised an income and expenditure reserve of £16.2 million (2016/17: £8.8 million) and a revaluation reserve of £14.5 million (2016/17: £14.5 million). The total net assets of £30.7 million (2016/17: £23.6 million) included cash at bank and in hand of £6.6 million (2016/17: £8.8 million) and net current assets of £1.7 million (2016/17: £2.5 million).

The need for day-to-day working capital is met by careful management of short-term liquid resources, with access to liquidity a priority. The Governors consider a minimum level for liquid assets (defined as cash and cash equivalents) to be the equivalent of one month's expenditure (currently approximately £4.0 million). However, the Governors consider that liquid assets equivalent to three months' expenditure is desirable.

There is a continuing requirement for investment in the Group, and the creation of free reserves is likely to remain a long-term objective. In recognition of this, the policy is to create free reserves out of operating surpluses once all bank debt has been repaid, whilst also recognising the need for targeted capital expenditure and sufficient capital funds to provide for future projects.

REPORT OF THE GOVERNING BODY (Continued)

The Governors believe that the level of unrestricted reserves is adequate to cover the purposes for which they are intended. The Group's reserves policy is reviewed annually, and the Governors consider it appropriate for the financial statements to be prepared on a going concern basis.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student Numbers

Distinct learner numbers for Doncaster College and North Lindsey College for 2017/18 are provided in the table below:

Learner Category	Doncaster College	North Lindsey College	Total
16 – 18	2,423	1,711	4,134
Adult – AEB	2,745	2,497	5,242
Adult – Learner Loan	456	126	582
Adult – Other	600	-	600
Higher Education	845	1,070	1,915
Apprenticeships	885	890	1,775
Total	**7,954**	**6,294**	**14,248**

Achievement outcomes for Doncaster College and North Lindsey College for 2017/18 are provided in the table below:

Achievement Category	Doncaster College	North Lindsey College
Classroom Based		
16 – 18	80%	86%
19+	86%	90%
All	83%	88%
Apprenticeships		
16-18	71%	88%
19+	70%	74%
All	71%	78%

Performance Indicators

The Education and Skills Funding Agency (ESFA) monitors the financial health of colleges through financial returns and categorises their health as Inadequate, Satisfactory, Good or Outstanding. The Group's financial key performance indicators provided for a 'Good' financial health score for 2017/18 and this was achieved, as detailed below. The Group's financial health grade of 'Good' is defined as 'Sufficiently robust finances to meet obligations and respond successfully to most opportunities or adverse circumstances'.

Measure*	Group Plan 2017/18	Group Actual 2017/18	Achieved
Adjusted Current ratio	1.30	1.53	✔
Borrowing as a % of Income	10.07%	10.71%	X
Sector EBITDA as % of Income	8.34%	8.69%	✔
Overall Score	220	230	✔

*Further details of these measures are included on pages 7-11 of the Financial Planning Handbook 2018 available on the Government UK website.

REPORT OF THE GOVERNING BODY (Continued)

The Group is committed to observing the importance of sector measures and indicators and use the FE Choices data available on the GOV.UK website which looks at measures such as success rates.

Curriculum Developments
Following merger in November 2017, DN Colleges Group is a significant regional provider of education and training with over 8,000 Further Education students including over 4,300 16-18 students, 2,000 apprentices and over 2,000 Higher Education students, making the College 6th in the country in terms of Higher Education delivered in colleges. Whilst being part of a larger group has allowed DN College Group to invest in new academic group roles, in key areas such as Teaching and Learning, Quality and English and maths, an underlying principle of the merger is to continue to ensure that the curriculum continues to reflect national and regional priorities as well as the distinctive needs of South Yorkshire and Northern Lincolnshire. Key curriculum priorities across the group include Construction, Health, Digital technologies and Engineering (including rail) with the early adoption of new apprenticeship standards resulting in a substantial growth across the group including Higher Apprenticeship.

Resources (resources people and reputation)
The Group has various resources that it can deploy in pursuit of its strategic objectives.

Tangible resources include the college campuses at Scunthorpe and Doncaster.

The Group has financial resources in the form of net assets of £30.7m (including £12.7 million pension liability) and long term debt of £4.8 million.

The Group employs 907 full time equivalents, of whom 370 are teaching staff.

The Group has an excellent reputation within the locality of its campuses and regionally within North Lincolnshire and South Yorkshire.

The Group is actively engaged with local and regional agendas and plays a key role in helping to influence decision making. The Group is an active stakeholder and plays a strategic and partnering role in local City Regions and is working closely with Doncaster MBC, Sheffield City Region, Lincolnshire University and the Greater Lincolnshire Local Education Partnership (GLLEP) and other partners to find innovative solutions to create a skilled and prosperous workforce and improve opportunities for learners and the communities it serves.

Going Concern
The Group post-merger continues to maintain a healthy total net assets position.

The Group has maintained excellent working relations with its bankers and loans held by Doncaster College with Lloyds Bank were restructured at the point of merger to reduce the amount of term loans and replace with a revolving credit facility. This change has provided greater flexibility to manage interest costs in the future and take advantage of the cash resources of the Group. The College's forecasts and financial projections indicate that it will be able to operate within its existing banking facilities and covenants for the foreseeable future.

After making appropriate enquiries, the Corporation considers that the Group has adequate resources; £30.7 million (2016/17: £23.6 million) net assets and £6.6 million (2016/17: 8.8 million) cash at bank and in hand 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.

REPORT OF THE GOVERNING BODY (Continued)

Future Developments
The Strategic Plan 2018-2021 has identified the following objectives for the Group:

- A successful and sustainable Merger
- Individualised 16 to 18 programmes of study
- Development and growth of Adult provision
- Development and growth of University Centres
- Development and growth of Apprenticeships
- Developing a high-performing culture
- Working in partnership
- Effective and efficient corporate services

Performance targets for 2018/19:

- Further Education
    - 16 – 18 Achievement - 86%
    - 19+ Achievement - 90%
    - All Achievement - 87%
    - GCSE English Grade 4 or Above - 28%
    - GCSE Maths Grade 4 or Above - 27%

- Apprenticeships Overall
    - 16 – 18 Achievement - 75%
    - 19+ Achievement - 80%
    - All Achievement - 78%

- Higher Education
    - Overall Achievement Rate - 92%
    - Hons Degree Classification (1st/2:1) - 60%
    - NSS – Overall Satisfaction - 85%
    - NSS – Teaching - 88%
    - NSS – Assessment & Feedback - 84%
    - NSS – Academic Support - 86%
    - Progression - Employment/Further Study - 80%

REPORT OF THE GOVERNING BODY (Continued)

PRINCIPAL RISKS AND UNCERTAINTIES

Risk Management

The Corporation undertakes a comprehensive review of the risks to which the Group is exposed prior to the beginning of each financial year. Risks are categorised by type of risk (Strategic, Operational and Project) and by type of impact (Financial, Human, Legal/Regulatory, Reputation and Service Delivery). Each risk is scored according to its likelihood and impact, both as an inherent risk and as a residual risk (i.e. both before and after taking account of existing controls). Depending upon the assessed residual risk rating, further actions may be planned and responsibility assigned to senior managers. This risk framework is recorded in a risk register and throughout the year the register is reviewed by the Group's Executive Leadership Team. The full risk register is presented annually to the Audit & Risk Committee and to the Corporation.

The Corporation's strategic objectives are cross-referenced to the risk register.

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

1. Recruitment Targets

Student recruitment directly impacts upon funding allocations and in turn upon staffing requirements. Recruitment also affects employer relations and ultimately upon the Group's reputation. Local demographics within the localities of the Colleges and the surrounding area, together with other further and higher education institutions, schools and private providers, are all factors in meeting recruitment targets.

Recruitment is rigorously monitored and managed by each College, with actions taken to attract and retain students where necessary. This is further supported by dedicated marketing and promotional activities undertaken by each College.

2. Improving Outcomes

Student outcomes impact upon the Group's assessment of its overall effectiveness by Ofsted, and ultimately upon its reputation. Changes to government policy, for example regarding English and Maths, together with the development of national outcome-based success measures, affect the Group's ability to demonstrate improving outcomes for students.

The Group increasingly uses data and technology to support its monitoring of teaching and learning and quality assurance processes.

3. English and Maths

Performance in English and Maths impacts upon students' progression and achievement, and ultimately upon Ofsted assessments and the Group's reputation. Government policy and schools' performance in English and Maths are factors in the Group's ability to improve performance in English and Maths.

Students' progression in English and Maths is a strategic objective of the Group; additional resources as part of the curriculum plan continue to be directed towards English and Maths programmes.

4. Changes in the External Environment and Sustainable Partnerships

Changes at a local or national level, particularly from the government's review of post-16 education, Apprenticeships and third-party training institutions, but also from the government's spending review, possible devolution or other changes in government policy, impacts directly upon the Group and its ability to build sustainable partnerships to meet the needs of students, employers and the communities it serves.

5. Culture of High Expectation and Aspiration

The Group's culture permeates all aspects of its delivery and impacts upon levels of performance, staffing resources and Ofsted's assessment of each College's effectiveness. Group values, robust performance management processes, communication strategies and a leadership development programme are all measures being taken forward by the Group to build a culture of high expectation and aspiration.

REPORT OF THE GOVERNING BODY (Continued)

6. Government Funding
The Group has considerable reliance on continued government funding through the further education sector funding bodies and through OfS. In 2017/18, 68% 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 Group is aware of several issues which may impact on future funding, in particular further reductions in grant funding for HE activity, with a greater proportion falling on fees; the planned devolution of the Adult Education Budget to LEPs with consequent changes to funding priorities; and continuing development of the levy system for funding Apprenticeships (which the Group is managing well at present).

The Group mitigates these risks by early recognition of the issues, prudent financial forecasting, and regular engagement with employers and other stakeholders.

7. Pensions
The Group recognises the material impact of the Local Government and Teachers pension schemes upon the financial statements and cash flow of the Group. The triennial valuations for both schemes and the subsequent movement of employer contributions are especially relevant to the Group in terms of shortfall funding contributions and sustainability.

The Group mitigates against these risks by developing financial models and forecasts which incorporate pension contribution movements and shortfall payments, while ensuring reserves are sufficient to offset any contribution increases in the short to medium term. The Group also actively engages with its actuary to forecast material movements in the underlying assets and liabilities of the pension fund (Local Government Pension Scheme).

STAKEHOLDER RELATIONSHIPS

The Group has many stakeholders. These include:

- Students;
- Parents or carers of students;
- Staff;
- Education sector funding bodies;
- FE Commissioner;
- Local employers;
- Local authorities;
- Local schools;
- Government offices and local enterprise partnerships;
- The local community;
- Other further education and higher education institutions;
- Trade unions;
- Professional bodies.

The Group recognises the importance of these relationships and engages in regular communication with its stakeholders.

TRADE UNION FACILITY TIME

The Trade Union (Facility Time Publication Requirements) Regulations 2017 require the college to publish information on facility time arrangements for trade union officials at the college

Numbers of employees who were employed during the relevant period	FTE employee number
7	6.6

REPORT OF THE GOVERNING BODY (Continued)

Percentage of time	Number of employees
0%	-
1-50%	7
51-99%	-
100%	-

Total cost of facility time	£0.015m
Total pay bill	£31.5m
Percentage of total bill spent on facility time	0.0004761%

Time spent on paid trade union activities as a percentage of total paid facility time	0%

EQUALITY AND DIVERSITY

The Group is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, gender, sexual orientation, disability, religion or belief and age. We strive vigorously to remove conditions which place people at a disadvantage or treat people less favourably because of protected characteristics, or by conditions imposed which cannot be objectively justified. The Group's Equality and Diversity Policy is published on the Group's intranet sites and is resourced, implemented and monitored on a regular basis.

The Group publishes regular Equality and Diversity reports to ensure compliance with all relevant equality legislation including the Equality Act 2010. The Group undertakes equality impact assessments on all new policies and procedures and publishes the results. Equality impact assessments are also undertaken for existing policies and procedures on a prioritised basis. An Equality and Diversity Leader takes responsibility for working across each College on Equality and Diversity themes and events and for the effective embedding of Equality and Diversity in teaching and learning.

An Equality and Diversity group, comprising staff, students and governors meet regularly throughout the year to review the annual quality improvement plan and carry out a range of projects and monitoring activities. Equality and Diversity objectives and actions are included in the Strategic Plan and Risk Register.

The Group is a 'Positive about Disabled' employer and has committed to the principles and objectives of the Positive about Disabled standard. The Group 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 Group continues. The Group'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. The Group seeks to make reasonable adjustments to its estate and practices to avoid any disadvantage to an individual.

The Group has committed to the 'Mindful Employer' initiative to assist the mental health wellbeing of staff. The Group has also implemented an updated Equality and Diversity training programme for staff. Refresher training and training for new starters is carried out on a continuous basis.

REPORT OF THE GOVERNING BODY (Continued)

Disability Statement

The Group has High Needs Co-ordinators, who provide information, advice and arrange support where necessary for students with learning difficulties and/or disabilities. This is further supported by an Additional Learning Support Co-ordinator and specialist lecturers to support students with learning difficulties and/or disabilities. There are a number of Teaching Assistants who 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 students who have learning difficulties and/or disabilities. Specialist equipment and assistive technology are available for use.

Specialist programmes are described in the College prospectus; achievements and destinations are recorded and published in the standard Group format.

Counselling and Student Support Services are described in the Student Handbook, which is available to students via Moodle with the Complaints and Disciplinary procedures which are covered during the induction period and included in a short summary guide available at enrolment.

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 Group'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 Group's auditors are aware of that information.

Approved by order of the members of the Corporation on **12 December 2018** and signed on its behalf by:

....
Mrs A Briggs Chair

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

The following statement is provided to enable readers of the annual report and accounts of the Corporation to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2017 to 31 July 2018 and up to the date of approval of the annual report and financial statements.

The Corporation endeavours to conduct its business:

i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
ii. in full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges("the Code"); and
iii. having due regard to the UK Corporate Governance Code 2016 insofar as it is applicable to the further education sector.

The Corporation is committed to exhibiting best practice in all aspects of corporate governance and in particular the Board has adopted and complied with the Code. We have not adopted and therefore do not apply the UK Corporate Governance Code. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the further education sector and best practice.

In the opinion of the Governors, the Corporation complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2018. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted in March 2015.

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

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (Continued)

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. Governors marked * joined the Corporation on 1 November 2017 upon merger with Doncaster College.

Name	Date of First Appointment	Term of Office	Date of Resignation	Status of Appointment	Committees Served	Corporation Meeting Attendance
Mrs A Briggs (Vice Chair – from Nov 2017 and Chair from Oct 2018)	Jul 2013	2		Member	Audit & Risk, HE Performance & Quality, Curriculum Quality & Performance, Search & Governance	9 of 10
Mr P Pascoe* (Vice Chair – from Nov 2017)	Nov 2017	2		Member	Finance & Resources, Search & Governance	6 of 7
Mr A Tuscher (Chair to Oct 2018)	Jul 2004	4		Member	Finance & Resources, Search Governance	9 of 10
Mr P Adams	Oct 2009	3		Member	Finance & Resources, Search & Governance	9 of 10
Mrs R Brook	Dec 2015	1		Member	Finance & Resources, Curriculum Quality & Performance, DC Teach, Optime Support Ltd	7 of 10
Mr G Clarke	Oct 2013	2		Member	Audit & Risk, Curriculum Quality & Performance	9 of 10
Mr J Doherty*	Nov 2017	1	Mar 2018	Member	Finance & Resources, Curriculum Quality & Performance	2 of 3
Mr I Falconer*	Nov 2017	1	Jul 2018	Member	Audit & Risk, Curriculum Quality & Performance	4 of 7
Mr P Grinell	Mar 2012	2		Member	Audit & Risk, Curriculum Quality & Performance, Kingsway Consulting, DCTeach (from March 2018)	10 of 10
Mrs D Hilditch*	Nov 2017	1	June 2018	Member	Audit & Risk, Search & Governance	2 of 6
Mrs M Keyworth	Jan 2017	1		Member	Audit & Risk, HE Performance & Quality	10 of 10
Mr A Khan	Jul 2011	3		Member	Finance & Resources, Search & Governance	6 of 10
Mr M Lynds*	Nov 2017	1		Member	Audit & Risk, Search & Governance	6 of 7
Mr A Monighan	Jul 2008	3	Feb 2018	Member	Finance & Resources, HE Performance & Quality	4 of 6
Mr M O'Reilly	Jul 2014	1	Feb 2018	Member	Audit & Risk, HE Performance & Quality, Curriculum Quality & Performance	1 of 6
Mr H Osborne	Dec 2004	3		Member	Audit & Risk	9 of 10

Name	Date of First Appointment	Term of Office	Date of Resigna-tion	Status of Appointment	Committees Served	Corporation Meeting Attendance
Mr P Senior*	Nov 2017	1		Member	Finance & Resources, Curriculum Quality & Performance, HE Performance & Quality	6 of 7
Mr R Stubbs*	Nov 2017	1	Jul 2018	Member	Finance & Resources	5 of 7
Mr M Swales*	Nov 2017	1		Member	Finance & Resources, Search & Governance, HE Performance & Quality	5 of 7
Mrs M White*	Nov 2017	1	Feb 2018	Member	Curriculum Quality & Performance, Finance & Resources	2 of 3
Miss L Sharp	Nov 2008	3		Staff Member	Finance & Resources, Search & Governance	8 of 10
Mrs S Lloyd	Nov 2016	1	Feb 2018	Staff Member	Audit & Risk, Curriculum Quality & Performance	4 of 6
Mr G Hinchliffe*	Nov 2017	1	Jul 2018	Staff Member	Finance & Resources, Curriculum Quality & Performance	4 of 7
Mr N Jackson*	Nov 2017	1		Staff Member	Curriculum Quality & Performance, Search & Governance	5 of 7
Mr R. Hewson	Mar 2017	1	Mar 2018	Student Member	HE Performance & Quality	3 of 6
Ms K Walker*	Nov 2017	1	Jul 2018	Student Member	Curriculum Quality & Performance, HE Performance & Quality	4 of 7
Mrs A Tyrrell	Sep 2012			Chief Executive	Finance & Resources, Curriculum Quality & Performance, Search & Governance, HE Performance & Quality	10 of 10

The Clerk to the Corporation during 2017/18 was Jeannie Charles (until 31 July 2018) and Laura Clark (1 November 2017 to 2 May 2018. Joanne Garrison was appointed Clerk to the Corporation from 1 October 2018.

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

The Corporation is provided with regular and timely information on the overall financial performance of the Colleges and subsidiary companies 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 twice each term.

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 & Risk, Finance & Resources, Curriculum Quality & Performance, HE Performance and Quality, and Search and Governance. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the Group's website (www.dncolleges.ac.uk) or from the Clerk to the Corporation at:

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (Continued)

Doncaster College
The Hub
Chappell Drive
Doncaster
DN1 2RF

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

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

Formal agendas, papers and reports are supplied to governors in a timely manner, prior to Board meetings. Briefings are also 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 roles of the Chair and Accounting Officer are separate.

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

Members of the Corporation are appointed for a term of office not exceeding four years.

Finance & Resources Committee
Throughout the year ending 31 July 2018, the Corporation's Finance & Resources Committee comprised seven members. The Committee considers issues primarily of a financial, property or employment nature and has certain delegated authorities from the Corporation, including the review and approval of the remuneration and benefits of the Accounting Officer and other senior post-holders. Details of remuneration for the year ended 31 July 2018 are set out in note 8 to the financial statements.

Corporation performance
The Corporation is satisfied that it performed effectively for 2017/18, taking account not only of student numbers and student achievements, but also of curriculum developments, including further growth in apprenticeships, employer engagement and higher education provision.

The wide range of governors' skills, experience and expertise (as demonstrated by a skills audit) and the strong and dynamic partnerships held with key organisations locally is to students' benefit. Corporation and Committee meetings are well attended and governors' own performance is reviewed annually to help to ensure the Corporation's high performance and to maintain good governance.

Audit & Risk Committee
The Audit & Risk Committee comprises six members of the Corporation (excluding the Accounting Officer and Chair). The Committee operates in accordance with written terms of reference approved by the Corporation.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (Continued)

The Audit & Risk Committee is required to meet on a termly basis and provides a forum for reporting by the College's internal, regularity 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 further education funding bodies, as they affect the College's business, and considers the adequacy and effectiveness of the Group's audit arrangements, the framework of governance, risk management and control.

The Corporation's internal auditors 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 & Risk Committee.

Executive leadership 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 & Risk Committee also has certain delegated authorities from the Corporation, including approving the appointment of internal, regularity reporting accountants and financial statements auditors and their remuneration for both 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 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 Officer, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the Group'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 Group 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 on-going process designed to identify and prioritise the risks to the achievement of Corporation's 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 for the Corporation for the year ended 31 July 2018 and up to the date of approval of the annual report and financial statements.

Capacity to handle risk

The Corporation has reviewed the key risks to which it 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 on-going process for identifying, evaluating and managing the Group's significant risks that has been in place for the period ending 31 July 2018 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Audit & Risk Committee and by the Corporation.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (Continued)

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

- Comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the governing body;
- Regular reviews by the governing body 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;
- The adoption of formal project management disciplines, where appropriate.

The Corporation has an internal audit service, which operates in accordance with the requirements of the ESFA's Post-16 *Audit Code of Practice*. The work of the internal audit service is informed by an analysis of the risks to which the Group 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 & Risk Committee. At minimum annually, the governing body is provided with a report on internal audit activity within the Group. The report informs the Audit & Risk Committee who, in turn, assess and provide the Corporation with an opinion on the adequacy and effectiveness of the Group's system of risk management, controls and governance processes.

Review of effectiveness
As Accounting Officer, the Chief Executive Officer 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 Leadership Team within the Group who have responsibility for the development and maintenance of the internal control framework;
- Comments made by the Corporation's financial statements 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 & Risk 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 Accounting Officer and Executive Leadership Team receive reports setting out key performance and risk indicators and consider possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Chief Executive Officer and Executive Leadership Team and the Audit & Risk Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit & Risk 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 Leadership Team and the Audit & Risk Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2018 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2018 by considering documentation from the Executive Leadership Team and internal audit, and taking account of events since 31 July 2018.

Based on the advice of the Audit & Risk Committee and the Accounting Officer, the Corporation is of the opinion that the Group 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*".

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (Continued)

After making appropriate enquiries, the Corporation considers that the Group has adequate resources; £30.7 million (2016/17: £23.6 million) net assets and £6.6 million (2016/17: £8.8 million) cash at bank and in hand 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 **12 December 2018** and signed on its behalf by:

Mrs A Briggs
Chair

Mrs A Tyrrell
Accounting Officer

GOVERNING BODY'S STATEMENT ON THE COLLEGE'S REGULARITY, PROPRIETY AND COMPLIANCE WITH FUNDING BODY TERMS AND CONDITIONS OF FUNDING

The Corporation has considered its responsibility to notify the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of funding, under the group's grant funding agreements and contracts with the ESFA. As part of our consideration we have had due regard to the requirements of the grant funding agreements and contracts with the ESFA.

We confirm, on behalf of the Corporation, that after due enquiry, and to the best of our knowledge, we are able to identify any material irregular or improper use of funds by the Group, or material non-compliance with the terms and conditions of funding under the Group grant funding agreements and contracts with the ESFA.

We confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date. If any instances are identified after the date of this statement, these will be notified to the ESFA.

Mrs A Briggs
Chair
12 December 2018

Mrs A Tyrrell
Accounting Officer
12 December 2018

STATEMENT OF THE 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 agreed between the ESFA and the Corporation, the Corporation, through its Chief Executive 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 Accounts Direction for 2017-18 financial statements issued jointly by the ESFA, and which give a true and fair view of the state of affairs of the Corporation 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 departure 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 report of the Governing Body which describes what it is trying to do and how it is going about it, including the legal and administrative status of the Group.

The Corporation is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Group, 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 assets of the Corporation and to prevent and detect fraud and other irregularities.

The maintenance and integrity of Group websites is the responsibility of the Corporation; 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 ESFA are used only in accordance with the Financial Memorandum with the ESFA and with Funding Agreements with the ESFA 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 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 ESFA are not put at risk.

Approved by order of the members of the Corporation on **12 December 2018** and signed on its behalf by:

Mrs A Briggs
Chair

INDEPENDENT AUDITORS' REPORT TO THE CORPORATION OF DN COLLEGES GROUP

Opinion

We have audited the financial statements of DN Colleges Group (the "College") and its subsidiaries (the "Group") for the year ended 31 July 2018 which comprise the consolidated and college statements of comprehensive income, the consolidated and college balance sheets, the consolidated and college statements of changes in reserves, 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 United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the College's affairs as at 31 July 2018 and of the Group's deficit and the College's surplus of income over expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group 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 governors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the governors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the college's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The governors are responsible for the other information. The other information comprises the information included in the Report and Financial Statements other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT TO THE CORPORATION OF DN COLLEGES GROUP (Continued)

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 2017 to 2018 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 of DN Colleges Group
As explained more fully in the Statement of the Corporation's Responsibilities set out on page 19, the Corporation is responsible for the preparation of 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 Corporation is responsible for assessing the Group's and College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Corporation either intend to liquidate the Group or the College or to cease operations, or have no realistic alternative but to do so.

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

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

Use of our Report
This report is made solely to the Corporation, as a body, in accordance with the Funding Agreement published by the Education and Skills Funding Agency and our engagement letter dated 24 July 2017. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we engaged 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 Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

RSM UK AUDIT LLP
Chartered Accountants
Two Humber Quays
Wellington Street West
HULL
HU1 2BN

14 December 2018

CONSOLIDATED AND COLLEGE STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 JULY 2018

	Note	Group 2018 £000	College 2018 £000	Proforma Comparative Group 2017 £000	Proforma Comparative College 2017 £000
INCOME					
Funding body grants	3	33,536	33,536	32,949	32,949
Tuition fees and education contracts	4	12,559	12,559	12,310	12,310
Other income	5	3,219	3,152	4,458	3,926
Investment income	6	41	40	35	71
Total Income		49,355	49,287	49,752	49,256
EXPENDITURE					
Staff costs	7	31,339	31,462	31,696	31,564
Other operating expenses	9	12,986	12,972	12,433	12,250
Depreciation and amortisation	12/13	3,859	3,859	4,210	4,210
Impairment loss on premises and equipment		-	-	6,198	6,198
Interest and other finance costs	10	928	925	927	902
Total Expenditure		49,112	49,218	55,464	55,124
(Deficit)/Surplus before other gains and losses		243	69	(5,712)	(5,868)
(Loss)/ gain on disposal of tangible and intangible fixed assets	13	(257)	848	(19)	(19)
(Deficit)/Surplus before tax		(14)	917	(5,731)	(5,887)
Taxation	11	-	-	(23)	-
(Deficit)/Surplus for the year		(14)	917	(5,754)	(5,887)
Re-measurement of net defined benefit pension scheme	21	7,379	7,379	1,375	1,375
Other Comprehensive Income for the year		7,379	7,379	1,375	1,375
Total Comprehensive Income for the year		7,365	8,296	(4,379)	(4,512)
(Deficit)/Surplus for the year attributable to the College Corporation		(14)	917	(5,762)	(5,887)
Non-controlling interest		-	-	8	-
Total Comprehensive Income for the year attributable to the College Corporation		7,365	8,296	(4,387)	(4,512)
Non-controlling interest		-	-	8	-

CONSOLIDATED AND COLLEGE BALANCE SHEETS AS AT 31 JULY 2018

	Notes	Group 2018 £000	College 2018 £000	Proforma Comparative Group 2017 £000	Proforma Comparative College 2017 £000
Non-current assets					
Intangible assets	12	433	433	(148)	79
Tangible fixed assets	13	75,366	75,366	79,381	77,555
Investments	14	-	-	-	400
		75,799	75,799	79,233	78,034
Current assets					
Stocks		144	144	144	144
Trade and other receivables	15	2,445	2,427	1,946	2,069
Cash at bank and in hand		6,566	6,289	8,765	7,941
		9,155	8,860	10,855	10,154
Current Liabilities					
Creditors: amounts falling due within one year	16	(7,497)	(7,397)	(8,306)	(8,131)
Net current assets		1,658	1,463	2,549	2,023
Total assets less current liabilities		77,457	77,262	81,782	80,057
Creditors: amounts falling due after more than one year	17	(32,132)	(32,132)	(36,912)	(36,646)
Provisions for liabilities					
Defined benefit pension scheme	21	(12,742)	(12,742)	(18,974)	(18,974)
Other provisions	18	(1,922)	(1,922)	(2,267)	(2,267)
Total net assets		30,661	30,466	23,629	22,170
Unrestricted Reserves					
Income and expenditure reserve		16,194	15,999	8,776	7,650
Revaluation reserve		14,467	14,467	14,520	14,520
Attributable to the College Corporation		30,661	30,466	23,296	22,170
Attributable to minority interests		-	-	333	-
Total unrestricted reserves		30,661	30,466	23,629	22,170

The financial statements on pages 22 to 50 were approved and authorised for issue by the Corporation on 12 December 2018 and were signed on its behalf by:

Mrs A Briggs
Chair

Mrs A Tyrrell
Accounting Officer

CONSOLIDATED AND COLLEGE STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 31 JULY 2018

	Income and expend-iture reserve	Revaluation reserve	Non-controlling interest	Total
	£000	£000	£000	£000
Group				
Balance at 1 August 2016	7,901	19,782	325	28,008
Deficit for the year	(5,762)	-	8	(5,754)
Other comprehensive income	1,375	-	-	1,375
Transfers between revaluation and income and expenditure reserves	5,262	(5,262)	-	-
Total comprehensive income for the year	875	(5,262)	8	(4,379)
Balance at 1 August 2017	8,776	14,520	333	23,629
Deficit for the year	(14)	-	-	(14)
Other comprehensive income	7,379	-	-	7,379
Eliminated on disposal of subsidiary	-	-	(333)	(333)
Transfers between revaluation and income and expenditure reserves	53	(53)	-	-
Total comprehensive income for the year	7,418	(53)	(333)	7,032
Balance at 1 August 2018	16,194	14,467	-	30,661
College				
Balance at 1 August 2016	6,900	19,782	-	26,682
Deficit for the year	(5,887)	-	-	(5,887)
Other comprehensive income	1,375	-	-	1,375
Transfers between revaluation and income and expenditure reserves	5,262	(5,262)	-	-
Total comprehensive income for the year	750	(5,262)	-	(4,512)
Balance at 1 August 2017	7,650	14,520	-	22,170
Surplus for the year	917	-	-	917
Other comprehensive income	7,379	-	-	7,379
Transfers between revaluation and income and expenditure reserves	53	(53)	-	-
Total comprehensive income for the year	8,349	(53)	-	8,296
Balance at 1 August 2018	15,999	14,467	-	30,466

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 JULY 2018

	Notes	2018 £000	Proforma Comparative 2017 £000
Operating activities			
Cash generated from operations	20	2,831	3,480
Taxation paid		(23)	(14)
Net cash from operating activities		2,808	3,466
Investing activities			
Investment income		41	35
Capital grants received		221	85
Proceeds of sale of subsidiary		714	-
Purchase of fixed assets		(2,024)	(1,432)
		(1,048)	(1,312)
Financing activities			
Interest paid		(485)	(439)
Repayments of borrowings		(3,474)	(945)
Payment of dividend		-	(24)
		(3,959)	(1,408)
(Decrease)/Increase in cash and cash equivalents in the year		(2,199)	746
Cash and cash equivalents at beginning of the year		8,765	8,019
Cash and cash equivalents at end of the year		6,566	8,765

NOTES TO THE FINANCIAL STATEMENTS

1. Statement of accounting policies

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

General information
DN Colleges Group (formerly North Lindsey College) is a corporation established under the Further and Higher Education Act 1992 as an English general college of further education. The address of the Group's principal place of business is Doncaster College, The Hub, Chappell Drive, Doncaster, DN1 2RF. The nature of the Group's operations is set out in the Report of the Governing Body.

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 2017 to 2018 and in accordance with Financial Reporting Standard 102 – "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102) under the historical cost convention modified to include revaluation of freehold land. The Group is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

The Group has taken advantage of the exemptions provided in FRS 102 1.12 and the 2015 FE HE SORP 3.3, and has not included a separate statement of its own cash flows and financial instruments. These cash flows are included within the Consolidated Statement of Cash Flows, and the Group balance sheet discloses cash at both the current and preceding reporting dates.

The consolidated financial statements are presented in sterling which is also the functional currency of the Group.

The Group accounts have been prepared on the basis of merger accounting and the figures for 2017 have been restated as Proforma Comparative.

The merger method of accounting is applied to College combinations (as detailed on page 1) as if the Colleges had always been combined. The total comprehensive income, assets and liabilities of the Colleges are amended, where necessary, to align the accounting policies. The carry values of the Colleges' assets and liabilities are not adjusted to fair value.

Monetary amounts in these financial statements are rounded to the nearest whole £1,000, except where otherwise indicated.

Basis of consolidation
The consolidated financial statements include the College and its subsidiaries, DC Teach Limited, Kingsway Consulting Ltd, Optime Support Limited, Waterdale Training Enterprise Limited (until dissolution on 31st October 2017) and Arthur Street (Doncaster) Developments Limited (until disposal on 1st August 2017) 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 sold are consolidated using the purchase method for the periods from or to the date that control passes. In accordance with FRS 102, the activities of the North Lindsey College Students Association Fund for Education have not been consolidated because the Group does not control those activities. All financial statements are made up to 31 July 2018.

All intra-group transactions, balances and unrealised gains on transactions between group entities are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The Group also has two dormant subsidiaries, limited by guarantee and incorporated on 29 March 2018: Doncaster College and North Lindsey College.

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

The Education and Skills Funding Agency (ESFA) monitors the financial health of colleges through financial returns and categorises their health as Inadequate, Satisfactory, Good or Outstanding. The Group's financial key performance indicators provided for a 'Good' financial health score for 2017/18 and this was achieved,

The Group has maintained excellent working relations with its bankers and loans held by Doncaster College with Lloyds Bank were restructured at the point of merger to reduce the amount of term loans, Part of the facilities were replaced with a revolving credit facility, which has not been used. This change offered greater flexibility to manage interest costs in the future and took advantage of the cash resources of the enlarged college group.

The Group continues to engage with all of its key stakeholders and, following merger with Doncaster College, is well positioned, given its stakeholder engagement, performance and financial health, to take forward potential strategic options.

Accordingly, the Group 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

Revenue grant funding
Government revenue grants, including funding body and other grants, are accounted for under the accrual model as permitted by FRS 102 and are recognised where a reliable estimate of the fair value of the asset received or receivable can be made on a systematic basis over the periods in which the related costs for which the grant compensates are recognised. Funding body recurrent grants are measured in line with best estimates for the year of what is receivable and depend on the particular income stream involved. Any under achievement of the Adult Education Budget, outside of permitted tolerance, is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end.

16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments and is recognised when receivable.

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

Grants from non-government sources, including grants relating to assets, are recognised in income when the Group has met the performance-related conditions and the grant will be received. Income received in advance of performance related conditions being met is recognised as a deferred income within creditors on the balance sheet and released to income as the conditions are met.

Capital grant funding
Government capital grants for assets, other than land, are accounted for under the accrual model. The grant income received or receivable will be recognised over the expected useful life of the asset, with any amount of the asset-related grant that is deferred being recognised as deferred income. The deferred income is allocated between creditors due within one year and those due after more than one year.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Tuition fees and other income
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.

Income from the supply of services is recognised at fair value of the consideration received or receivable and represents the value of services to the extent there is a right to consideration.

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.

Retirement benefits
Retirement benefits to employees of the Group are principally provided by Teachers' Pensions Scheme (TPS), up to 31 October 2018 the East Riding Pension Fund (ERPF) and thereafter the South Yorkshire Pension Fund (SYPF), which are multi-employer defined benefit plans. Assets and liabilities of the Group administered through ERPF were transferred to SYPF following merger.

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 projected unit method. The TPS is a multi-employer scheme but sufficient information is not available to use defined benefit accounting and therefore it is accounted for as a defined contribution scheme. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

The ERPF and the SYPF are funded schemes, and the assets of the schemes are held separately. Pension schemes are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. 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. The net interest cost on the net defined benefit liability/asset is charged to comprehensive income and included within finance costs. Re-measurement comprising actuarial gains and losses and the return on scheme assets are recognised immediately in other comprehensive income.

Short term employment benefits
Short term employment benefits such as salaries and compensated absences (holiday pay) are recognised as an expense in the year in which the employees render service to the Group. The cost of any unused holiday entitlement the Group expects to pay in future periods is recognised in the period the employees' services are rendered.

Enhanced pensions
The actual cost of any continuing enhanced 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 pension of a former member of staff is charged in full to comprehensive 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

Intangible assets
Intangible assets are initially recorded at cost less accumulated amortisation and accumulated impairment losses.

Software
Software required to run computer equipment is regarded as part of the equipment cost in tangible fixed assets. Other software costing less than £1,000 per individual item or set of items acquired together is recognised as expenditure in the period of acquisition. Annual costs for the use of software, and supplier support are recognised as expenditure in the Statement of Comprehensive Income. All other software is capitalised and recognised at cost less accumulated depreciation and accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Negative Goodwill
Negative goodwill is the shortfall of the cost of an acquired entity over the aggregate of the fair values of that entity's identifiable assets, liabilities and contingent liabilities. Negative goodwill relating to acquisitions is shown in the balance sheet as a negative asset. Negative goodwill is credited to the income and expenditure account evenly over the period which is expected to benefit, which is 20 years.

Amortisation and residual values
Depreciation on intangible assets is calculated, using the straight line basis, to write off the cost of each asset over its expected useful lives, as follows:

- Software – 4 to 10 years

Subsequent expenditure on existing intangible assets
Where significant expenditure is incurred on intangible assets after initial purchase it is charged to income in the period in which it is incurred, unless it increases the future benefits to the Group, in which case it is capitalised and amortised on the relevant basis.

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

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 and buildings
Land and buildings are stated at cost (or deemed cost for land and buildings held at valuation/revalued at the date of transition to FRS 102) less accumulated depreciation and accumulated impairment losses.

Where land and buildings are revalued, the valuation is at Fair Value. Fair Value is defined in FRS 102 as being 'the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction' at the valuation date.

Leasehold land and buildings
Leasehold land is depreciated on a straight line basis over the term of the lease.

Leasehold buildings are depreciated over their expected useful economic life to the College up to a maximum of 50 years. The College has a policy of depreciating major adaptations to leasehold buildings over the period of their useful economic life up to a maximum of 50 years.

Investment properties
Investment property, which is property held to earn rentals and/or for capital appreciation, is measured using the fair value model and stated at its fair value as the reporting end date. The surplus or deficit on revaluation is recognised in the income statement.

Properties under construction
Properties in the course of construction are accounted for at cost less any identified impairment loss. Cost includes professional fees and other directly attributable costs that are necessary to bring the property to operating condition. They are not depreciated until they are brought into use.

Equipment
Equipment costing less than £1,000 per individual item or set of items acquired together is recognised as expenditure in the period of acquisition. All other equipment is capitalised and recognised at cost less accumulated depreciation and accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Depreciation and residual values
Freehold land is not depreciated. Depreciation on other assets is calculated, using the straight line basis, to write off the cost of each asset to its estimated residual value over its expected useful lives, as follows:

- Leasehold land – over the period of the lease
- Leasehold buildings – over periods up to 50 years
- Freehold buildings – over periods up to 50 years
- Motor vehicles and general equipment – 3 to 10 years
- Computer equipment – 4 years

Residual value is calculated on prices prevailing at the reporting date, after estimated costs of disposal, for the asset as if it were at the age and in the condition expected at the end of its useful life.

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 in which it is incurred, unless it increases the future benefits to the Group, in which case it is capitalised and depreciated on the relevant basis.

Impairments of fixed assets
An assessment is made at each reporting date of whether there are indications that a fixed asset may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, an estimate is made of the recoverable amount of the asset.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use, are recognised as impairment losses. Impairment of revalued assets, are treated as a revaluation loss. All other impairment losses are recognised in comprehensive income.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in comprehensive income or, for revalued assets, as a revaluation gain. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.

Investments
Interests in subsidiaries are measured at cost less any accumulated impairment losses in the separate financial statements of the College.

Borrowing costs
Borrowing costs are recognised as expenditure in the period in which they are incurred.

Leased assets

Operating leases
Costs in respect of operating leases and annual rents are charged on a straight line basis over the lease term to the Statement of Comprehensive Income and Expenditure. Any lease premiums or incentives relating to leases signed after 1 August 2014 are spread over the minimum lease term.

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 12 months or less from the date of acquisition.

Financial instruments
The Group has chosen to adopt Sections 11 and 12 of FRS 102 in full in respect of financial instruments.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

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 financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets measured at fair value through the profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless arrangement constitutes a financing transaction. A financial asset or financial liability that is payable or receivable in one year is measured at the undiscounted amount expected to be received or paid net of impairment, unless it is a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and financial liabilities are offset only when there is a current legally enforceable right to set off the recognised amounts and the intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Taxation

The Group 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 a small element 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 intangible and tangible fixed assets as appropriate, where the inputs themselves are intangible or tangible fixed assets by nature.

The Group'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 Group 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 the amount of the obligation can be reliably measured.

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 that reflects the risks specific to the liability. 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 Group. 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 reliably measured.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Agency arrangements
The Group acts as an agent in the collection and payment of certain discretionary support funds from the funding bodies. Payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure of the Group where the College does not have control of the economic benefit related to the transaction.

2. 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 Group 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;

Other key sources of estimation uncertainty

Intangible assets
Intangible assets 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 with reference to the contractual period of usage of the asset and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and economic utilisation of the assets are taken into account. Residual value assessments consider issues such as future market conditions and the remaining life of the asset.

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, maintenance programmes, economic utilisation and physical condition of the assets are taken into account. Residual value assessments consider issues such as future market conditions and the remaining life of the asset.

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 21, 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 2018. 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.

For the purposes of estimating future liabilities, the Group has asked the actuaries to assume a 1% pay increase until 31 March 2023 reverting to 2.2% thereafter.

Impairment of intangible & fixed assets
The Group considers whether intangible and fixed assets are impaired. Where an indication of impairment is identified the estimation of the recoverable amount of the asset or the recoverable amount of the cash-generating unit is required. This requires an estimation of the future cash flow and selection of appropriate discount rates in order to calculate the net present value of those cash flows.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. Funding body grants

	2018 Group £000	2018 College £000	Proforma Comparative 2017 Group £000	2017 College £000
Recurrent grants				
Education and Skills Funding Agency – 16-18	20,580	20,580	20,907	20,907
Education and Skills Funding Agency– adult	4,702	4,702	4,578	4,578
Education and Skills Funding Agency– apprenticeships	5,494	5,494	4,359	4,359
Higher Education Funding Council / OFS	1,154	1,154	1,422	1,422
Specific grants				
Education and Skills Funding Agency	498	498	652	652
Release of government capital grants	1,108	1,108	1,031	1,031
Total	33,536	33,536	32,949	32,949

4. Tuition fees and education contracts

	2018 Group £000	2018 College £000	Proforma Comparative 2017 Group £000	2017 College £000
Tuition Fees	11,718	11,718	11,246	11,246
Education contracts	841	841	1,064	1,064
Total	12,559	12,559	12,310	12,310

Tuition fees funded by bursaries
Included within the above amounts are tuition fees funded by bursaries of £130,636 (2016/17: £71,643).

5. Other income

	2018 Group £000	2018 College £000	Proforma Comparative 2017 Group £000	2017 College £000
Catering	818	756	1,330	972
Other income generating activities	1,976	1,971	2,547	2,405
Non-funding body government grants	425	425	549	549
Amortisation of goodwill	-	-	32	-
Total	3,219	3,152	4,458	3,926

6. Investment income

	2018 Group £000	2018 College £000	Proforma Comparative 2017 Group £000	2017 College £000
Other interest receivable	41	40	35	35
Dividend received from subsidiary company	-	-	-	36
Total	41	40	35	71

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. Staff costs and key management personnel remuneration

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

			Proforma Comparative	
	2018 Group £000	**2018 College £000**	**2017 Group £000**	**2017 College £000**
Teaching staff	370	348	398	398
Non-teaching staff	537	405	506	413
Total	907	753	904	811
Staff costs for the above persons				
Wages and salaries	23,775	20,244	23,743	20,775
Social security costs	2,027	1,773	1,965	1,847
Other pension costs	4,118	4,078	4,290	4,237
Payroll sub-total	29,920	26,095	29,998	26,859
Contracted out staffing services	1,222	5,170	1,132	4,139
Restructuring costs – contractual	136	136	509	509
Restructuring costs – non-contractual	61	61	57	57
Total	31,339	31,462	31,696	31,564

Restructuring payments were authorised by the Executive Leadership Team on various dates between September 2017 and May 2018.

8. 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 Chief Executive Officer, Chief Operating Officer and two College Principals. 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

	2018 No.	**2017 No.**
The number of key management personnel including the Accounting Officer was:	4	4

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

	Key management personnel		**Other Staff**	
	2018 No.	**2017 No.**	**2018 No.**	**2017 No.**
£60,001 to £70,000 p.a.	-	-	3	3
£70,001 to £80,000 p.a.	-	1	-	1
£80,001 to £90,000 p.a.	-	-	1	3
£90,001 to £100,000 p.a.	1	-	-	-
£100,001 to £110,000 p.a.	2	2	-	-
£110,000 to £120,000 p.a.	-	-	1	-
£130,001 to £140,000 p.a.	1	1	-	-
Total	4	4	**5**	**7**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Key management personnel (including the Accounting Officer) total compensation is made up as follows:

	2018 £000	Proforma Comparative 2017 £000
Salaries	416	346
National Insurance	27	43
	443	389
Pension contributions	34	43
Payroll sub-total	477	432
Contracted out staffing service	-	225
Total emoluments	477	657

There were no amounts due to key management personnel that were waived in the year. There were two salary sacrifice arrangements in place for all staff, these being a nursery voucher scheme and cycle to work scheme.

The above emoluments include amounts payable to the Accounting Officer (who is also the highest paid of key management personnel) of:

	2018 £000	Proforma Comparative 2017 £000
Salaries	139	119
National Insurance	18	15
	157	134
Pension contributions	23	20
Contracted out staffing service	-	225

A Tyrrell was Accounting Officer for North Lindsey College throughout 2016/17 and through until merger on 1 November 2017 and for Doncaster College from 1 July 2017 to merger on 1 November 2017. A Tyrrell became Accounting Officer for DN Colleges Group on 1 November 2017.

G Trow commenced 2016/17 as Accounting Officer for Doncaster College and retired on 30 September 2016. Thereafter, R Davies served two terms covering the period 19 September 2016 to 30 June 2017, firstly through a Personal Service Company and latterly as an employee of Doncaster College. C Parkinson was Accounting Officer for Doncaster College from 3 April 2017 to 19 April 2017.

Governors' remuneration

The Accounting Officer and the staff members only receive remuneration in respect of services they provide undertaking their roles of Principal and Chief Executive and staff members under contracts of employment and not in respect of their roles as governors. The other members of the Corporation did not receive any payments from the Group in respect of their roles as governors.

The total expenses paid to or on behalf of the governors during the year was £3,954 – 14 governors (2016/17 : £1,906 – 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 other governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2016/17: £Nil).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. Other operating expenses

	2018 Group £000	2018 College £000	Proforma Comparative 2017 Group £000	Proforma Comparative 2017 College £000
Teaching costs	4,823	4,823	4,693	4,705
Non-teaching costs	5,664	5,672	4,169	4,187
Premises costs	2,499	2,477	3,571	3,358
Total	12,986	12,972	12,433	12,250

Deficit before taxation is after charging:	2018 Group £000	2018 College £000	Proforma Comparative 2017 Group £000	Proforma Comparative 2017 College £000
Auditors' remuneration				
- Financial statements audit	47	40	75	68
- Internal audit	35	35	77	77
Other services provided by the financial statements auditor	4	2	12	8
Operating lease/rentals	430	430	372	360
Negative goodwill amortisation	-	-	32	-

10. Interest and other finance costs – Group and College

	2018 Group £000	2018 College £000	Proforma Comparative 2017 Group £000	Proforma Comparative 2017 College £000
Preference dividends payable	-	-	24	-
Bank loans, overdrafts and other loans	485	482	436	435
Net interest on defined pension liability (note 21)	443	443	467	467
Total	928	925	927	902

11. Taxation – Group

	2018 £000	Proforma Comparative 2017 £000
UK corporation tax	-	23
Tax on surplus	-	23

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. Intangible assets

Group

	Negative Goodwill	Software	Total
Cost or valuation	**£000**	**£000**	**£000**
At 1 August 2017 (proforma comparative)	(650)	185	(465)
Additions	-	418	418
On disposal of subsidiary	650	-	650
At 31 July 2018	-	603	603
Amortisation			
At 1 August 2017 (proforma comparative)	(423)	106	(317)
Charge for period	-	64	64
On disposal of subsidiary	423	-	423
At 31 July 2018	-	170	170
Net book value			
At 31 July 2018	-	433	433
At 31 July 2017 (proforma comparative)	(227)	79	(148)

College

	Software	Total
Cost	**£000**	**£000**
At 1 August 2017 (proforma comparative)	185	185
Additions	418	418
At 31 July 2018	603	603
Amortisation		
At 1 August 2017 (proforma comparative)	106	106
Charge for period	64	64
At 31 July 2018	170	170
Net book value		
At 31 July 2018	433	433
At 31 July 2017 (proforma comparative)	79	79

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. Tangible fixed assets

Group

	Freehold land and buildings	Investment Properties	Equipment	Total
Cost or valuation	**£000**	**£000**	**£000**	**£000**
At 1 August 2017 (proforma comparative)	123,122	1,825	19,172	144,119
Additions	283	-	1,323	1,606
Reclassification of Fixtures & Fittings	(1,879)	-	1,879	-
Disposals	-	(1,825)	(298)	(2,123)
At 31 July 2018	121,526	-	22,076	143,602
Depreciation and impairment				
At 1 August 2017 (proforma comparative)	48,718	-	16,020	64,738
Charge for period	2,662	-	1,133	3,795
Reclassification of Fixtures & Fittings	(1,565)	-	1,565	-
Disposals	-	-	(297)	(297)
At 31 July 2018	49,815	-	18,421	68,236
Net book value				
At 31 July 2018	71,711	-	3,655	75,366
At 31 July 2017 (proforma comparative)	76,229	-	3,152	79,381

The investment properties were held by Arthur Street (Doncaster) Developments Limited and were disposed of on the sale of the Subsidiary on 1 August 2017.

College

	Freehold land and buildings	Equipment	Total
Cost or valuation	**£000**	**£000**	**£000**
At 1 August 2017 (proforma comparative)	123,122	19,022	142,144
Additions	283	1,323	1,606
Reclassification of Fixtures & Fittings	(1,879)	1,879	-
Disposals	-	(298)	(298)
At 31 July 2018	121,526	21,926	143,452
Depreciation			
At 1 August 2017 (proforma comparative)	48,718	15,871	64,589
Charge for period	2,662	1,133	3,795
Reclassification of Fixtures & Fittings	(1,565)	1,565	-
Disposals	-	(298)	(298)
At 31 July 2018	49,815	18,271	68,086
Net book value			
At 31 July 2018	71,711	3,655	75,366
At 31 July 2017 (proforma comparative)	74,404	3,151	77,555

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Following the decision to move the HE provision from the High Melton site to the HUB and to cease commercial activities at High Melton, the land and buildings at High Melton were impaired to market value. The Governors consider the valuation of £3,000,000 to be a reasonable estimate of its current value. The historical cost of the land and buildings at High Melton was £14,624,850 (31 July 2017: £14,624,850) of which £11,562,500 (31 July 2017: £11,562,500) relates to inherited assets. Accumulated depreciation of £5,426,371 has been applied to the assets, including £3,830,369 to the inherited assets.

The assets have been impaired from £9,198,000 to £3,000,000.

Land and buildings were valued as at 1 August 2014 by a RICS Registered Valuer from DVS Property Specialists for the purposes of these financial statements. The valuation method was Depreciated Replacement Cost, adopting the Instant Building approach as required by HM Treasury FReM for the UK public sector. If inherited land and buildings had not been valued they would have been included at the following amounts:

	£000
Cost	Nil
Aggregate depreciation based on cost	Nil
Carrying amount based on cost	Nil

Included in Land and Buildings Freehold is the land at The Hub, Waterfront Doncaster which is held on a 999 year lease running from 2006. The land was revalued at £1,050,000 on FRS102 transition date, 1 August 2014 and is being depreciated over the 999 year life.

Land and Buildings Freehold, is also inclusive of land at North Lindsey College valued at £11.6 million (2017: £11.6 million) that is not depreciated.

14. Investments

	2018	**Proforma Comparative 2017**
	£000	**£000**
Investments in subsidiary companies	-	400

The Group owns 100 per cent of the issued ordinary £1 shares of DC Teach Limited, Kingsway Consulting Ltd and Optime Support Limited, all companies incorporated in England and Wales. The principal activity of Kingsway Consulting Ltd is the rental of property and the provision of conferencing facilities. The principal activity of Optime Support Limited is employment services. The principal activity of DC Teach Limited is the provision of tuition services.

On 29 March 2018 the Group incorporated two companies, Doncaster College and North Lindsey College, as companies limited by guarantee without share capital and making use of 'Limited' exemption in the company names. The registered office of both companies is DN Colleges Group, The Hub, Chappell Drive, Doncaster DN1 2RF. Both are dormant companies; there were no accounting transactions in the period to 31 July 2018.

On 1 August 2017 Doncaster College sold its investment in Arthur Street (Doncaster) Developments Limited, comprising 80% of the issued £1 shares and 60% of the issued £1 preference shares.

An application was made to Companies House on 26 June 2017 and Waterdale Training Enterprise Limited was finally dissolved by Companies House on 31 October 2017.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. Trade and other receivables

	2018 Group £000	2018 College £000	Proforma comparative 2017 Group £000	2017 College £000
Amounts falling due within one year:				
Trade debtors	685	646	750	576
Amounts owed by group undertakings	-	21	-	308
Prepayments and accrued income	1,082	1,082	872	861
Amounts owed by the ESFA	678	678	324	324
Total	2,445	2,427	1,946	2,069

Trade debtors is shown after provision for unrecoverable debts of £225,000 (2017: 210,000).

16. Creditors: amounts falling due within one year

	2018 Group £000	2018 College £000	Proforma comparative 2017 Group £000	2017 College £000
Bank loans	292	292	557	557
Trade creditors	1,945	1,945	1,654	1,638
Amounts owed to subsidiary undertakings	-	168	-	104
Corporation tax	-	-	23	-
Other taxation and social security	1,453	1,380	582	520
Other creditors	434	423	1,178	1,059
Accruals and deferred income	1,112	928	1,952	1,893
Government capital grants	1,524	1,524	1,531	1,531
Government revenue grants	737	737	726	726
Amounts due to the Education and Skills Funding Agency	-	-	103	103
Total	7,497	7,397	8,306	8,131

17. Creditors: amounts falling due after more than one year

	2018 Group £000	2018 College £000	Proforma comparative 2017 Group £000	2017 College £000
Bank loans	4,828	4,828	8,036	8,036
Preference shares at £1 each (authorised, issued and fully paid)	-	-	266	-
Government capital grants	27,304	27,304	28,610	28,610
Total	32,132	32,132	36,912	36,646

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Bank loans
Bank loans are repayable as follows:

			Proforma comparative	
	2018 Group £000	**2018 College £000**	**2017 Group £000**	**2017 College £000**
In one year or less	292	292	557	557
Between one and two years	296	296	569	569
Between two and five years	929	929	1,729	1,729
In five years or more	3,603	3,603	5,738	5,738
Total	5,120	5,120	8,593	8,593

Doncaster College borrowed £3.0 million from Lloyds Bank in July 2005, of which £2.18 million is repayable as at 31 July 2018 (2017: £2.25 million). This bank loan is repayable by quarterly instalments over the period up to January 2030 at which point £0.85 million will remain outstanding. The current interest rate is fixed at 6.984% having increased by 0.5% from the date of merger. This loan is secured on the freehold land and buildings of the College in Doncaster.

North Lindsey College borrowed £1.0 million from Santander UK in June 2014, of which £0.7 million is repayable as at 31 July 2018 (2017: £0.8 million). This bank loan is repayable by quarterly instalments over the ten years to June 2024. It has a fixed interest rate of 4.485%. It was unsecured until the merger, and now secured on two buildings within the North Lindsey College Kingsway site. North Lindsey College borrowed a further £2.56 million from Santander UK in May 2016, of which £2.45 million is repayable as at 31 July 2018 (2017: £2.56 million). This bank loan is repayable by quarterly instalments over 14 years to February 2030, with a balance of £1.03 million repayable in May 2030. It has a fixed interest rate of 5.355%. It was unsecured until the merger, and now secured on two buildings within the North Lindsey College Kingsway site.

On 1 November 2017 three loans due from Doncaster College to Lloyds Bank were repaid in full. The capital amount repaid totalled £3.12 million and incurred Funding Break costs of £148,000.

18. Provisions for liabilities

Group and College	**Enhanced pension entitlements £000**	**Restructure provision £000**	**Total £000**
At 1 August 2017 (proforma comparative)	2,089	178	2,267
Expenditure in the year	(148)	(178)	(326)
Transferred from income and expenditure account	(19)	-	(19)
At 31 July 2018	1,922	-	1,922

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The principal assumptions for this calculation are:

	2018	2017
Price inflation	1.30%	1.30%
Discount rate	2.30%	2.30%

The restructuring provision had been calculated in accordance with FRS102 and related to the forecast redundancy costs following the relocation of the HE provision from High Melton and the associated cessation of the commercial activities at the site. All anticipated costs were be settled by February 2018.

19. Financial Instruments

The Group has the following financial instruments:

	2018 £000	Proforma comparative 2017 £000
Financial assets		
Financial assets measured at fair value through profit or loss	-	-
Debt instruments measured at amortised cost:		
Trade debtors	685	750
Accrued income	925	542
Total	1,610	1,292

		Proforma comparative
Financial liabilities		
Financial liabilities measured at fair value through profit or loss	-	-
Financial liabilities measured at amortised cost:		
Trade creditors	1,945	1,654
Bank loans	5,120	8,593
Accruals	739	880
Other creditors	434	980
Total	8,238	12,107

20. Notes to the cash flow statement

	2018 £000	Proforma comparative 2017 £000
Deficit after tax for the year	(14)	(5,754)
Adjustment for:		
Depreciation and impairment losses	3,859	10,408
Amortisation of goodwill	-	(32)
Investment income	(41)	(35)
Interest payable	928	930
Loss on disposal of fixed assets	257	19
(Decrease)/increase in provisions	(345)	87
Pensions costs less contributions payable	704	437
Taxation	-	23
Operating cash flow before movements in working capital	5,348	6,083
(Increase) in stocks	-	(14)
(Increase) in debtors	(547)	(181)
Capital grants received (recognised under investing activities)	(221)	(85)
(Decrease) in creditors	(1,749)	(2,323)
Cash generated from operations	2,831	3,480

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. Retirement benefits

The Group'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 South Yorkshire Pension Fund (SYPF) for non-teaching staff, which is managed by South Yorkshire Pensions Authority. Both are multi-employer defined benefit plans. Optime Support Limited and DC Teach Limited employees belong to a Stakeholder pension scheme which is a defined contribution scheme.

			Proforma comparative	
Total pension cost for the year		**2018 £000**		**2017 £000**
Teachers' Pension Scheme: contributions paid		1,838		1,826
South Yorkshire Pension Fund*:				
Contributions paid	1,019		1,655	
Deficit funding contributions	537		214	
FRS 102 (28) charge	704		437	
Charge to the Statement of Comprehensive Income		2,260		2,306
Stakeholder pension scheme		39		24
Enhanced pension charge to Statement of Comprehensive Income		(19)		134
Total pension cost for the year within staff costs		4,118		4,290

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.

*Prior to merger, and for a short period after, the former North Lindsey College made payments to East Riding Pension Fund. The assets (including all contributions paid in the year) and liabilities were transferred from East Riding Pension Fund to South Yorkshire Pension Fund following merger, with the process complete in February 2018.

Contributions amounting to £353k (2016/17: £184k) were payable to the scheme at 31 July and are included in creditors.

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. 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.

Valuation of the Teachers' Pension Scheme

Not less than every four years the Government Actuary ("GA"), using normal actuarial principles, conducts a formal actuarial review of the TPS. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors.

The latest actuarial valuation 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 in June 2014. The key results of the valuation and subsequent consultation are:

- Total scheme liabilities for service (pensions currently payable and the estimated cost of future benefits) of £191.5 billion
- Value of notional assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) of £176.6 billion
- Notional past service deficit of £14.9 billion

NOTES TO THE FINANCIAL STATEMENTS (Continued)

- Assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings
- Rate of real earnings growth is assumed to be 2.75%
- Assumed nominal rate of return is 5.06%

The employer contribution rate was 14.1% until 1 September 2017, when it increased to 16.48% (including a 0.08% administration fee), with an employer cost cap of 10.9% of pensionable pay. The employer contribution rate will be payable until the next valuation as at March 2018, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

The pension costs paid to TPS in the year amounted to £1,838,000 (2016/17: £1,826,000). The TPS is a multi-employer pension plan and there is insufficient information to account for the scheme as a defined benefit plan so it is accounted for as a defined contribution plan.

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

Local Government Pension Scheme
The South Yorkshire Pension Fund is a funded defined benefit plan, with the assets held in separate funds administered by South Yorkshire Council. The total contributions made for the year ended 31 July 2018 were £1,960k, of which employer's contributions totalled £1,019k plus a further £537k of deficit funding contributions, and employees' contributions totalled £404k. The agreed contribution rates up to March 2018 were 15.1% for employers plus fixed monetary amounts totalling £537k. The deficit repayment rate changed from 1 April 2018 to a fixed monetary sum of £698k.The rate for employees will range from 5.5% to 12.5%, 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 2018 by a qualified independent actuary:

	At 31 July 2018	At 31 July 2017	
	SYPF	SYPF	ERPF
Rate of increase in salaries (see note)	3.45%**	2.2%*	2.1%***
Future pensions increases	2.3%	2.2%	2.5%
Discount rate	2.95%	2.5%	2.7%
Inflation assumption (CPI)	2.2%	2.2%	2.5%

* 1% for the first five years then 2.2%
** 1% until 31 January 2020 and 2% p.a. for the next five years thereafter
*** 1% until 31 March 2020 and 2.5% p.a.

The current valuation does not reflect the expected increase in benefits and therefore liability as a result of Guaranteed Minimum Pension ('GMP') equalisation between men and women which is required as a result of the removal of the Additional State Pension. Methodologies for a long-term solution are still being investigated by the Government as set out in the published (January 2018) outcome of the Government Consultation 'Indexation and Equalisation of GMP in Public Sector Pensions Schemes' and therefore the expected impact cannot be reliably estimated and consequently no provision/liability has been recognised.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The average life expectancy for a pensioner retiring at 65 on the reporting date is:

	At 31 July 2018	At 31 July 2017	
	SYPF Years	SYPF Years	ERPF Years
Retiring today			
Males	23	22.6	21.7
Females	25.8	25.4	24.2
Retiring in 20 years			
Males	25.2	24.3	23.7
Females	28.1	27.3	26.4

The Group's share of assets in the plan at the balance sheet date were:

	Fair value at 31 July 2018 £000	Proforma comparative Fair value at 31 July 2017 £000
Equity instruments	40,047	46,530
Government bonds	10,765	8,758
Other bonds	5,495	3,089
Property	7,302	6,871
Cash	3,463	1,655
Other	8,205	3,407
Total fair value of plan assets	75,277	70,310
Actual return on plan assets	5,029	6,483

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

	2018 £000	Proforma comparative 2017 £000
Fair value of plan assets	75,277	70,310
Present value of plan liabilities	(88,019)	(89,284)
Net pension liability	(12,742)	(18,974)

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

	2018	Proforma comparative 2017
Amounts included in staff costs	£000	£000
Current service cost	2,218	2,296
Administrative charges	24	20
Curtailment	18	-
Total	2,260	2,316

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2018	Proforma comparative 2017
Amounts included in interest and other finance costs	**£000**	**£000**
Net interest on defined pension liability	443	467
Total	443	467

	2018 £000	Proforma comparative 2017 £000
Re-measurement of net defined benefit pension liability	7,379	1,375

	2018	Proforma comparative 2017
Changes in the present value of defined benefit obligations	**£000**	**£000**
Defined benefit obligations at start of period	89,284	82,763
Current service cost	2,218	2,279
Interest cost	2,241	2,034
Contributions by scheme participants	404	493
Actuarial (gains)/losses[1]	(4,148)	3,541
Plan introductions, charges, curtailments and settlements	18	17
Benefits paid	(1,998)	(1,843)
Defined benefit obligations at end of period	88,019	89,284

[1] Includes £718k gain arising from transfer from ERPF to SYPF on merger.

	2018	Proforma comparative 2017
Changes in the fair value of plan assets	**£000**	**£000**
Fair value of plan assets at start of period	70,310	63,318
Interest income	1,798	1,567
Actuarial gain[2]	3,231	4,916
Employer contributions[3]	1,556	1,879
Administration charge	(24)	(20)
Contributions by scheme participants	404	493
Benefits paid	(1,998)	(1,843)
Fair value of plan assets at end of period	75,277	70,310

[2] Includes £195k loss arising from transfer from ERPF to SYPF on merger.
[3] Employer contributions of £10k strain costs accounted for 2017/18 will be recognised through the scheme in 2018/19. Employer Contributions in 2015/16 included £81k strain costs accounted for in the prior year.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. Amounts disbursed as agent

Learner support funds	2018 £000	Proforma comparative 2017 £000
Funding body grants – bursary support	525	189
Funding body grants – discretionary learner support	1,124	1,341
Other Funding body grants	-	84
Disbursed to students	(1,325)	(1,249)
Administration costs	(102)	(69)
Balance unspent as at 31 July, included in creditors	222	296

Apprentice Grants for Employers	2018 £000	Proforma comparative 2017 £000
Funding body grants – employer incentives	219	202
Disbursed to employers	(215)	(174)
Balance to be disbursed to employers as at 31 July, included in creditors	4	28

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

23. Lease obligations

At 31 July minimum lease payments under non-cancellable operating leases were as follows:

	2018 £000	Proforma comparative 2017 £000
Not later than one year	188	253
Later than one year and not later than five years	277	245
After 5 Years	-	11
	465	509

24. Capital commitments

	2018 £000	Proforma comparative 2017 £000
Commitments contracted for at 31 July	-	108
	-	108

25. Related party transactions

Key management compensation disclosure is given in note 8.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. Merger disclosures

North Lindsey College and Doncaster College have legally merged with effect from 1 November 2017 under a Type B merger with North Lindsey College the surviving entity. On the same date the name of the College was changed to DN Colleges Group following approval of this name by the Secretary of State for Education.

Analysis of Total Comprehensive Income

	North Lindsey College	Doncaster College	Merged Entity	Full Year
	31 Oct 2017	31 Oct 2017	1 Nov – 31 Jul 2018	2018
	£000	£000	£000	£000
INCOME				
Funding body grants	3,396	4,774	25,366	33,536
Tuition fees and education contracts	1,441	1,688	9,430	12,559
Other income	298	583	2,338	3,219
Investment income	7	-	34	41
Total Income	5,142	7,045	37,168	49,355
EXPENDITURE				
Staff costs	3,238	4,249	23,852	31,339
Other operating expenses	1,412	2,207	9,367	12,986
Depreciation and amortisation	537	431	2,891	3,859
Impairment loss on premises and equipment	-	-	-	-
Interest and other finance costs	75	153	700	928
Total Expenditure	5,262	7,040	36,810	49,112
(Deficit)/Surplus before other gains and losses	(120)	5	358	243
(Loss)/ gain on disposal of tangible and intangible fixed assets	-	(257)	-	(257)
(Deficit)/Surplus before tax	(120)	(252)	358	(14)
Taxation	-	-	-	-
(Deficit)/Surplus for the year	(120)	(252)	358	(14)
Re-measurement of net defined benefit pension scheme	628	2,029	4,722	7,379
Other Comprehensive Income for the year	628	2,029	4,722	7,379
Total Comprehensive Income for the year	508	1,777	5,080	7,365
(Deficit)/Surplus for the year attributable to the College Corporation	(120)	(252)	358	(14)
Non-controlling interest	-	-	-	-
Total Comprehensive Income for the year attributable to the College Corporation	508	1,777	5,080	7,365
Non-controlling interest	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Analysis of Total Comprehensive Income - Prior Year 2017

	North Lindsey College 31 July 2017 £000	Doncaster College 31 Jul 2017 £000	Merged Entity 31 Jul 2017 £000
INCOME			
Funding body grants	14,005	18,944	32,949
Tuition fees and education contracts	5,667	6,643	12,310
Other income	1,508	2,950	4,458
Investment income	30	5	35
Total Income	21,210	28,542	49,752
EXPENDITURE			
Staff costs	12,848	18,848	31,696
Other operating expenses	4,648	7,785	12,433
Depreciation and amortisation	2,286	1,924	4,210
Impairment loss on premises and equipment	-	6,198	6,198
Interest and other finance costs	319	608	927
Total Expenditure	20,101	35,363	55,464
(Deficit)/Surplus before other gains and losses	1,109	(6,821)	(5,712)
(Loss)/ gain on disposal of tangible and intangible fixed assets	(19)	-	(19)
Surplus/(Deficit) before tax	1,090	(6,821)	(5,731)
Taxation	-	(23)	(23)
Surplus/(Deficit) for the year	1,090	(6,844)	(5,754)
Re-measurement of net defined benefit pension scheme	1,304	71	1,375
Other Comprehensive Income for the year	1,304	71	1,375
Total Comprehensive Income/(Deficit) for the year	2,394	(6,773)	(4,379)
Surplus/(Deficit) for the year attributable to the College Corporation	1,090	(6,852)	(5,762)
Non-controlling interest	-	8	8
Total Comprehensive Income/(Deficit) for the year attributable to the College Corporation	2,394	(6,781)	(4,387)
Non-controlling interest	-	8	8

There were no significant adjustments to align accounting policies and otherwise arising as a result of the merger.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Balance Sheets at the date of Merger

	North Lindsey College 31 October 2017 £000	Doncaster College 31 October 2017 £000	Merged Entity 31 October 2017 £000
Non-current assets			
Intangible assets	72	-	72
Tangible fixed assets	33,367	44,061	77,428
Investments	-	-	-
	33,439	44,061	77,500
Current assets			
Stocks	71	74	145
Trade and other receivables	1,566	4,784	6,350
Cash at bank and in hand	5,336	4,224	9,560
	6,973	9,082	16,055
Current Liabilities			
Creditors: amounts falling due within one year	(3,702)	(9,310)	(13,012)
Net current assets	3,271	(228)	3,043
Total assets less current liabilities	36,710	43,833	80,543
Creditors: amounts falling due after more than one year	(12,484)	(23,710)	(36,194)
Provisions for liabilities			
Defined benefit pension scheme	(4,235)	(12,326)	(16,561)
Other provisions	(256)	(1,949)	(2,205)
Total net assets	19,735	5,848	25,583
Unrestricted Reserves			
Income and expenditure reserve	8,007	3,118	11,125
Revaluation reserve	11,728	2,730	14,458
Attributable to the College Corporation	19,735	5,848	25,583
Attributable to minority interests	-	-	-
Total unrestricted reserves	19,735	5,848	25,583

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON REGULARITY TO THE CORPORATION OF DN COLLEGES GROUP AND THE SECRETARY OF STATE FOR EDUCATION ACTING THROUGH THE EDUCATION AND SKILLS FUNDING AGENCY

Conclusion
We have carried out an engagement, in accordance with the terms of our engagement letter dated 24 July 2017 and further to the requirements of the grant funding agreements and contracts with the Education and Skills Funding Agency (the "ESFA"), to obtain limited assurance about whether the expenditure disbursed and income received by DN Colleges Group during the period 1 August 2017 to 31 July 2018 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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 2017 to 31 July 2018 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Basis for conclusion
The framework that has been applied is set out in the Post-16 Audit Code of Practice (the "ACoP") issued by the ESFA. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record (ILR) returns, for which the ESFA has other assurance arrangements in place.

We are independent of DN Colleges Group in accordance with the ethical requirements that are applicable to this engagement and we have fulfilled our ethical requirements in accordance with these requirements. We believe the assurance evidence we have obtained is sufficient to provide a basis for our conclusion.

Responsibilities of Corporation of DN Colleges Group for regularity
The Corporation of DN Colleges Group is responsible, under the grant funding agreements and contracts with the ESFA and 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. The corporation of DN Colleges Group is also responsible for preparing the Governing Body's Statement of Regularity, Propriety and Compliance.

Reporting accountant's responsibilities for reporting on regularity
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 ACoP.

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 the procedures performed vary in nature and timing from, and are less in extent than for a reasonable assurance engagement; consequently a limited assurance engagement 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.

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 2017 to 31 July 2018 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Our work included identification and assessment of the design and operational effectiveness of the controls, policies and procedures that have been implemented to ensure compliance with the framework of authorities including the specific requirements of the grant funding agreements and contracts with the ESFA and high level financial control areas where we identified a material irregularity is likely to arise. We undertook detailed testing, on a sample basis, on the identified areas where a material irregularity is likely to arise where such areas are in respect of controls, policies and procedures that apply to classes of transactions.

This work was integrated with our audit of the financial statements and evidence was also derived from the conduct of that audit to the extent it supports the regularity conclusion.

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON REGULARITY TO THE CORPORATION OF DN COLLEGES GROUP AND THE SECRETARY OF STATE FOR EDUCATION ACTING THROUGH THE EDUCATION AND SKILLS FUNDING AGENCY (Continued)

Use of our report

This report is made solely to the Corporation of DN Colleges Group and the Secretary of State for Education acting through the ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the Corporation of DN Colleges Group and the Secretary of State for Education acting through the ESFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation of DN Colleges Group and the Secretary of State for Education acting through the ESFA for our work, for this report, or for the conclusion we have formed.

RSM UK Audit LLP

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Date: 14/12/2018