

LEEDS CITY COLLEGE

Report & Financial Statements

For the year ended 31 July 2015

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The members present their report and the audited financial statements for the year ended 31 July 2015.

Legal status

The Corporation was established under the Leeds City College (Incorporation) Order 2008 for the purpose of conducting Leeds City College. The college is an exempt charity for the purposes of the Charities Act 2011.

Introduction

Leeds City College is one of the UK's largest FE establishments, offering a diverse curriculum to its students. The college strives to provide a vibrant, multicultural learning environment, delivering excellent and innovative education.

Leeds City College is now in its sixth year of operations since its establishment. This period has enabled the college to consolidate its position as one of the most influential further education institutions in the region and also to play its part on a national stage.

In 2012 the college was given an OFSTED rating at 'Grade 2, Good, with Outstanding features', for the overall effectiveness of its provision.

In September 2013, the Printworks campus opened on the site of the former Alf Cooke Printworks, one of the most recognisable industrial landmarks in Leeds. The facilities have a unique setting within the restored buildings alongside new, 21st century architecture. The second phase of development was completed in August 2015 which includes the restoration of one of the Grade II listed print halls.

The state-of-the-art campus now houses specialist vocational subjects, including the Hairdressing & Beauty Therapy, Catering, Hospitality & Food Manufacture provision which relocated from the former

Thomas Danby campus and the college's motor vehicle and engineering provision which has been transferred from the Westland Road centre.

The site includes facilities open to the public such as Inkwel (Hair & Beauty Salons), The Food Academy Restaurant and the Deli, all run by college students.

In November 2014, the college was awarded an Association of Colleges' (AOC) Beacon Award for College Engagement with Employers, in recognition of its extensive approach which responds to the needs of employers, employees and students.

Mission & Values

In July 2015, the Board confirmed the college's mission:

"To be an exceptional and responsive college providing life changing education, skills and experiences for individuals, businesses and communities."

The college's values are:

- | | |
|-------------------|--|
| EXCELLENCE | - Relentless pursuit of excellence in everything we do. |
| RESPECT | - Behaving with integrity, fairness and honesty at all times. |
| AMBITION | - Forward looking, supporting innovation and creativity, and seeking opportunities to enhance all aspects of the college business. |
| WELCOMING | - Providing an environment that is safe, healthy and |

TEAMWORK inclusive.
 - Working as one college, whilst recognising the different, important contributions we all make.

ACCOUNTABILITY - Taking personal responsibility for finding solutions.

Public Benefit

Leeds City College is an exempt charity under the Part 3 of the Charities Act 2011, and from 1 September 2013, is regulated by the Secretary of State for Business, Innovation and Skills as Principal Regulator for all FE Corporations in England. The members of the Governing Body, who are trustees of the charity are disclosed on page 13.

In setting and reviewing the college’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.

In delivery its mission, the college provides the following identifiable public benefits through the advancement of education:

- High-quality teaching
- Widening participation and tackling social exclusion
- Excellent employment records for students
- Strong student support systems
- Links with employers, industry and commerce.

Implementation of strategic plan

Our strategic aims were reviewed by the Board and confirmed at its July 2015 meeting. They are as follows:

- Inspiring students to succeed;
- Nurturing effective partnerships;
- Applying innovative solutions for the benefit of the group;
- Achieving financial stability;
- Developing staff;
- Improving the quality of group products and services

Financial objectives

The college’s financial objectives are:

- To research and attract new areas of income that make a profit;
- Operate effective resource management systems;
- Invest in operational areas that achieve or exceed their contribution targets;
- Maintain solvency at agreed levels whilst generating a surplus;

Performance indicators

Headline target	Progress
Learner number growth and achievement of funding body targets	The total number of learners engaging with the college is 39,981 (2013/14: 40,715) Agency/EFA funded and 7,627 (2013/14: 9,009) funded from other sources.
Learner success rates	Overall student success for classroom learning has remained at 85% (2013/14 85%)
Employer engagement	During the year the college delivered in-company to up to 7,700 (2013/14:

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Headline target	Progress
	8,849) students and worked with around 1,000 (2013/14: 1,000) companies. Significant apprenticeship contracts were with Leeds City Council, The Big Word Group, Leeds Teaching Hospitals Trust and BAE Applied Intelligence.

The college is committed to observing the importance of sector measures and indicators and use the FE Choices website which looks at measures such as success rates. The college is required to complete the annual Finance Record for the Skills Funding Agency. The Finance Record produces a financial health grading. The current rating of satisfactory is considered an acceptable outcome.

FINANCIAL POSITION

Financial results

The college generated a deficit of £647k during the 12 months ending 31 July 2015 (2013/14 deficit of £11k).

The college has accumulated reserves of £45.157 million and cash balances of £9.935 million.

The college places significant reliance on government funding for its principal funding sources, largely from recurrent grants. In 2014/15 the Skills Funding Agency, the Education Funding Agency and The Higher Education Funding Council for England provided 71% of the college's total income (2013/14:77%). The reduction in the reliance on government funding over the last three years is as a result of the increase in the value of student loans for Higher Education courses and the introduction of

Advanced Learning Loans for student over the age of 24 undertaking a qualification at Level 3 or above.

During the year ended 31 July 2015, the college completed the disposal of the former Thomas Danby Campus.

The College has two subsidiary companies, Leeds College of Music Limited and White Rose Resourcing Limited. Leeds College of Music is the only UK conservatoire to offer pathways in Classical, Jazz, Popular Music and Music Production at both FE and HE levels.

White Rose Resourcing Limited, the college's other subsidiary, commenced trading on 1 September 2015. White Rose Resourcing Limited acts as an employment agency sourcing high quality temporary workers for the college.

Treasury policies and objectives

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

The college has a separate treasury management policy in place.

Short term borrowing for temporary revenue purposes is authorised by the Chief Executive. All other borrowing requires the authorisation of the Board of Governors and complies with the requirements of the Financial Memorandum.

Cash flows

The operating cash from the college's activities resulted in a net outflow of £1,441k (2014/2015: outflow of £933k).

Liquidity

During the year, the college maintained

adequate levels of liquidity, as it continues to invest in refurbishing and developing its estate for the benefit of students. The college continued the repayment of the loan capital taken out in 2009 and 2012 to finance its property strategy.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

In 2014/15 the college delivered activity that has produced £52.61million in funding body allocation (2013/14: £60.97million). The college had approximately 39,981 EFA/SFA funded students and 7,627 students funded from other sources.

1,911 students enrolled on Higher Education courses, 575 school pupils aged 14-16 attended Leeds City College for part of the week through our schools links programmes and 7,700 enrolments were made through the Employer Responsive programme.

In the second year of operation, the college's apprenticeship academy for 14-16 year olds, had 52 students. As a result of the success the Board approved the expansion to 100 students in 2015/16.

Student satisfaction

In the 'Student First Term Survey' - designed to enable students to reflect on early interactions with college and give feedback on their first term (from September 2014) - overall, satisfaction with college and courses was 96.5% (broadly comparable to 2013/14). In the end of year survey for 2014/15, 89% of students said that they would recommend the college to others, with 95% of students saying they get good feedback on their work and their areas for development and 96% of students saying they feel safe at college.

Curriculum developments

As part of the annual planning process, curriculum has been reviewed to ensure on-going relevance to students and employers. Curriculum development via A-Level and GCSE reform, a focus on Maths and English skills, the 14-16 market, and the need to integrate enterprise and generic employability skills are areas having a major impact on the college.

Curriculum enhancements have in turn influenced property planning across college sites. For example, the college has introduced a large open learning space in the newly refurbished Print Hall at the Printworks.

The college is working with a range of employers to ensure courses meet the skills valued and needed by the different sectors as well as liaising with them on business challenges for students, mentoring roles and work experience opportunities and visits.

During 2014/15 college was successful in securing project funds for Skills Support for the Workforce (SSW) and Flexible Fund for Unemployed Individuals (FFFUI). These projects are designed to support local skills needs, with FFFUI providing the opportunity to respond specifically to the needs of unemployed adults.

Post-balance sheet events

In the period since 31 July 2015 the following major events have taken place:

- White Rose Resourcing commenced trading from 1 September 2015.
- The new Chief Executive and Principal, Colin Booth OBE, took up post on 28 September 2015.
- The Leeds City College property at Westland Road was sold on 30 October 2015.

Environmental matters

Carbon Management

Leeds City College was the largest of the 46 colleges in England to take part in the Carbon Trust's Further Education Carbon Management Programme in 2011. Projects have focused largely on building and operating efficiencies and this continues to realise reductions in electricity consumption during 2014/15. Furthermore the college has plans to reduce the overall usage of electricity over the next three years to a level below the carbon levy. This will be achieved through estates rationalisation, management of opening times and improved controls on equipment. The college is in the process of appointing an energy partner, Concept Energy to realise such savings and raise levels of sustainability.

The Printworks refurbishment is projected to achieve an approximate 11% overall reduction in CO2 emissions, replacing a campus responsible for 26% of the college's emissions. Decommissioning of buildings has been achieved with zero waste to landfill by reusing items in other college areas, donating to local community groups and businesses or by the auction of redundant equipment. All tender submissions are assessed at pre-qualifying stage for sustainability.

Going concern

The group's activities, together with the factors likely to affect its future development, performance and position are set out in this review. The college has sufficient financial resources to meet its day-to-day working capital requirements, and is expected to continue to generate positive cash flows for the foreseeable future. This is supported by the college's two year financial plan prepared for and approved by Governors in July 2015 for submission to the Skills Funding Agency. Following announcements to changes in funding for 2015/16 after the plan was submitted, the Board received and

approved a revised plan which was submitted to the Skills Funding Agency in September 2015.

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

RESOURCES

The college has various resources that it can deploy in pursuit of its strategic objectives.

Tangible resources include the five main college campuses: Horsforth, Keighley, Park Lane, Printworks and Technology. Leeds College of Music is based at Quarry Hill.

Financial

The Leeds City College group has £45.157 million of net assets (including £25.141 million pension liability) and long term debt of £28.303 million.

People

The college employs 1,385 people (expressed as full time equivalents), of whom 592 are teaching staff.

Reputation

The college has a good reputation locally and nationally. Six years post-merger, the college brand is strengthening as demonstrated by our increasing success at attracting students and external partners.

Leeds City College is at the forefront of local and regional agendas and has significant national influence. The college has a crucial strategic role in the City Region and more widely and is working closely with Leeds City Council, Bradford Council (with respect to the Keighley Campus), the City Region Local Enterprise Partnership (LEP) and other partners to find innovative solutions to

create a skilled and prosperous workforce and improve life opportunities for students.

PRINCIPAL RISKS AND UNCERTAINTIES

Based on its strategic aims, the college identified a number of key strategic risks, which impacted on the whole college. These are managed by the Executive Leadership Team (ELT) and overseen by the Chief Executive and Board. The whole process is overseen by the Audit Committee who use these reports on a regular basis and link them to the work of both internal and external auditors to enable them to comment upon the adequacy or otherwise of the process.

The internal auditors use the risks to inform their prospective work plan so that the entire plan is focused upon the key risks facing the college.

Outlined below is a description of the principal risks identified during 2014/15. Not all the factors were within the control of Leeds City College.

1. Accommodation strategy

A key aim of Leeds City College is to provide learning and teaching facilities for students and the city, which are among the best in the country. As one of the largest colleges in the UK, Leeds City College is working to improve its general estates portfolio to a standard that is truly befitting of its size.

In September 2015, the college completed the second phase of its Printworks Campus, a high-quality learning environment which is modern, fit for purpose, contains industry-standard vocational facilities, and is already generating exciting learning opportunities for students.

The college still faces these key issues:

- Some of the college's buildings are in need of repair and significant levels of renovation to bring them up to the standards required;
- On-going maintenance work required in the current Leeds estate, which will need to be funded in the short term.

This risk is mitigated in a number of ways:

- The college has continued to invest in facilities prioritising health and safety, safeguarding of students and staff, legislative compliance and projects with a high impact for learners;
- The development and implementation of a phased property strategy to improve facilities across the whole estate.

2. Meeting targets within set cost parameters

In common with many colleges, Leeds City College needs to meet all targets in line with agreed costing models. Due to the complexity of our offer this presented challenges for management but our mitigation included regular monitoring and corrective action to ensure that we were as close as possible to all targets.

STAKEHOLDER RELATIONSHIPS

In line with other colleges and with Universities we have many stakeholders. These include:

- Students and parents;
- Education sector funding bodies;
- Staff;
- Local and regional employers (with specific links);
- Local authorities;
- Government departments;
- The local community;
- Other FE institutions;
- HE validation partners;
- Trade unions;
- Third-sector organisations;
- Local and national media outlets;

- Professional bodies.
- Students' Union

We recognise the importance of these relationships and engage in regular communication with these stakeholders through targeted media and channels. The college's corporate reputation is reinforced via employer engagement, networking events, public-relations activities and media coverage, digital and online promotions, educational literature and other college publications.

The college is a member of the 157 Group, an organisation representing 30 large colleges leading policy development and improving the quality and reputation of further education. Members of staff also serve on boards such as Leeds Children's Services Improvement Board, Leeds Sustainable Economy & Culture Partnership Board, the Leeds Apprenticeship Training Agency (ATA), and the White Rose Academies Trust.

Equality and diversity

Leeds City College is committed to creating and maintaining an inclusive working and learning environment that respects and celebrates difference. We aim to provide a community where everyone feels able to participate fully in college life and achieve their full potential.

The college's commitment to equality and diversity is endorsed and led by the college leadership team and governors. Our goal is to ensure that this commitment translates into action across the whole college community and that equality and fairness become embedded into our everyday activities. In order to achieve this ambition; we require that all staff, learners, partners, visitors, contractors and sub-contractors working on behalf of the college share our commitment.

Our latest annual equality information report, together with our equality

objectives is available to view on the college website.

Disability statement

The college seeks to achieve the objectives set down in the Disability Discrimination Act (1995) as amended by the Special Needs Education Act (2001) and Disability Act (2005), and the Equality Act 2010.

- The college has access co-ordinators to support students with practical access adjustments and provides information, advice and arranges support where necessary for students with disabilities. The college provides Oasis rooms for students with autism spectrum disorders.
- There is a list of specialist equipment, such as radio aids, which the college can make available for use by students and a range of assistive technology is available in the learning resource centres.
- The admissions policy for all students is published on the college website. Appeals against a decision not to offer a place are dealt with under the complaints policy.
- 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 programmes are described in college prospectuses, and achievements and destinations are recorded and published in the standard college format.
- Careers guidance, counselling and welfare services are described on the website and in the college student guide, which is issued to students during induction.

Disclosure of information to auditors

The members who held office at the date of approval of this report confirm that, so far as they are each aware, there is no

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relevant audit information of which the college's auditors are unaware; and each member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the college's auditors are aware of that information.

Approved by order of the members of the Corporation on 21 December 2015 and signed on its behalf by:



Dr Shaid Mahmood
Chair of Governors

PROFESSIONAL ADVISORS

Financial Statement and Regularity Auditors

KPMG LLP
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

Internal Auditors

Grant Thornton LLP
No 1 Whitehall Riverside
Whitehall Road
Leeds
LS1 4BN

Bankers

Barclays Bank PLC
69 Albion Street
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LS1 5AA

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1-2 Triton Square
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Solicitors

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LS1 5BD

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STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

The college is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the college has applied the principles set out in the UK Corporate Governance Code ("the code") issued by the FRC in June 2010. Its purpose is to help the reader of the accounts understand how the principles have been applied.

In the opinion of the Governing Body, the college complies with all the provisions of the Code in so far as they apply to the Further Education Sector, and it has complied throughout the year ended 31 July 2015. 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 English colleges' Foundation Code of Governance issued by the Association of Colleges in December 2011, which it formally adopted in February 2012.

The Corporation

In the autumn of 2011 the Government published changes to the way in which all colleges in England are governed. These changes were put into effect in the November 2011 Education Act. The Act substantially reduces the amount of Government control over colleges and introduces new freedoms for the Governing Body (the Board). However, with these new freedoms from Government control come substantial new responsibilities. In the light of these changes the Board reviewed and agreed changes to its governance structure and membership. The changes aim to ensure a more business orientated Board best placed to meet the new and changing environment in which the college operates, whilst not detracting from the educational character and mission of the college, and seeking to ensure an adequate level of stakeholder input.

The changes, effective from 1 April 2014, included the formation of a smaller Board which at the time of review consisted of 18

members. The Board would meet on a more frequent basis (usually monthly), enabling all committees other than the statutory Audit Committee to be disbanded. This in turn would enable all members of the Board to have a more complete understanding of the college.

The following Board membership was agreed with effect from 1 April 2014:

- 6 to 10 non-executive members (including the Chair of the Board)
- Principal and Chief Executive and such other executive members as the Board and Principal/Chief Executive agree from time to time
- One staff member (nominated/elected by all staff)
- One student member (the SU Sabbatical President as elected by students on an annual basis)

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The members who served on the Governing Body during the year and up to the date of signature of this report were as follows:

Name	Date of most recent appointment	Term of office	Date of resignation or expiry of term of office	Category of membership	Audit Committee member
A Beaumont	1 Aug 15	1 year	-	Governor	-
C Booth	28 Sept 15	n/a	-	Chief Exec	-
E Chapman	1 Aug 15	1 year	-	Student	-
C Clements	1 Aug 14	1 year	31 July 15	Student	-
R Clunas	22 Sept 14	2 years	-	Staff	√
C Fricker (Vice Chair)	1 April 14	3 years	-	Governor	√ (Chair)
B Hewitt	1 Nov 15	3 years	-	Governor	-
D Howden	1 Nov 15	1 year	-	Governor	-
G Jennings	1 Nov 14	3 years	-	Governor	-
S Mahmood (Chair from 3 Oct 14)	1 April 14	3 years	-	Governor	-
N McLean (Chair until 3 Oct 14)	1 April 14	1 year	Term of office extended to 31 July 15	Governor	-
L Raper	1 April 14	2 years	-	Governor	-
P Roberts	13 July 09	n/a	30 Sept 15	Principal and Chief Exec	-
C Smith	1 Nov 14	3 years	-	Governor	√
C Turnbull (Vice Chair)	1 April 15	To 31 July 16	-	Governor	-
C Williams	1 April 14	2 years	Membership ended 31 Oct 14	Governor	√

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Melanie Halstead served as Clerk to the Board.

The Board set itself an overall attendance target of 85% for 2014/15. This target was exceeded by 3%. During the year there were 123 individual attendances out of a possible 139, which is 88% overall attendance.

Board / Committee	Attendance 2014/15
Board	88%
Audit Committee	94%
Overall Attendance	88%

The contribution made by governors over and above attendance at formal meetings should also be acknowledged and commended. For example, the attendance records do not take account of ad hoc events such as participation in interview panels, senior post-holder appraisals, SAR validation, governor training and development, attendance at college events, etc., all of which increase the commitment placed on individual governors.

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

The Board is provided with regular and timely information on the overall financial performance of the college together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety and environmental issues. The Board usually meets every month.

Full minutes of all meetings, except those deemed to be confidential by the Board, are available from the Clerk to the Board at:

Leeds City College
 College House
 Park Lane
 Leeds
 LS3 1AA

The Clerk to the Board 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 college's expense and have access to the Clerk to the Board, who is responsible to the Board for ensuring compliance with all applicable procedures and regulations. The appointment, evaluation and removal of the Clerk are matters for the Board 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 Board has a strong and independent non-executive element and no individual or group dominates its decision making process. The Board considers that each of its non-executive members is independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

There is a clear division of responsibility in that the roles of the Chair and Chief Executive are separate.

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Appointments to the Corporation

Any new appointments to the Board are a matter for the consideration of the Board as a whole. The Board is also responsible for ensuring that appropriate training is provided as required.

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

Audit Committee

The audit committee currently comprises of three members of the Board and one co-opted (non-governor) member. Its membership excludes the Principal and the Chair of the Board. The committee operates in accordance with written terms of reference approved by the Board.

The audit committee meets four times per year 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 funding bodies as they affect the college's business.

The college's internal auditors monitor the systems of internal control, risk management and governance processes in accordance with an agreed plan of input and report their findings to management and the Audit Committee.

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

The Audit Committee also advises the Board on the appointment of internal, regularity and financial statements auditors and their remuneration for both audit and non-audit work.

The Committee's remit encompasses Leeds

College of Music as a wholly owned subsidiary company of Leeds City College.

Internal Control

Scope of responsibility

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

The Board has delegated the day to day responsibility to the Chief Executive, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the college's policies, aims and objectives, whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with the responsibilities assigned to him in the Financial Memorandum between Leeds City College and the Skills Funding Agency. He is also responsible for reporting to the Board 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 the college'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 in Leeds City College for the year ended 31 July 2015 and up to the date of approval of the annual report and accounts.

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Capacity to handle risk

The Board has reviewed the key risks to which the college is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Board is of the view that there is a formal on-going process for identifying, evaluating and managing the college's significant risks that has been in place for the period ending 31 July 2015 and up to the date of approval of the annual report and accounts. The process is regularly reviewed by the Board.

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; and
- The adoption of formal project management disciplines, where appropriate.

Leeds City College has an internal audit service which operates in accordance with the requirements of the Education Funding Agency and Skills Funding Agency's Joint Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the college is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Board on the recommendation of the audit committee.

The Audit Committee is responsible for producing an annual report for the Corporation and accounting officer setting out the Committee's opinion on the adequacy and effectiveness of the college's audit arrangements, its framework of governance, risk management and control, and its processes for securing economy, efficiency and effectiveness, and any significant matters arising from the work of the IAS, the financial statements and regularity auditors and any other providers of audit and assurance services to the college.

Review of effectiveness

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

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

The Chief Executive has been advised on the implications of the result of his review of the effectiveness of the system of internal control by the Audit Committee, which oversees the work of the internal auditors and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within departments and reinforced by risk awareness training. The senior management team and the Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high level review of the

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arrangements for internal control. The Board's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2015 meeting, the Board carried out the annual assessment for the year ended 31 July 2015 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2015.

One matter of concern was brought to the Audit Committee's attention after the year end. Leeds City College identified a control weakness relating to agency funds. The

college invoked the fraud response plan and also notified the funding body of the issue as soon as the matter was identified. Immediate steps were taken to improve the internal controls pertaining to the matter. The incident is currently being investigated and the outcomes of this investigation will be reported to the Board once completed.

Going Concern

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

Approved by order of the members of the Board on 21 December 2015 and signed on its behalf by:



Dr Shaid Mahmood
Chair
Leeds City College



Colin Booth OBE
Chief Executive and Principal
Leeds City College

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STATEMENT OF REGULARITY, PROPRIETY AND COMPLIANCE

The Board has considered its responsibility to notify the Skills Funding Agency of material irregularity, impropriety and non-compliance with Skills Funding Agency terms and condition of funding, under the financial memorandum in place between the college and the Skills Funding Agency. As part of our consideration we have had due regard to the requirements of the financial memorandum.

We confirm on behalf of the Board that after due enquiry, and to the best of our knowledge, we are able to identify any

material, irregular or improper use of funding by the college, or material non-compliance with the Skills Funding Agency's terms and conditions of funding under the college's financial memorandum.

We confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date, except for the control weakness relating to agency funds which has been identified. If any instances are identified after the date of this statement, these will be notified to the Skills Funding Agency.

Approved by order of the members of the Board on 21 December 2015 and signed on its behalf by:



Dr Shaid Mahmood
Chair
Leeds City College



Colin Booth OBE
Chief Executive and Principal
Leeds City College

LEEDS CITY COLLEGE
FINANCIAL STATEMENTS
for the year ended 31 July 2015
STATEMENT OF RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION

The members of the Governing Body are required to present audited financial statements for each financial year.

Within the terms and conditions of the Financial Memorandum between the Skills Funding Agency/Education Funding Agency and the Corporation of the college, the Corporation, through its Chief Executive, is required to prepare financial statements for each financial year in accordance with the 2007 *Statement of Recommended Practice—Accounting for Further and Higher Education Institutions* and with the Accounts Direction issued jointly by the Skills Funding Agency and the Education Funding Agency, and which give a true and fair view of the state of affairs of the college and the result for that year.

In preparing the financial statements, the Board is required to:

- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare financial statements on the going concern basis, unless inappropriate to assume that the college will continue in operation.

The Board is also required to prepare an Operating and Financial Review which describes what it is trying to do and how it is going about it, including the legal and administrative status of the college.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the college, and which enable it to ensure the financial statements are prepared in accordance with relevant legislation of Incorporation and other relevant accounting standards. It is responsible for taking steps that are reasonably open to it in

order to safeguard the assets of the college and to prevent and detect fraud and other irregularities.

The maintenance and integrity of the college website is the responsibility of the college; the work carried out by the audits 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 UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Members of the Board 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 Skills Funding Agency/Education Funding Agency are used only in accordance with the Financial Memorandum with the Skills Funding Agency/Education Funding Agency and any other conditions that may be prescribed from time to time. Members of the Board must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure they are used properly. In addition, members of the Board 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 Skills Funding Agency/Education Funding Agency are not put at risk.

Approved by order of the members of the Board on 21 December 2015 and signed on its behalf by:



Dr Shaid Mahmood
Chair
Leeds City College

Independent auditor's report to the Corporation of Leeds City College

We have audited the Group and College financial statements ("the financial statements") of Leeds City College for the year ended 31 July 2015 set out on pages 24 to 51. The financial reporting framework that has been applied in their preparation is applicable law and UK Generally Accepted Accounting Practice.

This report is made solely to the Corporation, as a body, in accordance with Article 22 of the College's Articles of Government. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Corporation of Leeds City College and Auditor

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 which give a true and fair view.

Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the College's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Corporation; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Operating and Financial Review to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the College's affairs as at 31 July 2015 and of the Group's deficit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education.

Opinion on other matters prescribed by the Joint Audit Code of Practice issued jointly by the Skills Funding Agency and the Education Funding Agency

In our opinion:

- proper accounting records have been kept, and
- the financial statements are in agreement with the accounting records.



Clare Partridge

**For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Sovereign Square, Sovereign Street, Leeds, LS1 4DA**

22 December 2015

Reporting Accountant's Report on Regularity to the Corporation of Leeds City College and the Secretary of State for Business, Innovation and Skills acting through Skills Funding Agency

In accordance with the terms of our engagement letter dated 12 October 2015 and further to the requirements of the financial memorandum with Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Leeds City College during the period 1 August 2014 to 31 July 2015 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Joint Audit Code of Practice issued jointly by Skills Funding Agency and Education Funding Agency. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record (ILR) returns, for which Skills Funding Agency has other assurance arrangements in place.

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

Respective responsibilities of Leeds City College and the reporting accountant

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

Our responsibilities for this engagement are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Joint Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2014 to 31 July 2015 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Joint Audit Code of Practice issued jointly by Skills Funding Agency and Education Funding Agency. We performed a limited assurance engagement as defined in that framework.

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

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

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

The work undertaken to draw our conclusion included:

- Documenting the framework of authorities which govern the activities of the College;
- Undertaking a risk assessment based on our understanding of the general control environment and any weaknesses in internal controls identified by our audit of the financial statements;
- Reviewing the self-assessment questionnaire which supports the representations included in the Chair of Governors and Accounting Officer's statement on regularity, propriety and compliance with the framework of authorities;
- Testing transactions with related parties;
- Confirming through enquiry and sample testing that the College has complied with its procurement policies and that these policies comply with delegated authorities; and
- Reviewing any evidence of impropriety resulting from our work and determining whether it was significant enough to be referred to in our regularity report.

This list is not exhaustive and we performed additional procedures designed to provide us with sufficient appropriate evidence to express a negative conclusion on regularity consistent with the requirements of the Joint Audit Code of Practice.

Conclusion

In the course of our work, except for the matters listed below nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2014 to 31 July 2015 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

- Control weaknesses were identified by the College in relation to the management of a specific fund. Management is taking action to mitigate the weaknesses identified.



Clare Partridge

**For and on behalf of KPMG LLP, Reporting Accountant
One Sovereign Square, Sovereign Street, Leeds, LS1 4DA**

22 December 2015

LEEDS CITY COLLEGE
 FINANCIAL STATEMENTS
 for the year ended 31 July 2015

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

	<i>Notes</i>	2015 £000	2014 £000
Income			
Funding body grants	2	56,693	66,788
Tuition fees and education contracts	3	18,402	16,126
Research grants and contracts	4	1,830	1,023
Other income		1,701	1,912
Investment income	5	<u>1,086</u>	<u>717</u>
Total income		<u>79,712</u>	<u>86,566</u>
Expenditure			
Staff costs	6	52,195	54,007
Exceptional restructuring costs	6	-	290
Other operating expenses	8	21,470	25,898
Exceptional subcontractor costs	8	521	-
Depreciation and amortisation	11	4,388	4,624
Interest and other finance costs	9	<u>1,785</u>	<u>1,758</u>
Total expenditure		<u>80,359</u>	<u>86,577</u>
(Deficit) on continuing operations after depreciation of tangible fixed assets at valuation and before tax		(647)	(11)
Taxation		-	-
(Deficit) for the year retained within general reserves		<u>(647)</u>	<u>(11)</u>

All of the above income and expenditure is in respect of continuing activities.

LEEDS CITY COLLEGE
 FINANCIAL STATEMENTS
 for the year ended 31 July 2015

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	<i>Notes</i>	2015 £000	2014 £000
(Deficit) on continuing operations after depreciation of assets at valuation and disposals of assets and tax		(647)	(11)
Actuarial (loss)/gain in respect of FRS17	26	(5,897)	2,647
Actuarial (loss) in respect of enhanced pensions		<u>(91)</u>	<u>(79)</u>
Total recognised (loss)/gain since last report		<u>(6,635)</u>	<u>2,557</u>
Reconciliation			
Opening reserves		(4)	(2,561)
Total recognised (loss)/gain for the year		<u>(6,635)</u>	<u>2,557</u>
Closing reserves		<u>(6,639)</u>	<u>(4)</u>

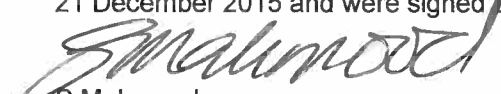
CONSOLIDATED NOTE OF HISTORICAL COST SURPLUSES AND DEFICITS

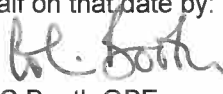
	<i>Notes</i>	2015 £000	2014 £000
(Deficit) on continuing operations before taxation		(647)	(11)
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	19	<u>158</u>	<u>160</u>
Historical cost (deficit)/surplus for the year before taxation		<u>(489)</u>	<u>149</u>
Historical cost (deficit)/surplus for the year after taxation		<u>(489)</u>	<u>149</u>

LEEDS CITY COLLEGE
FINANCIAL STATEMENTS
for the year ended 31 July 2015

BALANCE SHEETS AS AT 31 JULY		Group	College	Group	College
		2015	2015	2014	2014
	Notes	£000	£000	£000	£000
Fixed Assets					
Tangible assets	11	102,464	89,913	98,587	86,327
Intangible assets		122	122	173	173
Investments	12	-	-	-	-
		<u>102,586</u>	<u>90,035</u>	<u>98,760</u>	<u>86,500</u>
Endowment assets		5	-	2	-
Current Assets					
Stock		27	23	31	25
Debtors	13	4,263	4,065	1,596	1,394
Assets held for resale		1,324	1,324	152	152
Cash at bank and in hand		<u>9,935</u>	<u>9,935</u>	<u>11,376</u>	<u>11,378</u>
Total current assets		<u>15,549</u>	<u>15,347</u>	<u>13,155</u>	<u>12,949</u>
Less: Creditors – amounts falling due within one year	14	<u>(17,576)</u>	<u>(18,561)</u>	<u>(14,594)</u>	<u>(15,620)</u>
Net current (liabilities)/assets		<u>(2,027)</u>	<u>(3,214)</u>	<u>(1,439)</u>	<u>(2,671)</u>
Total assets less current liabilities		100,564	86,821	97,323	83,829
Less: Creditors – amounts falling due after more than one year	15	(28,303)	(25,748)	(29,869)	(27,216)
Less: Provisions for liabilities	17	<u>(1,963)</u>	<u>(1,726)</u>	<u>(1,923)</u>	<u>(1,692)</u>
Net assets excluding pension liability		70,298	59,347	65,531	54,921
Net pension liability	26	<u>(25,141)</u>	<u>(22,298)</u>	<u>(19,399)</u>	<u>(17,379)</u>
NET ASSETS INCLUDING PENSION LIABILITY		<u>45,157</u>	<u>37,049</u>	<u>46,132</u>	<u>37,542</u>
Deferred capital grants	18	51,791	46,346	46,134	40,455
Endowment funds		5	-	2	-
Reserves					
Income and expenditure account excluding pension reserve	20	13,299	7,798	14,034	9,105
Pension reserve	26	<u>(25,141)</u>	<u>(22,298)</u>	<u>(19,399)</u>	<u>(17,379)</u>
Income and expenditure account including pension reserve	20	(11,842)	(14,500)	(5,365)	(8,274)
Revaluation reserve	19	<u>5,203</u>	<u>5,203</u>	<u>5,361</u>	<u>5,361</u>
Total reserves		<u>(6,639)</u>	<u>(9,297)</u>	<u>(4)</u>	<u>(2,913)</u>
TOTAL FUNDS		<u>45,157</u>	<u>37,049</u>	<u>46,132</u>	<u>37,542</u>

The financial statements on pages 24 to 51 were approved and authorised for issue by the Board on 21 December 2015 and were signed on its behalf on that date by:


S Mahmood
Chair


C Booth OBE
Chief Executive and Principal

LEEDS CITY COLLEGE
 FINANCIAL STATEMENTS
 for the year ended 31 July 2015

CONSOLIDATED CASH FLOW STATEMENT

	<i>Notes</i>	2015 £000	2014 £000
Net cash inflow from operating activities	21	2,707	6,076
Returns on investments and servicing of finance	22	(1,713)	(1,666)
Capital expenditure and financial investment	23	(913)	(4,698)
Financing	24	<u>(1,522)</u>	<u>(645)</u>
(Decrease) in cash in the year	25	<u>(1,441)</u>	<u>(933)</u>

Reconciliation of net cash flow to movement in net (debt)

	<i>Notes</i>	2015 £000	2014 £000
(Decrease) in cash in the period	25	(1,441)	(933)
Repayment of loan		1,468	635
Cash outflow from repayment of finance lease		<u>54</u>	<u>10</u>
Change in net debt		81	(288)
Net (debt) at 1 August		<u>(19,965)</u>	<u>(19,677)</u>
Net (debt) at 31 July	25	<u>(19,884)</u>	<u>(19,965)</u>

1. Accounting policies

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.

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): *Accounting for Further and Higher Education 2007 (the SORP)* and in accordance with applicable Accounting Standards. They conform to guidance published jointly by the Skills Funding Agency and the Education Funding Agency in the Accounts Direction for 2013/14 Financial Statements.

True and Fair Override

These financial statements for the comparative period have been prepared including a departure from the requirements of the Financial Reporting Standard 3 (FRS 3) – *Reporting Financial Performance* and the reporting of exceptional items in connection with the separate disclosure of items in relation to the college's Property Strategy on the face of the Income and Expenditure Account in accordance. This departure has been necessary in order for the financial statements to give a true and fair view, as it more fairly presents the accumulated impact of the material items associated with the property strategy.

FRS 3 requires that the property strategy items are part of the normal activities of the college and therefore should be included under the normal Income and Expenditure Account headings, as set out by the SORP, to which they relate in arriving at the deficit on continuing operations after depreciation of assets at valuation and before exceptional items and tax.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets and in accordance with applicable United Kingdom Accounting Standards.

Basis of consolidation

The consolidated financial statements include the college and its subsidiary, Leeds College of Music. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra-group sales and profits are eliminated fully on consolidation. All financial statements are made up to 31 July 2015.

Going concern

The activities of the college, together with the factors likely to affect its future development and performance are set out in the Operating and Financial Review. The financial position of the college, the cashflow, liquidity and borrowings are described in the Financial Statements and accompanying Notes.

The college currently has £27m of loans outstanding with bankers on terms negotiated in 2012. The terms of the agreement are to repay the loan over a 19 year period ending in 2034. The college's forecasts and financial projects indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

1. Accounting policies (continued)

Accordingly the Governors have a reasonable expectation that the college 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

Funding body recurrent grants are recognised in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the Adult Skills budget allocation 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 at the end of November following the year end and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

The recurrent grant from HEFCE represents the funding allocations attributable to the current financial year and is credited direct to the income and expenditure account.

Non-recurrent grants from the funding bodies or other bodies received in respect of the acquisition of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

Income from tuition fees is recognised in the period for which it is received and includes all fees payable by students or their sponsors. The costs of any fees waived by the college are included as expenditure in note 8.

Income from grants, contracts and other services rendered is included to the extent of the completion of the contract or service concerned.

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

Post retirement benefits

Retirement benefits to employees of the college are provided by the Teachers' Pension Scheme (TPS) and the West Yorkshire Pension Fund (WYPF). These are defined benefit schemes which are externally funded and contracted out of the State Earnings Related Pension Scheme (SERPS), and the assets are held separately from those of the college.

The TPS is an unfunded scheme and contributions 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 pay. The contributions are determined by the Government Actuary on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 26, the TPS is a multi-employer scheme and the college is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

1. Accounting policies (continued)

The WYPF is a funded scheme and the assets are held separately from those of the college in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and gains and losses on curtailments and settlements. They are included as part of staff costs. Past service costs are recognised immediately in the income and expenditure account if the benefits have been vested. If the benefits have not been vested immediately, the costs are recognised over the period until vesting occurs. The expected return on assets and the interest cost are shown as a net finance amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Enhanced Pensions

The actual cost of any enhanced on-going pension to a former member of staff is paid by the college annually. An estimate of the expected future costs of any enhancement to the on-going pension of a former member of staff is charged in full to the college's income and expenditure account 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.

Tangible fixed assets

Land and buildings

Land and buildings inherited from the Local Education Authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use if not readily obtainable. The associated credit is included in the revaluation reserve. The difference between depreciation charged on the historic cost of assets and the actual charge for the year calculated on the revalued amount is released to the income and expenditure account reserve on an annual basis. Building improvements made since are included in the balance sheet cost. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the college of between 20 and 50 years. The college has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 5 and 30 years. Leasehold land and buildings are depreciated on a straight-line basis over their expected economic life to the college of 60 years or, if shorter, the period of the lease.

Where land and buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

Finance costs which are directly attributable to the construction of land and buildings are not capitalised as part of the cost of those assets.

1. Accounting policies (continued)

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

On adoption of FRS15, the college followed the transitional provision to retain the book value of land and buildings, which were revalued in 1996, but not to adopt a policy of revaluations of these properties in the future. These values are retained subject to the requirement to test assets for impairment in accordance with FRS 11.

Assets under construction

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs incurred to 31 July. They are not depreciated until they are brought into use.

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets it is charged to the income and expenditure account in the period it is incurred, unless it meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis:

- Asset capacity increases
- Substantial improvement in the quality of output or reduction in operating costs
- Significant extension of the asset's life beyond that conferred by repairs and maintenance

Equipment

Equipment costing less than £2,000 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost. Equipment inherited from the local education authority is included in the balance sheet at valuation.

All equipment is depreciated over its useful economic life as follows:

- IT equipment - 4 years on a straight-line basis
- All other equipment - 5 to 30 years on a straight-line basis

Where equipment is acquired with the aid of specific grants it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related equipment.

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term.

Leasing agreements which transfer to the college substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright and are capitalised at their fair value at the inception of the lease and depreciated over the shorter of the lease term or the useful economic lives of equivalently owned assets. The capital element outstanding is shown as obligations under finance leases.

1. Accounting policies (continued)

The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

Stocks

Stocks are stated at the lower of their cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stock.

Foreign currency translation

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

Taxation

The college is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK Board tax purposes. Accordingly, the college is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Board 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 receives no similar exemption in respect of value added tax. For this reason the college is generally unable to recover input VAT it suffers on goods and services purchased. Capital costs and non-pay expenditure are therefore shown inclusive of VAT with any partial recovery included in other operating income.

Provisions

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

Liquid Resources

Liquid resources include sums on short-term deposits with recognised banks.

Agency Arrangements

The college acts as an agent in the collection and payment of Discretionary Support Funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the Income and Expenditure account and are shown separately in Note 31, except for the 5 per cent of the grant received which is available to the college to cover administration costs relating to the grant.

LEEDS CITY COLLEGE
 FINANCIAL STATEMENTS
 for the year ended 31 July 2015
 NOTES TO THE ACCOUNTS

2. Funding Body Grants

	2015 £000	2014 £000
Funding body recurrent grant	52,610	60,965
HEFCE recurrent grant	1,259	2,478
Funding body non recurrent grant	1,296	1,464
Releases of deferred capital grants	<u>1,528</u>	<u>1,881</u>
Total	<u>56,693</u>	<u>66,788</u>

3. Tuition fees and education contracts

	2015 £000	2014 £000
Tuition fees	16,365	13,911
Education contracts	<u>2,037</u>	<u>2,215</u>
Total	<u>18,402</u>	<u>16,126</u>

4. Research grants and contracts

	2015 £000	2014 £000
European Commission	1,783	901
Other grants and contracts	<u>47</u>	<u>122</u>
Total	<u>1,830</u>	<u>1,023</u>

5. Investment income

	2015 £000	2014 £000
Other interest receivable	72	92
Pension finance income (note 26)	<u>1,014</u>	<u>625</u>
Total	<u>1,086</u>	<u>717</u>

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6. Staff costs

The average number of persons (including senior post-holders) employed by the group during the year, described as full time equivalents, was:

	2015 Number	2014 Number
Teaching staff	592	595
Non teaching staff	<u>793</u>	<u>857</u>
	<u>1,385</u>	<u>1,452</u>

	2015 £000	2014 £000
Staff costs for the above persons:		
Wages and salaries	41,734	43,354
Social security costs	2,638	2,825
Other pension costs (including FRS17 adjustments of £859k (2014: £914k))	<u>5,259</u>	<u>5,577</u>
	49,631	51,756
Contracted out staffing services	<u>2,564</u>	<u>2,251</u>
Staff Costs	52,195	54,007
Exceptional restructuring costs -- redundancy	-	<u>290</u>
	<u>52,195</u>	<u>54,297</u>

The number of senior post-holders and other staff who received annual emoluments, excluding pension contributions but including benefits in kind, in the following ranges was:

	2015		2014	
	Number senior post-holders	Number other staff	Number senior post-holders	Number other staff
£60,001 to £70,000	-	6	-	13
£70,001 to £80,000	-	9	-	5
£80,001 to £90,000	-	1	-	-
£90,001 to £100,000	-	3	1	2
£100,001 to £110,000	2	1	1	1
£110,001 to £120,000	-	-	-	1
£170,001 to £180,000	<u>1</u>	-	<u>1</u>	-
	<u>3</u>	<u>20</u>	<u>3</u>	<u>22</u>

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7. Senior post-holders' emoluments

Senior post-holders are defined as the Principal and holders of the other senior posts whom the Governing Body has selected for the purposes of the articles of government of the college relating to the appointment and promotion of staff who are appointed by the Governing Body.

	2015 Number	2014 Number
The number of senior post-holders, including the Principal was:	<u>3</u>	<u>3</u>
	2015 £000	2014 £000
Senior post-holders' emoluments are made up as follows:		
Salaries	405	400
Benefits in kind	-	-
Pension contributions	<u>28</u>	<u>30</u>
Total emoluments	<u>433</u>	<u>430</u>

The above emoluments include amounts payable to the Principal (who is also the highest paid senior post-holder) of:

	2015 £000	2014 £000
Salary	175	179
Salary in lieu of pension benefit foregone	<u>24</u>	<u>22</u>
	199	201
Pension contributions	<u>-</u>	<u>2</u>
	<u>199</u>	<u>203</u>

The pension contributions in respect of the Principal and senior post-holders are in respect of employer's contributions to the Teachers' Pension Scheme and West Yorkshire Pensions Fund and are paid at the same rate as for other employees.

No compensation for loss of office has been paid to former senior post-holders or higher paid employees.

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

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8. Other operating expenses

	2015 £000	2014 £000
Teaching costs	8,115	12,488
Non teaching costs	8,569	8,539
Premises costs	<u>4,786</u>	<u>4,871</u>
	21,991	25,898
Exceptional subcontractor costs	<u>521</u>	-
Total	<u>21,991</u>	<u>25,898</u>

One of the subcontractors the college had worked with during the year went into liquidation in September 2015. Costs which were due to be recovered from this subcontractor totalling £521k are disclosed as an exceptional item.

	2015 £000	2014 £000
Non teaching costs above include:		
Auditors remuneration:		
- financial statements audit	67	69
- internal audit	76	76
Other services provided by the financial statement auditor	-	1
Other services provided by the internal auditor	30	57
Loss on disposal of tangible fixed assets	8	16
Hire of plant and machinery – operating leases	1,050	1,418
Hire of other assets – operating leases	392	562

9. Interest and other finance costs

	2015 £000	2014 £000
On bank loans, overdrafts and other loans:		
Repayable within five years, not by instalments	-	-
Repayable within five years, by instalments	-	-
Repayable wholly or partly in more than five years	<u>1,565</u>	<u>1,509</u>
	1,565	1,509
On finance leases	156	183
Pension finance costs	<u>64</u>	<u>66</u>
	<u>1,785</u>	<u>1,758</u>

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10. Deficit on continuing operations

	2015 £000	2014 £000
The (deficit) on continuing operations for the year is made up as follows:		
College's (deficit)/surplus for the period	(1,157)	58
Retained by subsidiary undertaking	<u>510</u>	<u>(69)</u>
	<u>(647)</u>	<u>(11)</u>

11. Tangible fixed assets (Group)

	Land and buildings		Equipment	Assets in the course of construction	Total
	Freehold	Leasehold			
	£000	£000	£000	£000	£000
Cost or valuation					
At 1 August 2014	105,223	13,375	12,901	2,453	133,952
Re-classification	-	-	113	(113)	-
Additions	3,850	796	1,134	3,762	9,542
Disposals	-	-	(128)	-	(128)
Assets held for resale	<u>(3,531)</u>	<u>-</u>	<u>(493)</u>	<u>-</u>	<u>(4,024)</u>
At 31 July 2015	<u>105,542</u>	<u>14,171</u>	<u>13,527</u>	<u>6,102</u>	<u>139,342</u>
Accumulated depreciation					
At 1 August 2014	24,964	1,928	8,473	-	35,365
Charge for year	2,364	633	1,336	-	4,333
Disposals	-	-	(120)	-	(120)
Assets held for resale	<u>(2,268)</u>	<u>-</u>	<u>(432)</u>	<u>-</u>	<u>(2,700)</u>
At 31 July 2015	<u>25,060</u>	<u>2,561</u>	<u>9,257</u>	<u>-</u>	<u>36,878</u>
Net book value at 31 July 2015	<u>80,482</u>	<u>11,610</u>	<u>4,270</u>	<u>6,102</u>	<u>102,464</u>
Net book value at 31 July 2014	<u>80,259</u>	<u>11,447</u>	<u>4,428</u>	<u>2,453</u>	<u>98,587</u>

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11 Tangible fixed assets (College)

	Land and buildings		Equipment	Assets in the course of construction	Total
	Freehold	Leasehold			
	£000	£000	£000	£000	£000
Cost or valuation					
At 1 August 2014	105,223	1,444	11,114	2,453	120,234
Re-classification	-	-	113	(113)	-
Additions	3,850	-	804	3,762	8,416
Disposals	-	-	-	-	-
Assets Held for Resale	(3,531)	-	(493)	-	(4,024)
At 31 July 2015	<u>105,542</u>	<u>1,444</u>	<u>11,538</u>	<u>6,102</u>	<u>124,626</u>
Accumulated depreciation					
At 1 August 2014	24,964	704	8,239	-	33,907
Charge for year	2,364	169	973	-	3,506
Disposals	-	-	-	-	-
Assets Held for Resale	(2,268)	-	(432)	-	(2,700)
At 31 July 2015	<u>25,060</u>	<u>873</u>	<u>8,780</u>	<u>-</u>	<u>34,713</u>
Net book value at 31 July 2015	<u>80,482</u>	<u>571</u>	<u>2,758</u>	<u>6,102</u>	<u>89,913</u>
Net book value at 31 July 2014	<u>80,259</u>	<u>740</u>	<u>2,875</u>	<u>2,453</u>	<u>86,327</u>

Leasehold includes long and short leasehold properties of between 35 and 60 years.

The transitional rules set out in FRS 15 Tangible Fixed Assets have been applied on implementing FRS 15. Accordingly the book values at implementation have been retained.

Land and buildings were valued in 1996 at depreciated replacement cost by a firm of independent chartered surveyors. Other tangible assets inherited from the LEA at incorporation have been valued by the College on a depreciated replacement cost basis with the assistance of independent professional advice.

If inherited land and buildings had not been valued they would have been included at the following amounts:

	£000
Cost	-
Aggregated depreciation based on cost	=
Net book value based on cost	=

The gross book value of freehold land and buildings includes land with a value of £2,380,000 (2014: £2,380,000) which is not depreciated.

The net book value of tangible fixed assets includes an amount of £3,178k (2014: £3,532k) in respect of assets held under finance leases. The depreciation charge in these assets for the year was £79k (2014: £86k).

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12. Investments

	2015 £000	2014 £000
Investments in subsidiary companies	=	=

On 7 April 2011 the college formed Leeds College of Music, a company limited by guarantee and incorporated in England and Wales. On 1 August 2011 the company acquired the assets and liabilities of the higher education corporation known as Leeds College of Music for no consideration. Leeds College of Music commenced trading on 1 August 2011.

On 25 October 2012, the Board of Governors agreed to create The Leeds Apprenticeship Training Agency Limited (ATA) with Leeds City Council. The venture is an independent company, jointly owned by Leeds City College and Leeds City Council, and was launched on 29 November 2012. The total income for the period to 31 July 2015 was £204k (2014: £170k) with a resulting profit of £132k (2014: £21k).

13. Debtors

	Group 2015 £000	College 2015 £000	Group 2014 £000	College 2014 £000
Amounts falling due within one year:				
Trade debtors	662	605	737	652
Other debtors	18	18	37	37
Prepayments and accrued income	<u>3,583</u>	<u>3,442</u>	<u>822</u>	<u>705</u>
Total	<u>4,263</u>	<u>4,065</u>	<u>1,596</u>	<u>1,394</u>

14. Creditors: amounts falling due within one year

	Group 2015 £000	College 2015 £000	Group 2014 £000	College 2014 £000
Bank loans and overdrafts	1,457	1,457	1,457	1,457
Obligations under finance leases	59	-	15	-
Payments received in advance	1,265	1,232	1,234	1,117
Trade creditors	846	660	1,300	1,270
Amounts owed to group undertakings	-	1,715	-	1,674
Other creditors	3,543	3,459	3,385	3,286
Other taxation and social security	967	865	872	780
Accruals	5,465	5,199	3,392	3,097
Amounts owed to the funding bodies	<u>3,974</u>	<u>3,974</u>	<u>2,939</u>	<u>2,939</u>
Total	<u>17,576</u>	<u>18,561</u>	<u>14,594</u>	<u>15,620</u>

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

	Group 2015 £000	College 2015 £000	Group 2014 £000	College 2014 £000
Bank loans	25,748	25,748	27,216	27,216
Obligations under finance leases	<u>2,555</u>	<u>-</u>	<u>2,653</u>	<u>-</u>
Total	<u>28,303</u>	<u>25,748</u>	<u>29,869</u>	<u>27,216</u>

16. Borrowings

(a) Bank loans

Bank loans are repayable as follows:

	Group 2015 £000	College 2015 £000	Group 2014 £000	College 2014 £000
In one year or less	1,457	1,457	1,457	1,457
Between one and two years	1,457	1,457	1,457	1,457
Between two and five years	4,372	4,372	4,372	4,372
In five years or more	<u>19,919</u>	<u>19,919</u>	<u>21,387</u>	<u>21,387</u>
Total	<u>27,205</u>	<u>27,205</u>	<u>28,673</u>	<u>28,673</u>

This represents two unsecured term loans with Santander UK PLC. The terms of the agreement are to repay the loan over a 19 year period ending in 2034.

(b) Finance leases

	Group 2015 £000	College 2015 £000	Group 2014 £000	College 2014 £000
In one year or less	59	-	15	-
Between two and five years	292	-	126	-
In five years or more	<u>2,263</u>	<u>-</u>	<u>2,527</u>	<u>-</u>
	<u>2,614</u>	<u>-</u>	<u>2,668</u>	<u>-</u>

Finance leases obligations are secured on the assets to which they relate, being Joseph Stones House at Leeds College of Music.

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17. Provisions for liabilities and charges (Group)

	Enhanced Pensions £000	Other £000	Total £000
At 1 August 2014	1,817	106	1,923
Transferred from income and expenditure account	148	1	149
Expenditure in the period	<u>(109)</u>	<u>-</u>	<u>(109)</u>
At 31 July 2015	<u>1,856</u>	<u>107</u>	<u>1,963</u>

Provisions for liabilities and charges (College)

	Enhanced Pensions £000	Other £000	Total £000
At 1 August 2014	1,586	106	1,692
Transferred from income and expenditure account	142	1	143
Expenditure in the period	<u>(109)</u>	<u>-</u>	<u>(109)</u>
At 31 July 2015	<u>1,619</u>	<u>107</u>	<u>1,726</u>

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

The principal assumptions for this calculation are:

	2015	2014
Interest rate	3.46%	4.06%
Net interest rate	1.75%	2.25%

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18. Deferred capital grants (Group)

	Funding body grants £000	Other grants £000	Total £000
At 1 August 2014	42,053	4,081	46,134
Cash received in year	7,281	183	7,464
Received in prior year	-	-	-
Release relating to impairment of fixed assets	-	-	-
Released to income and expenditure account	<u>(1,481)</u>	<u>(326)</u>	<u>(1,807)</u>
At 31 July 2015	<u>47,853</u>	<u>3,938</u>	<u>51,791</u>

Deferred capital grants (College)

	Funding body grants £000	Other grants £000	Total £000
At 1 August 2014	36,945	3,510	40,455
Cash received in year	7,158	168	7,326
Received in prior year	-	-	-
Release relating to impairment of fixed assets	-	-	-
Released to income and expenditure account	<u>(1,154)</u>	<u>(281)</u>	<u>(1,435)</u>
At 31 July 2015	<u>42,949</u>	<u>3,397</u>	<u>46,346</u>

19. Revaluation reserve

	Group 2015 £000	College 2015 £000	Group 2014 £000	College 2014 £000
At 1 August	5,361	5,361	5,631	5,631
Transfer from revaluation reserve to general reserve in respect of depreciation on revalued assets	(158)	(158)	(160)	(160)
Revaluation adjustment	<u>(-)</u>	<u>(-)</u>	<u>(110)</u>	<u>(110)</u>
At 31 July	<u>5,203</u>	<u>5,203</u>	<u>5,361</u>	<u>5,361</u>

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20. Movement on general reserves

	Group 2015 £000	College 2015 £000	Group 2014 £000	College 2014 £000
Income and expenditure account reserve				
At 1 August	(5,365)	(8,274)	(8,192)	(11,002)
(Deficit)/surplus for the year	(647)	(1,157)	(11)	58
Transfer from revaluation reserve	158	158	270	270
Actuarial (loss)/gain in respect of pension schemes	<u>(5,988)</u>	<u>(5,227)</u>	<u>2,568</u>	<u>2,400</u>
At 31 July	<u>(11,842)</u>	<u>(14,500)</u>	<u>(5,365)</u>	<u>(8,274)</u>
Balance represented by:				
Pension Reserve	(25,141)	(22,298)	(19,399)	(17,379)
Income and expenditure account reserve excluding pension reserve	<u>13,299</u>	<u>7,798</u>	<u>14,034</u>	<u>9,105</u>
At 31 July	<u>(11,842)</u>	<u>(14,500)</u>	<u>(5,365)</u>	<u>(8,274)</u>

21. Reconciliation of consolidated operating surplus to net cash inflow from operating activities

	Group 2015 £000	Group 2014 £000
(Deficit) on continuing operations after depreciation of assets at valuation	(647)	(11)
Depreciation on tangible assets (note 11)	4,333	4,583
Depreciation on intangible assets	55	41
Deferred capital grants released to income (note 18)	(1,807)	(2,199)
Profit on disposal of tangible fixed assets and investment	163	249
Interest payable (note 9)	1,785	1,758
Interest receivable (note 5)	(72)	(92)
FRS 17 pension cost less contributions payable (notes 6 and 26)	859	914
FRS17 interest	(1,014)	(625)
Decrease in stock	4	2
(Increase) in debtors	(3,839)	(125)
Increase in creditors	2,938	1,721
(Decrease) in provisions	<u>(51)</u>	<u>(140)</u>
Net cash inflow from operating activities	<u>2,707</u>	<u>6,076</u>

22. Returns on investments and servicing of finance

	2015 £000	2014 £000
Other interest received	72	92
Interest paid	(1,629)	(1,575)
Interest element of finance lease rental payments	<u>(156)</u>	<u>(183)</u>
Net cash outflow from returns on investment and servicing of finance	<u>(1,713)</u>	<u>(1,666)</u>

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23. Capital expenditure and financial investment

	2015 £000	2014 £000
Purchase of tangible fixed assets	(9,542)	(7,759)
Purchase of intangible fixed assets	(4)	(137)
Deferred capital grants received	7,464	3,035
Sale of tangible fixed assets	<u>1,169</u>	<u>163</u>
Net cash (outflow) from capital expenditure and financial investment	<u><u>(913)</u></u>	<u><u>(4,698)</u></u>

24. Financing

	2015 £000	2014 £000
Debt due beyond a year	£000	£000
Repayment of amounts borrowed	(1,468)	(635)
Capital element of finance lease rental payments	<u>(54)</u>	<u>(10)</u>
Net cash (outflow) from financing	<u><u>(1,522)</u></u>	<u><u>(645)</u></u>

25. Analysis of changes in net (debt)

	At 1 August 2014 £000	Cash flows £000	At 31 July 2015 £000
Cash at bank and in hand	11,376	(1,441)	9,935
Overdrafts	<u>-</u>	<u>-</u>	<u>-</u>
	11,376	(1,441)	9,935
Debt due within 1 year	(1,457)	-	(1,457)
Debt due after 1 year	(27,216)	1,468	(25,748)
Finance leases	<u>(2,668)</u>	<u>54</u>	<u>(2,614)</u>
	<u><u>(19,965)</u></u>	<u><u>81</u></u>	<u><u>(19,884)</u></u>

26. Pensions and similar obligations

The college's employees belong to three pension schemes: the Teachers' Pensions Scheme England and Wales (TPS) for academic and related staff; the West Yorkshire Pension Fund (WYPF) for non-teaching staff; and the People's Pension. The TPS and WYPF are defined benefit schemes and the People's Pension is a defined contribution scheme.

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS was 31 March 2012 and of the WYPF 31 March 2010.

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26. Pensions and similar obligations (continued)

Total pension cost for the year

	Group 2015 £'000	Group 2014 £'000
Teachers' Pension Scheme: Contributions paid	2,248	2,495
West Yorkshire Pension Fund:		
Contributions paid	2,159	2,136
FRS17 charge	<u>859</u>	<u>914</u>
Charge to the Income and Expenditure	3,018	3,050
Enhanced pension charge/(credit) to Income and Expenditure	9	10
Peoples Pension	<u>30</u>	<u>22</u>
Total pension cost for year	<u>5,305</u>	<u>5,577</u>

Teachers' pension scheme

Introduction

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

The Teachers' Pension Budgeting And Valuation Account

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

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

Valuation Of The Teachers' Pension Scheme

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

- employer contribution rates were set at 16.4% of pensionable pay;
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- an employer cost cap of 10.9% of pensionable pay.

26. Pensions and similar obligations (continued)

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

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

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

Scheme Changes

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

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

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

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

The pension costs paid to TPS in the year amounted to £2,248k (2014: £2,495k).

Financial Reporting Standard 17

Under the definitions set out in FRS 17 Retirement Benefits, the TPS is a multi-employer pension scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme.

Accordingly, the College has taken advantage of the exemption under FRS 17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. The College has set out above the information available on the deficit in the scheme and the implications for the College in terms of anticipated contribution rates.

Contributions amounting to £296,011 (2014: £323,456) were payable to the scheme and were included in creditors at the end of the financial year.

West Yorkshire Pension Fund

The WYPF is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The total contribution made for the year ended 31 July 2015 was £3,217k (2014: £3,106k) of which employer's contributions totalled £2,159k and employees' contributions totalled £1,058k. The agreed contribution rates for future years are 13% for employers and range from 5.5% to 12.5% for employees, depending on salary.

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26. Pensions and similar obligations (continued)

FRS 17 Principal Actuarial Assumptions

	At 31 July 2015 WYPF funded benefits	At 31 July 2015 WYPF unfunded benefits	At 31 July 2014 WYPF funded benefits	At 31 July 2014 WYPF unfunded benefits
Expected rate of salary increases*	1.0%	n/a	1.0%	n/a
Future pension increases	2.1%	1.9%	2.2%	2.1%
Discount rate	3.6%	3.5%	4.1%	4.0%
Inflation assumption (CPI)	2.1%	1.9%	2.2%	2.1%

* 1.0% for 1 August 2015 to 31 July 2016, 1.0% for 1 August 2016 to 31 July 2017, 1.0% for 1 August 2017 to 31 July 2018 then 3.6% thereafter.

The expected return on scheme assets was determined by considering the expected returns available on the assets underlying the current investment portfolio. Expected yields on bonds are based on gross redemption yields at the balance sheet date whilst the expected returns on the equity and property investments reflect the long-term real rates of return experienced in the respective markets.

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

	At 31 July 2015	At 31 July 2014
<i>Retiring today</i>		
Males	22.6	22.5
Females	25.5	25.4
<i>Retiring in 20 years</i>		
Males	24.8	24.7
Females	27.8	27.7

The estimated college's share of the asset and liabilities in the scheme and the expected rates of return were:

	Group Value at 31 July 2015 £000	College Value at 31 July 2015 £000	Group and College Long-term rate of return expected at 31 July 2014	Group Value at 31 July 2014 £000	College Value at 31 July 2014 £000
Equities	62,797	56,605	7.5%	56,234	51,063
Government Bonds	8,604	7,756	3.2%	7,230	7,003
Corporate bonds	3,806	3,431	3.7%	4,245	3,536
Property	3,723	3,356	6.8%	2,602	2,244
Cash	1,241	1,119	1.1%	2,921	2,652
Other	<u>2,565</u>	<u>2,312</u>	7.5%	<u>1,647</u>	<u>1,496</u>
Total market value of assets	82,736	74,579		74,879	67,994
Present value of scheme liabilities					
- Funded	(107,483)	(96,491)		(93,884)	(84,987)
- Unfunded	<u>(394)</u>	<u>(386)</u>		<u>(394)</u>	<u>(386)</u>
Deficit in the scheme	<u>(25,141)</u>	<u>(22,298)</u>		<u>(19,399)</u>	<u>(17,379)</u>

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26. Pensions and similar obligations (continued)

The adoption of FRS 102 in the next accounting period removes the requirement to recognise an expected return on assets item in the profit and loss charge. This item will be replaced with a net financing charge which is based on the discount rate assumption. As the expected return on assets is based on the assumption at the start of the accounting period, assumptions for the expected return on assets are not required at 31 July 2015.

Analysis of the amount charged to income and expenditure account

	Group 2015 £000	College 2015 £000	Group 2014 £000	College 2014 £000
Employer service cost (net of employee contributions)	3,024	2,401	2,996	2,459
Past service cost	<u>217</u>	<u>217</u>	<u>181</u>	<u>181</u>
Total operating charge	<u>3,241</u>	<u>2,618</u>	<u>3,177</u>	<u>2,640</u>

Analysis of pension finance income

	Group 2015 £000	College 2015 £000	Group 2014 £000	College 2014 £000
Expected return on pension scheme assets	4,913	4,451	4,901	4,475
Interest on pension liabilities	<u>(3,899)</u>	<u>(3,519)</u>	<u>(4,276)</u>	<u>(3,891)</u>
Pension finance income	<u>1,014</u>	<u>932</u>	<u>625</u>	<u>584</u>

Amount recognised in the statement of total recognised gains and losses (STRGL):

	Group 2015 £000	College 2015 £000	Group 2014 £000	College 2014 £000
Actuarial gain/(loss) on pension scheme assets	2,057	1,861	(3,492)	(3,296)
Actuarial (loss)/gain on scheme liabilities	<u>(7,954)</u>	<u>(7,014)</u>	<u>6,139</u>	<u>5,770</u>
Actuarial (loss)/gain recognised in STRGL	<u>(5,897)</u>	<u>(5,153)</u>	<u>2,647</u>	<u>2,474</u>

Movement in deficit during the year

	Group 2015 £000	College 2015 £000	Group 2014 £000	College 2014 £000
(Deficit) in scheme at 1 August	(19,399)	(17,379)	(21,757)	(19,687)
Movement in year				
Employer service cost (net of employee contributions)	(3,024)	(2,401)	(2,996)	(2,459)
Employer contributions	2,382	1,920	2,263	1,890
Past service cost	(217)	(217)	(181)	(181)
Net interest/return on assets	1,014	932	625	584
Actuarial (loss)/gain	<u>(5,897)</u>	<u>(5,153)</u>	<u>2,647</u>	<u>2,474</u>
Deficit in scheme at 31 July	<u>(25,141)</u>	<u>(22,298)</u>	<u>(19,399)</u>	<u>(17,379)</u>

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26. Pensions and similar obligations (continued)

In its June 2010 budget, the Government announced that it intended for future increases in public sector pension schemes to be linked to changes in the Consumer Prices Index (CPI) rather than, as previously, the Retail Price Index (RPI). At the year ended 31 July 2010 the college considered the West Yorkshire Pension Fund scheme rules and associated members' literature and concluded that as a result, a revised actuarial assumption about the level of inflation indexation should be made.

The actual return on scheme assets was £6,970,000 (2014: £1,409,000).

Asset and Liability Reconciliation

	Group 2015 £000	College 2015 £000	Group 2014 £000	College 2014 £000				
Reconciliation of Liabilities								
Liabilities at 1 August	94,278	85,373	93,994	85,737				
Service cost	3,024	2,401	2,996	2,459				
Interest cost	3,899	3,519	4,276	3,891				
Employee contributions	1,084	819	1,020	809				
Actuarial loss/(gain)	7,954	7,014	(6,139)	(5,770)				
Benefits paid	(2,579)	(2,466)	(2,050)	(1,934)				
Past Service cost	217	217	181	181				
Liabilities at 31 July	<u>107,877</u>	<u>96,877</u>	<u>94,278</u>	<u>85,373</u>				
Reconciliation of Assets								
Assets at 1 August	74,879	67,994	72,237	66,050				
Expected return on assets	4,913	4,451	4,901	4,475				
Actuarial gain/(loss)	2,057	1,861	(3,492)	(3,296)				
Employer contributions	2,382	1,920	2,263	1,890				
Employee contributions	1,084	819	1,020	809				
Benefits paid	(2,579)	(2,466)	(2,050)	(1,934)				
Assets at end of period	<u>82,736</u>	<u>74,579</u>	<u>74,879</u>	<u>67,994</u>				
History of experience gains and losses – since merger								
	Group 2015 £000	College 2015 £'000	Group 2014 £000	College 2014 £'000	Group 2013 £000	College 2013 £'000	College 2012 £'000	College 2011 £'000
Defined benefit obligation	107,877	96,877	94,278	85,373	93,994	85,737	80,343	61,228
Scheme assets	82,736	74,579	74,879	67,994	72,237	66,050	55,620	49,060
Deficit	(25,141)	(22,298)	(19,399)	(17,379)	(21,757)	(19,687)	(24,723)	(12,168)
Experience adjustments on scheme liabilities	500	463	1,733	1,872	(37)	(35)	(347)	5,702
Experience adjustments on scheme assets	2,057	1,861	(3,492)	(3,296)	7,009	6,425	(2,932)	2,164

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27. Post balance sheet events

- White Rose Resourcing commenced trading from 1 September 2015.
- The new Chief Executive and Principal, Colin Booth OBE, took up post on 28 September 2015.
- The Leeds City College property at Westland Road was sold on 30 October 2015.

28. Capital commitments

	Group 2015 £000	College 2015 £000	Group 2014 £000	College 2014 £000
Commitments contracted for as at 31 July	<u>987</u>	<u>612</u>	<u>3,523</u>	<u>2,729</u>
Authorised but not contracted at 31 July	<u>223</u>	<u>223</u>	<u>91</u>	<u>91</u>

29. Financial commitments

At 31 July annual commitments under non-cancellable operating leases were as follows:

	Group 2015 £000	College 2015 £000	Group 2014 £000	College 2014 £000
Land and buildings				
Expiring within one year	-	-	11	11
Expiring within one and five years inclusive	-	-	-	-
Expiring in over five years	<u>151</u>	<u>151</u>	<u>151</u>	<u>151</u>
	<u>151</u>	<u>151</u>	<u>162</u>	<u>162</u>
Other				
Expiring within one year	25	23	102	102
Expiring within one and five years inclusive	537	498	622	582
Expiring in over five years	<u>31</u>	<u>2</u>	<u>22</u>	<u>3</u>
	<u>593</u>	<u>523</u>	<u>746</u>	<u>687</u>

30. Related party transactions

Owing to the nature of the college's operations and the composition of the board of governors being drawn from local public and private sector organisations it is inevitable that transactions will take place with organisations in which a member of the board of governors may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the college's financial regulations and normal procurement procedures. No transactions were identified which should be disclosed under Financial Reporting Standard 8 Related Party Disclosures.

Transactions with the funding bodies are detailed in notes 2, 13, 14 and 18.

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31. Amounts disbursed as agent

Learner support funds

	Group 2015 £000	College 2015 £000	Group 2014 £000	College 2014 £000
Funding body grants	3,879	3,804	3,966	3,860
Disbursed to students	(3,591)	(3,544)	(3,709)	(3,642)
Administration costs	<u>(174)</u>	<u>(172)</u>	<u>(183)</u>	<u>(179)</u>
Balance underspent as at 31 July	<u>113</u>	<u>87</u>	<u>74</u>	<u>39</u>

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

Leeds City College identified a control weakness relating to agency funds. The incident is currently being investigated and the outcomes of this investigation will be reported to the Board once completed.

Apprenticeship grant for employers of 16 to 24 year olds (AGE 16 to 24)

	Group and College 2015 £000	Group and College 2014 £000
Funding body grant received	320	198
Distributed to employers	<u>(252)</u>	<u>(178)</u>
Balance not yet distributed as at 31 July	<u>68</u>	<u>20</u>

The AGE 16 to 24 aims to support businesses to recruit individuals aged 16 to 24 into employment through the Apprenticeship programme. The National Apprenticeship Service provides AGE 16 to 24 to eligible employers, in respect of qualifying apprentices, with an individual value of £1,500. As the training provider with a direct apprenticeship contract, Leeds City College receives the grant from the Skills Funding Agency, and then pays this to the employer. These grants are therefore excluded from the Income and Expenditure account.