

**Leeds City College Corporation**  
Year End Accounts 2018/19



LEEDS CITY COLLEGE CORPORATION  
FINANCIAL STATEMENTS  
for the year ended 31 July 2019  
KEY MANAGEMENT PERSONNEL, BOARD OF GOVERNORS AND PROFESSIONAL  
ADVISERS

---

**KEY MANAGEMENT PERSONNEL**

Key management personnel are defined as members of the college's executive leadership team and were represented by the following in 2018/19:

Mr Colin Booth OBE	Chief Executive Officer*
Ms Lydia Devenny	Deputy Chief Executive – Services
Mr William Jones	Deputy Chief Executive – Curriculum & Quality
Ms Gemma Simmons-Blench	Executive Principal – Curriculum & Quality

\* Senior post holder

**BOARD OF GOVERNORS**

A full list of Governors is given on page 14 of these financial statements. Ms Melanie Halstead acted as Director of Governance throughout the period.

**PROFESSIONAL ADVISERS**

**FINANCIAL STATEMENTS AND REPORTING  
ACCOUNTANTS:**

KPMG LLP  
1 Sovereign Square  
Sovereign Street  
Leeds LS1 4DA

**INTERNAL AUDITORS:**

RSM  
Central Square  
29 Wellington Street  
Leeds LS1 4DL

**BANKERS:**

Lloyds Bank  
6-7 Park Row  
Leeds  
LS1 5HD

Santander  
1-2 Triton Square  
Regents Place  
London  
NW1 3AN

**SOLICITORS:**

Rollits Solicitors  
Wilberforce Court  
High Street  
Hull  
HU1 1YJ

Eversheds Sutherland  
Bridgewater Place  
Water Lane  
Leeds  
LS11 5DR

Irwin Mitchell Solicitors  
2 Wellington Place  
Leeds  
LS1 4BZ

LEEDS CITY COLLEGE CORPORATION  
FINANCIAL STATEMENTS  
for the year ended 31 July 2019  
CONTENTS

---

Report of the Members of the Corporation	4
Statement Of Corporate Governance	14
Statement of Internal Control	18
Statement of Regularity, Propriety and Compliance	20
Statement of Responsibilities of the Members of the Corporation	21
Independent Auditors' Report to the Corporation of Leeds City College	23
Reporting Accountant's Assurance Report on Regularity	26
Consolidated and FE Colleges Statement of Comprehensive Income	28
Consolidated and FE Colleges Statement of Changes in Reserves	29
Balance Sheets as at 31 July	30
Consolidated Statement of Cash Flows	31
Notes to the Accounts	32

LEEDS CITY COLLEGE CORPORATION  
FINANCIAL STATEMENTS  
for the year ended 31 July 2019  
REPORT OF THE MEMBERS OF THE CORPORATION

---

## OBJECTIVES AND STRATEGY

The members present their report and the audited financial statements for the year ended 31 July 2019.

### Legal status

The Leeds City College 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 part 3 of the Charities Act 2011.

### Introduction

Leeds City College Corporation is one of the UK's largest FE and HE establishments, offering a diverse curriculum to its students.

The Leeds City College Group is made up of the following colleges and subsidiaries:

- Leeds City College
- Keighley College
- Harrogate College
- Leeds College of Music
- Leeds Apprenticeship Training Agency
- White Rose Resourcing Limited

### Leeds City College

Is a Further Education College based In Leeds. It provides a wide range of academic and vocational courses and substantial provision in Higher Education.

### Keighley College

Is a Further Education College based in West Yorkshire. It provides a wide range of vocational training.

### Harrogate College

Joined the group on 31 July 2019. It is a Further Education College based in North Yorkshire.

As well as the FE colleges the group has the following subsidiaries:

**Leeds College of Music Limited** became a subsidiary of the group on 1 August 2011. It is an independent Higher Education Institution and specialist music conservatoire.

**Leeds Apprenticeship Training Agency Limited** provides an employment agency service.

**White Rose Resourcing Limited** provides and employment agency service.

The Corporation also sponsors the **White Rose Academies Trust**. The financial performance of the Trust is not consolidated in these accounts.

For the purposes of this report and financial statements Leeds City College (Group) is the consolidation of the colleges and the three subsidiary undertakings.

Leeds City College (FE Colleges) is the stand-alone Leeds City College Corporation entity, which incorporates the further education colleges only.

### Brand

Following extensive consultation the Corporation determined to rebrand itself the "Luminate Education Group", whilst retaining the LCC Corporation name.

### Vision & Mission

In December 2018, the Corporation board approved a revised strategy for the group. The group aims to be a leading voice of education in Yorkshire.

The vision frames our ambition and expectation and provides a clear long term goal. Our vision is that all group members will strive to become:

*'leaders of education, training and community transformation'*

All group members will be:

- The leading choice for students and staff
- Making a positive, life changing

LEEDS CITY COLLEGE CORPORATION  
 FINANCIAL STATEMENTS  
 for the year ended 31 July 2019  
 REPORT OF THE MEMBERS OF THE CORPORATION

---

impact on our students with clear progression routes into further study and work

- Helping to make our communities more prosperous and cohesive
- Fully connected to businesses with constantly emerging opportunities.

### Values

Our values shape and reflect the beliefs and behaviours of all our staff and students:

- Aspirational with heart
- Down to earth with huge ambition
- High performing with soul
- Everyone together, whilst championing the individual.

Group members are focused on transforming lives by providing outstanding education, training and outcomes for students. The aspiration is to always add value for students and society by having a positive impact, allowing all students to succeed and improve their lives. The purpose of all group members is to ensure that all our students:

- Dare to dream
- Have a great time
- Grow as an individual and progress to work or further study.

### Strategic priorities

The Leeds City College Corporation review and agree a set of strategic priorities annually. The priorities for 2018/19 were to:

- Improve teaching and learning by developing a group approach and creating a "Teaching and Learning Strategy Group"
- Ensure that the FE colleges make progress towards achieving an Ofsted "Outstanding" assessment grade.
- Sustain a financial plan and performance that supports reinvestment into better accommodation and physical resources and support for students
- Progress Taught Degree Awarding Powers (TDAP), and create a plan to

achieve a Teaching Excellence Framework (TEF) gold score for Leeds College of Music and Leeds City College.

- Create and implement a curriculum and employer engagement strategy to drive growth in apprenticeships and work experience, meeting the needs of learners and LEP skills priorities.
- Deliver a marketing, communications and stakeholder engagement plan.
- Deliver a people strategy that supports the ongoing development of staff and supports recruitment, retention, career development and succession planning.

Good progress was made in each of these aims, particular highlights were:

- The first group Teaching and Learning Conference was held in July 2018, with around 1,000 colleagues from across the group taking part.
- Leeds City College and Keighley College continued to improve achievement rates.
- The financial performance of the group as a whole exceeded budget in both income and Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) per cent.
- As a newly established Higher Education Institution (HEI), Leeds College of Music were awarded TEF silver.
- Leeds City College will confer its first Foundation Degrees at the end of 2019/20.
- The number of apprentices in learning in July 2019 was 1,813, a growth of 57% from the same point in 2018.
- A revised marketing plan delivered a new brand for the group and trading name of Luminare Education Group.
- The approved people strategy and ongoing investment was made in both leadership development and other training. With 60 apprentices being employed across the group by the year-end.

Building on the aims from 2018/19, in 2019/20 the group will focus on:

- Developing a group approach to improving teaching and learning and which creates a strong pipeline of new

LEEDS CITY COLLEGE CORPORATION  
 FINANCIAL STATEMENTS  
 for the year ended 31 July 2019  
 REPORT OF THE MEMBERS OF THE CORPORATION

teachers and exceptional CPD.

- Promoting to schools and academies the benefits of joining the Luminare Education Group.
- Developing the Luminare Education Group brand and Corporate Social Responsibility alongside a successful stakeholder engagement plan.
- Successfully integrating Harrogate College into the group, and support the college to create a strong growth plan for 2020/21.
- Making progress on sharing more services across the group, maximising and improving quality and value of central services.
- Creating and delivering a financial plan that is clearly aligned to the property strategy and supports sustainable growth whilst maintaining a sufficient cash position.
- Creating and implementing a curriculum and employer engagement strategy that drives growth and positive destinations for learners and meets LEP skills priorities, skills shortages, employer and student demand.

**Resources**

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

The group employs 1,416 people (expressed as full-time equivalents, of whom 948 are teaching staff.

The group enrolled 22,977 students in its colleges:

	Keighley College	Leeds City College	Leeds College of Music
14-16 year olds	181	289	n/a
16-19 year olds*	834	5,742	n/a
Adult learners*	976	10,714	n/a
Apprentices	317	2,465	-
HE Under graduates	94	1,163	1,148

HE Post graduates	-	21	33
-------------------	---	----	----

\*Leavers = the number of qualification aims that student were due to complete in the academic year.

The group has £66 million of net assets (including £56 million pension liability) and long term debt of £22 million.

Tangible resources include the following campuses: Leeds City College has several city centre based campuses: Park Lane, Printworks and Technology, as well as centres serving local communities. Keighley College has a single main campus and Leeds College of Music campus is based at Quarry Hill.

On 2 September, Leeds City College welcomed 3,000+ students to its new campus at Quarry Hill, providing state of the art facilities for the Schools of Creative Arts and Social Science. The Technology Campus was sold in September 2019, with the proceeds from sale used to finance the project.

The colleges have a good reputation locally and nationally and this has been further enhanced by the positive Ofsted outcome in February 2018 which rated the colleges Good overall with several areas rated as outstanding.

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 College), 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.

**Stakeholders**

In line with other colleges and universities the group has many stakeholders.

These include:

- Students and parents;

LEEDS CITY COLLEGE CORPORATION  
FINANCIAL STATEMENTS  
for the year ended 31 July 2019  
REPORT OF THE MEMBERS OF THE CORPORATION

---

- Staff and their trade unions
- Local and regional employers
- Education sector funding bodies;
- Local authorities;
- The local communities in Harrogate, Keighley districts, the city of Leeds, and the region beyond;
- HE validation partners;
- Third-sector organisations;
- Local and national media outlets;
- Professional bodies;
- Students' Union.

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

## DEVELOPMENT AND PERFORMANCE

### Financial results

The college generated a surplus before other gains and losses of £3,050k during the 12 months ending 31 July 2019 (2017/18: surplus of £20,325k), with total comprehensive income being a deficit of (£15,300k) (2017/18: surplus of £17,495k). This included a total actuarial loss of £18,725k during the year.

### Developments

Tangible fixed asset additions during the year amounted to £26,466k. This was split between land and buildings developed of £242k, equipment purchased of £373k, and assets in the course of construction of £25,851k.

Expenditure was incurred on several major projects including the completion of the new Creative Arts and Social Science building at Quarry Hill, which opened in September

2019. Other projects included refurbishment of the University Centre and the Leeds College of Music's performance spaces. Leeds City College opened a new centre at the Foundry, near its Printworks campus providing dedicated space for its work with 14-18 years in need of alternative learning programmes.

### Reserves

The group has accumulated reserves of £66,132k and cash balances of £314k.

### Sources of income

The college places significant reliance on government funding for its principal funding sources, largely from recurrent grants. In 2018/19 the Education & Skills Funding Agency (ESFA) provided 67% of the group's total income, excluding capital grants (2017/18 68%).

### Group companies

The group has three subsidiary companies, Leeds College of Music Limited, White Rose Resourcing Limited and Leeds Apprenticeship Training Agency 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. Leeds College of Music was awarded separate Higher Education Institute status in June 2018. White Rose Resourcing Limited acts as an employment agency, sourcing high quality temporary workers for the college.

The Leeds Apprenticeship Training Agency Ltd, helps employers source, arrange and host their apprenticeships in the Leeds City Region.

## FUTURE PROSPECTS

### Developments

The group has experienced strong growth in student numbers in its key markets and has been investing in facilities to support the increasing student numbers.

LEEDS CITY COLLEGE CORPORATION  
FINANCIAL STATEMENTS  
for the year ended 31 July 2019  
REPORT OF THE MEMBERS OF THE CORPORATION

---

#### **Financial plan**

The Corporation approved a financial plan in July 2019 which set objectives for the period to 2022.

#### **Treasury policies and objectives**

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

The group has a separate treasury management policy in place.

All borrowing requires the authorisation of the Board of Governors and complies with the requirements of the Financial Memorandum.

#### **Cash flows and liquidity**

The operating cash from the group's activities before investing and financing was £11,106k, reflecting the strong EBITDA performance in 2018/19. There was an overall net outflow of £7,447k (2017/18: inflow of £2,692k).

During the year, the group maintained adequate levels of liquidity, as it continues to invest in refurbishing and developing its estate for the benefit of students.

The group continued the repayment of the loan capital taken out in 2009 and 2012 to finance its property strategy.

In order to support working capital during the development of the Quarry Hill campus, the following were agreed:

- a revolving credit facility (£6m available until October 2020).
- a bridging loan for the sale of the Technology campus (£4.5m, repaid in October 2019).
- a bridging loan for the sale of the Horsforth campus, of which £6.5m was drawn-down at the year-end.

Overdraft facilities were also made available by the group's bankers.

#### **Reserves policy**

The group has no formal reserves policy but recognises the importance of reserves in the financial stability of any organisation, and ensures that there are adequate reserves to support the group's core activities. The group holds £5k of restricted reserves.

At the balance sheet date the Income and Expenditure account reserve stands at £61,815k (2017/18: £77,005k). It is the Board's intention to continue to invest surpluses in the property strategy over the life of the strategic plan.

#### **Going concern**

The financial statements have been prepared on a going concern basis which the Corporation considers to be appropriate for the following reasons.

The Corporation has prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the group and college will have sufficient funds, through support from their lenders to meet their liabilities as they fall due for that period.

The Corporation has a robust two-year financial plan, approved in July 2019 for submission to the Education & Skills Funding Agency (ESFA), as the group's main regulator. The group's underlying financial performance continues to be strong. The group generated operational cash inflows of £11.1m in the year ended 31 July 2019, but reported overall cash outflows of £7.5m due to continuing investment in property and equipment as the group grows.

The new Quarry Hill campus opened in September 2019, providing facilities for Leeds City College's schools of Creative Arts and Social Science alongside accommodation for Leeds College of Music's new courses in performance. The campus development was funded by £33.4m in grant funding from the Leeds City Region Local Enterprise Partnership (LEP), £26.6m in



LEEDS CITY COLLEGE CORPORATION  
FINANCIAL STATEMENTS  
for the year ended 31 July 2019  
REPORT OF THE MEMBERS OF THE CORPORATION

---

asset sales, the use of cash reserves and borrowing from both the Corporation's banker (Santander) and the West Yorkshire Combined Authority. The group had previously agreed a sale of its former Horsforth campus which was to complete in 2017. Unfortunately this sale did not proceed and the site was subsequently remarketed. An exchange of contracts for the sale of the site took place in August 2019, with completion of the sale contingent on planning permission being approved by Leeds City Council. A decision on this planning permission is expected in early 2020.

To meet the working capital needs of the group the Corporation has negotiated various short-term lending arrangements with Santander, including a Revolving Credit Facility (RCF) of £6m. The Corporation has also obtained a bridging loan of £6.5m from the West Yorkshire Combined Authority (WYCA) By utilising these facilities the group has sufficient financial resources to meet its day-to-day working capital requirements and is expected to continue to generate substantial positive operational cash inflows for the foreseeable future.

Repayment of the RCF is due in October 2020 and the bridging loan with WYCA is repayable from the proceeds from the sale of the Horsforth campus. At the date of approval of the financial statements there remains some uncertainty around both the required timing of repayment of the bridging loan to the LEP and the receipt of any proceeds from any sale of the Horsforth campus.

The Corporation is supported by Santander, which has agreed to provide additional short-term borrowing in the form of an overdraft to meet its cash requirements until such time that the Horsforth campus is sold. Whilst this support has been offered verbally, the Corporation acknowledges that the exact value, timing and nature of this ongoing support has not been formalised.

Based on these indications the Corporation believes that it remains appropriate to prepare the financial statements on a going concern basis. However, these

circumstances represent a material uncertainty that may cast significant doubt on the group and college's ability to continue as a going concern and, therefore, to continue realising their assets and discharging their liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

## PRINCIPAL RISKS AND UNCERTAINTIES

### Risk management

The group has well developed strategies for managing risk and strives to embed risk management in all that it does. Risk management processes are designed to protect the group's assets, reputation and financial stability. The Corporation has overall responsibility for risk management and its approach to managing risks and internal control is explained in the Statement on Corporate Governance.

Risk registers are maintained by each department in the colleges, and a strategic risk register is maintained and presented to each college board as part of its oversight. The individual college registers are reviewed and a group strategic risk register is prepared and maintained to be presented to the Corporation. Members of the executive leadership team manage the strategic risks.

An annual review of risk management considers progress made over the year in identifying and managing risks. The risk registers identify the key risk, the likelihood of those risks occurring, the potential impact on the colleges /group and the actions being taken to reduce and mitigate the risk. Risks are prioritised using a consistent scoring system.

The 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

LEEDS CITY COLLEGE CORPORATION  
 FINANCIAL STATEMENTS  
 for the year ended 31 July 2019  
 REPORT OF THE MEMBERS OF THE CORPORATION

their prospective work plan so that the entire plan is focused upon the key risks facing the group.

Outlined below is a description of the two principal risks identified during 2018/19. Not all the factors were within the control of the group. Other factors besides those listed below may also adversely affect the group.

- **Group finances (cash flow) cannot sustain growth strategies in the short to medium term**

The operating performance of the group has exceeded budget in each of the preceding three financial years. Income, excluding capital grants and donations grew by £8m in 2018/19 in comparison with 2017/18. The strong growth in student numbers, coupled with the nature of "lagged" funding for the key 16-19 year old market for Study Programmes limits the cash availability to invest.

Within the group, Leeds College of Music has had an increased reliance on cash being made available to support working capital following the development of its library in 2017.

Robust performance management processes are in place to monitor financial and quality targets, resulting in substantial improvements in performance.

- **The group is unable to resource its property strategy in the short term.**

The group continues to implement its property strategy. The major risk is the availability of grants or loans to develop the estate. The completion of the new Quarry Hill campus during 2018/19 has been funded through short-term financing from lenders through bridging loans, pending the sale of the former Horsforth campus and the Technology campus.

Whilst significant investments have been made to provide an increasing amount of high quality accommodation, the group still faces these key issues:

- Some of the buildings in use by Leeds City College 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 group 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.

The property strategy is kept under close review by the Property Strategy Committee.

**KEY PERFORMANCE INDICATORS**

Each college is closely monitored against a set of quality, financial and stakeholder targets.

**Blue, Red, Amber, Green (BRAG) ratings of targets**

KPIs are BRAG rated. The colour indicates the level of performance relative to other institutions in the sector if the target is achieved. Red = Inadequate, Amber = Requires Improvement, Green = Good, Blue = Outstanding.

**Further Education**

Keighley College (KC), Leeds City College (LCC)

Target	KC	LCC
Ofsted Self Assessed target	Good	Good
Classroom based achievement (all ages)	85%	87%
Apprenticeship achievement (overall)	85%	72%

LEEDS CITY COLLEGE CORPORATION  
 FINANCIAL STATEMENTS  
 for the year ended 31 July 2019  
 REPORT OF THE MEMBERS OF THE CORPORATION

Student survey targets "I feel safe at college"	93%		91%	
--	-----	--	-----	--

**Higher Education**

Leeds City College (LCC), Leeds College of Music (LCoM)

Target	LCC		LCoM	
Achievement at Level 6	90%		94%	
Overall National Student Survey (NSS) score	85%		80%	

**Staff**

Target	KC		LCC	
Staff proud to work at the college	86%		81%	
Retain Investor in People	Yes		Yes	
Holder of Investor in Diversity	Yes		Yes	

**PUBLIC BENEFIT**

Leeds City College Corporation is an exempt charity under Part 3 of the Charities Act 2011, regulated by the Secretary of State for Education. The members of the Board of Governors, who are trustees of the charity, are disclosed on page 15.

In setting and reviewing the strategy, the Corporation has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. 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 delivering its mission, the group provides the following identifiable public benefits through the advancement of education:

1. High-quality teaching.
2. Widening participation and tackling social

3. exclusion.
3. Excellent employment records for students.
4. Strong student support systems
5. Links with employers, industry and commerce.
6. Links with Local Enterprise Partnerships (LEPs).

**Equality, diversity and inclusion (EDI)**

Leeds City College Corporation 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 group'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 community and that equality and fairness is embedded into our everyday activities. In order to achieve this ambition; we require that all staff, learners, partners, visitors, contractors and sub-contracts working on behalf of the college share our commitment.

In Spring 2019, the FE colleges were awarded the prestigious Investors In Diversity (IID) accreditation, with good progress against the EDI objectives, which are monitored by the EDI working group.

Our latest annual equality information report, together with our equality objectives is available to view on the colleges' website.

**Disability statement**

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

- The colleges have access co-ordinators to support students with practical access adjustments and provides information, advice and arranges support where necessary for students with disabilities. The colleges provides oasis rooms for students with autism spectrum disorders.

LEEDS CITY COLLEGE CORPORATION  
 FINANCIAL STATEMENTS  
 for the year ended 31 July 2019  
 REPORT OF THE MEMBERS OF THE CORPORATION

- The colleges have a range of specialist equipment, such as radio aids, which are made 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 colleges' websites. 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.

**Trade union facility time**

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

Number of employees who were relevant	FTE employee number
16	14.47

Percentage of time	Number of employees
0%	0
1% - 50%	16
51% - 99%	0
100%	0

Total cost of facility time	£47,900
Total pay bill	£40,000
Percentage of total bill spent on facility time	0.12%

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

**Supplier payment performance**

The Late Payment of Commercial Debts (Interest) Act 1998, in the absence of agreement to the contrary, requires organisations to make payments to suppliers within 30 days of either the provision for goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95%.

The group has been a signatory to the Prompt Payment Code since 2015.  
<http://www.promptpaymentcode.org.uk/>

During the accounting period 1 August 2018 to 31 July 2019, the group paid 94% per cent of its invoices within 30 days (2017/18: 93.8%). The group incurred no interest charges in respect of the last payment for this period.

**Events after the end of the reporting period**

In the period since 31 July 2019 the following major events have taken place:

- The completion of the sale of Technology Campus and repayment of the associated bridging loan.
- The exchange of contracts for the sale of the former Horsforth Campus.

**Disclosure of information to auditors**

The members who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the Corporation'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 auditors are aware of that information.

LEEDS CITY COLLEGE CORPORATION  
FINANCIAL STATEMENTS  
for the year ended 31 July 2019  
REPORT OF THE MEMBERS OF THE CORPORATION

---

Approved by order of the members of the Corporation on 16 December 2019 and signed on its behalf by:



**Dr Shaid Mahmood**  
**Chair of Governors**

LEEDS CITY COLLEGE  
FINANCIAL STATEMENTS  
for the year ended 31 July 2019  
STATEMENT OF CORPORATE GOVERNANCE

---

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

In the opinion of the Governors, the group 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 2019. The Corporation recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted in July 2015.

The contribution made by governors over and above attendance at formal meetings should also be acknowledged and commended. For example, governors participated in a range of events such as graduation/award ceremonies, link governor meetings/visits, governance training and development events, and so on. Such 'insight activities' enhance governors' practical knowledge of the colleges, providing valuable opportunities for them to meet with students and staff and to raise the profile of the Board.

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 group together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel-

related matters such as health and safety and environmental issues. The Board usually meets quarterly.

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

Leeds City College  
Park Lane  
Leeds  
LS3 1AA

The Director of Governance maintains a register of financial and personal interests of the governors. The register is available for inspection at the above address. All governors are able to take independent professional advice in furtherance of their duties at the Corporation's expense and have access to the Director of Governance, who is responsible to the Board for ensuring compliance with all applicable procedures and regulations. The appointment, evaluation and removal of the Director of Governance 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.

LEEDS CITY COLLEGE  
 FINANCIAL STATEMENTS  
 for the year ended 31 July 2019  
 STATEMENT OF CORPORATE GOVERNANCE

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	Committee membership	Attendance at Board meetings
Aqil Aziz	1 Sept 19	1 year	31 Aug 20	Student	-	n/a
A Beaumont	1 Aug 18	2 years	31 July 20	Governor	-	25%
C Booth OBE	28 Sept 15	n/a	-	Chief Exec + Principal	LCC, KC, HC, G&N, PSC	100%
S Daji	22 Oct 18	1 year	31 Aug 19	Student	-	75%
C Fricker	1 April 18	1 year	31 Mar 19	Governor	Audit	100%
I Hunjan MBE	1 Sept 18	4 years	31 Aug 22	Governor	LCC	50%
Asghar Hussain	1 Sept 19	2 years	31 Aug 21	Staff	-	n/a
G Jennings	1 Nov 18	1 year	31 Oct 19	Governor	PSC	75%
T Lupton	1 Nov 17	2 years	31 Oct 18	Staff	Audit	100%
S Mahmood (Chair)	1 Nov 18	3 years	31 Oct 21	Governor	G&N, Remuneration	100%
K Morton	1 Sept 19	2 years	31 Aug 21	Governor	LCC	75%
J Pither	1 Nov 18	2 years	31 Oct 20	Governor	-	100%
R Shaw	1 May 19	4 years	31 April 23	Governor	PSC	100%
H Rahem	1 Sept 2018	1 year	22 Oct 18	Student	-	n/a
L Raper	1 April 17	4 years	31 Dec 18	Governor	-	50%
C Smith	1 Nov 14	3 years	31 Oct 18	Governor	-	0%
J Toon	1 Sept 19	2 years	31 Aug 21	Governor	HC, Audit, Remuneration	100%
I Watling	1 June 19	4 years	31 May 23	Governor	HC, Audit	100%
C Turnbull (Vice Chair)	1 Aug 18	To 31 Aug 19	31 Aug 19	Governor	LCC, G&N	100%
D Yates	1 July 19	2 years	30 June 21	Governor	KC, Audit	75%

Melanie Halstead served as Director of Governance.

The Board set itself an overall attendance target of 85% for 2018/19. During the year there were 40 individual attendances at Board meetings out of a possible 51, which is 78% overall attendance.

### **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.

### **Board performance**

The Board usually meets on a quarterly basis and consider all areas of the business. They were supported by the following committees throughout 2018/19:

- Audit Committee
- Governance & Nominations Committee (G&N)
- Remuneration Committee
- Property Strategy Committee (PSC)
- Leeds City College Board (LCC)
- Keighley College Board (KC)
- Harrogate College (HC)
- Leeds College of Music

The group's board currently comprises of 10 non-executive members (including the Chair of the Board), the Chief Executive/Principal, one member of staff (nominated /elected by all staff) and one student member (the SU sabbatical president as elected by the students on an annual basis).

### **Remuneration Committee**

Throughout the year ending 31 July 2019, the group's Remuneration Committee comprised three members of the Corporation. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Accounting Officer and other key management personnel.

The group has adopted the AOC's Senior Staff Remuneration Code. Details of remuneration for the year ended 31 July 2019 are set out in note 8 to the financial statements.

### **Audit Committee**

The audit committee comprises of three members of the Board and up to two co-opted (non-governor) members. Its membership excludes the Chief Executive 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 group's internal, regularity and financial statements auditors, who have access to the committee for independent discussion, without the presence of management. The committee also receives and considers reports from the main funding bodies as they affect the group's business.

The internal auditors review 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 City College, Keighley College, Leeds College of Music Limited, Leeds Apprenticeship Training Agency Limited and White Rose Resourcing Limited as wholly owned subsidiary companies of Leeds City College Corporation. Leeds College of Music, as an independent HEI, established its own Audit Committee.



### **Governance & Nominations Committee**

The committee advises the board on the appointment / reappointment, training and ongoing development of governors and keeps under review the systems policies and procedures supporting the governance process.

### **Property Strategy Committee**

The committee maintains a strategic oversight of the group Property Strategy and the individual projects within it, monitoring the delivery of the overall objectives of the strategy.

### **Leeds City College Board**

The board undertakes the oversight of the operation of Leeds City College (developmental, quality and financial aspects) on behalf of the board.

### **Keighley College Board**

The board undertakes the oversight of the operation of Keighley College (developmental, quality and financial aspects) on behalf of the board.

### **Harrogate College Board**

The Harrogate College board was established following the acquisition by the group in July 2019, and held its first meeting on 5 November 2019. In common with the Leeds and Keighley College boards, it undertakes the oversight of the operation of Harrogate College (developmental, quality and financial aspects) on behalf of the board.

### **Leeds College of Music Board**

Leeds College of Music Limited has its own board of directors which reports to the group.

### ***Scope of responsibility***

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

The Corporation has delegated the day to day responsibility to the Chief Executive, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the group'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 funding agreements between Leeds City College Corporation and the funding bodies. 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 group'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 the group for the year ended 31 July 2019 and up to the date of approval of the annual report and accounts.

### ***Capacity to handle risk***

The Corporation has reviewed the key risks to which the group is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of

the view that there is a formal on-going process for identifying, evaluating and managing the group's significant risks that has been in place for the period ending 31 July 2019 and up to the date of approval of the annual report and accounts. The process is regularly reviewed by the Corporation.

### ***The risk and control framework***

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

- Comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the 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.

The group has an internal audit service which operates in accordance with the requirements of the Education and Skills Funding Agency's *Post-16 Audit Code of Practice*. The work of the internal audit service is informed by an analysis of the risks to which the group is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the audit committee.

At minimum, annually, the Head of Internal Audit (HIA) provides the board of governors with a report on internal audit activity in the group. The report includes the HIA's independent opinion on the adequacy and effectiveness of the group's system of risk management, controls and governance processes.

### **Review of effectiveness**

As Accounting Officer, the Chief Executive 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 group who have responsibility for the development and maintenance of the internal control framework; and
- Comments made by the group's financial statements auditors, the reporting accountant for regularity assurance, the appointed funding auditors (for colleges subject to funding audit) in their management letters and other reports.

The Accounting Officer has been advised on the implications of the result of the 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 executive leadership 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 executive leadership 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 arrangements for internal control. The Board's agenda includes a regular item for consideration of risk and control and receives reports thereon from the executive leadership team and the audit committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2019 meeting, the Board carried out the annual assessment for the year ended 31 July 2019 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2019.

### **Going Concern**

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.

Approved by order of the members of the Board on 16 December 2019 and signed on its behalf by:



**Dr Shaid Mahmood**  
Chair



**Colin Booth OBE**  
Chief Executive and  
Accounting Officer

LEEDS CITY COLLEGE CORPORATION  
FINANCIAL STATEMENTS  
for the year ended 31 July 2019  
STATEMENT OF REGULARITY, PROPRIETY AND COMPLIANCE

---

The Corporation has considered its responsibility to notify the Education & Skills Funding Agency (the Agency) of material irregularity, impropriety and non-compliance with the terms and condition of funding, under the Corporation's grant funding agreements and contracts with the Agency.

We confirm, on behalf of the Corporation, that after due enquiry, and to the best of our knowledge, we are able to identify any material, irregular or improper use of funds by

the Corporation, or material non-compliance with the terms and conditions of funding under the Corporation's grant funding agreement and contracts with the Agency, or any other public funder.

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

Approved by order of the members of the Board on 16 December 2019 and signed on its behalf by:



**Dr Shaid Mahmood**  
Chair of the Corporation



**Colin Booth OBE**  
Chief Executive and Accounting Officer

# LEEDS CITY COLLEGE CORPORATION FINANCIAL STATEMENTS

for the year ended 31 July 2019

## STATEMENT OF RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION

---

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

Within the terms and conditions of the College's grant funding agreements and contracts with the ESFA, the Corporation, through its Accounting Officer, is required to prepare financial statements and an operating and financial review for each financial year in accordance with the *2015 Statement of Recommended Practice – Accounting for Further and Higher Education* and with the *College Accounts Direction 2018 to 2019* issued by the ESFA, and which give a true and fair view of the state of affairs of the group and the parent College and the result for that year.

In preparing the group and parent College financial statements, the Corporation is required to:

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- assess the group and parent College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent College or to cease operations, or have no realistic alternative but to do so.

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

The Corporation is responsible for keeping adequate accounting records which disclose with reasonable accuracy, at any time, the

financial position of the group and parent College, and which enable it to ensure that the financial statements are prepared in accordance with the relevant legislation of incorporation and other relevant accounting standards. It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for taking steps that are reasonably open to it in order to safeguard the assets of the group and parent College and to prevent and detect fraud and other irregularities.

The maintenance and integrity of the College website is the responsibility of the Corporation of the College; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from the ESFA are used only in accordance with the ESFA's grant funding agreements and contracts and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the group and parent College's resources and expenditure, so that the benefits that should be derived from the application of public funds from the ESFA are not put at risk.

LEEDS CITY COLLEGE CORPORATION  
FINANCIAL STATEMENTS  
for the year ended 31 July 2019  
STATEMENT OF RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION

Approved by order of the members of the Corporation on 16 December 2019 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'Shaid Mahmood', written in a cursive style.

**Dr Shaid Mahmood**  
**Chair of the Corporation**

---

## INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF LEEDS CITY COLLEGE

### Opinion

We have audited the financial statements of Leeds City College ("the College") for the year ended 31 July 2019 which comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, Balance Sheet and Statement of Cash Flows and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the College's affairs as at 31 July 2019, and of the Group's and the College's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended; and
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, and with the 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education*.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### Material uncertainty related to going concern

We draw attention to the going concern disclosure in Note 1 to the financial statements which indicates that the group and college are dependent on the continuing support of their lenders pending the receipt of proceeds from a planned land sale. These events and conditions, along with the other matters explained in note 1, constitute a material uncertainty that may cast significant doubt on the group and college's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company or college and this is particularly the case in relation to Brexit.

---

### **Other information**

The Corporation is responsible for the other information, which comprises the Members' Report and the Corporation's statement of corporate governance and internal control. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

### **Matters on which we are required to report by exception**

Under the Post-16 Audit Code of Practice 2018 to 2019 (February 2019) issued by the Education and Skills Funding Agency we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent College; or
- the parent College's financial statements are not in agreement with the accounting records;  
or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

### **Corporation's responsibilities**

As explained more fully in their statement set out on page 20, the Corporation is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the group or the parent College or to cease operations, or has no realistic alternative but to do so.

### **Auditor's responsibilities**

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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### **The purpose of our audit work and to whom we owe our responsibilities**

This report is made solely to the Corporation, 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 those



---

matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the College and the Corporation for our audit work, for this report, or for the opinions we have formed.



**Clare Partridge**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered*  
*Accountants 1*  
Sovereign Square,  
Sovereign Street,  
Leeds,  
LS1 4DA

*14 December 2014*

---

## **Reporting Accountant's Report on Regularity to the Corporation of Leeds City College and the Secretary of State for Education acting through the Education and Skills Funding Agency (ESFA)**

In accordance with the terms of our engagement letter dated 30 April 2018 and further to the requirements and conditions of funding in ESFA grant funding agreements and contracts, or those of any other public funder, 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 2018 to 31 July 2019 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

This report is made solely to the corporation of Leeds City College and the ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the corporation of Leeds City College and the ESFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the corporation of Leeds City College and the ESFA 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 established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Post-16 Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2018 to 31 July 2019 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

### **Approach**

We conducted our engagement in accordance with the Post-16 Audit Code of Practice issued by the ESFA. We performed a limited assurance engagement as defined in that framework.

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

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

---

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 limited assurance conclusion on regularity consistent with the requirements of the Post-16 Audit Code of Practice.

#### **Conclusion**

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2018 to 31 July 2019 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



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

*19 December 2019*

## Consolidated and College Statements of Comprehensive Income

	Notes	Group 2019 £000	FE Colleges 2019 £000	Group 2018 £000	FE Colleges 2018 £000
<b>INCOME</b>					
Funding body grants	2	57,054	56,320	52,210	50,923
Tuition fees and education contracts	3	24,185	13,199	22,384	11,911
Other grants and contracts	4	829	829	22,057	21,959
Other income	5	2,595	1,999	1,888	1,146
Investment income	6	17	17	21	21
Donations and Endowments	7	<u>4,288</u>	<u>4,282</u>	<u>28</u>	<u>-</u>
<b>Total income</b>		<b><u>88,968</u></b>	<b><u>76,646</u></b>	<b><u>98,588</u></b>	<b><u>85,960</u></b>
<b>EXPENDITURE</b>					
Staff costs	8	54,845	45,934	48,858	40,786
Fundamental restructuring costs	8	463	395	623	605
Other operating expenses	9	23,334	19,178	22,082	17,845
Depreciation and amortisation	11,13	4,596	3,641	4,622	3,635
Interest and other finance costs	10	<u>2,680</u>	<u>2,483</u>	<u>2,078</u>	<u>1,950</u>
<b>Total expenditure</b>		<b><u>85,918</u></b>	<b><u>71,631</u></b>	<b><u>78,263</u></b>	<b><u>64,821</u></b>
Surplus / (Deficit) before other gains and losses		3,050	5,015	20,325	21,139
Profit/(loss) on disposal of assets		<u>375</u>	<u>375</u>	<u>(3)</u>	<u>-</u>
<b>Surplus/ (Deficit) before tax</b>		<b><u>3,425</u></b>	<b><u>5,390</u></b>	<b><u>20,322</u></b>	<b><u>21,139</u></b>
Taxation		-	-	-	-
<b>Surplus/ (Deficit) for the year</b>		<b><u>3,425</u></b>	<b><u>5,390</u></b>	<b><u>20,322</u></b>	<b><u>21,139</u></b>
Actuarial gain/ (loss) in respect of pensions schemes	19	<u>(18,725)</u>	<u>(16,427)</u>	<u>(2,827)</u>	<u>(1,636)</u>
<b>Total Comprehensive Income for the year</b>		<b><u>(15,300)</u></b>	<b><u>(11,037)</u></b>	<b><u>17,495</u></b>	<b><u>19,503</u></b>
Represented by:					
Restricted comprehensive income		(5)	-	-	-
Unrestricted comprehensive income		<u>(15,295)</u>	<u>(11,037)</u>	<u>17,495</u>	<u>19,503</u>
		<b><u>(15,300)</u></b>	<b><u>(11,037)</u></b>	<b><u>17,495</u></b>	<b><u>19,503</u></b>

The Statement of Comprehensive Income is in respect of continuing activities.

The accompanying notes on pages 32 to 56 form part of these financial statements.

## Consolidated and FE Colleges Statement of Changes in Reserves

	Income and expenditure account £000	Revaluation reserve £000	Endowment reserve £000	Total £000
<b>Group</b>				
<b>Balance at 1 August 2017</b>	<u>59,407</u>	<u>4,522</u>	<u>8</u>	<u>63,937</u>
Surplus/(deficit) from the income and expenditure account	20,322	-	-	20,322
Other comprehensive income	(2,827)	-	-	(2,827)
Increase in endowment reserve	(2)	-	2	-
Transfers between reserves	<u>105</u>	<u>(105)</u>	<u>-</u>	<u>-</u>
	<u>17,598</u>	<u>(105)</u>	<u>2</u>	<u>17,495</u>
<b>Balance at 31 July 2018</b>	<u>77,005</u>	<u>4,417</u>	<u>10</u>	<u>81,432</u>
Surplus/(deficit) from the income and expenditure account	3,425	-	-	3,425
Other comprehensive income	(18,725)	-	-	(18,725)
Decrease in endowment reserve	5	-	(5)	-
Transfers between reserves	<u>105</u>	<u>(105)</u>	<u>-</u>	<u>-</u>
<b>Total comprehensive income for the year</b>	<u>(15,190)</u>	<u>(105)</u>	<u>(5)</u>	<u>(15,300)</u>
<b>Balance at 31 July 2019</b>	<u>61,815</u>	<u>4,312</u>	<u>5</u>	<u>66,132</u>
<b>College</b>				
<b>Balance at 1 August 2017</b>	<u>51,089</u>	<u>4,522</u>	<u>-</u>	<u>55,611</u>
Surplus/(deficit) from the income and expenditure account	21,139	-	-	21,139
Other comprehensive income	(1,636)	-	-	(1,636)
Transfers between reserves	<u>105</u>	<u>(105)</u>	<u>-</u>	<u>-</u>
	<u>19,608</u>	<u>(105)</u>	<u>-</u>	<u>19,503</u>
<b>Balance at 31 July 2018</b>	<u>70,697</u>	<u>4,417</u>	<u>-</u>	<u>75,114</u>
Surplus/(deficit) from the income and expenditure account	5,390	-	-	5,390
Other comprehensive income	(16,427)	-	-	(16,427)
Increase in endowment reserve	-	-	-	-
Transfers between reserves	<u>105</u>	<u>(105)</u>	<u>-</u>	<u>-</u>
<b>Total comprehensive income for the year</b>	<u>(10,932)</u>	<u>(105)</u>	<u>-</u>	<u>(11,037)</u>
<b>Balance at 31 July 2019</b>	<u>59,765</u>	<u>4,312</u>	<u>-</u>	<u>64,077</u>

The accompanying notes on pages 32 to 56 form part of these financial statements.

## Balance Sheets as at 31 July

	Notes	Group	FE Colleges	Group	FE Colleges
		2019	2019	2018	2018
		£000	£000	£000	£000
<b>Non current assets</b>					
Tangible Fixed assets	11	167,443	154,209	141,261	127,689
Investments	12	-	-	-	-
Intangible assets	13	-	-	-	-
Trade and other receivables		-	-	2,004	2,004
		<u>167,443</u>	<u>154,209</u>	<u>143,265</u>	<u>129,693</u>
<b>Current assets</b>					
Stocks		233	228	225	221
Trade and other receivables	14	5,424	4,856	4,434	4,052
Cash and cash equivalents	18	314	306	7,761	7,749
		<u>5,971</u>	<u>5,390</u>	<u>12,420</u>	<u>12,022</u>
<b>Less: Creditors – amounts falling due within one year</b>	15	<u>(29,373)</u>	<u>(28,078)</u>	<u>(18,684)</u>	<u>(18,110)</u>
<b>Net current liabilities</b>		<u>(23,402)</u>	<u>(22,688)</u>	<u>(6,264)</u>	<u>(6,088)</u>
<b>Total assets less current liabilities</b>		<u>144,041</u>	<u>131,521</u>	<u>137,001</u>	<u>123,605</u>
Creditors – amounts falling due after more than one year	16	(22,034)	(19,947)	(23,595)	(21,342)
<b>Provisions</b>					
Defined benefit obligations	17,19	(55,569)	(47,191)	(31,718)	(26,893)
Other provisions	17	(306)	(306)	(256)	(256)
<b>Total net assets</b>		<u>66,132</u>	<u>64,077</u>	<u>81,432</u>	<u>75,114</u>
<b>Restricted reserves</b>					
Endowment reserve		5	-	10	-
<b>Unrestricted reserves</b>					
Income and expenditure account		61,815	59,765	77,005	70,697
Revaluation reserve		4,312	4,312	4,417	4,417
<b>Total unrestricted reserves</b>		<u>66,127</u>	<u>64,077</u>	<u>81,422</u>	<u>75,114</u>
<b>Total reserves</b>		<u>66,132</u>	<u>64,077</u>	<u>81,432</u>	<u>75,114</u>

The accompanying notes on pages 32 to 56 form part of these financial statements.

The financial statements on pages 28 to 56 were approved and authorised for issue by the Board on 16 December 2019 and were signed on its behalf on that date by:



**Dr Shaid Mahmood**  
Chair of the Corporation



**Colin Booth OBE**  
Chief Executive and  
Accounting Officer

## Consolidated Statement of Cash Flows

	Notes	2019 £000	2018 £000
<b>Cash flow from operating activities</b>			
Surplus/(Deficit) for the year		3,425	20,322
<b>Adjustment for non-cash items</b>			
Depreciation		4,596	4,622
(Increase)/decrease in stocks		(8)	(112)
(Increase)/decrease in debtors		1,014	(3,171)
Increase/(decrease) in creditors due within one year		(383)	6,342
Increase/(decrease) in provisions		137	(126)
Revaluation movements		(50)	2
Acquisition of Harrogate College non current assets		(4,336)	-
Pensions adjustments		5,043	2,794
		<u>9,438</u>	<u>30,673</u>
<b>Adjustment for investing or financing activities</b>			
Investment income		(17)	(21)
Interest payable		1,847	1,426
Increase in endowment reserve		(5)	2
Grants received		(1,922)	(18,867)
Profit on sale of fixed assets		(375)	3
<b>Net cash flow from operating activities</b>		<u><b>8,966</b></u>	<u><b>13,216</b></u>
<b>Cash flows from investing activities</b>			
Proceeds from sale of fixed assets		450	-
Investment income		17	21
Capital grants received		1,922	18,867
New unsecured loan		11,000	-
Payments made to acquire fixed assets		(26,466)	(26,404)
		<u>(13,077)</u>	<u>(7,516)</u>
<b>Cash flows from financing activities</b>			
Interest paid		(1,770)	(1,361)
Interest element of finance lease rental payments		(77)	(65)
Repayments of amounts borrowed		(1,468)	(1,469)
Capital element of finance lease rental payments		(21)	(113)
		<u>(3,336)</u>	<u>(3,008)</u>
<b>Increase / (decrease) in cash and cash equivalents in the year</b>		<u><b>(7,447)</b></u>	<u><b>2,692</b></u>
Cash and cash equivalents at beginning of the year	18	7,761	5,069
Cash and cash equivalents at end of the year	18	314	7,761

## Notes to the Accounts

### 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: Accounting for Further and Higher Education 2015* (the 2015 FE HE SORP), the *College Accounts Direction for 2018 to 2019* and in accordance with Financial Reporting Standard 102 – “*The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland*” (FRS 102). The college is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

#### Basis of accounting

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

#### Basis of consolidation

The consolidated financial statements include the Corporation's three further education colleges and the subsidiaries, Leeds College of Music Limited, White Rose Resourcing Limited and Leeds Apprenticeship Training Agency Limited. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS 102, the activities of the student union have not been consolidated because the group does not control those activities. All financial statements are made up to 31 July 2019.

#### Going concern

The financial statements have been prepared on a going concern basis which the Corporation considers to be appropriate for the following reasons.

The Corporation has prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the group and college will have sufficient funds, through support from their lenders to meet their liabilities as they fall due for that period.

The Corporation has a robust two-year financial plan, approved in July 2019 for submission to the Education & Skills Funding Agency (ESFA), as the group's main regulator. The group's underlying financial performance continues to be strong. The group generated operational cash inflows of £11.1m in the year ended 31 July 2019, but reported overall cash outflows of £7.5m due to continuing investment in property and equipment as the group grows.

The new Quarry Hill campus opened in September 2019, providing facilities for Leeds City College's schools of Creative Arts and Social Science alongside accommodation for Leeds College of Music's new courses in performance. The campus development was funded by £33.4m in



grant funding from the Leeds City Region Local Enterprise Partnership (LEP), £26.6m in asset sales, the use of cash reserves and borrowing from both the Corporation's banker (Santander) and the West Yorkshire Combined Authority. The group had previously agreed a sale of its former Horsforth campus which was to complete in 2017. Unfortunately this sale did not proceed and the site was subsequently remarketed. An exchange of contracts for the sale of the site took place in August 2019, with completion of the sale contingent on planning permission being approved by Leeds City Council. A decision on this planning permission is expected in early 2020.

To meet the working capital needs of the group the Corporation has negotiated various short-term lending arrangements with Santander, including a Revolving Credit Facility (RCF) of £6m. The Corporation has also obtained a bridging loan of £6.5m from the West Yorkshire Combined Authority (WYCA) By utilising these facilities the group has sufficient financial resources to meet its day-to-day working capital requirements and is expected to continue to generate substantial positive operational cash inflows for the foreseeable future.

Repayment of the RCF is due in October 2020 and the bridging loan with WYCA is repayable from the proceeds from the sale of the Horsforth campus. At the date of approval of the financial statements there remains some uncertainty around both the required timing of repayment of the bridging loan to the LEP and the receipt of any proceeds from any sale of the Horsforth campus. The Corporation is supported by Santander, which has agreed to provide additional short-term borrowing in the form of an overdraft to meet its cash requirements until such time that the Horsforth campus is sold. Whilst this support has been offered verbally, the Corporation acknowledges that the exact value, timing and nature of this ongoing support has not been formalised.

Based on these indications the Corporation believes that it remains appropriate to prepare the financial statements on a going concern basis. However, these circumstances represent a material uncertainty that may cast significant doubt on the group and college's ability to continue as a going concern and, therefore, to continue realising their assets and discharging their liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

### **Recognition of income**

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

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

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

All capital grants are recognised in income when the group is entitled to the funds subject to any performance related conditions being met, in accordance with the performance model of accounting which is permitted in FRS 102.

Income from tuition fees is recognised in the period to which it relates and includes all fees payable by students or their sponsors.

All income from short-term deposits is credited to the Statement of Comprehensive Income in the period in which it is earned.

Non exchange transactions without performance related conditions are donations and endowments. Donations and endowments with donor imposed restrictions are recognised in income when the college is entitled to the funds. Income is retained within the restricted reserve until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer.

Donations with no restrictions are recognised in income when the college is entitled to the funds.

### **Post retirement benefits**

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

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

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

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

### **Short term employment benefits**

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

### **Enhanced pensions**

The actual cost of any enhanced on-going pension to a former member of staff is paid by the group 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 group's Statement of Comprehensive Income in the year that the member of staff retires. In subsequent years a charge is made to provisions in the

balance sheet using the enhanced pension spreadsheet provided by the funding bodies.

### **Non-Current Assets - Tangible fixed assets**

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

#### ***Land and buildings***

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 group has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 5 and 50 years. Leasehold land and buildings are depreciated on a straight-line basis over their expected economic life to the group 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 released to income in accordance with the performance model of accounting permitted under FRS 102.

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 FRS 102, the college followed the transitional provision to retain the book value of land and buildings, but not to adopt a policy of revaluations of these properties in the future.

#### ***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 after initial purchase, it is charged to the Statement of Comprehensive Income 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.

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

#### ***Borrowing costs***

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

#### ***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 group 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.

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

### **Intangible assets**

Intangible assets are initially stated at cost and are amortised on a systematic basis over their useful lives. Intangible assets relate to consultancy costs incurred for the finance software implementation and for capital projects.

### **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.

### **Cash and cash equivalents**

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

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

### **Financial liabilities and equity**

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

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

### **Foreign currency translation**

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

### **Taxation**

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

The group is partially exempt in respect of Value Added Tax. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

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

### **Provisions**

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

### **Agency Arrangements**

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

### **Judgements in applying accounting policies and key sources of estimation uncertainty**

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

- Determine whether leases entered into by the college either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the college's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset.

### ***Other key sources of estimation uncertainty***

- *Tangible fixed assets*

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The useful lives of the assets and residual values are assessed annually and may vary depending on a number of factors. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 18, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2019. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

## 2. Funding Body Grants

	Group	FE Colleges	Group	FE Colleges
	2019	2019	2018	2018
	£000	£000	£000	£000
Funding body recurrent grants	56,855	56,121	51,986	50,699
Specific grants	199	199	224	224
Releases of government capital grants	-	-	-	-
<b>Total</b>	<b><u>57,054</u></b>	<b><u>56,320</u></b>	<b><u>52,210</u></b>	<b><u>50,923</u></b>

## 3. Tuition fees and education contracts

	Group	FE Colleges	Group	FE Colleges
	2019	2019	2018	2018
	£000	£000	£000	£000
Tuition fees	22,234	11,249	20,634	10,161
Education contracts	<u>1,951</u>	<u>1,950</u>	<u>1,750</u>	<u>1,750</u>
<b>Total</b>	<b><u>24,185</u></b>	<b><u>13,199</u></b>	<b><u>22,384</u></b>	<b><u>11,911</u></b>

## 4. Research grants and contracts

	Group	FE Colleges	Group	FE Colleges
	2019	2019	2018	2018
	£000	£000	£000	£000
European Commission	727	727	340	340
Other grants and contracts	<u>102</u>	<u>102</u>	<u>21,717</u>	<u>21,619</u>
<b>Total</b>	<b><u>829</u></b>	<b><u>829</u></b>	<b><u>22,057</u></b>	<b><u>21,959</u></b>

## 5. Other income

	Group	FE Colleges	Group	FE Colleges
	2019	2019	2018	2018
	£000	£000	£000	£000
Catering and residences	7	-	6	-
Other income generating activities	1,322	964	1,004	672
Other grant income	-	-	-	-
Miscellaneous income	<u>1,266</u>	<u>1,035</u>	<u>878</u>	<u>474</u>
<b>Total</b>	<b><u>2,595</u></b>	<b><u>1,999</u></b>	<b><u>1,888</u></b>	<b><u>1,146</u></b>

LEEDS CITY COLLEGE  
FINANCIAL STATEMENTS  
for the year ended 31 July 2019

**6. Investment income**

	Group	FE Colleges	Group	FE Colleges
	2019	2019	2018	2018
	£000	£000	£000	£000
Other interest receivable	<u>17</u>	<u>17</u>	<u>21</u>	<u>21</u>

**7. Donations and endowments**

	Group	FE Colleges	Group	FE Colleges
	2019	2019	2018	2018
	£000	£000	£000	£000
New endowments	5	-	14	-
Unrestricted donations	<u>4,282</u>	<u>4,282</u>	-	-
	<b><u>4,287</u></b>	<b><u>4,282</u></b>	<b><u>14</u></b>	<b><u>=</u></b>

**8. Staff costs**

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

	Group	FE Colleges	Group	FE Colleges
	2019	2019	2018	2018
	Number	Number	Number	Number
Teaching staff	948	872	755	683
Non teaching staff	<u>468</u>	<u>376</u>	<u>510</u>	<u>408</u>
	<b><u>1,416</u></b>	<b><u>1,248</u></b>	<b><u>1,265</u></b>	<b><u>1,091</u></b>

	Group	FE Colleges	Group	FE Colleges
	2019	2019	2018	2018
	£000	£000	£000	£000
<b>Staff costs for the above persons:</b>				
Wages and salaries	40,267	33,799	37,303	31,207
Social security costs	3,336	2,835	3,233	2,674
Other pension	<u>9,687</u>	<u>7,866</u>	<u>7,002</u>	<u>5,696</u>
<b>Payroll sub total</b>	53,290	44,500	47,538	39,577
Contracted out staffing services	<u>1,555</u>	<u>1,434</u>	<u>1,320</u>	<u>1,209</u>
<b>Staff Costs</b>	54,845	45,934	48,858	40,786
Restructuring costs – redundancy	<u>463</u>	<u>395</u>	<u>623</u>	<u>605</u>
	<b><u>55,308</u></b>	<b><u>46,329</u></b>	<b><u>49,481</u></b>	<b><u>41,391</u></b>

\*Other Pension costs include FRS102 adjustments of £4,417k (2017/18: £2,154k)

**8. Staff costs (continued)**

**Key management personnel**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the Executive Leadership Team, as detailed on page 2. During the year there were 6 postholders in total.

Staff costs include compensation paid to key management personnel for loss of office.

**Emoluments of key management personnel, Accounting Officer and other higher paid staff**

	2019 Group No.	2019 FE Colleges No.	2018 Group No.	2018 FE Colleges No.
The number of key management personnel including the Accounting Officer was:	4	4	5	5

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

	Group 2019 Number	FE Colleges 2019 Number	Group 2018 Number	FE Colleges 2018 Number
<b>Key management personnel:</b>				
£70,001 to £75,000 p.a.	-	-	1	1
£75,001 to £80,000 p.a.	-	-	1	1
£80,001 to £85,000 p.a.	-	-	-	-
£85,001 to £90,000 p.a.	-	-	-	-
£90,001 to £95,000 p.a.	-	-	-	-
£95,001 to £100,000 p.a.	1	1	-	-
£100,001 to £105,000 p.a.	-	-	-	-
£105,001 to £110,000 p.a.	-	-	1	1
£110,001 to £115,000 p.a.	-	-	1	1
£115,001 to £120,000 p.a.	1	1	-	-
£120,001 to £125,000 p.a.	-	-	-	-
£125,001 to £130,000 p.a.	-	-	-	-
£130,001 to £135,000 p.a.	1	1	-	-
£225,001 to £230,000 p.a.	-	-	1	1
£240,001 to £245,000 p.a.	<u>1</u>	<u>1</u>	-	-
	<u>4</u>	<u>4</u>	<u>5</u>	<u>5</u>



LEEDS CITY COLLEGE  
FINANCIAL STATEMENTS  
for the year ended 31 July 2019

8. Staff costs (continued)	Group 2019 Number	FE Colleges 2019 Number	Group 2018 Number	FE Colleges 2018 Number
<b>Other staff:</b>				
£60,001 to £65,000 p.a.	7	7	10	10
£65,001 to £70,000 p.a.	7	7	2	2
£70,000 to £75,000 p.a.	2	2		
£100,001 to £110,000 p.a.	-	-	-	-
£110,001 to £120,000 p.a.	-	-	-	-
	<u>16</u>	<u>16</u>	<u>12</u>	<u>12</u>
			<b>2019</b>	<b>2018</b>
			<b>£000</b>	<b>£000</b>

Key management personnel compensation is made up as follows:

Salaries – gross of salary sacrifice and waived emoluments	526	480
Employers National Insurance	81	-
Performance Related Pay	<u>68</u>	<u>60</u>
	<b>675</b>	<b>540</b>
Pension contributions	<u>56</u>	<u>49</u>
<b>Total emoluments</b>	<b><u>731</u></b>	<b><u>589</u></b>

The above compensation includes amounts payable to the Chief Executive officer, who is the accounting officer and who is also the highest paid member of staff. Their pay and remuneration are as follows:

	2019	2018
	£000	£000
Salary	200	193
Performance related pay	<u>40</u>	<u>40</u>
	<b><u>240</u></b>	<b><u>233</u></b>
Pension contributions	<u>-</u>	<u>-</u>

The pension contributions in respect of the Chief Executive and key management personnel 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.

The Accounting Officer receives salary in lieu of pension contributions. This is reflected in the above figures.

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

The governing body has adopted AoC's Senior Staff Remuneration Code in July 2019 and will assess pay in line with its principles in future.

The remuneration package of the Chief Executive is subject to annual review by the Remuneration Committee of the corporation who use benchmarking information to provide objective guidance.

## 8. Staff costs (continued)

The Chief Executive reports to the chair of the corporation, who undertakes an annual review of their performance against the group's overall objectives using both qualitative and quantitative measures of performance.

Relationship of Principal/Chief Executive pay and remuneration expressed as a multiple

Principal and CEO's basic salary as a multiple of the median of all staff 7.9

Principal and CEO's total remuneration as a multiple of the median of all staff 9.6

The calculation for median pay is based upon the full time equivalent salary of all staff who have been employed during the year plus the actual payments for other pay costs.

## Compensation for loss of office paid to former key management personnel

The following amounts were paid to key management personnel and were approved by the College's Remuneration Committee:

	2019 £000	2018 £000
Compensation paid to former postholders	<u>-</u>	<u>-</u>

There were no compensation payments to key management personnel in 2018/19.

## 9. Other operating expenses

	Group 2019 £000	FE Colleges 2019 £000	Group 2018 £000	FE Colleges 2018 £000
Teaching costs	7,912	7,077	8,084	7,374
Non teaching costs	9,148	7,028	9,490	6,700
Premises costs	<u>6,274</u>	<u>5,073</u>	<u>4,508</u>	<u>3,771</u>
<b>Total</b>	<b><u>23,334</u></b>	<b><u>19,178</u></b>	<b><u>22,082</u></b>	<b><u>17,845</u></b>

LEEDS CITY COLLEGE  
 FINANCIAL STATEMENTS  
 for the year ended 31 July 2019

9. Other operating expenses (continued)

	Group	FE Colleges	Group	FE Colleges
	2019	2019	2018	2018
	£000	£000	£000	£000
<b>Non teaching costs above include:</b>				
Auditors remuneration:				
- financial statements audit	68	55	66	49
- internal audit	89	84	82	74
Other services provided by the financial statement auditor	-	-	-	-
Other services provided by the internal auditor	-	-	-	-
Loss on disposal of tangible fixed assets	3	-	3	-
Hire of assets under operating leases	248	-	859	642

10. Interest and other finance costs

	Group	FE Colleges	Group	FE Colleges
	2019	2019	2018	2018
	£000	£000	£000	£000
<b>On bank loans, overdrafts and other loans:</b>				
Repayable within five years, not by instalments	-	-	-	-
Repayable within five years, by instalments	-	-	-	-
Repayable wholly or partly in more than five years	<u>1,770</u>	<u>1,770</u>	<u>1,361</u>	<u>1,361</u>
<b>Total</b>	<u>1,770</u>	<u>1,770</u>	<u>1,361</u>	<u>1,361</u>
On finance leases	77	-	65	-
Pension finance costs	<u>833</u>	<u>713</u>	<u>652</u>	<u>589</u>
	<u><b>2,680</b></u>	<u><b>2,483</b></u>	<u><b>2,078</b></u>	<u><b>1,950</b></u>

LEEDS CITY COLLEGE  
FINANCIAL STATEMENTS  
for the year ended 31 July 2019

11. Tangible fixed assets – Group

	Land and buildings		Equipment	Assets in the course of construction	Total
	Freehold	Leasehold			
	£000	£000	£000	£000	£000
<b>Cost or valuation</b>					
At 1 August 2018	116,305	16,179	12,283	29,708	174,475
Additions	-	242	373	25,851	26,466
Harrogate on Acquisition	3,995	-	341	-	4,336
Re-classification	2,489	741	686	(3,940)	(24)
Adjusted 2019 balance (LCoM only)	<u>-</u>	<u>(270)</u>	<u>150</u>	<u>-</u>	<u>(120)</u>
At 31 July 2019	<u>122,789</u>	<u>16,892</u>	<u>13,833</u>	<u>51,619</u>	<u>205,133</u>
<b>Accumulated depreciation</b>					
At 1 August 2018	20,993	3,916	8,305	-	33,214
Charge for year	2,647	677	1,272	-	4,596
Assets held for resale	-	-	-	-	-
Adjusted 2019 balance (LCoM only)	<u>-</u>	<u>178</u>	<u>(298)</u>	<u>-</u>	<u>(120)</u>
At 31 July 2019	<u>23,640</u>	<u>4,771</u>	<u>9,279</u>	<u>-</u>	<u>37,690</u>
<b>Net book value at 31 July 2019</b>	<u>99,149</u>	<u>12,121</u>	<u>4,554</u>	<u>51,619</u>	<u>167,443</u>
<b>Net book value at 31 July 2018</b>	<u>95,312</u>	<u>12,263</u>	<u>3,978</u>	<u>29,708</u>	<u>141,261</u>

**11. Tangible fixed assets (continued) – FE Colleges**

	Land and buildings		Equipment	Assets in the course of construction	Total
	Freehold	Leasehold			
	£000	£000	£000	£000	£000
<b>Cost or valuation</b>					
At 1 August 2018	116,305	957	9,018	29,708	155,988
Additions	-	-	-	25,826	25,826
Harrogate on Acquisition	3,995	-	341	-	4,336
Re-classification	<u>2,489</u>	<u>742</u>	<u>686</u>	<u>(3,917)</u>	<u>-</u>
At 31 July 2019	<u>122,789</u>	<u>1,699</u>	<u>10,045</u>	<u>51,617</u>	<u>186,150</u>
<b>Accumulated depreciation</b>					
Balance 1 August 2018	20,993	672	6,634	-	28,299
Charge for year	2,647	146	849	-	3,642
Assets held for resale	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 July 2019	<u>23,640</u>	<u>818</u>	<u>7,483</u>	<u>-</u>	<u>31,941</u>
<b>Net book value at 31 July 2019</b>	<u>99,149</u>	<u>881</u>	<u>2,562</u>	<u>51,617</u>	<u>154,209</u>
<b>Net book value at 31 July 2018</b>	<u>95,312</u>	<u>285</u>	<u>2,384</u>	<u>29,708</u>	<u>127,689</u>

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

LEEDS CITY COLLEGE  
FINANCIAL STATEMENTS  
for the year ended 31 July 2019

---

## 12. Investments

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 Limited commenced trading on 1 August 2011.

On 26 July 2016, the college became the sole owner of the Leeds Apprenticeship Training Agency Limited (LATA), a company limited by guarantee without share capital. The college had previously owned 50%, with the other 50% being owned by Leeds City Council. For the year to 31 July 2019, the Leeds Apprenticeship Training Agency Limited had a loss of £3k and reserves of £62k.

The group formed White Rose Resourcing Limited, a private limited company incorporated in England and Wales with 2 ordinary shares of £1 each. White Rose Resourcing Limited commenced trading on 1 September 2015. For the year to 31 July 2019, White Rose Resourcing Limited had a loss of £7k and negative reserves of £66k.

For the year ending 31 July 2019, both the Leeds Apprenticeship Training Agency Limited (registered number 08310738) and White Rose Resourcing Limited (registered number 09576925) were entitled to exemption from audit under section 479a of the Companies Act 2006 relating to subsidiary companies.

## 13. Intangible assets

	Group	FE Colleges	Group	FE Colleges
	2019 £000	2019 £000	2018 £000	2018 £000
At 1 August	-	-	14	14
Additions	-	-	-	-
Amortisation	-	-	(14)	(14)
<b>At 31 July</b>	<b>==</b>	<b>==</b>	<b>==</b>	<b>==</b>

## 14. Debtors

	Group	FE Colleges	Group	FE Colleges
	2019 £000	2019 £000	2018 £000	2018 £000
<b>Amounts falling due within one year:</b>				
Trade debtors	1,815	1,580	1,680	1,562
Other debtors	519	532	181	181
Prepayments and accrued income	<u>3,090</u>	<u>2,744</u>	<u>2,573</u>	<u>2,309</u>
	<b>5,424</b>	<b>4,856</b>	<b>4,434</b>	<b>4,052</b>
<b>Amounts falling due after one year:</b>				
Prepayments and accrued income	-	-	2,004	2,004
<b>Total</b>	<b><u>5,424</u></b>	<b><u>4,856</u></b>	<b><u>6,438</u></b>	<b><u>6,056</u></b>

LEEDS CITY COLLEGE  
FINANCIAL STATEMENTS  
for the year ended 31 July 2019

**15. Creditors: amounts falling due within one year**

	Group	FE Colleges	Group	FE Colleges
	2019	2019	2018	2018
	£000	£000	£000	£000
Bank loans and overdrafts	18,528	18,457	7,457	7,457
Obligations under finance leases	192	62	120	-
Payments received in advance	277	248	432	307
Trade creditors	1,992	1,573	1,350	1,186
Amounts owed to group undertakings	-	65	-	733
Other creditors	1,380	1,151	1,033	745
Other taxation and social security	936	788	880	719
Accruals	6,068	5,734	7,445	6,996
Amounts owed to the funding bodies	-	-	(33)	(33)
<b>Total</b>	<b><u>29,373</u></b>	<b><u>28,078</u></b>	<b><u>18,684</u></b>	<b><u>18,110</u></b>

**16. Creditors: amounts falling due after more than one year**

	Group	FE Colleges	Group	FE Colleges
	2019	2019	2018	2018
	£000	£000	£000	£000
Bank loans	19,874	19,874	21,342	21,342
Obligations under finance leases	<u>2,160</u>	<u>73</u>	<u>2,253</u>	-
<b>Total</b>	<b><u>22,034</u></b>	<b><u>19,947</u></b>	<b><u>23,595</u></b>	<b><u>21,342</u></b>

**Maturity of debt**

**(a) Bank loans**

Bank loans are repayable as follows:

	Group	FE Colleges	Group	FE Colleges
	2019	2019	2018	2018
	£000	£000	£000	£000
Repayments due;				
In one year or less	18,457	18,457	7,457	7,457
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>14,045</u>	<u>14,045</u>	<u>15,513</u>	<u>15,513</u>
<b>Total</b>	<b><u>38,331</u></b>	<b><u>38,331</u></b>	<b><u>28,799</u></b>	<b><u>28,799</u></b>

This represents two unsecured term loans with Santander UK PLC. The terms of the agreement are to repay the loan over a remaining 15 year period ending in 2034. It includes a £6m Revolving Credit Facility, also with Santander UK PLC. It also includes a £6.5m loan from West Yorkshire Combined Authority which is secured over Quarry Hill and repayable January 2020.

**16. Creditors: amounts falling due after more than one year (continued)**

**(b) Finance leases**

	Group	FE Colleges	Group	FE Colleges
	2019	2019	2018	2018
	£000	£000	£000	£000
Payments due;				
In one year or less	130	-	120	-
Between two and five years	555	-	515	-
In five years or more	<u>1,532</u>	<u>-</u>	<u>1,738</u>	<u>-</u>
<b>Total</b>	<b><u>2,217</u></b>	<b><u>-</u></b>	<b><u>2,373</u></b>	<b><u>-</u></b>

Finance leases obligations are secured on the assets to which they relate, being Joseph Stones House for Leeds College of Music. All financial instruments meet the definition of basic in FRS102.

**17. Provisions for liabilities and charges**

	Defined benefit obligations	Enhanced pensions	Other	Total
Group	£000	£000	£000	£000
At 1 August 2018	30,096	1,622	256	31,974
Expenditure in the period	(3,089)	(120)	-	(3,209)
Transferred from income and expenditure	<u>26,853</u>	<u>207</u>	<u>50</u>	<u>27,110</u>
<b>At 31 July 2019</b>	<b><u>53,860</u></b>	<b><u>1,709</u></b>	<b><u>306</u></b>	<b><u>55,875</u></b>

	Defined benefit obligations	Enhanced pensions	Other	Total
FE Colleges	£000	£000	£000	£000
At 1 August 2018	25,453	1,440	256	27,149
Expenditure in the period	(2,364)	(103)	-	(2,467)
Transferred from income and expenditure	<u>22,559</u>	<u>206</u>	<u>50</u>	<u>22,815</u>
<b>At 31 July 2019</b>	<b><u>45,648</u></b>	<b><u>1,543</u></b>	<b><u>306</u></b>	<b><u>47,497</u></b>



### 17. Provisions for liabilities and charges (continued)

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 calculated in accordance with guidance issued by the funding bodies.

The principal assumptions for this calculation are:

	2019	2018
Interest rate	2.0%	2.3%
Net interest rate	2.2%	1.3%

### 18. Cash and cash equivalents

	At 1 August 2018 £000	Cash flows £000	At 31 July 2019 £000
Cash and cash equivalents	7,761	(7,447)	314
<b>Total</b>	<b>7,761</b>	<b>(7,447)</b>	<b>314</b>

### 19. Defined benefit obligations

The group'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 2016 and of the WYPF 31 March 2016.

#### Total pension cost for the year

	Group 2019 £000	Group 2018 £000
Teachers' Pension Scheme: Contributions paid	2,490	2,364
West Yorkshire Pension Fund:		
Contributions paid	2,706	2,455
Past Service Cost	-	-
FRS102 charge	<u>4,421</u>	<u>2,154</u>
Charge to the Income and Expenditure	7,127	4,609
Enhanced pension charge/(credit) to Income and Expenditure	-	-
People's Pension – Contributions Paid	<u>74</u>	<u>29</u>
<b>Total pension cost for year</b>	<b><u>9,691</u></b>	<b><u>7,002</u></b>

## **19. Defined benefit obligations (continued)**

### **Teachers' pension scheme**

#### **Introduction**

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools, colleges and other educational establishments. Membership is automatic for teachers and lecturers at eligible institutions. Teachers and lecturers are able to opt out of the TPS.

#### **The Teachers' Pension Budgeting And Valuation Account**

The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act. Retirement and other pension benefits are paid by public funds provided by Parliament.

#### **Valuation Of The Teachers' Pension Scheme**

The valuation of the TPS is carried out in line with regulations made under the Public Service Pension Act 2013. Valuations credit the teachers' pension account with a real rate of return assuming funds are invested in notional investments that produce that real rate of return.

The latest actuarial review of the TPS was carried out as at 31 March 2016. The valuation report was published by the Department for Education (the Department) in April 2019. The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £198 billion giving a notional past service deficit of £22 billion.

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/9. DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2019-20 academic year.

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/2019/04/teachers-pensions-valuation-report.aspx>

The pension costs paid to TPS in the year amounted to £2,490k (2018: £2,364k).

#### **Financial Reporting Standard 102 (28)**

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

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

#### **West Yorkshire Pension Fund (WYPF)**

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 2019 was £3,883k (2018: £3,709k) of which employer's contributions totalled £2,706k and employees' contributions totalled £1,177k. The agreed contribution rates for future years are 13.4% for employers and range from 5.5% to 12.5% for employees, depending on salary.

LEEDS CITY COLLEGE  
FINANCIAL STATEMENTS  
for the year ended 31 July 2019

**FRS 102 Principal Actuarial Assumptions**

	At 31 July 2019 WYPF funded benefits	At 31 July 2019 WYPF unfunded benefits	At 31 July 2018 WYPF funded benefits	At 31 July 2018 WYPF unfunded benefits
Expected rate of salary increases	1.0%	n/a	3.35%	n/a
Future pension increases	2.2%	2.2%	2.1%	2.1%
Discount rate	2.1%	2.1%	2.8%	2.8%
Inflation assumption (CPI)	2.2%	2.2%	2.1%	2.1%

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 2019	At 31 July 2018
<i>Retiring today</i>		
Males	22.2	22.1
Females	25.4	25.3
<i>Retiring in 20 years</i>		
Males	23.2	23.1
Females	27.2	27.1

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

	Group Value at 31 July 2019 £000	FE Colleges Value at 31 July 2019 £000	Group Value at 31 July 2018 £000	FE Colleges Value at 31 July 2018 £000
Equities	93,589	81,937	82,977	73,290
Government Bonds	11,788	10,320	12,013	10,610
Corporate bonds	4,287	3,753	3,893	3,438
Property	5,120	4,483	4,672	4,126
Cash	2,500	2,189	2,447	2,161
Other	<u>1,786</u>	<u>1,563</u>	<u>5,228</u>	<u>4,617</u>
<b>Total market value of assets</b>	119,070	104,245	111,230	98,242
<b>Actual return on plan assets</b>	6,745	5,663	7,612	6,682
Present value of scheme liabilities				
- Funded	(172,578)	(149,548)	(140,987)	(123,363)
- Unfunded	<u>(352)</u>	<u>(345)</u>	<u>(339)</u>	<u>(332)</u>
<b>Deficit in the scheme</b>	<b><u>(53,860)</u></b>	<b><u>(45,648)</u></b>	<b><u>(30,096)</u></b>	<b><u>(25,453)</u></b>

**19. Defined benefit obligations (continued)**

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

	Group	FE	Group	FE
	2019	Colleges	2018	Colleges
	£000	£000	£000	£000
Fair value of plan assets	119,070	104,245	111,230	98,242
Present value of plan liabilities	(172,578)	(149,548)	(140,987)	(123,363)
Present value of unfunded liabilities	(352)	(345)	(339)	(332)
<b>Net pensions (liability)/asset</b>	<b>(53,860)</b>	<b>(45,648)</b>	<b>(30,096)</b>	<b>(25,453)</b>

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

	Group	FE	Group	FE
	2019	Colleges	2018	Colleges
	£000	£000	£000	£000

**Amounts included in staff costs**

Current service cost	5,236	3,945	4,807	3,519
Past service cost	2,270	1,685	210	210
<b>Total</b>	<b>7,506</b>	<b>5,630</b>	<b>5,017</b>	<b>3,729</b>

**Amounts included in interest and other finance costs**

Interest on pension liabilities	800	680	599	536
<b>Net interest cost</b>	<b>800</b>	<b>680</b>	<b>599</b>	<b>536</b>

**Amounts recognised in Other Comprehensive Income**

Return on pension plan assets	3,615	2,907	4,928	4,301
Experience gains arising on defined benefit obligations	(22,162)	(19,156)	(7,800)	(5,982)
<b>Amount recognised in Other Comprehensive Income</b>	<b>(18,547)</b>	<b>(16,249)</b>	<b>(2,872)</b>	<b>(1,681)</b>

**19. Defined benefit obligations (continued)**

**Movement in net defined benefit (liability)/asset during the year**

	Group	FE Colleges	Group	FE Colleges
	2019	2019	2018	2018
	£000	£000	£000	£000
<b>Surplus/(deficit) in scheme at 1 August</b>	(30,096)	(25,453)	(24,472)	(21,704)
Movement in year:				
Current service cost	(5,236)	(3,945)	(4,807)	(3,519)
Employer contributions	3,089	2,364	2,864	2,197
Past service cost	(2,270)	(1,685)	(210)	(210)
Net interest on the defined (liability)/asset	(800)	(680)	(599)	(536)
Net benefits paid out	-	-	-	-
Remeasurement gains on assets	3,615	2,907	4,928	4,301
Actuarial gain or loss	(22,162)	(19,156)	(7,800)	(5,982)
<b>Net defined benefit (liability)/asset at 31 July</b>	<b>(53,860)</b>	<b>(45,648)</b>	<b>(30,096)</b>	<b>(25,453)</b>

**Asset and Liability Reconciliation**

**Changes in the present value of defined benefit obligations**

	Group	FE Colleges	Group	FE Colleges
	2019	2019	2018	2018
	£000	£000	£000	£000
<b>Defined benefit obligations at start of period</b>	141,326	123,695	127,236	113,224
Current Service cost	5,236	3,945	4,807	3,519
Interest cost	3,930	3,436	3,283	2,917
Contributions by Scheme participants	1,180	841	1,132	803
Experience gains and losses on defined benefit obligations	22,162	19,156	7,800	5,982
Changes in financial assumptions	-	-	-	-
Benefits paid	(3,174)	(2,865)	(3,142)	(2,960)
Past Service cost	2,270	1,685	210	210
<b>Defined benefit obligations at end of period</b>	<b>172,930</b>	<b>149,893</b>	<b>141,326</b>	<b>123,695</b>

**Reconciliation of Assets**

	Group	FE College	Group	FE College
	2019	2019	2018	2018
	£000	£000	£000	£000
<b>Fair value of plan assets at start of period</b>	111,230	98,242	102,764	91,520
Interest on plan assets	3,130	2,756	2,684	2,381
Remeasurement gains on assets	-	-	-	-
Return on plan assets	3,615	2,907	4,928	4,301
Employer contributions	3,089	2,364	2,864	2,197
Contributions by Scheme participants	1,180	841	1,132	803
Benefits paid	(3,174)	(2,865)	(3,142)	(2,960)
<b>Assets at end of period</b>	<b>119,070</b>	<b>104,245</b>	<b>111,230</b>	<b>98,242</b>

**19. Defined benefit obligations (continued)**

These accounts show a past service cost of £230 million in respect of the McCloud / Sergeant judgment which ruled that the transitional protection for some members of public service schemes implemented when they were reformed constituted age discrimination. This provision is just under 2% of the total scheme liability as at 31 March 2019. The calculation of adjustment to past service costs, £7 billion, arising from the outcome of the Court of Appeal judgment is based on a number of key assumptions including:

- the form of remedy adopted
- how the remedy will be implemented
- which members will be affected by the remedy
- the earning assumptions
- the withdrawal assumption

The other financial and demographic assumptions adopted to calculate the past service cost are the same as those used to calculate the overall scheme liability. Adopting different assumptions, or making other adjustments to reflect behavioural changes stemming from the judgment, would be expected to change the disclosed past service cost. Similarly, allowing for variations in individual members' future service or salary progression is expected to produce higher costs. The past service cost is particularly sensitive to the difference between assumed long term general pay growth and the CPI. If the long term salary growth assumptions were 0.5% pa lower, then the past service cost disclosed here would be expected to reduce by 50% and conversely a 0.5% pay increase would increase the estimated cost by 65%.

**20. Post balance sheet events**

In the period since 31 July 2019 the following major events have taken place:

- The completion of the sale of Technology Campus and repayment of the associated bridging loan.
- The exchange of contract for the sale of the former Horsforth Campus.

**21. Capital commitments**

	Group	FE College	Group	FE College
	2019	2019	2018	2018
	£000	£000	£000	£000
Commitments contracted for as at 31 July	<u>4,209</u>	<u>4,091</u>	<u>22,608</u>	<u>22,535</u>
Authorised but not contracted at 31 July	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

## 22. Lease obligations

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

	Group	FE College	Group	FE College
	2019	2019	2018	2018
	£000	£000	£000	£000
<b>Land and buildings</b>				
Not later than one year	480	323	414	253
Later than one year and not later than five years	1,288	929	840	396
Later than five years	<u>1,453</u>	<u>380</u>	<u>1,139</u>	<u>-</u>
	<u><b>3,221</b></u>	<u><b>1,632</b></u>	<u><b>2,393</b></u>	<u><b>649</b></u>

	Group	FE College	Group	FE College
	2019	2019	2018	2018
	£000	£000	£000	£000
<b>Other</b>				
Not later than one year	1,221	1,183	842	810
Later than one year and not later than five years	1,250	1,190	1,673	1,590
Later than five years	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u><b>2,471</b></u>	<u><b>2,373</b></u>	<u><b>2,515</b></u>	<u><b>2,400</b></u>

## 23. Related party transactions

Owing to the nature of the group'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.

Transactions with the funding bodies are detailed in note 2.

### *People Matters Leeds*

Tina Turnbull (Leeds City College Governor) is CEO of this company. There were payments totalling £169k related to classroom learning programs and receipts of £600 relating to facilities hire. There were £nil outstanding balances at year end (2018 - £29,415 payments and £150 receipts).

### *Well Spring Academy Trust*

Colin Booth (Leeds City College CEO and Accounting Officer) is a director of this trust. There were no transactions with the trust during the year.

### *White Rose Academies Trust*

The Leeds City College Corporation sponsors the White Rose Academies Trust. Colin Booth (Leeds City College CEO and Accounting Officer), Lydia Devenny (Leeds City College Deputy Chief Executive – Services) and Jane Pither (Leeds City College board member) are on the board of directors of the White Rose Academies Trust.

LEEDS CITY COLLEGE  
FINANCIAL STATEMENTS  
for the year ended 31 July 2019

---

**23. Related party transactions (continued)**

The college has provided services to the academy trust totalling £880k during the year being:

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Educational course fees	546	391
Managed internet service	16	16
Seconded staff costs	14	9
Work experience coordination	18	12
ITSS service	242	192
Extended school provision	28	-
Miscellaneous	<u>16</u>	<u>-</u>
	<b><u>880</u></b>	<b><u>620</u></b>

*West Yorkshire Colleges Consortium Limited*

Colin Booth (Leeds City College CEO and Accounting Officer) is a director of this company which assists colleges in meeting the further education and training requirements of the region. The members of the company comprise of seven colleges based in West Yorkshire. The college hosts the consortium and provides business services for the company. The college paid the consortium £8k during the year for membership fees. The consortium paid the college £906k for the reimbursement of salaries and service charges. A balance of £889k was owed to the college at the year end.

**24. Amounts disbursed as agent**

**Learner support funds**

	<b>Group</b>	<b>FE</b>	<b>Group</b>	<b>FE</b>
	<b>2019</b>	<b>College</b>	<b>2018</b>	<b>College</b>
	<b>£000</b>	<b>2019</b>	<b>£000</b>	<b>2018</b>
		<b>£000</b>		<b>£000</b>
Funding body grants	313	313	199	199
Disbursed to students	<u>(306)</u>	<u>(306)</u>	<u>(252)</u>	<u>(252)</u>
Balance (over)/underspent as at 31 July	<u><u>7</u></u>	<u><u>7</u></u>	<u><u>(53)</u></u>	<u><u>(53)</u></u>

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