

Leeds City College Corporation

Year End Accounts 2019/20

Report & Financial Statements
for the year ended 31st July 2020



LEEDS CITY COLLEGE CORPORATION
FINANCIAL STATEMENTS
for the year ended 31 July 2020
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 2019/20:

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 16 of these financial statements. Ms Melanie Halstead acted as Director of Governance throughout the period.

PROFESSIONAL ADVISERS

FINANCIAL STATEMENTS AND REPORTING ACCOUNTANTS:

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1 Sovereign Square
Sovereign Street
Leeds LS1 4DA

INTERNAL AUDITORS:

RSM
Central Square
29 Wellington Street
Leeds LS1 4DL

BANKERS:

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1-2 Triton Square
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NW1 3AN

SOLICITORS:

Rollits Solicitors
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High Street
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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 2020.

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 Conservatoire
- Leeds Apprenticeship Training Agency Limited
- 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.

Harrogate College

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

Keighley College

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

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

Leeds Conservatoire became a subsidiary of the group on 1 August 2011. It is an independent Higher Education Institution and specialist music conservatoire. On 11 August 2020 the College changed its name to Leeds Conservatoire from Leeds College of Music.

Leeds Apprenticeship Training Agency Limited provides an employment agency service. An application to dissolve the company has been made.

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 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:

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- The leading choice for students and staff
- Making a positive, life changing 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 2019/20 were to:

- Develop a group approach to improving teaching and learning and which creates a strong pipeline of new teachers and exceptional CPD
- Promote to schools and academies the benefits of joining the Luminate Education Group
- Developing the Luminate 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

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

- Creation of a new Teacher Development Centre at the Park Lane Campus
- Successful business case submitted to the Department for Education for consideration to become a provider of Initial Teacher Training (ITT) for programmes starting in 2021
- Luminate Professional Services was launched to provide services across the group members
- The group began to consult and develop its Corporate Social Responsibility Strategy
- Harrogate College was successfully established as a member of the group, with a new brand and engagement with local stakeholders
- The revised financial plan aligned the property strategy and supported re-financing of the group's short-term debt.

Covid-19

The group closed its campuses in line with the national lockdown from 16 March 2020. In the weeks before, the group had mobilised a business continuity group to assess the risks and ensure that teaching and learning

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as well as business operations could continue. The group's investment in technology enhanced learning using the Google platform enabled delivery to move online. Students who did not have access to mobile devices were loaned equipment and additional equipment was purchased to provide access to as many students as possible.

Leeds City College opened one of its city centre campuses during the lockdown to provide access for the city's most vulnerable children and young people. More students returned towards the end of the summer term to enable them to complete the practical assessments, whilst staff focused on the "Centre Assessed Grades" exercise to ensure the results were properly calculated for GCSEs, A Levels as well as BTECs and other qualifications. Higher Education provision was also taught online, and at Leeds Conservatoire considerable time and care was expended in ensuring that music performance would be able to continue.

Many apprentices were furloughed by their employers, and planned apprenticeships were delayed or cancelled. Training provided to businesses was severely curtailed leading to a reduction in income. Other commercial activities such as catering were also affected.

The group established a Covid-19 Recovery Group to consider the risks and issues facing all group members. Governors received feedback from the group on a regular basis from the Group's Vice-Chair of Governors. Re-opening plans were considered by the board to ensure that they were robust and had sufficient risk mitigation.

Building on the aims from 2019/20, in 2020/21 the group will focus on:

- Developing a group culture of excellence in teaching, learning and assessment
- Develop strong partnership working with key regional and local stakeholders
- Create and deliver a financial plan that supports sustainable growth
- Development of a property strategy which evolves to meet the demographic uplift of young people in Leeds City Region

- Create and implement an inclusive curriculum and employer engagement strategy
- Contribute to the "Climate Emergency" declaration through initiatives that reduce emissions and raise awareness.

Resources

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

The group employs 1880 people (expressed as average headcount) of whom 1,117 are teaching staff.

The group enrolled 24,630 students in its colleges:

	Harrogate College	Keighley College	Leeds City College	Leeds Conservatoire
14-16 year olds	17	76	257	n/a
16-19 year olds*	441	883	6,356	n/a
Adult learners*	394	1007	9,634	n/a
Apprentices	141	392	2,284	-
HE Undergraduate	9	89	1,327	1,253
HE Post graduate	13	-	9	48

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

The group has £19 million of net assets (including £105 million pension liability) and long term debt of £20 million.

Tangible resources include the following campuses: Harrogate College and Keighley College each has a single main campus. Leeds City College has several city centre based campuses: Quarry Hill, Park Lane, and Printworks, as well as centres serving local communities. Leeds Conservatoire's main

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campus is based at Quarry Hill, with additional facilities at Playhouse Square.

On 2 September 2019, 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
- 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 engage 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 colleges generated a deficit before other gains and losses of £5,651k during the 12 months ending 31 July 2020 (2018/19: surplus of £3,050k), with total comprehensive income being a deficit of £46,596k (2018/19: deficit of £15,300k). This included a total actuarial loss on the pension liability of £43,127k during the year.

As a result of Covid-19, the group suffered a reduction in income from its original budget, however careful cost control allowed the group to deliver cash inflows from operating activities of £10,132k.

Developments

Tangible fixed asset additions during the year amounted to £53,703k. This was split between land and buildings developed of £48,616k, equipment purchased of £1,658k, and assets in the course of construction of £3,429k.

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 Leeds Conservatoire'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.

Reserves

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The group has accumulated reserves of £19,469k and cash balances of £2,860k.

Sources of income

The group places significant reliance on government funding for its principal funding sources, largely from recurrent grants. In 2019/20 the Education & Skills Funding Agency (ESFA) provided 69% of the group's total income, excluding capital grants (2018/19 67%).

Group companies

The group has three subsidiary companies - Leeds Conservatoire, White Rose Resourcing Limited and Leeds Apprenticeship Training Agency Limited.

Leeds Conservatoire is the only UK conservatoire to offer pathways in Classical, Jazz, Popular Music and Music Production at both FE and HE levels. The Conservatoire 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 colleges.

The Leeds Apprenticeship Training Agency Limited helps employers source, arrange and host their apprenticeships in the Leeds City Region. It ceased to trade in the year and is in the process of being dissolved.

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.

Covid-19

The main impact of Covid-19 on learner numbers was on the number of new apprenticeships that were available to be taken up as employers focused on their own businesses. Many apprentices were furloughed or in the case of health care professionals, put on a break in learning to enable them to support the medical emergency. As the number of cases came

under control, new apprenticeships started to recover as well. Adult learning continued and the FE colleges delivered the contract despite the challenges of delivery.

The group was able to manage the reduction in income by careful cost management and taking advantage of the government support schemes. The estates work planned for the summer went ahead, but there were some delays in the supply-chain such that work took longer than was originally planned.

Financial plan

The Corporation approved a financial plan in July 2020 which set objectives for the period to 2023.

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 ESFA Financial Memorandum.

Cash flows and liquidity

The operating cash from the group's activities before investing and financing was £9,699k, reflecting the strong EBITDA performance in 2019/20. There was an overall net outflow of £2,546k (2018/19: inflow of £7,447k).

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.

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In order to support working capital during the development of the Quarry Hill campus, the following remained in place:

- a revolving credit facility of £6m
- 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.

A bridging loan for the sale of the Technology campus of £4.5m was repaid in October 2019.

The group is in the process of re-financing its short term borrowing to consolidate debt relating to the development of Quarry Hill. The Horsforth campus remains exchanged for sale, with completion being dependent on planning permission.

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 £15,257k (2018/19: £61,815k). 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 position of the Group and College, their cashflows, liquidity and borrowings are presented in the Financial Statements and accompanying Notes.

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 24 months from the

date of approval of these financial statements. After reviewing these forecasts, the Corporation is of the opinion that, taking account of severe but plausible downsides, including the anticipated impact of COVID-19, the Group and College will have sufficient funds to meet their liabilities as they fall due over the period of 12 months from the date of approval of the financial statements (the going concern assessment period).

The Group has incorporated a rigorous assessment of the effects of Covid-19 into all aspects of financial and curriculum planning. This has resulted in some additional costs incurred within Estates related to cleaning and facilities management and further costs associated with ensuring that social distancing can be maintained where staff and students are present on site. Income streams have been adjusted accordingly with regards forecasting and planning with some staff remaining on the furlough scheme where appropriate and revisions made to expected revenue from commercial and learning activities where necessary. These assumptions and the effect they have on underlying financial performance have been stress tested as part of the group's comprehensive budgeting and forecasting framework with significant time and effort invested here to ensure both a credible and robust financial plan.

Due to the seasonal profile of funding within the further and higher education sectors, the Group has previously made use of an overdraft to cover working capital requirements for the period of January to May, when the main Higher Education (HE) loan funding is received. The Quarry Hill project and delays selling the Horsforth campus have put considerable additional pressure on working capital as the Local Enterprise Partnership (LEP) grant, which was part funding the project, has now been exhausted. The balance of the project was being funded through capital receipts, cash generation, and loans. Previously an overdraft had also been used to support this. The £8.5m overdraft facility expired in on 31 July 2020 with credit backed Heads of Terms in place from Santander to replace it with a

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new long-term financing package. This new package consolidates the existing £20m of long term debt, and adds a further £18.5m to allow for repayment of the £6m revolving credit facility currently held with Santander, £6.5m to replace the bridging loan currently held with WYCA for the Horsforth sale and a further £6m to support the Groups' working capital.

These refinancing arrangements have been analysed in detail with Santander with regards the associated covenants and tested against the group's forecasted financial performance.

The risk relating to the timing of the sale of Horsforth remains but this has been mitigated as result of the approval in principle of the planning permission for the site at Horsforth and Santander agreeing to cover the bridging loan for a period of up to two years. WYCA have agreed to the relinquishing of restrictions over the sale of any sites apart from Park Lane A block; this was required before the new loan could be approved by Santander.

The Group has also committed to purchasing a site at Mabgate for £9.5M in December 2021. This site is currently leased under a contract that stipulate the purchase at this date. Additional financing or capital grants will be required to allow this purchase to occur.

Throughout all discussions and negotiations the Group has kept the regulator, the Education & Skills Funding Agency (ESFA), fully informed and they have been present at discussions with Santander and WYCA.

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 of 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 risks. 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 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 2019/20.

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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 £12m in 2019/20 in comparison with 2018/19. 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 Conservatoire has been able to reduce the 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 which opened in 2019/20 has been funded through short-term financing from lenders through bridging loans, pending the sale of the former Horsforth campus and the Technology campus. The Horsforth campus remains unsold at the time of signing of the accounts.

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






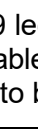

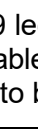

Each college is closely monitored against a set of quality, financial and stakeholder targets.

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

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

Target	HC		KC		LCC	
Ofsted Self Assessed target	RI		Good		Good	
Classroom based achievement (all ages)	76%		85%		86%	
Apprentice achievement (overall)	61%		68%		66%	

The impact of Covid-19 led to many apprentices not being able to complete their apprenticeship due to breaks in learning,

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furlough or redundancy.

Higher Education

Leeds City College (LCC), Leeds
 Conservatoire (LC)

Target	LCC		LC	
Achievement at Level 6	85%		88%	
Overall National Student Survey (NSS) score	87%		81%	

There was a Covid-19 impact for both institutions as students were unable to complete their courses.

Staff

Target	HC		KC		LCC	
Staff proud to work at the college	89%		95%		89%	
Retain Investor in People	n/a		Yes		Yes	
Holder of Investor in Diversity	n/a		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 14.

In setting and reviewing its strategy, the Corporation has had due regard to 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 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 colleges' 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-contractors 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 our 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.

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The colleges provide oasis rooms for students with autism spectrum disorders.

- 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
18	16.24

Percentage of time	Number of employees
0%	0
1% - 50%	18
51% - 99%	0
100%	0

Total cost of facility time	£56,215.75
Total pay bill	£47,000
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 2019 to 31 July 2020, the group paid 93% per cent of its invoices within 30 days (2018/18: 94%). 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 2020 the following major events have taken place:

The Group suffered a major cyber-security attack on 11 August 2020. The Information Commissioner's Office was notified and their investigation has been completed and no evidence of loss of data was found.

On 20 November 2020, the High Court handed down a further judgment on the Guaranteed Minimum Pension (GMP) equalisation case in relation to the Lloyds banking group pension schemes. This follows from the original judgment in October 2018 which confirmed that schemes need to equalise pensions for the effect of unequal GMPs between males and females. This latest judgment confirms that Defined Benefit (DB) schemes which provide GMPs need to revisit and where necessary top up historical Cash Equivalent Transfer Values that were calculated based on unequalised benefits. For entities with a balance sheet date prior to 20 November 2020 signing accounts after that date, the judgment is a non-adjusting post

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balance sheet event in accordance with IAS 10.

Given the historically low levels of transfers by members from the LGPS in general, we consider it likely that any further adjustment resulting from this latest judgment would not be material for the Group/Conservatoire

The Group received notification on 21 January 2021 that the Secretary of State has approved an application for a change of name from Leeds City College FE Corporation to Luminate Education Group FE Corporation, effective from 1 February 2021.

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 this information.

Approved by order of the members of the Corporation on 26 January 2021 and signed on its behalf by:



Dr Shaid Mahmood
Chair of the Corporation

LEEDS CITY COLLEGE
FINANCIAL STATEMENTS
for the year ended 31 July 2020
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 2020. 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 published by the Association of Colleges (AoC) in March 2015, which it formally adopted in July 2015.

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	Category of membership	Committee membership	Attendance at Board meetings 2019/20
A Aziz	1 Sept 19	1 year	20 June 20	Student	LCC	100%
A Beaumont	1 Aug 18	2 years	7 Feb 20	Governor	-	0%
C Booth OBE	28 Sept 15	n/a	-	Chief Exec	LCC, KC, HC, G&N, PSC, FC	100%
S Daji	22 Oct 18	1 year	31 Aug 19	Student	LCC	n/a
J Hoy	1 Jan 21	1 year	-	Governor	Remuneration	n/a
I Hunjan MBE	1 Sept 18	4 years	-	Governor	LCC	86%
A Hussain	1 Sept 19	2 years	24 Aug 20	Staff	LCC	71%
G Jennings	1 Nov 18	1 year	31 Oct 19	Governor	PSC	100%
S Mahmood (Chair)	1 Nov 18	3 years	-	Governor	G&N, Remuneration, FC	100%
K Morton	1 Sept 19	2 years	-	Governor	LCC, FC	100%
J Ngombo	1 Sept 20	1 year	-	Student	LCC	n/a
H Phillips	1 May 20	4 years	-	Governor	Remuneration	100%
J Pither	1 Nov 20	4 years	-	Governor	FC	100%
R Shaw	1 May 19	4 years	-	Governor	PSC, FC	100%
J Toon	1 Sept 19	2 years	-	Governor	HC, Audit, Remuneration	100%
C Turnbull	1 Aug 18	To 31 Aug 19	31 Aug 19	Governor	LCC, G&N	n/a
I Watling	1 June 19	4 years	-	Governor	HC, Audit, FC	100%
D Yates	1 July 19	2 years	-	Governor	KC, Audit	100%

Melanie Halstead served as Director of Governance.

The Board set itself an overall attendance target of 85% for 2019/20. During the year there were 77 individual attendances at Board meetings out of a possible 82, which is 94% overall attendance.

Appointments to the Corporation

The Board, through a Governance & Nominations Committee, ensures that there is an appropriate balance of skills and experience among its members. The constitution includes the Chief Executive, the President of the Students' Union and an elected staff member. The remaining members are external and independent to the Corporation. Board members are not currently remunerated for the work they do in this capacity.

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 considers all areas of the business. They were supported by the following committees throughout 2019/20:

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

The Board currently comprises of ten non-executive members (including the Chair of the Board), the Chief Executive, 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 2020, the group's Remuneration Committee comprised three members of the Corporation and one co-opted member. The committee advised the Board on the remuneration and conditions of service of senior staff, including the Chief Executive. In carrying out its responsibilities the committee is mindful of the requirements of relevant funding bodies and regulators, including the Education & Skills Funding Agency (ESFA) and Office for Students (OfS).

The group has adopted the AoC (Association of Colleges) Senior Staff Remuneration Code. Details of remuneration for the year ended 31 July 2020 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 three 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 committee usually 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.

LEEDS CITY COLLEGE
FINANCIAL STATEMENTS
for the year ended 31 July 2020
STATEMENT OF CORPORATE GOVERNANCE

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 Harrogate College, Keighley College, Leeds City College, Leeds Conservatoire, Leeds Apprenticeship Training Agency Limited and White Rose Resourcing Limited as wholly owned subsidiary companies of Leeds City College Corporation. Leeds Conservatoire, as an independent HEI, has 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.

Finance Committee

The Finance Committee was established during 2019/20, holding its inaugural meeting in December 2019. The committee maintains strategic oversight of the group's financial strategy and monitors financial performance against budget.

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 Conservatoire Board

As a company limited by guarantee, Leeds Conservatoire 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 ongoing 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 2020 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 ongoing process for identifying, evaluating and managing the group's significant risks that has been in place for the period ending 31 July 2020 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.

Statement from the Audit Committee

The Audit Committee has advised the board of governors that the Corporation has an effective framework for governance and risk management in place. The committee believes that the Corporation has effective internal controls in place.

The specific areas of work undertaken by the Audit Committee in 2019/20 and up to the date of approval of the financial statements covered the areas of governance, risk management and internal control, which provided assurance against the strategic risks identified.

The majority of the internal audit work was undertaken in the period before Covid-19, and the remaining work continued via remote connections. The majority of the existing financial controls remained in place during the period of remote working, but some paper-based processes were amended to allow for remote submission and authorisation.

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 January 2021 meeting, the Board carried out the annual assessment for the year ended 31 July 2020 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2020.

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 whilst also noting the material uncertainty based on the uncertainty as detailed in Directors Report

Approved by order of the members of the Board on 26 January 2021 and signed on its behalf



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 2020
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 26 January 2021 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 2020

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 group'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 *2019 Statement of Recommended Practice – Accounting for Further and Higher Education* and with the *College Accounts Direction 2019 to 2029* issued by the ESFA, and which give a true and fair view of the state of affairs of the group and the result for that year.

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

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- assess the group'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 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 Corporation.

The Corporation is responsible for keeping adequate accounting records which disclose with reasonable accuracy, at any time, the financial position of the group, and which

enable it to ensure that the financial statements are prepared in accordance with the relevant legislation of incorporation and other relevant accounting standards. It is responsible for 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 to prevent and detect fraud and other irregularities.

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

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from the ESFA are used only in accordance with the 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 2020

STATEMENT OF RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION

Approved by order of the members of the Corporation on 26 January 2021 and signed on its behalf by:



Dr Shaid Mahmood
Chair of the Corporation

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF LEEDS CITY COLLEGE REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Leeds City College ("the College") for the year ended 31 July 2020 which comprise the Consolidated and College Statement of Comprehensive Income and Expenditure, Consolidated and College Statement of Changes in Reserves, Consolidated and College Balance Sheets, Consolidated 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 2020, 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;
- 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 2019 *Statement of Recommended Practice – Accounting for Further and Higher Education.*; and
- meet the requirements of the Accounts Direction dated 25 October 2019 issued by the Office for Students ('the OfS Accounts Direction').

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 relating to going concern

We draw attention to the going concern disclosure in note 1 to the financial statements which indicates that the College has a contractual commitment to purchase a site it currently leases which can only be met if the College is successful in raising additional funds in the form of bank loans and/or capital grants from the ESFA. Severe but plausible downside scenarios applied to forecasts as a result of the impact of COVID-19 also result in the possible breach of a covenant attached to existing borrowing. 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.

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 2019 to 2020 (July 2020) 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 22, 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

We are required to report on the following matters by the OfS Accounts Direction.

In our opinion, in all material respects:

- funds from whatever source administered by the Group or the College for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- income has been applied in accordance with the articles of government and
- funds provided by the Office for Students, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and the Department for Education have been applied in accordance with the relevant terms and conditions.

Matters on which we are required to report by exception

We are required by the OfS Accounts Direction to report to you where the College has an access and participation plan that has been approved by the Office for Students' director of fair access and participation and the results of our audit work indicate that the Group's and the College's expenditure on access and participation activities for the financial year disclosed in Note 24 has been materially misstated.

We are also required by the OfS Accounts Direction to report to you where the results of our audit work indicate that the Group's and the College's grant and fee income, as disclosed in Note 2a to the financial statements has been materially misstated.

We have nothing to report in these respects.

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
Leeds, LS1 4DA
29 January 2021

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 2019 to 31 July 2020 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 or devolved authority 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 2019 to 31 July 2020 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 2019 to 31 July 2020 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
Leeds, LS1 4DA
29 January 2021

Consolidated and College Statements of Comprehensive Income

	Notes	Group 2020 £000	FE Colleges 2020 £000	Group 2019 £000	FE Colleges 2019 £000
INCOME					
Funding body grants	2	66,505	65,757	57,054	56,320
Tuition fees and education contracts	3	25,833	13,697	24,185	13,199
Other grants and contracts	4	775	775	829	829
Other income	5	3,637	3,290	2,595	1,999
Investment income	6	1	1	17	17
Donations and Endowments	7	<u>7</u>	<u>-</u>	<u>4,288</u>	<u>4,282</u>
Total income		<u>96,758</u>	<u>83,520</u>	<u>88,968</u>	<u>76,646</u>
EXPENDITURE					
Staff costs	8	66,061	56,667	54,845	45,934
Fundamental restructuring costs	8	253	157	463	395
Other operating expenses	9	27,170	22,978	23,334	19,178
Depreciation and amortisation	11,13	5,984	5,003	4,596	3,641
Interest and other finance costs	10	<u>2,941</u>	<u>2,695</u>	<u>2,680</u>	<u>2,483</u>
Total expenditure		<u>102,409</u>	<u>87,500</u>	<u>85,918</u>	<u>71,631</u>
Surplus / (Deficit) before other gains and losses		<u>(5,651)</u>	<u>(3,980)</u>	<u>3,050</u>	<u>5,015</u>
Profit/(loss) on disposal of assets		<u>2,182</u>	<u>2,182</u>	<u>375</u>	<u>375</u>
Surplus/ (Deficit) before tax		<u>(3,469)</u>	<u>(1,798)</u>	<u>3,425</u>	<u>5,390</u>
Taxation		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Surplus/ (Deficit) for the year		<u>(3,469)</u>	<u>(1,798)</u>	3,425	5,390
Actuarial gain/ (loss) in respect of pensions schemes	19	<u>(43,127)</u>	<u>34,761</u>	<u>18,725</u>	<u>(16,427)</u>
Total Comprehensive Income for the year		<u>(46,596)</u>	<u>(36,559)</u>	<u>(15,300)</u>	<u>(11,037)</u>
Represented by:					
Restricted comprehensive income		-	-	(5)	-
Unrestricted comprehensive income		<u>(46,596)</u>	<u>(36,559)</u>	<u>(15,295)</u>	<u>(11,037)</u>
		<u>(46,596)</u>	<u>(36,559)</u>	<u>(15,300)</u>	<u>(11,037)</u>

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

The accompanying notes on pages 33 to 59 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
Group				
Balance at 1 August 2018	<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)
Increase in endowment reserve	-	-	(5)	(5)
Transfers between reserves	<u>105</u>	<u>(105)</u>	<u>-</u>	<u>-</u>
	<u>(15,195)</u>	<u>(105)</u>	<u>(5)</u>	<u>(15,305)</u>
Balance at 31 July 2019	<u>61,810</u>	<u>4,312</u>	<u>5</u>	<u>66,127</u>
Surplus/(deficit) from the income and expenditure account	(3,469)	-	-	(3,469)
Other comprehensive income	(43,127)	-	-	(43,127)
Decrease in endowment reserve	(62)	-	-	(62)
Transfers between reserves	<u>105</u>	<u>(105)</u>	<u>-</u>	<u>-</u>
Total comprehensive income for the year	<u>(46,553)</u>	<u>(105)</u>	<u>5</u>	<u>(46,658)</u>
Balance at 31 July 2020	<u>15,257</u>	<u>4,207</u>	<u>5</u>	<u>19,469</u>
College				
Balance at 1 August 2018	<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)
Transfers between reserves	-	-	-	-
	<u>105</u>	<u>(105)</u>	<u>-</u>	<u>-</u>
Balance at 31 July 2019	<u>59,765</u>	<u>4,312</u>	<u>-</u>	<u>64,077</u>
Surplus/(deficit) from the income and expenditure account	(1,798)	-	-	(1,798)
Other comprehensive income	(34,761)	-	-	(34,761)
Increase in endowment reserve	-	-	-	-
Transfers between reserves	<u>105</u>	<u>(105)</u>	<u>-</u>	<u>-</u>
Total comprehensive income for the year	<u>(36,454)</u>	<u>(105)</u>	<u>-</u>	<u>(36,559)</u>
Balance at 31 July 2020	<u>23,311</u>	<u>4,207</u>	<u>-</u>	<u>27,518</u>

The accompanying notes on pages 33 to 59 form part of these financial statements.

Balance Sheets as at 31 July

	Notes	Group	FE Colleges	Group	FE Colleges
		2020	2020	2019	2019
		£000	£000	£000	£000
Non current assets					
Tangible Fixed assets	11	162,860	150,239	167,443	154,209
Investments	12	-	-	-	-
Intangible assets	13	-	-	-	-
Trade and other receivables		-	-	-	-
		<u>162,860</u>	<u>150,239</u>	<u>167,443</u>	<u>154,209</u>
Current assets					
Stocks		207	203	233	228
Trade and other receivables	14	3,945	3,264	5,419	4,856
Cash and cash equivalents	18	<u>2,860</u>	<u>2,851</u>	<u>314</u>	<u>306</u>
		7,012	6,318	5,966	5,390
Less: Creditors – amounts falling due within one year	15	<u>(24,803)</u>	<u>(23,582)</u>	<u>(29,373)</u>	<u>(28,078)</u>
Net current liabilities		<u>(17,791)</u>	<u>(17,264)</u>	<u>(23,407)</u>	<u>(22,688)</u>
Total assets less current liabilities		<u>145,069</u>	<u>132,975</u>	<u>144,036</u>	<u>131,521</u>
Creditors – amounts falling due after more than one year	16	(20,359)	(18,483)	(22,034)	(19,947)
Provisions					
Defined benefit obligations	17,19	(105,206)	(86,939)	(55,569)	(47,191)
Other provisions	17	<u>(35)</u>	<u>(35)</u>	<u>(306)</u>	<u>(306)</u>
Total net assets		<u>19,469</u>	<u>27,518</u>	<u>66,127</u>	<u>64,077</u>
Restricted reserves					
Endowment reserve		<u>5</u>	<u>-</u>	<u>5</u>	<u>-</u>
Unrestricted reserves					
Income and expenditure account		15,257	23,311	61,810	59,765
Revaluation reserve		<u>4,207</u>	<u>4,207</u>	<u>4,312</u>	<u>4,312</u>
Total unrestricted reserves		<u>19,464</u>	<u>27,518</u>	<u>66,122</u>	<u>64,077</u>
Total reserves		<u>19,469</u>	<u>27,518</u>	<u>66,127</u>	<u>64,077</u>

The accompanying notes on pages 33 to 59 form part of these financial statements.

The financial statements on pages 29 to 59 were approved and authorised for issue by the Board on 26 January 2021 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	2020 £000	2019 £000
Cash flow from operating activities			
Surplus/(Deficit) for the year		(3,469)	3,425
Adjustment for non-cash items			
Depreciation		5,984	4,596
(Increase)/decrease in stocks		26	(8)
(Increase)/decrease in debtors		1,474	1,014
Increase/(decrease) in creditors due within one year		(60)	(383)
Increase/(decrease) in provisions		(271)	137
Revaluation movements		-	(50)
Acquisition of Harrogate College non current assets		-	(4,336)
LATA closure		(62)	-
Pensions adjustments		6,510	5,043
		<u>10,132</u>	<u>9,438</u>
Adjustment for investing or financing activities			
Investment income		(1)	(17)
Interest payable		1,807	1,847
Increase in endowment reserve		-	(5)
Grants received		(57)	(1,922)
Profit on sale of fixed assets		(2,182)	(375)
Net cash flow from operating activities		<u>9,699</u>	<u>8,966</u>
Cash flows from investing activities			
Proceeds from sale of fixed assets		4,367	450
Investment income		1	17
Capital grants received		57	1,922
Repayment of loan		(4,490)	11,000
Payments made to acquire fixed assets		(3,586)	(26,466)
		<u>(3,651)</u>	<u>(13,077)</u>
Cash flows from financing activities			
Interest paid		(1,733)	(1,770)
Interest element of finance lease rental payments		(74)	(77)
Repayments of amounts borrowed		(1,391)	(1,468)
Capital element of finance lease rental payments		(304)	(21)
		<u>(3,502)</u>	<u>(3,336)</u>
Increase / (decrease) in cash and cash equivalents in the year		<u>2,546</u>	<u>(7,447)</u>
Cash and cash equivalents at beginning of the year	18	314	7,761
Cash and cash equivalents at end of the year	18	2,860	314

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.

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2019 (the 2019 FE HE SORP), the College Accounts Direction for 2019 to 2020 and in accordance with Financial Reporting Standard 102 – “The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland” (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention as modified by the use of previous 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 2020.

Critical accounting estimates and assumptions

The Group has updated its approach to setting RPI and CPI inflation in light of the RPI reform proposals published on the 4th September 2019 by the UK Chancellor and UK Statistics Authority. The Group continued to set RPI inflation in line with the market break-even expectations with no adjustment for an inflation risk premium, consistent with the prior year. For CPI, the Group has proposed a long term gap between RPI and CPI of 50 basis points, compared to 110 basis points at the prior year end. Based on the sensitivity information provided by the actuary, we expect the impact of this change in approach to be a £24m increase in the defined benefit obligation for the LGPS scheme, as the CPI assumption is now 0.6% higher than it would have been under the previous methodology.

Going concern

The financial position of the Group and College, their cashflows, liquidity and borrowings are presented in the Financial Statements and accompanying Notes.

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 24 months from the date of approval of these financial statements. After reviewing these forecasts, the Corporation is of the opinion that, taking account of severe but plausible downsides, including the anticipated impact of COVID-19, the Group and College will have sufficient funds to meet their liabilities as they fall due over the period of 12 months from the date of approval of the financial statements (the going concern assessment period).

The Group has incorporated a rigorous assessment of the effects of Covid-19 into all aspects of financial and curriculum planning. This has resulted in some additional costs incurred within Estates related to cleaning and facilities management and further costs associated with ensuring that social distancing can be maintained where staff and students are present on site. Income streams have been adjusted accordingly with regards forecasting and planning with some staff remaining on the furlough scheme where appropriate and revisions made to expected revenue from commercial and learning activities where necessary. These assumptions and the effect they have on underlying financial performance have been stress tested as part of the group's comprehensive budgeting and forecasting framework with significant time and effort invested here to ensure both a credible and robust financial plan.

Due to the seasonal profile of funding within the further and higher education colleges sectors, the Group has previously made use of an overdraft to cover working capital requirements for the period of January to May, when the main Higher Education (HE) loan funding is received. The Quarry Hill project and delays selling the Horsforth campus have put considerable additional pressure on working capital as the Local Enterprise Partnership (LEP) grant, which was part funding the project, has now been exhausted. The balance of the project was being funded through capital receipts, cash generation, and loans. Previously an overdraft had also been used to support this. The £8.5m overdraft facility expired in on 31 July 2020 with credit backed Heads of Terms in place from Santander to replace it with a new long-term financing package. This new package consolidates the existing £20m of long term debt, and adds a further £18.5m to allow for repayment of the £6m revolving credit facility currently held with Santander, £6.5m to replace the bridging loan currently held with WYCA for the Horsforth sale and a further £6m to support the Groups' working capital.

These refinancing arrangements have been analysed in detail with Santander with regards the associated covenants and tested against the group's forecasted financial performance.

The risk relating to the timing of the sale of the Horsforth remains but this has been mitigated as result of the approval in principle of the planning permission for the site at Horsforth and Santander agreeing to cover the bridging loan for a period of up to two years. WYCA have agreed to the relinquishing of restrictions over the sale of any sites apart from Park Lane A block, this was required before the new loan could be approved by Santander

The Group has also committed to purchasing a site at Mabgate for £9.5M in December 2021. This site is currently leased under a contract that stipulate the purchase at this date. Additional financing or capital grants will be required to allow this purchase to occur.

Throughout all discussions and negotiations the Group has kept the regulator, the Education & Skills Funding Agency (ESFA), fully informed and they have been present at discussion with Santander and WYCA.

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 19, will impact the carrying amount of the pension liability. The latest full actuarial valuation performed at 31 March 2019 has been used by the actuary in valuing the pensions liability at 31 July 2020.

2. Funding Body Grants

	Group	FE Colleges	Group	FE Colleges
	2020	2020	2019	2019
	£000	£000	£000	£000
Funding body recurrent grants	64,734	63,986	56,855	56,121
Specific grants	1,701	1,701	199	199
Releases of government capital grants				
Provider relief scheme	<u>70</u>	<u>70</u>	-	-
Total	<u>66,505</u>	<u>65,757</u>	<u>57,054</u>	<u>56,320</u>

2.1 Grant and fee income

	Group	FE Colleges	Group	FE Colleges
	2020	2020	2019	2019
	£000	£000	£000	£000
Grant income from the Office for Students	1,280	677	750	176
Grant income from other bodies	-	-	-	-
Fee income for taught awards (exclusive of VAT)	19,652	9,156	18,743	8,248
Fee income for research awards (inclusive of VAT)	-	-	-	-
Fee income for non-qualifying course	428	428	458	458
	<u>21,360</u>	<u>10,261</u>	<u>19,951</u>	<u>8,882</u>

3. Tuition fees and education contracts

	Group	FE Colleges	Group	FE Colleges
	2020	2020	2019	2019
	£000	£000	£000	£000
Tuition fees	24,317	12,181	22,234	11,249
Education contracts	<u>1,516</u>	<u>1,516</u>	<u>1,951</u>	<u>1,950</u>
Total	<u>25,833</u>	<u>13,697</u>	<u>24,185</u>	<u>13,199</u>

4. Research grants and contracts

	Group	FE Colleges	Group	FE Colleges
	2020	2020	2019	2019
	£000	£000	£000	£000
European Commission	375	375	727	727
Other grants and contracts	28	28	102	102
Coronavirus Job Retention Scheme grant	372	372		
Total	<u>775</u>	<u>775</u>	<u>829</u>	<u>829</u>

5. Other income

	Group	FE Colleges	Group	FE Colleges
	2020	2020	2019	2019
	£000	£000	£000	£000
Catering and residences	3	-	7	-
Other income generating activities	1,184	954	1,322	964
Other grant income				
Miscellaneous income	<u>2,450</u>	<u>2,336</u>	<u>1,266</u>	<u>1,035</u>
Total	<u>3,637</u>	<u>3,290</u>	<u>2,595</u>	<u>1,999</u>

6. Investment income

	Group	FE Colleges	Group	FE Colleges
	2020	2020	2019	2019
	£000	£000	£000	£000
Other interest receivable	<u>1</u>	<u>1</u>	<u>17</u>	<u>17</u>

7. Donations and endowments

	Group	FE Colleges	Group	FE Colleges
	2020	2020	2019	2019
	£000	£000	£000	£000
New endowments	-	-	5	-
Unrestricted donations	<u>7</u>	<u>-</u>	<u>4,282</u>	<u>4,282</u>
	<u>7</u>	<u>-</u>	<u>4,287</u>	<u>4,282</u>

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8. Staff costs

The average number of persons (including key management personnel) employed by the Group during the year, described as an average headcount, was:

	Group	FE	Group	FE
	2020	Colleges	2019	Colleges
	Number	Number	Number	Number
Teaching staff	1,117	1,073	1058	982
Non teaching staff	<u>763</u>	<u>656</u>	<u>595</u>	<u>503</u>
	<u>1,880</u>	<u>1,729</u>	<u>1,653</u>	<u>1,485</u>
	Group	FE	Group	FE
	2020	Colleges	2019	Colleges
	£000	£000	£000	£000
Staff costs for the above persons:				
Wages and salaries	46,616	39,963	40,267	33,799
Social security costs	4,026	3,472	3,336	2,835
Other pension	<u>13,117</u>	<u>10,998</u>	<u>9,687</u>	<u>7,866</u>
Payroll sub total	63,759	54,433	53,290	44,500
Contracted out staffing services	<u>2,302</u>	<u>2,234</u>	<u>1,555</u>	<u>1,434</u>
Staff Costs	66,061	56,667	54,845	45,934
Restructuring costs – redundancy	<u>253</u>	<u>157</u>	<u>463</u>	<u>395</u>
	<u>66,314</u>	<u>56,824</u>	<u>55,308</u>	<u>46,329</u>

*Other Pension costs include FRS102 adjustments of £5,495k (2018/19: £4,417k)

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

	2020	2020	2019	2019
	Group	FE	Group	FE
	No.	Colleges	No.	Colleges
	No.	No.	No.	No.
The number of key management personnel including the Accounting Officer was:	4	4	4	4

8. Staff costs (continued)

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 2020 Number	FE Colleges 2020 Number	Group 2019 Number	FE Colleges 2019 Number
Key management personnel:				
£70,001 to £75,000 p.a.	-	-	-	-
£75,001 to £80,000 p.a.	-	-	-	-
£80,001 to £85,000 p.a.	-	-	-	-
£85,001 to £90,000 p.a.	-	-	-	-
£90,001 to £95,000 p.a.	1	1	-	-
£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.	-	-	-	-
£115,001 to £120,000 p.a.	-	-	1	1
£120,001 to £125,000 p.a.	1	1	-	-
£125,001 to £130,000 p.a.	-	-	-	-
£130,001 to £135,000 p.a.	-	-	1	1
£205,001 to £210,000 p.a.	-	-	-	-
£240,001 to £245,000 p.a.	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>

	Group 2020 Number	FE Colleges 2020 Number	Group 2019 Number	FE Colleges 2019 Number
Other staff:				
£60,001 to £65,000 p.a.	4	4	7	7
£65,001 to £70,000 p.a.	6	6	7	7
£70,000 to £75,000 p.a.	4	4	2	2
£75,001 to £80,000 p.a.	1	-	-	-
£80,001 to £85,000 p.a.	1	-	-	-
£100,001 to £110,000 p.a.	1	1	-	-
£110,001 to £120,000 p.a.	-	-	-	-
	<u>17</u>	<u>15</u>	<u>16</u>	<u>16</u>

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8. Staff costs (continued)	2020	2019
	£000	£000
Key management personnel compensation is made up as follows:		
Salaries – gross of salary sacrifice and waived emoluments	519	526
Employers National Insurance	71	81
Performance Related Pay	<u>-</u>	<u>68</u>
	589	675
Pension contributions	<u>112</u>	<u>56</u>
Total emoluments	<u>701</u>	<u>731</u>

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:

	2020	2019
	£000	£000
Salary	199	168
Payment in lieu of pension	46	32
Performance related pay	<u>-</u>	<u>40</u>
	<u>245</u>	<u>240</u>
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.

The remuneration package of the Chief Executive is subject to annual review by the Remuneration Committee 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	2020	2019
Principal and CEO's basic salary as a multiple of the median of all staff	7.5	7.9
Principal and CEO's total remuneration as a multiple of the median of all staff	7.7	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:

	2020	2019
	£000	£000
Compensation paid to former postholders	—	—

There were no compensation payments to key management personnel in 2019/20.

9. Other operating expenses

	Group	FE	Group	FE
	2020	Colleges	2019	Colleges
	£000	£000	£000	£000
Teaching costs	7,580	6,837	7,912	7,077
Non teaching costs	10,146	8,001	9,148	7,028
Premises costs	<u>9,444</u>	<u>8,140</u>	<u>6,274</u>	<u>5,073</u>
Total	<u>27,170</u>	<u>22,978</u>	<u>23,334</u>	<u>19,178</u>

9. Other operating expenses (continued)

	Group	FE	Group	FE
	2020	Colleges	2019	Colleges
	£000	2020	£000	2019
		£000		£000
Non teaching costs above include:				
Auditors remuneration:				
- financial statements audit	103	85	68	55
- internal audit	80	75	89	84
Other services provided by the financial statement auditor	-	-	-	-
Other services provided by the internal auditor	-	-	-	-
Loss on disposal of tangible fixed assets	-	-	3	-
Hire of assets under operating leases	357	-	248	-
Access and participation spending	Group	FE		
	2020	Colleges		
	£000	2020		
		£000		
Access investment	69	69		
Financial support to students	777	320		
Disability support	123	109		
Research and evaluation	27	13		

Leeds City College has an Access and Participation plan that has been approved by the OfS's director of fair access and participation. The amounts disclosed in this note include expenditure for;

- Access investment. This includes all expenditure in the financial year on activities and measures that support the ambitions set out in an access and participation plan, where they relate to access to higher education.
- Financial support provided to students in the financial year (such as bursaries, scholarships, etc.).
- Support for disabled students in the financial year, which can include, but is not limited to, the disabled students' premium.
- Research and evaluation related to access and participation activities in the financial year.

The amounts include staff costs where these are intrinsic to the delivery of the access and participation activities. The staffing costs are £176k, however, these staffing costs are already included in the overall staff costs figures in the financial statements, see note 8.

https://ucleeds.ac.uk/wp-content/uploads/2019/10/LeedsCityCollege_APP_2020-21.pdf

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10. Interest and other finance costs

	Group	FE Colleges	Group	FE Colleges
	2020	2020	2019	2019
	£000	£000	£000	£000
On bank loans, overdrafts and other loans:				
Repayable within five years, not by instalments	-	-	-	-
Repayable within five years, by instalments	-	-	-	-
Repayable wholly or partly in more than five years	<u>1,733</u>	<u>1,733</u>	<u>1,770</u>	<u>1,770</u>
Total	1,733	1,733	1,770	1,770
On finance leases	74	-	77	-
Pension finance costs	<u>1,134</u>	<u>962</u>	<u>833</u>	<u>713</u>
	<u>2,941</u>	<u>2,695</u>	<u>2,680</u>	<u>2,483</u>

11. Tangible fixed assets – Group

	Land and buildings		Equipment	Assets in the course of construction	Total
	Freehold	Leasehold			
	£000	£000	£000	£000	£000
Cost or valuation					
At 1 August 2019	122,789	16,892	13,833	51,619	205,133
Additions	157	-	-	3,429	3,586
Transfers	48,616	-	1,658	(50,274)	-
Disposals	<u>(7,405)</u>	-	<u>(697)</u>	-	<u>(8,102)</u>
At 31 July 2020	<u>164,157</u>	<u>16,892</u>	<u>14,794</u>	<u>4,774</u>	<u>200,617</u>
Accumulated depreciation					
At 1 August 2019	23,640	4,771	9,279	-	37,690
Charge for year	3,533	771	1,680	-	5,984
Disposals	<u>(5,415)</u>	-	<u>(502)</u>	-	<u>(5,917)</u>
At 31 July 2020	<u>21,758</u>	<u>5,542</u>	<u>10,457</u>	<u>-</u>	<u>37,757</u>
Net book value at 31 July 2020	<u>142,400</u>	<u>11,350</u>	<u>4,337</u>	<u>4,774</u>	<u>162,860</u>
Net book value at 31 July 2019	<u>99,149</u>	<u>12,121</u>	<u>4,554</u>	<u>51,618</u>	<u>167,443</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
Cost or valuation					
At 1 August 2019	122,789	1,699	10,045	51,617	186,150
Additions	157	-	-	3,061	3,218
Transfer	48,616	-	1,601	(50,217)	-
Disposals in year	(7,405)		(697)	-	(8,102)
At 31 July 2020	<u>164,157</u>	<u>1,699</u>	<u>10,949</u>	<u>4,461</u>	<u>181,266</u>
Accumulated depreciation					
Balance 1 August 2019	23,640	818	7,483	-	31,941
Charge for year	3,533	170	1,300	-	5,003
Disposals in year	<u>(5,415)</u>	<u>-</u>	<u>(502)</u>	<u>-</u>	<u>(5,917)</u>
At 31 July 2020	<u>21,758</u>	<u>988</u>	<u>8,281</u>	<u>-</u>	<u>31,027</u>
Net book value at 31 July 2020	<u>142,399</u>	<u>711</u>	<u>2,667</u>	<u>4,462</u>	<u>150,239</u>
Net book value at 31 July 2019	<u>99,149</u>	<u>881</u>	<u>2,562</u>	<u>51,617</u>	<u>154,209</u>

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

Disposal of Technology building in September 2019.

Included within Land and Building Freehold is an asset held for sale £1.7m – Horsforth Campus.

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 2020, the Leeds Apprenticeship Training Agency Limited had a loss of £nil and reserves of £nil. An application to dissolve the company has been made.

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 2020, White Rose Resourcing Limited had a loss of £1k and negative reserves of £67k.

For the year ending 31 July 2020, 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.

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13. Intangible assets

	Group	FE Colleges	Group	FE Colleges
	2020	2020	2019	2019
	£000	£000	£000	£000
At 1 August	-	-	-	-
Additions	-	-	-	-
Amortisation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 July	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

14. Debtors

	Group	FE Colleges	Group	FE Colleges
	2020	2020	2019	2019
	£000	£000	£000	£000
Amounts falling due within one year:				
Trade debtors	2,780	2,338	1,815	1,580
Other debtors	128	126	514	532
Prepayments and accrued income	<u>1,037</u>	<u>800</u>	<u>3,090</u>	<u>2,744</u>
	<u>3,945</u>	<u>3,264</u>	<u>5,419</u>	<u>4,856</u>
Amounts falling due after one year:				
Prepayments and accrued income	-	-	-	-
Total	<u>3,945</u>	<u>3,264</u>	<u>5,419</u>	<u>4,856</u>

15. Creditors: amounts falling due within one year

	Group	FE Colleges	Group	FE Colleges
	2020	2020	2019	2019
	£000	£000	£000	£000
Bank loans and overdrafts	13,967	13,964	18,528	18,457
Obligations under finance leases	172	-	192	62
Payments received in advance	474	434	277	248
Trade creditors	1,095	887	1,992	1,573
Amounts owed to group undertakings	-	187	-	65
Other creditors	2,374	2,114	1,380	1,151
Other taxation and social security	1,040	903	936	788
Accruals	5,682	5,093	6,068	5,734
Amounts owed to the funding bodies	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>24,803</u>	<u>23,582</u>	<u>29,373</u>	<u>28,078</u>

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

	Group	FE	Group	FE
	2020	Colleges	2019	Colleges
	£000	2020	£000	2019
		£000		£000
Bank loans	18,483	18,483	19,874	19,874
Obligations under finance leases	<u>1,876</u>	-	<u>2,160</u>	<u>73</u>
Total	<u>20,359</u>	<u>18,483</u>	<u>22,034</u>	<u>19,947</u>

Maturity of debt

(a) Bank loans

Bank loans are repayable as follows:

	Group	FE	Group	FE
	2020	Colleges	2019	Colleges
	£000	2020	£000	2019
		£000		£000
Repayments due;				
In one year or less	13,964	13,964	18,457	18,457
Between one and two years	1,464	1,464	1,457	1,457
Between two and five years	4,393	4,393	4,372	4,372
In five years or more	<u>12,626</u>	<u>12,626</u>	<u>14,045</u>	<u>14,045</u>
Total	<u>32,448</u>	<u>32,447</u>	<u>38,331</u>	<u>38,331</u>

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 March 2021.

(b) Finance leases

	Group	FE	Group	FE
	2020	Colleges	2019	Colleges
	£000	2020	£000	2019
		£000		£000
Payments due;				
In one year or less	172	-	130	-
Between two and five years	738	-	555	-
In five years or more	<u>1,138</u>	-	<u>1,532</u>	-
Total	<u>2,048</u>	<u>-</u>	<u>2,217</u>	<u>-</u>

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

17. Provisions for liabilities and charges

Group	Defined benefit obligations	Enhanced pensions	Other	Total
	£000	£000	£000	£000
At 1 August 2019	53,860	1,709	306	55,875
Expenditure in the period	(3,410)	(119)	(306)	(3,835)
Transferred from income and expenditure	<u>53,015</u>	<u>151</u>	<u>35</u>	<u>53,201</u>
At 31 July 2020	<u>103,465</u>	<u>1,741</u>	<u>35</u>	<u>105,241</u>

FE Colleges	Defined benefit obligations	Enhanced pensions	Other	Total
	£000	£000	£000	£000
At 1 August 2019	45,648	1,543	306	47,497
Expenditure in the period	(2,673)	(102)	(306)	(3,081)
Transferred from income and expenditure	<u>42,372</u>	<u>151</u>	<u>35</u>	<u>42,558</u>
At 31 July 2020	<u>85,347</u>	<u>1,592</u>	<u>35</u>	<u>86,974</u>

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

The principal assumptions for this calculation are:

	2020	2019
Interest rate	1.3%	2.0%
Inflation rate	2.2%	2.2%

18. Cash and cash equivalents

	At 1 August 2019	Cash flows	At 31 July 2020
	£000	£000	£000
Cash and cash equivalents	314	2,546	2,860
Total	<u>314</u>	<u>2,546</u>	<u>2,860</u>

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 2019.

Total pension cost for the year

	Group 2020 £000	Group 2019 £000
Teachers' Pension Scheme: Contributions paid	4,163	2,490
West Yorkshire Pension Fund:		
Contributions paid	3,295	2,706
Past Service Cost	-	-
FRS102 charge	<u>5,495</u>	<u>4,421</u>
Charge to the Income and Expenditure	8,790	7,127
Enhanced pension charge/(credit) to Income and Expenditure	10	-
People's Pension – Contributions Paid	<u>99</u>	<u>74</u>
Total pension cost for year	<u>13,062</u>	<u>9,691</u>

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.

19. Defined benefit obligations (continued)

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 £4,163k (2019: £2,490k)

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 plan, with the assets held in separate trustee administered fund. The total contribution made for the year ended 31 July 2020 was £4,686k (2019:£3,883k), of which employer's contributions totalled £3,295k and employees' contributions totalled £1,391k. The agreed contribution rates are 16.7% for employers and range from 5.5% to 12.5% cent for employees, depending on salary.

FRS 102 Principal Actuarial Assumptions

	At 31 July 2020 WYPF funded benefits	At 31 July 2020 WYPF unfunded benefits	At 31 July 2019 WYPF funded benefits	At 31 July 2019 WYPF unfunded benefits
Expected rate of salary increases	3.55%	n/a	1.0%	n/a
Future pension increases	2.3%	2.3%	2.2%	2.2%
Discount rate	1.4%	1.4%	2.1%	2.1%
Inflation assumption (CPI)	2.3%	2.3%	2.2%	2.2%

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.

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19. Defined benefit obligations (continued)

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 2020	At 31 July 2019
<i>Retiring today</i>		
Males	21.8	22.2
Females	24.6	25.4
<i>Retiring in 20 years</i>		
Males	22.5	23.2
Females	25.7	27.2

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 2020 £000	FE Colleges Value at 31 July 2020 £000	Group Value at 31 July 2019 £000	FE Colleges Value at 31 July 2019 £000
Equities	87,691	76,308	93,589	81,937
Government Bonds	11,286	9,821	11,788	10,320
Corporate bonds	5,643	4,910	4,287	3,753
Property	4,853	4,223	5,120	4,483
Cash	1,806	1,571	2,500	2,189
Other	<u>1,580</u>	<u>1,375</u>	<u>1,786</u>	<u>1,563</u>
Total market value of assets	112,858	98,208	119,070	104,245
Actual return on plan assets	(7,119)	(6,094)	6,745	5,663
Present value of scheme liabilities				
- Funded	(216,000)	(183,238)	(172,578)	(149,548)
- Unfunded	<u>(324)</u>	<u>(317)</u>	<u>(352)</u>	<u>(345)</u>
Deficit in the scheme	<u>(103,466)</u>	<u>(85,347)</u>	<u>(53,860)</u>	<u>(45,648)</u>

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

	Group 2020 £000	FE Colleges 2020 £000	Group 2019 £000	FE Colleges 2019 £000
Fair value of plan assets	112,858	98,208	119,070	104,245
Present value of plan liabilities	(216,000)	(183,238)	(172,578)	(149,548)
Present value of unfunded liabilities	(324)	(317)	(352)	(345)
Net pensions (liability)/asset	<u>(103,466)</u>	<u>(85,347)</u>	<u>(53,860)</u>	<u>(45,648)</u>

19. Defined benefit obligations (Continue)

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

	Group	FE	Group	FE
	2020	2020	2019	2019
	£000	£000	£000	£000
Amounts included in staff costs				
Current service cost	8,892	6,787	5,236	3,945
Past service cost	13	13	2,270	1,685
Total	8,905	6,800	7,506	5,630

Amounts included in interest and other finance costs

Interest on pension liabilities	1,103	931	800	680
Net interest cost	1,103	931	800	680

Amounts recognised in Other Comprehensive Income

Return on pension plan assets	(9,645)	(8,284)	3,615	2,907
Experience gains arising on defined benefit obligations	(33,363)	(26,357)	(22,162)	(19,156)
Amount recognised in Other Comprehensive Income	(43,008)	(34,641)	(18,547)	(16,249)

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

	Group	FE	Group	FE
	2020	2020	2019	2019
	£000	£000	£000	£000
Surplus/(deficit) in scheme at 1 August	(53,860)	(45,648)	(30,096)	(25,453)
Movement in year:				
Current service cost	(8,892)	(6,787)	(5,236)	(3,945)
Employer contributions	3,410	2,673	3,089	2,364
Past service cost	(13)	(13)	(2,270)	(1,685)
Net interest on the defined (liability)/asset	(1,103)	(931)	(800)	(680)
Net benefits paid out	-	-	-	-
Remeasurement gains on assets	(9,645)	(8,284)	3,615	2,907
Actuarial gain or loss	(33,363)	(26,357)	(22,162)	(19,156)
Net defined benefit (liability)/asset at 31 July	(103,466)	(85,347)	(53,860)	(45,648)

19. Defined benefit obligations (continued)

Asset and Liability Reconciliation

Changes in the present value of defined benefit obligations

	Group	FE	Group	FE
	2020	2020	2019	2019
	£000	£000	£000	£000
Defined benefit obligations at start of period	172,930	149,893	141,326	123,695
Current Service cost	8,892	6,787	5,236	3,945
Interest cost	3,629	3,121	3,930	3,436
Contributions by Scheme participants	1,344	979	1,180	841
Experience gains and losses on defined benefit obligations	33,363	26,357	22,162	19,156
Changes in financial assumptions	-	-	-	-
Benefits paid	(3,847)	(3,595)	(3,174)	(2,865)
Past Service cost	13	13	2,270	1,685
Defined benefit obligations at end of period	216,324	183,555	172,930	149,893

	Group	FE	Group	FE
	2020	College	2019	College
	£000	£000	£000	£000
Fair value of plan assets at start of period	119,070	104,245	111,230	98,242
Interest on plan assets	2,526	2,190	3,130	2,756
Remeasurement gains on assets	(9,645)	(8,284)	-	-
Return on plan assets	-	-	3,615	2,907
Employer contributions	3,410	2,673	3,089	2,364
Contributions by Scheme participants	1,344	979	1,180	841
Benefits paid	(3,847)	(3,595)	(3,174)	(2,865)
Assets at end of period	112,858	98,208	119,070	104,245

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

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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 2020 the following major events have taken place:

- The Group suffered a major cyber-security attack on 11 August 2020. The Information Commissioner's Office was notified and their investigation has been completed and no evidence of loss of data was found.
- On 20 November 2020, the High Court handed down a further judgment on the Guaranteed Minimum Pension (GMP) equalisation case in relation to the Lloyds banking group pension' schemes
- On the 11th August 2020 Leeds College of Music changed its name to Leeds Conservatoire
- The Group received notification on 21 January 2021 that the Secretary of State has approved an application for a change of name from Leeds City College FE Corporation to Luminate Education Group FE Corporation, effective from 1 February 2021.

21. Capital commitments

	Group	FE College	Group	FE College
	2020	2020	2019	2019
	£000	£000	£000	£000
Commitments contracted for as at 31 July	<u>11,807</u>	<u>11,539</u>	<u>4,209</u>	<u>4,091</u>
Authorised but not contracted at 31 July	<u>115</u>	<u>115</u>	-	-

Included in the figures above is £10.8m relating to the Mabgate site in Leeds.

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
	2020	2020	2019	2019
	£000	£000	£000	£000
Land and buildings				
Not later than one year	435	278	480	323
Later than one year and not later than five years	2,244	904	1,288	929
Later than five years	<u>1,361</u>	<u>288</u>	<u>1,453</u>	<u>380</u>
	<u>4,040</u>	<u>1,470</u>	<u>3,221</u>	<u>1,632</u>
	Group	FE College	Group	FE College
	2020	2020	2019	2019

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	£000	£000	£000	£000
Other				
Not later than one year	1,213	1,178	1,221	1,183
Later than one year and not later than five years	151	126	1,250	1,190
Later than five years	-	-	-	-
	<u>1,364</u>	<u>1,304</u>	<u>2,471</u>	<u>2,373</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.

Colin Booth is a Director of White Rose Academies Trust, Wellspring Academy Trust, Association of Colleges, West Yorkshire Colleges Consortium and is a governor at Horsforth School.

White Rose Academies Trust

During the year Leeds City College received £33k from White Rose Academies Trust for Alternative Provision and paid £1k for Apprenticeship incentive.

The college has provided services to the academy trust totalling £790k during the year being:

	2020 £000	2019 £000
Educational course fees	503	546
Managed internet service	-	16
Seconded staff costs	2	14
Work experience coordination	6	18
ITSS service	276	242
Extended school provision	-	28
Miscellaneous	<u>3</u>	<u>16</u>
	<u>790</u>	<u>880</u>

Wellspring Academy Trust

During the year Leeds City College paid £3.7k to Wellspring Academy Trust for Apprenticeship Incentive.

Association of Colleges

During the year Leeds City College received £8.6k for funding of College Grassroots Hub and Participation in ETF T level trip led by Sheffield College. Leeds City College also paid £58k to the Association of Colleges in year for membership, training and licences.

West Yorkshire Colleges Consortium

During the year Leeds City College received £1,113k from West Yorkshire Colleges Consortium for service charges, the service level agreement, salaries recharges and rent. Leeds City College paid £7.5k for subscription fees.

Horsforth School

During the year Leeds City College received £9.3k from Horsforth School for Alternative Provision. Leeds City College also paid £0.5k to Horsforth School for Apprenticeship incentive.

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Shaid Mahmood is Chief Officer at Leeds City Council and has a public appointment position at the Leeds Federated Housing Association.

Leeds City Council

During the year Leeds City College received £423k from Leeds City Council for core funding and other funding streams, projects. Leeds City College paid £481k for rates and rent.

Leeds Federated Housing Association

During the year Leeds City College received £1.3k from the Leeds Federated Housing Association for educational training.

Jane Pither provided services to the Association of Colleges under a temporary contract of employment. Please see above transactions with Association of Colleges.

John Toon is self-employed and has provided services to Aviva. During the year Leeds City College paid £145k to Aviva for Commercial Insurance policies.

Richard Shaw is trustee of the Hunslet Club. During the year Leeds City College paid £146k for vocational training.

Ken Morton has a public appointment position at Springwell Academy Leeds. During the year Leeds City College received £3k for resource development and careers advice.

Transactions with the funding bodies are detailed in note 2.

Janet Faulkner, Dean of HE at Leeds City College has paid employment with the Quality Assurance Agency. During the year, Leeds City College paid £6.3k for annual fees.

Lydia Devenny, Deputy Chief Executive – Services is a Director of White Rose Academies Trust. Please see above transactions with White Rose Academies Trust.

Colin Booth, Jenny Hoy and Shaid Mahmood serve as directors/trustees of Leeds Conservatoire.

Shaid Mahmood was appointed as Chair of the Association of Colleges in December 2020.

23. Amounts disbursed as agent

Learner support funds

	Group	FE College	Group	FE College
	2020	2020	2019	2019
	£000	£000	£000	£000
Funding body grants	350	350	313	313
Disbursed to students	<u>(363)</u>	<u>(363)</u>	<u>(306)</u>	<u>(306)</u>
Balance (over)/underspent as at 31 July	<u>(13)</u>	<u>(13)</u>	<u>7</u>	<u>7</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.