



LEEDS COLLEGE OF MUSIC,  
A COMPANY LIMITED BY GUARANTEE  
(COMPANY NUMBER 7596410)

REPORT AND FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 JULY 2019

LEEDS COLLEGE OF MUSIC LIMITED

FINANCIAL STATEMENTS

For the year ended 31 July 2019

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## DIRECTORS' REPORT

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

### **Legal status**

The company was incorporated on 7 April 2011 as a wholly owned subsidiary undertaking of Leeds City College Corporation (LCC). The company is an exempt charity for the purposes of the Charities Act 2011.

Leeds College of Music was designated by statutory instrument on 22 June 2018 as an institution eligible to receive funding from the Office for Students.

### **Vision, mission and values**

Our vision is to be a leading European conservatoire.

Our mission is to ensure we are artistically ambitious, quality driven and industry focussed. We are actively engaged in the future of music making. Our environment nurtures independence and creative risk.

We will achieve this by living the following values:

- Creative
- Rigorous
- Supportive
- Sustainable

### **Public Benefit**

Leeds College of Music is an exempt charity under Part 3 of the Charities Act 2011 regulated by the Secretary of State for Education through the Office for Students from 1<sup>st</sup> April 2018. The members of the Board, who are trustees of the charity, are disclosed on page 16.

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

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

- High quality teaching
- Widening participation and aspiration to Higher Education
- Excellent employment for students
- Strong student support systems
- Links with employers, industry and commerce.

### **Implementation of strategic plan**

The College Strategic Plan 2015 – 2020 splits our Strategic aims into two elements:

**Core Aims: Quality**

1. Offer our students an exceptional learning experience
2. Be a Centre of creative discovery
3. Embed collaboration within our culture

**Enabling Aims: Growth**

4. Develop our team to inspire and support our students and each other
5. Provide exemplary facilities and technology
6. Operate sustainably

We monitor progress towards these aims regularly through a set of key performance indicators (KPIs). The performance in year compared to prior year can be summarised in the following table:

| Strategic aim & category                                                  | Indicator                                                                                      | 2017-18       | 2018-19<br>(& RAG) |
|---------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|---------------|--------------------|
| <b>1. Offer our students an exceptional learning experience</b>           |                                                                                                |               |                    |
| Student Satisfaction                                                      | National Student Survey                                                                        | 81%           | 80%                |
|                                                                           | Short Courses (internal survey)                                                                | 100%          | 97%                |
| <b>4. Develop our team to inspire and support students and each other</b> |                                                                                                |               |                    |
| Staff and HR development                                                  | Staff Turnover                                                                                 | 15%           | 11%                |
|                                                                           | Staff absenteeism                                                                              | 6%            | 4%                 |
| Governance, leadership and management                                     | Attendance at board meetings                                                                   | 86%           | 84%                |
|                                                                           | Audit recommendations completed                                                                | 100%          | 100%               |
| <b>6. Operate sustainably</b>                                             |                                                                                                |               |                    |
| Institutional sustainability                                              | Net surplus/deficit before adjustment for FRS102 items                                         | £-150k        | £-574k             |
|                                                                           | Earnings before interest, tax, depreciation and amortisation & FRS102 adjustments              | £887kk<br>7%  | £343k<br>3%        |
| Financial health                                                          | Staff cost as percentage of income                                                             | 61%           | 63%                |
|                                                                           | Contribution rates: income derived from non-publically funded sources                          | 6%            | 10%                |
| Market position                                                           | Home/EU undergraduate application increase (excl top-ups) above UCAS reported UK increase rate | 8% above UCAS | 22% above UCAS     |
| Property costs                                                            | Property costs per student FTE                                                                 | £1,299        | £1,568             |

**Strategic aim 1: Offer our students an exceptional learning experience**

Overall satisfaction in the National Student Survey fell slightly compared with the previous year, from 81% to 80%. However, following a significant focus on the NSS response rate, this reached 87%: a 6 percentage point increase, the College's highest ever rate, and 15<sup>th</sup> highest of 106 Music providers in the 2019 survey. The high response rate means that the error margin for the result is much narrower than in previous years and gives us a robust baseline from which to make further improvements. Student satisfaction with Short Courses remained high, with 97% of students agreeing that they were satisfied with their course, and 96% agreeing that their course was good value for money.

**Strategic aim 4: Develop our team to inspire and support our students and each other**

KPIs for staff turnover and staff absenteeism were met, absenteeism in particular was low (4% against the KPI of 6%), following improved management reporting on sickness absence and a focus on staff wellbeing. Attendance at Board meetings was consistently high, and the College is actively following up all recommendations.

**Strategic aim 6: Operate sustainably**

A deficit budget was planned, in part to support the introduction and investment in, the performing

arts degrees at the new Quarry Hill campus. It was subsequently possible, though not preferable, to absorb an operating deficit for 2018-19. As the new courses mature, they will support greater efficiencies and scalability in the delivery of teaching, adding to a diverse portfolio, which supports new areas of growth and reduces the concentration of income generation from music.

Overall student recruitment was marginally down (0.8%) against target. The resulting income shortfall was addressed through adjustment of non-pay spending in areas that would not directly impact on the student experience, however this reduction in income suppressed our financial health KPIs in terms of net surplus, EBITDA and staff costs as a percentage of income.

Market position as indicated by Home/EU undergraduate applications was 22% higher than the UCAS sector overall, and conversion was good, meaning new student recruitment to years 0 and 1 was the largest ever, though as above this was slightly below the ambitious target.

Property costs per student FTE were 21% above the KPI as a result of higher spend on planned maintenance of our facilities, and higher spend on agency staff to maintain staffing levels during unexpected sickness absence in this area.

### **Financial objectives**

The financial objectives adopted by the College should be read in the context of the strategic plan to achieve growth in Higher Education (HE) numbers and funding. The financial objectives underpinning the financial plans to 2020 are that we will achieve earnings before interest, taxation, depreciation and amortisation (EBITDA) in the region of 8-12%, allowing the College to generate positive operating cash flows to enable continued investment in resources. All of our departments will manage their work to agreed budgets and forecasts for each academic year. We will achieve annual student number targets for recruitment and retention, with input from academic and professional support departments.

### **Financial results**

The College generated a deficit before other gains and losses of (£1,961k) during the 12 months ending 31 July 2019 (2017/18: deficit of (£828k)), with total comprehensive income of (£4,259k) (2017/18: (£2,022k)).

At an operational level, the College's financial position remains stable, with year on year increases in tuition fee income for HE. Once new courses within the curriculum reach maturity, with the other plans, it will ensure the continuing viability and sustainability of the College's specialist operations.

The College's deficit for the year of £1.96m is after adjusting for the following items below:

- FRS102 pension costs being the difference between the estimated liability charge to the College and that paid by the College in employer contributions of £0.725m, recorded in staff costs.
- Net interest of £0.120m on the College's liabilities within the West Yorkshire Pension Scheme, reported within Interest and other finance costs.

An actuarial loss of £2.3m on the pension scheme meant total Comprehensive income was £4.26m in deficit in the year. Further discussion of the derivation of the pension costs is set out in Note 16 to these accounts.

The current funding regime for higher education students provides the College with the opportunity to pursue growth in its core business through increased student numbers. The key to improving financial health will be for the business to maintain the current cost profile of its new curriculum whilst maintaining the quality of provision and support necessary to both attract further growth over future years and retain existing enrolled students. At the same time, a comprehensive review of business support areas will be activated with the aim of reducing pay costs to support EBITDA improvements.

The financial performance in 2018/19, whilst presenting a higher deficit than budgeted for, demonstrates the move towards the long-term viability of the College's business model through continued student growth and capital investment necessary to accommodate this growth. The incorporation of new business planning processes to ensure that it is realised and a further commitment to a shared service approach to core business functions have been adopted. Securing efficiency advantages and controlling costs of these support services within the Luminate Education Group, will allow the College to focus on its core aim of offering students an exceptional learning experience. For example, any efficiencies will be used to improve in year retention. The predicted 39% growth in student enrolments over the next 3 years will be reached through new programmes in the performing arts as well as modest growth in existing music courses. Demand for the new Musical Theatre degree has been outstanding, with 12 applicants received for each place. Significant increases in applications overall and notable conversion rate improvements provide more assurances that the institution's reputation and marketing reach is strong.

In common with all HE Institutions the College's principal source of funding has shifted from grants to fees. We continue to seek diversification of income in the future, with our development and events teams making good progress in this area.

### **Balance Sheet**

The College has £2.1 million of net assets (after providing for a £8.4 million defined benefit pension liability and long term debt of £2 million).

### **Treasury policies and objectives**

Treasury management is the management of the College's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. As part of the group, surplus cash balances are managed as part of a group treasury function. The Principal does not have any authority to enter into borrowing on behalf of The College.

### **Liquidity**

The College's balance sheet reports an inter-company balance with LCC of £0.039 million, representing the College's cash reserves. This is sufficient to meet the on-going working capital and investment needs of the operation.

### **Post-balance sheet events**

There are no major balance sheet events to report in the period since 31 July 2019.

### **Going Concern**

Notwithstanding net current liabilities of £715,000 as at 31 July 2019 and an operating loss of £1,961,000 for the year then ended, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

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

The college is dependent upon the working capital facilities provided by its parent undertaking, Leeds City College Corporation (the Corporation). As a result the Corporation's activities, together with the factors likely to affect its future development, performance and position have been considered by the directors when considering the adoption of the going concern principle.

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

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

Repayment of the RCF is due in October 2020 and the bridging loan with WYCA is repayable from the proceeds from the sale of the Horsforth campus. At the date of approval of the financial statements there remains some uncertainty around both the required timing of repayment of the bridging loan to the WYCA and the receipt of any proceeds from any sale of the Horsforth campus, completion of which is contingent on planning permission being approved by Leeds City Council.

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

The Corporation have provided a letter of support to the directors to confirm that the support of the college's working capital requirements will be maintained for the period covering 12 months from the date of approval of these financial statements.

Based on these indications the directors believe 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 college's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its 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.

### **Stakeholder Relationships**

In line with other institutions, we have many stakeholders. These include:

- Students
- Education sector funding bodies
- Staff
- Local employers (with specific links)
- Local authorities
- Specialist music partners
- The local community
- Other HE and FE institutions
- Trade unions
- Professional bodies
- Government Offices
- Validating Partner (University of Hull)

In readiness for the institution's curriculum expansion in performing arts degrees from 2019 onwards, new partnerships and memorandums of association with the region's leading arts companies have been set up. These include Opera North, Leeds Playhouse, Red Ladder Theatre Company and Backstage Academy.

### **Equality and diversity**

Leeds College of Music is committed to valuing diversity and promoting equality and inclusion. We seek to maximise the potential of our staff and students, be responsive to new ideas, and equip our students for life in a multicultural and diverse society.

#### Our Commitment

Leeds College of Music values the rich social and cultural diversity in which it operates and is committed to:

- promoting equality
- promoting social cohesion and building community links
- respecting the dignity of all people who visit, study and work at the College
- providing conditions which encourage everyone to participate, progress and achieve in their learning
- actively challenging unacceptable actions and behaviours such as harassment, or bullying

Commitments to equality will be applied irrespective of:

- age
- disability
- gender and gender reassignment
- marriage and civil partnership
- neurodiversity
- pregnancy and maternity /paternity
- race
- religion or belief
- sex
- sexual orientation

These commitments are championed by the Equality, Diversity and Inclusion Committee and actively considered when producing or reviewing the College policies and procedures. The College's EDI

Action Plan incorporates actions to achieve and embed these commitments and explains how the conservatoire will implement them. EDI reports and actions are published on our website:

<https://www.lcm.ac.uk/about-us/corporate/equality-diversity/>

#### **Disability support**

The College has a well-established Disability Support team as part of its Student Services offer to prospective and current students. Prospective students are supported by the Disability Support team through audition or interview as needed.

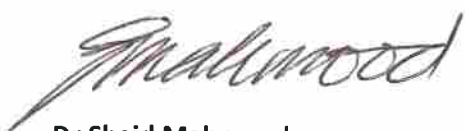
The team includes Disability Advisers, Study Skills tutors and a Specialist Mentor who offer support to DSA funded students as well as those students studying at the College who would benefit from ad-hoc support. This may take the form of support such as the provision of assistive technologies, specialist equipment, mentoring, and training for academic staff to ensure learning and teaching materials are fully accessible, lecture notes being made available in advance of lectures, extra exam time, audio recording of classes and a lecture capture system, Panopto.

The staff in the Disability Support team also work closely with the Health and Wellbeing team thus ensuring that, for example, tailored mental health support is available to students who would benefit from it.

#### **Disclosure of information to auditors**

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

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



**Dr Shaid Mahmood**

Chair of the Board of Directors  
Leeds College of Music  
3 Quarry Hill  
Leeds  
LS2 7PD

## STRATEGIC REPORT

The College had a successful year to 31 July 2019, and significant progress was made against the strategic plan. Key highlights were successful registration with the Office for Students (OfS) as an Approved (Fee Cap) Provider and approval of our Access and Participation Plan 2020/25 by the OfS.

For the most part, indicators of performance and management of risk was positive, as can be seen below. Where there were negatives, for example with an operating deficit being incurred, these will be learnt from and actions taken forward to continually improve our outcomes.

### **Student numbers**

In total, 1,181 HE students enrolled at The College in 2018/19 (2017/18: 1,136), comprising 1,148 undergraduate students and 33 postgraduate students. (2017/18: 1,108 undergraduate students and 28 postgraduate students)

### **Curriculum developments**

The Foundation Degree in Electronic Music Production commenced in September 2018. BA (Hons) in Musical Theatre will commence in September 2019 and two further performance degrees in Acting and Actor Musician will start in September 2020. The College has begun its application for Degree Awarding Powers with the ambition to validate its own provision from 2021 entry.

The two-school model is now fully established for our undergraduate provision. The School of Pop & Production comprises the BA (Hons) degrees of Pop, Music Production, Film and Music Business with foundation degrees in Music Production and Electronic Music Production. The School of Performance comprises the BA Hons in Classical, Jazz, Folk and Musical Theatre plus the Foundation Year.

Postgraduate provision, Short Courses and Junior College (7-11 year olds) are managed outside of the undergraduate Schools.

### **Future prospects**

Looking ahead the future of the College remains positive if challenging. Increased competition within the HE sector means that the College's current position can be sustained and improved by continued investment in facilities and enhancements to the curriculum to attract the most appropriate students.

Bespoke new facilities to accommodate 240 new undergraduate students in the performing arts have been completed. International student recruitment continues to grow by targeting new markets for existing and future programmes within and outside the European Union. A robust market position has been strengthened by formal agreements with the nationally recognised arts and music organisations, increased feeder school and open day activities and the removal of audition fees. These actions, alongside an expanding curriculum and exemplary facilities, has positioned the College to be able to grow its market share.

### **Environmental matters**

A key strategic objective for the College is to continue to operate sustainably and to have regard for the environment through carbon reduction measures and a range of sustainability initiatives. The College is part of the carbon management programme endorsed by the Carbon Trust. The College also now shares the same suppliers for energy, waste management and mechanical maintenance within the wider Luminate Education Group. A sustainability group monitors performance against our sustainability strategy. The College operates a “zero to landfill” policy.

The College is also actively pursuing a connection to Leeds new District Heating Network, which will supply the conservatoire with heating and hot water.

### **People and Resources**

The College has various resources that it can deploy in pursuit of its strategic objectives. The staff headcount of the College as an average for the year was 343, comprising 130 female and 213 male staff. Expressed as full time equivalents, The College employed 171 people of whom 51 are teaching staff. There is one Senior Post Holder, the Principal & Managing Director, who is the Accountable Officer and is male. The College’s staff are a significant resource with many having national and international profiles in their field.

Tangible resources include The College’s main building, with specialist facilities including recording studios, performance and rehearsal spaces, musical instruments and equipment. The other parts of the estate include a bespoke music library building, which opened in 2017, and a significant investment in the institution’s main concert hall during 2017/18. In 2018/19, we added a further 1,300 sq. m of specialist teaching and practice space to accommodate new degrees in Musical Theatre, Acting and Actor Musician.

### **Brand**

Consistent and focused marketing and communications activity has supported the College’s growth in reputation locally, nationally and internationally. This success can be measured by the 22% increase in undergraduate and 51% increase in postgraduate applications (2019 vs. 2018), secured fundraising income of over £200k, and by the successful recruitment of high profile staff to the College’s new drama courses.

The introduction of a broader curriculum has necessitated an assessment of the College’s name and change in name in 2019/20 has been endorsed through extensive stakeholder consultation. The rationale for this was based on the fact that we no longer deliver only music education and that by 2022, our theatre, drama and business programmes will generate almost 25% of our student population. The research brief set out to understand the role and associations of each element of the current name whilst capturing thoughts and suggestions on how this could be changed. The two-stage consultation process with stakeholders clearly confirmed the need to change the name. Proposed names were judged upon in terms of appropriateness, appeal and distinctiveness. Whilst this process is near to completion, a final decision requires ratification through the institution’s governance structures. The adopted new name will be introduced in March 2020.

## **Key Performance Indicators**

### **Academic Profile**

The percentage of BA (Hons) students graduating in 2019 who achieved a 2.1 or higher was 74.1%, marginally higher than the previous year's figure of 73.8%,

### **Student Satisfaction**

Results from the 2019 National Student Survey, which surveys final year undergraduate students, showed an overall satisfaction percentage of 80%, a slight decline of 1% from the previous survey. All pathways made good progress in improving student satisfaction, with the exception of one pathway, where a significant programme of targeted improvement activities is now in place. Action plans are in place to address issues arising from student feedback and ensure continuous improvement of the student experience.

### **Payment performance**

The Late Payment of Commercial Debts (Interest) Act 1998 requires companies, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. During the accounting year ended 31 July 2019 The College paid 95% (prior year 98%) of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

### **Trade Union facility**

As part of the Trade Union Act 2016, we are required to publish information on trade union facility time. This information is for 1st April 2018 to 31st March 2019. Four employees with a full time equivalent employee number of 2.73 spent between 1 and 50% of their time providing this facility. The cost of providing this facility was £1,323, representing 0.02% of the total pay bill for The College during this period. The time spent on paid trade union activities as a percentage of total paid facility time was 0%.

### **Principal Risks and Uncertainties**

The College has identified a number of key strategic risks that affect the whole College and records and manages these in accordance with the Luminate Education Group Risk Management Policy. The Principal & Managing Director has responsibility for The College's strategic risk register, overseen by the Audit Committee and the Board of Directors. The Audit Committee use risk 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 of the process. The Luminate Education Group's internal auditors use the risks to inform their prospective work plan so that the plan is focused upon the key risks facing The College.

The Augar Review of post-18 education in England was published in May 2019 and sought to rebalance resources between higher and further education while minimising additional costs. There were two key recommendations that could have a material impact on LCoM, if implemented by the Government. The first was a reduction in tuition fees to £7,500 from the current level of £9,250 from 2021/22. The second was the removal of funding for integrated Foundation Years from 2023/24. A cut in the headline tuition fee to £7,500 could see a reduction in real terms as the difference between this and the existing fee may not be transferred by way of an OfS teaching grant. If the calculation for this was based on the 'value' of a creative arts degree, then based on graduate earnings (LEO), LCoM could see a greater reduction than, say, specialist STEM institutions. Given the

growth in our Foundation Year programmes and their positive impact on the quality and sustainability of the Classical and Jazz courses, LCoM would need to act to reduce the risks of lost income, lost progression, and lost access routes for underrepresented groups.

In June 2019, the above Augar recommendations were built as scenario plans, to enable financial contingency planning, as part of the institution's 5 year forecast. Given the political uncertainty, these financial models were amended to consider a later likelihood of these recommendations being enacted. This contingency planning has been considered by the Board and senior management and remains a key risk on the risk register.

In recent months, post the publication of the Augar review, the education secretary has reportedly asked the Office for Students to use its regulatory powers to implement some parts of the review, such as a boost in the number of fast-track two-year degrees and more part-time courses. Plans to reduce tuition fees to £7,500 have also been reported to have been removed as a result of a lack of a Government majority to push through new legislation to implement this aspect of the Augar report.

LCoM remains alert to any updates on the post 18 education review and recognises that the uncertainty around future HE tuition fees will remain in the current political climate.

We have identified the principal risks below.

- *Lack of estates capacity limits our student recruitment and course delivery.* The College aims to offer our students an exceptional learning experience in exemplary facilities, and growing student numbers will increase pressure on the space available. We have an Estates Strategy in place until 2022, and from September 2019 we will occupy a further 1,300 sq. m of purpose-built teaching facilities at Quarry Hill. The transfer of our FE provision in 2018 to Leeds City College created further capacity for HIM teaching.
- *Failure to maintain our market position against competitors.* We aim to maintain a strong market position to ensure we operate sustainably, but our competitor's own strategies may lessen our ability to do this. We have several strategies in place to secure our position, including building feeder school relationships, increased open day activity and improved digital presence, as well as expanding the curriculum. We have also removed audition fees, to make sure that applicants from all backgrounds can access our provision without being deterred on cost grounds.
- *Financial sustainability.* We have invested significantly in our exceptional facilities in recent years, to protect our market share and improve the student experience. We need to maintain the financial flexibility to accommodate further annual capital investment and are working with other members of the group to identify efficiencies. A more detailed and rigorous approach to business planning has been adopted. The future HE funding environment is uncertain, and we are maintaining scenario plans to help us understand and mitigate the impact of changing Government policy.

We made significant progress against many of these during the year and whilst the risk levels with planned mitigation are judged acceptable, close monitoring of them is nevertheless actively maintained.

LEEDS COLLEGE OF MUSIC LIMITED

FINANCIAL STATEMENTS

For the year ended 31 July 2019

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



**Dr Shaid Mahmood**  
Chair of the Board of Directors  
Leeds College of Music  
3 Quarry Hill  
Leeds  
LS2 7PD

**PROFESSIONAL ADVISORS**

**External Auditors**

KPMG LLP  
1 Sovereign Square  
Sovereign Street  
Leeds  
LS1 4DA

**Internal Auditors**

RSM  
2 Wellington Place  
Leeds  
LS1 4AP

**Bankers**

Lloyds Bank PLC  
2nd Floor  
Lisbon House  
116 Wellington Street  
Leeds  
LS1 4LT

**Solicitors**

Eversheds LLP  
Bridgewater Place  
Water Lane  
Leeds  
LS11 5DR

**Key management personnel**

Key management personnel are defined as members of the Executive Leadership Team and were represented by the following in 2018/19:

|                      |                                                         |
|----------------------|---------------------------------------------------------|
| Gerry Godley         | Principal & Managing Director (and Accountable Officer) |
| Professor Joe Wilson | Vice-Principal & Director of Curriculum                 |
| David Warren         | Chief Operating Officer                                 |

## STATEMENT OF CORPORATE GOVERNANCE

The following statement is provided to enable readers of the annual report and financial statements of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2018 to 31 July 2019 and up to the date of the approval of the annual report and financial statements.

The College endeavours to conduct its business:

- i) in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership; and
- ii) Having due regard to the UK Corporate Governance Code 2014 insofar as it is applicable to the higher education sectors.

The College is committed to exhibiting best practise in all aspects of corporate governance and those aspects of the UK Corporate Governance Code we consider to be relevant to the further and higher education sector and best practice.

In the opinion of the Board of Directors the College complies with all the provisions of the Code in so far as they apply, and it has complied throughout the period ended 31 July 2019. The Board 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.

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

STATEMENT OF CORPORATE GOVERNANCE (*CONT.*)**The Board of Directors**

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

| <b>Name and status</b>                                                          | <b>Date of most recent Appointment</b> | <b>Term of Office</b> | <b>Date of Resignation</b> | <b>Attendance at board meetings during 2018/19<br/>Maximum of 5</b> |
|---------------------------------------------------------------------------------|----------------------------------------|-----------------------|----------------------------|---------------------------------------------------------------------|
| <b>Hollie Arnold</b> – President of The College Students' Union                 | 1 <sup>st</sup> July 2019              | Ex officio            | N/A                        | N/A                                                                 |
| <b>Colin Booth OBE</b> (Luminate Education Group CEO & Principal)               | 1 <sup>st</sup> Oct 2015               | Ex officio            | N/A                        | 4                                                                   |
| <b>Gerry Godley</b> -<br>The College Principal & MD                             | 22 <sup>nd</sup> Sept 2014             | Ex officio            | N/A                        | 5                                                                   |
| <b>Elise Brown</b> – External Member                                            | 1 <sup>st</sup> Sept 2019              | 4 years               | N/A                        | N/A                                                                 |
| <b>Aaron Casserly-Stewart</b> – External Member                                 | 1 <sup>st</sup> Sept 2019              | 4 years               | N/A                        | N/A                                                                 |
| <b>Cherry Fricker</b> (Vice Chair) – External Member                            | 8 <sup>th</sup> June 2019              | 4 years               | N/A                        | 5                                                                   |
| <b>Prof Paul Hollins</b> – External Member                                      | 1 <sup>st</sup> Sept 2019              | 4 years               | N/A                        | N/A                                                                 |
| <b>Jenny Hoy</b> – External Member                                              | 1 <sup>st</sup> Sept 2019              | 4 years               | N/A                        | N/A                                                                 |
| <b>Dr Shaid Mahmood</b> (Chair wef 1 <sup>st</sup> Sept 2019) – External Member | 1 <sup>st</sup> August 2019            | 4 years               | N/A                        | N/A                                                                 |
| <b>Claire Marsh</b> – Staff Member                                              | 11 <sup>th</sup> Oct 2018              | 4 years               | N/A                        | 5                                                                   |
| <b>Dr Claire Mera-Nelson</b> – Co-opted Member                                  | 1 <sup>st</sup> Nov 2015               | 4 years               | N/A                        | 2                                                                   |

| <b>Name and status</b>                                             | <b>Date of most recent Appointment</b> | <b>Term of Office</b> | <b>Date of Resignation</b> | <b>Attendance at board meetings during 2018/19<br/>Maximum of 5</b> |
|--------------------------------------------------------------------|----------------------------------------|-----------------------|----------------------------|---------------------------------------------------------------------|
| <b>Chris Monks</b> – External Member                               | 1 <sup>st</sup> Sept 2019              | 4 years               | N/A                        | N/A                                                                 |
| <b>Benjamin Saunders</b> – External Member                         | 24 <sup>th</sup> Sept 2017             | 4 years               | N/A                        | 4                                                                   |
| <b>Neal Parker</b> – External Member                               | 1 <sup>st</sup> Jan 2018               | 4 years               | 30 <sup>th</sup> June 2019 | 4                                                                   |
| <b>Libby Raper</b> (Chair) – External Member                       | 1 <sup>st</sup> Jan 2018               | 4 years               | 31 <sup>st</sup> July 2019 | 5                                                                   |
| <b>Hamish Wilkinson</b> – President of The College Students' Union | 11 <sup>th</sup> Oct 2018              | Ex officio            | 30 <sup>th</sup> June 2019 | 4                                                                   |

### Appointments to the Board

Any new appointments to the Board are a matter for the consideration of the Board as a whole via a Governance and Nominations Committee, which is responsible for the selection and nomination of any new member for the Board's consideration. The Board is 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.

In accordance with section 172(1) of the Companies Act 2006, Directors have a statutory duty to promote the success of The College for the benefit of its members. The Board is provided with regular and timely information on the overall financial performance of The College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety and environmental issues. The Board meets every two months, on average. Formal agendas, papers and reports are supplied to Directors 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 Principal & Managing Director are separate.

## STATEMENT OF CORPORATE GOVERNANCE (*CONT.*)

Full minutes of all meetings, except those deemed to be confidential by the Board, are available from the registered office address:

Leeds College of Music  
3 Quarry Hill  
Leeds  
LS2 7PD

### **Audit Committee**

The audit committee comprises of three members of the Board and up to two co-opted (non-governor) members. Its membership excludes the Chief Executive and the Chair of the Board. The committee operates in accordance with written terms of reference approved by the Board.

The audit committee meets four times per year and provides a forum for reporting by the college's internal, regularity and financial statements auditors, who have access to the committee for independent discussion, without the presence of management.

The internal auditors review the systems of internal control, risk management and governance processes in accordance with an agreed plan of input and report their findings to management and the audit committee.

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

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

### **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.

## STATEMENT OF INTERNAL CONTROL

### Scope of responsibility

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

The Board has delegated the day-to-day responsibility to the Principal and Managing Director, as Accountable Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets.

### The Purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the College's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the College for the period ended 31 July 2018 and up to the date of approval of the annual report and accounts.

### Capacity to handle risk

The Board has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Board is of the view that there is a formal on-going process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2019 and up to the date of approval of the annual report and accounts. The process is regularly reviewed by the Board.

### The risk and control framework

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

- Comprehensive budgeting systems with an annual budget reviewed and agreed by the Board;
- Regular reviews by the Board 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 College has an internal audit service which operates in accordance with the requirements of the Office for Students' Audit Code of Practice (Annex C). The work of the internal audit service is informed by an analysis of the risks to which the College is exposed and annual internal audit plans are based on this analysis.

## STATEMENT OF INTERNAL CONTROL (CONT.)

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

### Review of effectiveness

The Principal & Managing Director has responsibility for reviewing the effectiveness of the system of internal control. His review of the effectiveness of the system of internal control is informed by:

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

The Executive Leadership Team (ELT) 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 Board's agenda includes a regular item for consideration of risk and control and receives reports thereon from senior management. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

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

### Going Concern

After making appropriate enquiries, the Board considers that the College has adequate resources to continue in operational existence for the foreseeable future, which includes the support offered by the Leeds City College Corporation (see Note 1 to the Accounts on page 28). For this reason, it continues to adopt the going concern basis in preparing the financial statements.

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



**Dr Shaid Mahmood**  
Chair of the Board of Directors

Leeds College of Music



**Gerry Godley**  
Principal and Managing Director (Accountable Officer)

Leeds College of Music

## STATEMENT OF RESPONSIBILITIES OF THE MEMBERS OF THE BOARD

The members of the Board of Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with the requirements of the Office for Students' Terms and Conditions of Funding for Higher Education Institutions and Research England's Terms and Conditions of Research England Grant and applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the Company's financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *the Financial Reporting Standard applicable in the UK and Republic of Ireland*. The terms and conditions of funding further require the financial statements to be prepared in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education, in accordance with the requirements of the Accounts Direction issued by the Office for Students.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of their income and expenditure, gains and losses and changes in reserves for that period. In preparing the Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- assess the Company'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 Company or to cease operations, or have no realistic alternative but to do so.

The Board is responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

STATEMENT OF RESPONSIBILITIES OF THE MEMBERS OF THE BOARD (*CONT.*)

The Board are also responsible for ensuring that:

- funds from whatever source administered by the Company for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the Office for Students and Research England have been applied in accordance with the terms and conditions attached to them;
- ensuring that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources; and
- securing the economical, efficient and effective management of the Company's resources and expenditure.

The Board is responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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



**Dr Shaid Mahmood**  
Chair of the Board of Directors  
Leeds College of Music

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LEEDS COLLEGE OF MUSIC

### Opinion

We have audited the financial statements of Leeds College of Music ("the Company") for the year ended 31<sup>st</sup> July 2019 which comprise the Statement of Comprehensive Income, the Statement of Changes in Reserves, and the 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 Company's affairs as at 31<sup>st</sup> July 2019, and of the Company's income and expenditure, gains and losses and changes in reserves, and of the Company'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 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education*;
- meet the requirements of the Accounts Direction dated 19 June 2018 issued by the Office for Students and paragraphs 12d and 50 of the Accounts Direction dated 25 October 2019 issued by the Office for Students; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

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

### Material uncertainty related to going concern

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

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

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

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing

the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

### **Other information**

The Board of Directors is responsible for the other information, which comprises the Director's Report, Strategic Report and the 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, except as explicitly stated below, 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;
- in our opinion the information given in the Director's Report, Strategic Report and the Statement of Corporate Governance and Internal Control for the financial year, is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

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

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company's financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

### **Directors' responsibilities**

As explained more fully in their statement set out on page 20, the Board of Directors (who are the Directors of the company for the purposes of company law) 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

### **Auditor's responsibilities**

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

reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

### **Report On Other Legal and Regulatory Requirements**

We are required to report on the following matters under the Office for Students and Research England Audit Codes of Practice issued under the Further and Higher Education Act 1992.

In our opinion, in all material respects:

- funds from whatever source administered by the Company for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the Office for Students and Research England have been applied in accordance with the terms and conditions attached to them.

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

This report is made solely to the Company members, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members 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 Company members for our audit work, for this report, or for the opinions we have formed.



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

/9 December 2019

## STATEMENT OF COMPREHENSIVE INCOME

|                                                                | Notes | 2019<br>£'000  | 2018<br>£'000  |
|----------------------------------------------------------------|-------|----------------|----------------|
| <b>Income</b>                                                  |       |                |                |
| Tuition fees and education contracts                           | 2     | 10,987         | 10,473         |
| Other grants and contracts                                     | 3     | 734            | 1,385          |
| Other income                                                   | 4     | 589            | 668            |
| Donations and endowments                                       | 5     | 6              | 28             |
| <b>Total income</b>                                            |       | <b>12,316</b>  | <b>12,554</b>  |
| <b>Expenditure</b>                                             |       |                |                |
| Staff costs                                                    | 6     | 8,965          | 8,090          |
| Other operating expenses                                       | 7     | 4,160          | 4,177          |
| Depreciation                                                   | 9     | 955            | 987            |
| Interest and other finance costs                               | 8     | 197            | 128            |
| <b>Total expenditure</b>                                       |       | <b>14,277</b>  | <b>13,382</b>  |
| <b>Deficit before other gains and losses</b>                   |       | <b>(1,961)</b> | <b>(828)</b>   |
| Loss on disposal of assets                                     |       | -              | (3)            |
| <b>Deficit before tax</b>                                      |       | <b>(1,961)</b> | <b>(831)</b>   |
| Taxation                                                       |       | -              | -              |
| <b>Deficit for the year</b>                                    |       | <b>(1,961)</b> | <b>(831)</b>   |
| Actuarial gain / (loss) in respect of pension schemes          |       | (2,299)        | (1,191)        |
| <b>Total Comprehensive (Expenditure) / Income for the year</b> |       | <b>(4,259)</b> | <b>(2,022)</b> |
| <b>Represented by:</b>                                         |       |                |                |
| Endowment comprehensive income / (expenditure) for the year    |       | -              | 2              |
| Unrestricted comprehensive (expenditure) / income for the year |       | (4,259)        | (2,024)        |
|                                                                |       | <b>(4,259)</b> | <b>(2,022)</b> |

All items of income and expenditure relate to continuing operations.

The accompanying notes on pages 31 to 51 form part of these financial statements.

## STATEMENT OF CHANGES IN RESERVES

|                                                     | Income &<br>expenditure<br>reserve -<br>unrestricted<br>£'000 | Endowment<br>Reserve -<br>restricted<br>£'000 | Total<br>£'000 |
|-----------------------------------------------------|---------------------------------------------------------------|-----------------------------------------------|----------------|
| <b>Balance at 1 August 2017</b>                     | <b>8,328</b>                                                  | <b>8</b>                                      | <b>8,336</b>   |
| Deficit from the income and expenditure account     | (833)                                                         | 2                                             | (831)          |
| Other comprehensive income                          | (1,191)                                                       | -                                             | (1,191)        |
|                                                     | (2,024)                                                       | 2                                             | (2,022)        |
| <b>Balance at 31 July 2018</b>                      | <b>6,304</b>                                                  | <b>10</b>                                     | <b>6,314</b>   |
| Deficit from the income and expenditure account     | (1,956)                                                       | (5)                                           | (1,961)        |
| Other comprehensive expenditure                     | (2,299)                                                       | -                                             | (2,299)        |
| <b>Total comprehensive expenditure for the year</b> | <b>(4,255)</b>                                                | <b>(5)</b>                                    | <b>(4,260)</b> |
| <b>Balance at 31 July 2019</b>                      | <b>2,049</b>                                                  | <b>5</b>                                      | <b>2,054</b>   |
| <b>Deficit for the year comprises:</b>              |                                                               |                                               |                |
| Deficit from the income and expenditure account     | (1,956)                                                       |                                               |                |
| Income from the endowment reserve                   | (5)                                                           |                                               |                |
| <b>Deficit for the year</b>                         | <b>(1,961)</b>                                                |                                               |                |

The accompanying notes on pages 31 to 51 form part of these financial statements.

## BALANCE SHEET AS AT 31 JULY 2019

|                                                                       | Notes  | 2019<br>£'000        | 2018<br>£'000        |
|-----------------------------------------------------------------------|--------|----------------------|----------------------|
| <b>Non-current assets</b>                                             |        |                      |                      |
| Tangible Fixed assets                                                 | 9      | <u>13,234</u>        | <u>13,572</u>        |
|                                                                       |        | <b>13,234</b>        | <b>13,572</b>        |
| <b>Current Assets</b>                                                 |        |                      |                      |
| Stock                                                                 |        | 5                    | 3                    |
| Trade and other receivables                                           | 10     | 601                  | 1,049                |
| Cash at bank and in hand                                              |        | <u>9</u>             | <u>12</u>            |
| <b>Total current assets</b>                                           |        | <b>615</b>           | <b>1,064</b>         |
| <b>Less: Creditors - amounts falling due within one year</b>          | 11     | <u>(1,330)</u>       | <u>(1,244)</u>       |
| <b>Net current (liabilities) / assets</b>                             |        | <b>(715)</b>         | <b>(180)</b>         |
| <b>Total assets less current liabilities</b>                          |        | <u><b>12,519</b></u> | <u><b>13,392</b></u> |
| <b>Less: Creditors – amounts falling due after more than one year</b> | 12, 13 | <b>(2,087)</b>       | <b>(2,253)</b>       |
| <b>Provisions</b>                                                     |        |                      |                      |
| Pension provisions                                                    | 14, 16 | <u>(8,378)</u>       | <u>(4,825)</u>       |
| <b>TOTAL NET ASSETS</b>                                               |        | <u><b>2,054</b></u>  | <u><b>6,314</b></u>  |
| <b>Restricted reserves</b>                                            |        |                      |                      |
| Income and expenditure reserve - endowment reserve                    | 15     | 5                    | 10                   |
| <b>Unrestricted reserves</b>                                          |        |                      |                      |
| Income and expenditure reserve - unrestricted                         |        | <u>2,049</u>         | <u>6,304</u>         |
| <b>TOTAL RESERVES</b>                                                 |        | <u><b>2,054</b></u>  | <u><b>6,314</b></u>  |

The accompanying notes on pages 31 to 51 form part of these financial statements.

The financial statements on pages 27 to 51 were approved and authorised for issue by the Board on 16 December 2019 and were signed on its behalf on that date by:



**Dr Shaid Mahmood**  
Chair of the Board of Directors  
Leeds College of Music



**Gerry Godley**  
Principal and Managing Director  
Leeds College of Music

CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> JULY 2019

|                                                          | 2019<br>£'000 | 2018<br>£'000  |
|----------------------------------------------------------|---------------|----------------|
| <b>Cash flow from operating activities</b>               |               |                |
| Deficit for the year                                     | (1,956)       | (831)          |
| <b>Adjustment for non-cash items</b>                     |               |                |
| Depreciation of fixed assets                             | 955           | 987            |
| (Increase)/decrease in stock                             | (2)           | 1              |
| (Increase)/decrease in debtors                           | 448           | (19)           |
| Increase/ (decrease) in creditors                        | 77            | (24)           |
| New deposits – working capital from Leeds City College   | -             | 661            |
| Increase/ (decrease) in provision for enhanced pensions  | (17)          | 18             |
| Pension service cost in excess of employer contributions | 1,271         | 622            |
| Interest and other finance costs                         | (77)          | 128            |
| Increase / (decrease) in endowment reserve               | (5)           | 3              |
| Loss on disposal of tangible fixed assets                | -             | 3              |
| <b>Net cash inflow from operating activities</b>         | <b>694</b>    | <b>1,549</b>   |
| <b>Cash flows from investing activities</b>              |               |                |
| Payments made to acquire tangible fixed assets           | (617)         | (1,369)        |
|                                                          | <b>(617)</b>  | <b>(1,369)</b> |
| <b>Cash flows from financing activities</b>              |               |                |
| Interest element of finance lease repayments             | (77)          | (65)           |
| Capital element of finance lease payments                | (157)         | (113)          |
|                                                          | <b>(80)</b>   | <b>(178)</b>   |
| <b>Increase in cash and cash equivalents in the year</b> | <b>(3)</b>    | <b>2</b>       |
| Cash brought forward at beginning of year                | 12            | 10             |
| <b>Cash carried forward at end of year</b>               | <b>9</b>      | <b>12</b>      |

## NOTES TO THE ACCOUNTS

### 1. ACCOUNTING POLICIES

#### Statement of accounting policies

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

#### Basis of preparation

These financial statements have been prepared in accordance with:

- the *Statement of Recommended Practice: Accounting for Further and Higher Education 2015* (the "2015 FE HE SORP");
- 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.

The financial statements are prepared in accordance with the historical cost convention modified by the recording of fixed assets at deemed cost as allowed under FRS 102.

#### Going concern

Notwithstanding net current liabilities of £715,000 as at 31 July 2019 and an operating loss of £1,961,000 for the year then ended, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

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

The college is dependent upon the working capital facilities provided by its parent undertaking, Leeds City College Corporation (the Corporation). As a result the Corporation's activities, together with the factors likely to affect its future development, performance and position have been considered by the directors when considering the adoption of the going concern principle.

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

To meet the working capital needs of the group the Corporation has negotiated various short-term lending arrangements with its banker (Santander), including a Revolving Credit Facility (RCF) of £6m. The Corporation has also obtained a bridging loan of £6.5m from the WYCA. By utilising these

## NOTES TO THE ACCOUNTS

### 1. ACCOUNTING POLICIES (CONT.)

facilities the group has sufficient financial resources to meet its day-to-day working capital requirements and is expected to continue to generate substantial positive operational cash inflows for the foreseeable future.

Repayment of the RCF is due in October 2020 and the bridging loan with WYCA is repayable from the proceeds from the sale of the Horsforth campus. At the date of approval of the financial statements there remains some uncertainty around both the required timing of repayment of the bridging loan to the WYCA and the receipt of any proceeds from any sale of the Horsforth campus, completion of which is contingent on planning permission being approved by Leeds City Council.

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

The Corporation have provided a letter of support to the directors to confirm that the support of the college's working capital requirements will be maintained for the period covering 12 months from the date of approval of these financial statements.

Based on these indications the directors believe 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 college's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its 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**

Income is recognised in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement is adjusted for and reflected in the level of income recognised. As an independent HEI, the college receives funding directly from the Office for Students and the Student Loans Company.

Income from tuition fees is recognised in the period for which it is received and includes all fees payable by students or their sponsors. Income from grants, contracts and other services rendered is included to the extent of the completion of the contract or service concerned. All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned.

#### **Grant funding including capital grants**

Grant funding including Office for Students block grant and grants from non-government sources are recognised as income when the College is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

## NOTES TO THE ACCOUNTS

### 1. ACCOUNTING POLICIES (CONT.)

#### **Donations and endowments**

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**

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

The WYPF is a funded scheme and the assets are held separately from those of the College in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities.

The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and gains and losses on curtailments and settlements. They are included as part of staff costs. Past service costs are recognised immediately in the income and expenditure account if the benefits have been vested. If the benefits have not been vested immediately, the costs are recognised over the period until vesting occurs.

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 interest and other finance costs.

Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

#### **Short-term Employment benefits**

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

#### **Enhanced Pensions**

The actual cost of any enhanced on-going pension to a former member of staff is paid by a College

## NOTES TO THE ACCOUNTS

### 1. ACCOUNTING POLICIES (*CONT.*)

annually. An estimate of the expected future costs of any enhancement to the on-going pension of a former member of staff is charged in full to the College's income and expenditure account in the year that the member of staff retires. In subsequent years a charge is made to provisions in the balance sheet using the enhanced pension spreadsheet provided by the funding bodies.

#### **Non-current assets - Tangible fixed assets**

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

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

Building improvements made are included in the balance sheet at cost. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 5 and 30 years. Leasehold land and buildings are depreciated on a straight-line basis over their expected economic life to the College of 60 years or, if shorter, the period of the lease.

Building improvements made are included in the balance sheet at cost. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 5 and 30 years. Leasehold land and buildings are depreciated on a straight-line basis over their expected economic life to the College of 60 years or, if shorter, the period of the lease.

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

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.

##### *Subsequent expenditure on existing fixed assets:*

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

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

##### **Equipment**

Individual items of equipment costing less than £2,000 is written off to the Statement of Comprehensive Income 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.

## NOTES TO THE ACCOUNTS

### 1. ACCOUNTING POLICIES (*CONT.*)

#### **Leased assets**

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

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

#### **Stock**

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 College is an exempt charity within the meaning of Part 3 of the Charities Act 2011 and as such is

NOTES TO THE ACCOUNTS

7. ACCOUNTING POLICIES (*CONT.*)

**Taxation (*cont.*)**

a charity within the meaning of Section 506 (1) of the Income and Corporation Taxes Act 1988. The University is recognised as a charity by HM Revenue & Customs. It is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and accordingly is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 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.

In the opinion of the Board, no tax charge has arisen in either year.

The College receives no similar exemption in respect of value added tax. For this reason the College is generally unable to recover input VAT it suffers on goods and services purchased. Capital costs and non-pay expenditure are therefore shown inclusive of VAT with any partial recovery included in other operating income.

**Provisions, contingent liabilities and assets**

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

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

A contingent asset arises where an event has taken place that gives the College a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the College.

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

**Agency Arrangements**

The College acts as an agent in the collection and payment of Discretionary Support Funds. Related payments received and subsequent disbursements to students are excluded from the Income and Expenditure account and are shown separately in Note 21, except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant.

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

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

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES (*CONT.*)

**Judgements in applying accounting policies and key sources of estimation uncertainty (*cont.*)**

*Other key sources of estimation uncertainty*

- *Tangible fixed assets*

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

*Other key sources of estimation uncertainty (*cont.*)*

- *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 16, will impact the carrying amount of the pension liability.

Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2019. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

**Reserves**

Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which, through endowment to the College, the donor has designated a specific purpose and therefore the College is restricted in the use of these funds.

## NOTES TO THE ACCOUNTS

## 2. TUITION FEES AND EDUCATION CONTRACTS

|                        | 2019<br>£'000 | 2018<br>£'000 |
|------------------------|---------------|---------------|
| Home and EU students   | 10,330        | 9,782         |
| International students | 657           | 691           |
| <b>Total</b>           | <b>10,987</b> | <b>10,473</b> |

## 3. OTHER GRANTS AND CONTRACTS

|                        | 2019<br>£'000 | 2018<br>£'000 |
|------------------------|---------------|---------------|
| Provision of education | 734           | 1,257         |
| Capital grants         | -             | 128           |
| <b>Total</b>           | <b>734</b>    | <b>1,385</b>  |

## 4. OTHER INCOME

|                                    | 2019<br>£'000 | 2018<br>£'000 |
|------------------------------------|---------------|---------------|
| Catering and residences            | 7             | 6             |
| Other income generating activities | 357           | 332           |
| Other grant income                 | -             | -             |
| Miscellaneous Income               | 225           | 330           |
| <b>Total</b>                       | <b>589</b>    | <b>668</b>    |

## 5. DONATIONS AND ENDOWMENTS

|                        | 2019<br>£'000 | 2018<br>£'000 |
|------------------------|---------------|---------------|
| New endowments         | (5)           | 14            |
| Unrestricted donations | 11            | 14            |
| <b>Total</b>           | <b>6</b>      | <b>28</b>     |

## NOTES TO THE ACCOUNTS

## 6. STAFF COSTS

The average number of persons (including senior staff) employed by the College during the period, described as full time equivalent was:

|                                                    | 2019<br>Number | 2018<br>Number |
|----------------------------------------------------|----------------|----------------|
| Teaching                                           | 64             | 62             |
| Teaching support                                   | 12             | 14             |
| Student support                                    | 30             | 31             |
| Management, administration, marketing & IT         | 29             | 34             |
| Estates                                            | 20             | 22             |
| Income generation                                  | 13             | 11             |
| <b>Total Staff</b>                                 | <b>168</b>     | <b>174</b>     |
|                                                    | <b>£000</b>    | <b>£000</b>    |
| Wages and Salaries                                 | 6,455          | 6,096          |
| Social Security Costs                              | 500            | 559            |
| Other Pension Costs ( <i>see notes 14 and 16</i> ) | 1,821          | 1,306          |
| Payroll sub-total                                  | 8,776          | 7,961          |
| Contracted out staffing services                   | 121            | 111            |
| Restructuring costs – redundancy                   | 68             | 18             |
| <b>Total</b>                                       | <b>8,965</b>   | <b>8,090</b>   |

**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 which comprises the Principal & Managing Director, Vice Principal and Director of Curriculum and Chief Operating Officer.

The emoluments payable to the Principal & Managing Director, Gerry Godley (who is also the highest paid member of staff) are:

|                                                             | 2019<br>£'000 | 2018<br>£'000 |
|-------------------------------------------------------------|---------------|---------------|
| Salary                                                      | 123           | 121           |
| Pension contributions paid by the College                   | 17            | 16            |
| Benefits in Kind – personal pension contributions sacrifice | 6             | 6             |
| Gross emoluments                                            | 146           | 143           |
| Less: unpaid benefits                                       | (6)           | (6)           |
| <b>Total emoluments paid</b>                                | <b>140</b>    | <b>137</b>    |

Mr Godley's salary represents 3.4 times the median contractual salary paid out and his total remuneration 4.2 times the median total remuneration paid out to staff during the year.

## NOTES TO THE ACCOUNTS

**Key management personnel (cont.)**

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.

The members of the Board other than the Principal did not receive any payment from the institution other than the reimbursement of travel and subsistence expenses incurred in the course of their duties. The total expenses paid to or on behalf of the Board in the year was £Nil (2018 - £Nil).

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

**7. OTHER OPERATING EXPENSES**

|                    | <b>2019</b>  | <b>2018</b>  |
|--------------------|--------------|--------------|
|                    | <b>£'000</b> | <b>£'000</b> |
| Teaching Costs     | 834          | 710          |
| Non-teaching Costs | 2,124        | 2,730        |
| Premises Costs     | 1,202        | 737          |
| <b>Total</b>       | <b>4,160</b> | <b>4,177</b> |

| <b>Non-teaching costs include</b>         | <b>2019</b>  | <b>2018</b>  |
|-------------------------------------------|--------------|--------------|
|                                           | <b>£'000</b> | <b>£'000</b> |
| Auditors remuneration:                    |              |              |
| - Financial Statements audit              | 18           | 17           |
| - Internal audit                          | 5            | 6            |
| Loss on disposal of tangible fixed assets | -            | 3            |
| Hire of other assets – operating leases   | 248          | 232          |

**8. INTEREST AND OTHER FINANCE COSTS**

|                                           | <b>2019</b>  | <b>2018</b>  |
|-------------------------------------------|--------------|--------------|
|                                           | <b>£'000</b> | <b>£'000</b> |
| On finance leases                         | 77           | 65           |
| Interest on pension liabilities (note 16) | 120          | 63           |
| On finance leases                         | 197          | 128          |

## NOTES TO THE ACCOUNTS

## 9. TANGIBLE FIXED ASSETS

|                                       | Land &<br>Buildings<br>Leasehold<br>£'000 | Equipment<br>£'000  | Assets in<br>course of<br>Construction<br>£'000 | Total<br>£'000       |
|---------------------------------------|-------------------------------------------|---------------------|-------------------------------------------------|----------------------|
| <b>Deemed Cost / Cost</b>             |                                           |                     |                                                 |                      |
| Balance bf 1 August 2018              | 15,221                                    | 3,260               | -                                               | 18,481               |
| Additions                             | 242                                       | 373                 | 25                                              | 640                  |
| Additions - Reclassification          | -                                         | -                   | (23)                                            | (23)                 |
| Adjusted 2019 balance                 | (270)                                     | 150                 | -                                               | (120)                |
| <b>At 31 July 2019</b>                | <b><u>15,193</u></b>                      | <b><u>3,783</u></b> | <b><u>2</u></b>                                 | <b><u>18,978</u></b> |
| <b>Accumulated depreciation</b>       |                                           |                     |                                                 |                      |
| Balance bf 1 August 2018              | 3,244                                     | 1,665               | -                                               | 4,909                |
| Charge for the year                   | 531                                       | 424                 | -                                               | 955                  |
| Adjusted 2019 balance                 | 178                                       | (298)               |                                                 | (120)                |
| <b>At 31 July 2019</b>                | <b><u>3,953</u></b>                       | <b><u>1,791</u></b> | <b><u>-</u></b>                                 | <b><u>5,744</u></b>  |
| <b>Net book value at 31 July 2019</b> | <b><u>11,240</u></b>                      | <b><u>1,992</u></b> | <b><u>2</u></b>                                 | <b><u>13,234</u></b> |
| Net book value at 31 July 2018        | <u>11,977</u>                             | <u>1,595</u>        | <u>-</u>                                        | <u>13,572</u>        |

Land and buildings were valued at £10.6 million as at July 2014 at depreciated replacement cost by DVS, a firm of independent chartered surveyors, when the net book value at that date was £10.7 million.

The net book value of tangible fixed assets includes an amount of £3,306k in respect of assets held under finance leases. The depreciation charge on these assets for the year was £89k.

Due to the integration of assets into the fixed asset register, there has been a 2019 balance adjustments across account codes, this has had no effect on net book value.

## NOTES TO THE ACCOUNTS

## 10. TRADE AND OTHER RECEIVABLES

|                                                         | 2019<br>£'000 | 2018<br>£'000 |
|---------------------------------------------------------|---------------|---------------|
| <b>Amounts falling due within one year</b>              |               |               |
| Trade receivables                                       | 235           | 114           |
| Amounts owed by parent undertaking – Leeds City College | 39            | 671           |
| Prepayments and accrued income                          | 327           | 264           |
| <b>Total</b>                                            | <b>601</b>    | <b>1,049</b>  |

## 11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

|                                    | 2019<br>£'000 | 2018<br>£'000 |
|------------------------------------|---------------|---------------|
| Bank loans and overdrafts          | 71            | -             |
| Obligations under finance leases   | 130           | 120           |
| Payments received in advance       | 29            | 125           |
| Trade creditors                    | 418           | 156           |
| Other creditors                    | 199           | 236           |
| Other taxation and social security | 148           | 157           |
| Accruals and deferred income       | 335           | 450           |
| <b>Total</b>                       | <b>1,330</b>  | <b>1,244</b>  |

## 12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

|                                  | 2019<br>£'000 | 2018<br>£'000 |
|----------------------------------|---------------|---------------|
| Obligations under finance leases | 2,087         | 2,253         |
| <b>Total</b>                     | <b>2,087</b>  | <b>2,253</b>  |

The finance leases relate to the £3.5 million cost of building additional teaching accommodation at the main campus in 2005.

## NOTES TO THE ACCOUNTS

## 13. MATURITY OF DEBT

**Finance leases**

The net finance lease obligations to which The College is committed are:

|                            | <b>2019</b>  | 2018  |
|----------------------------|--------------|-------|
|                            | <b>£'000</b> | £'000 |
| In one year or less        | <b>130</b>   | 120   |
| Between two and five years | <b>555</b>   | 515   |
| In five years or more      | <b>1,531</b> | 1,738 |
| <b>Total</b>               | <b>2,216</b> | 2,373 |

Finance lease obligations are secured on the assets to which they relate.

## 14. PROVISIONS FOR LIABILITIES AND CHARGES

|                                          | <b>Defined<br/>benefit<br/>obligations</b> | <b>Enhanced<br/>pensions</b> | <b>Total</b> |
|------------------------------------------|--------------------------------------------|------------------------------|--------------|
|                                          | <b>£'000</b>                               | <b>£'000</b>                 | <b>£'000</b> |
| Balance brought forward at 1 August 2018 | 4,644                                      | 182                          | 4,826        |
| Expenditure in the year                  | 3,943                                      | (17)                         | 3,926        |
| Additions in the year                    | -                                          | -                            | -            |
| <b>At 31<sup>st</sup> July 2019</b>      | <b>8,587</b>                               | <b>165</b>                   | <b>8,752</b> |

Defined benefit obligations relate to the liabilities under the College's membership of the West Yorkshire Pension Scheme. Further details are given in Note 16.

The enhanced pension provision relates to the cost of staff who have already left the College's employment and commitments for reorganisation cost from which the College cannot reasonably withdraw at the balance sheet date. The principal assumptions for this calculation are:

|                 | <b>2019</b> | 2018     |
|-----------------|-------------|----------|
|                 | <b>%</b>    | <b>%</b> |
| Price inflation | <b>2.0</b>  | 2.3      |
| Discount rate   | <b>2.2</b>  | 1.3      |

## NOTES TO THE ACCOUNTS

## 15. ENDOWMENT RESERVES

|                                      | 2019<br>£'000 | 2018<br>£'000 |
|--------------------------------------|---------------|---------------|
| <b>Expendable endowments</b>         |               |               |
| Endowment reserves at 1 August 2018  | 10            | 8             |
| New endowment income                 | -             | 13            |
| Expenditure                          | (5)           | (11)          |
| <b>At 31 July 2019</b>               | <b>5</b>      | <b>10</b>     |
| <b>Balance represented by:</b>       |               |               |
| Accumulated income                   | 5             | 10            |
| <b>At 31 July 2019</b>               | <b>5</b>      | <b>10</b>     |
| <b>Analysis by type of purpose</b>   |               |               |
| Provision of instruments to students | 5             | 10            |
| <b>Analysis by asset</b>             |               |               |
| Current assets                       | 5             | 10            |

## 16. DEFINED BENEFIT OBLIGATIONS

The College's employees belong to the West Yorkshire Pension Fund (WYPF), a Local Government Pension Scheme (LGPS). The WYPF is a multi-employer defined-benefit plan.

**Total pension cost for the year**

|                                                              | 2019<br>£'000 | 2018<br>£'000 |
|--------------------------------------------------------------|---------------|---------------|
| Teachers' Pension Scheme: contributions paid                 | -             | 18            |
| West Yorkshire Pension Fund:                                 |               |               |
| Contributions paid                                           | 656           | 666           |
| Past service cost                                            | -             | -             |
| FRS 102 charge                                               | 1,151         | 622           |
| Charge to the Income and Expenditure account                 | 1,807         | 1,288         |
| Enhanced pension charge to Statement of Comprehensive Income | -             | -             |
| People's Pension                                             | 14            | -             |
| <b>Total pension cost for year within staff costs</b>        | <b>1,821</b>  | <b>1,306</b>  |

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the WYPF was at 31 March 2016.

## NOTES TO THE ACCOUNTS

## 16. DEFINED BENEFIT OBLIGATIONS (CONT.)

**West Yorkshire Pension Fund (WYPF)**

The WYPF is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The total contribution made for the year ended 31 July 2019 was £994k (2018: £995k) of which employer's contributions totalled £656k and employees' contributions totalled £338k. The agreed contribution rates for future years are 13.4% for employers and range from 5.5% to 12.5% for employees, depending on salary.

**Principal Actuarial Assumptions**

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2019 by a qualified independent actuary.

|                                      | At 31 July 2019            |                              | At 31 July 2018         |                              |
|--------------------------------------|----------------------------|------------------------------|-------------------------|------------------------------|
|                                      | WYPF<br>funded<br>benefits | WYPF<br>unfunded<br>benefits | WYPF funded<br>benefits | WYPF<br>unfunded<br>benefits |
| Expected rate of salary increases    | 3.45%                      | n/a                          | 3.35%                   | n/a                          |
| Future pension increases             | 2.20%                      | 2.20%                        | 2.10%                   | 2.10%                        |
| Discount rate for scheme liabilities | 2.20%                      | 2.10%                        | 2.80%                   | 2.80%                        |
| Inflation assumption (CPI)           | 2.20%                      | 2.20%                        | 2.10%                   | 2.10%                        |

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

## NOTES TO THE ACCOUNTS

## 16. DEFINED BENEFIT OBLIGATIONS (CONT.)

## West Yorkshire Pension Fund (cont.)

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

|                                        | Long-term rate of return expected at 31 July 2019<br>% | Fair value at 31 <sup>st</sup> July 2019<br>£'000 | Long-term rate of return expected at 31 July 2018<br>% | Fair value at 31 <sup>st</sup> July 2018<br>£'000 |
|----------------------------------------|--------------------------------------------------------|---------------------------------------------------|--------------------------------------------------------|---------------------------------------------------|
| Equities                               | 78.6%                                                  | 11,653                                            | 74.6%                                                  | 9,689                                             |
| Government Bonds                       | 9.9%                                                   | 1,468                                             | 10.8%                                                  | 1,403                                             |
| Corporate Bonds                        | 3.6%                                                   | 534                                               | 3.5%                                                   | 455                                               |
| Property                               | 4.3%                                                   | 637                                               | 4.2%                                                   | 545                                               |
| Cash                                   | 2.1%                                                   | 311                                               | 2.2%                                                   | 286                                               |
| Other                                  | 1.5%                                                   | 222                                               | 4.7%                                                   | 610                                               |
| <b>Total fair value of fund assets</b> |                                                        | <b>14,825</b>                                     |                                                        | <b>12,988</b>                                     |

The amount included in the balance sheet in respect of the defined benefit plan and enhanced pensions benefits is as follows:

|                                              | 2019<br>£'000  | 2018<br>£'000  |
|----------------------------------------------|----------------|----------------|
| Fair value of fund assets                    | 14,825         | 12,988         |
| Present value of fund liabilities - Funded   | (23,030)       | (17,624)       |
| Present value of fund liabilities - Unfunded | (7)            | (7)            |
| <b>Net pensions liability (note 14)</b>      | <b>(8,212)</b> | <b>(4,643)</b> |

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

|                                        | 2019<br>£'000 | 2018<br>£'000 |
|----------------------------------------|---------------|---------------|
| <b>Amounts included in staff costs</b> |               |               |
| Current service cost                   | 1,291         | 1,288         |
| Past service cost                      | 585           | -             |
| <b>Total</b>                           | <b>1,876</b>  | <b>1,288</b>  |

## NOTES TO THE ACCOUNTS

## 16. DEFINED BENEFIT OBLIGATIONS (CONT.)

## West Yorkshire Pension Fund (cont.)

## Amounts included in Interest and other finance costs

|                                 | 2019<br>£'000 | 2018<br>£'000 |
|---------------------------------|---------------|---------------|
| Interest on pension liabilities | 120           | 63            |
| Net interest cost               | 120           | 63            |

## Amount recognised in Other Comprehensive Income

|                                                   |         |         |
|---------------------------------------------------|---------|---------|
| Return on pension fund assets                     | 708     | 627     |
| Experience gains / (losses) on scheme liabilities | (3,006) | (1,818) |
|                                                   | (2,298) | (1,191) |

## Movement in net defined benefit liability during the year

|                                                         | 2019<br>£'000 | 2018<br>£'000 |
|---------------------------------------------------------|---------------|---------------|
| Net defined benefit liability in the fund at 1 August   | (4,643)       | (2,767)       |
| Movement in period                                      |               |               |
| - Employer service cost (net of employee contributions) | (1,291)       | (1,288)       |
| - Employer contributions                                | 725           | 666           |
| - Past service cost                                     | (585)         | -             |
| - Net interest/return on assets                         | (120)         | (63)          |
| - Net benefits paid out                                 | -             | -             |
| - Actuarial gain / (loss)                               | (2,298)       | (1,191)       |
| Net defined benefit liability in the fund at 31 July    | (8,212)       | (4,643)       |

## NOTES TO THE ACCOUNTS

## 16. DEFINED BENEFIT OBLIGATIONS (CONT.)

## West Yorkshire Pension Fund (cont.)

## Asset and Liability Reconciliation

## Changes in the present value of defined benefit obligations

|                                                     | 2019<br>£'000 | 2018<br>£'000 |
|-----------------------------------------------------|---------------|---------------|
| <b>Defined benefit obligations at start of year</b> | <b>17,631</b> | <b>14,011</b> |
| Current service cost                                | 1,291         | 1,288         |
| Interest cost                                       | 494           | 366           |
| Employee Contributions                              | 339           | 329           |
| Actuarial (gain) / loss                             | 3,006         | 1,818         |
| Benefits Paid                                       | (309)         | (181)         |
| Past service cost                                   | 585           | -             |
| <b>Defined benefit obligations at end of year</b>   | <b>23,037</b> | <b>17,631</b> |

## Change in fair value of Fund Assets

|                                                   |               |               |
|---------------------------------------------------|---------------|---------------|
| <b>Fair value of fund assets at start of year</b> | <b>12,988</b> | <b>11,244</b> |
| Expected return on assets                         | 374           | 303           |
| Actuarial gain                                    | 708           | 627           |
| Employer Contributions                            | 725           | 666           |
| Employee Contributions                            | 339           | 329           |
| Benefits Paid                                     | (309)         | (181)         |
| <b>Fair value of fund assets at end of year</b>   | <b>14,825</b> | <b>12,988</b> |

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

## NOTES TO THE ACCOUNTS

## 16. DEFINED BENEFIT OBLIGATIONS (CONT.)

**West Yorkshire Pension Fund (cont.)**

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

## 17. POST-BALANCE SHEET EVENTS

In the period since 31 July 2019 no major events have taken place.

## 18. CAPITAL COMMITMENTS

|                                          | 2019<br>£'000 | 2018<br>£'000 |
|------------------------------------------|---------------|---------------|
| Commitments contracted for as at 31 July | <u>118</u>    | <u>73</u>     |

## NOTES TO THE ACCOUNTS

## 19. LEASE OBLIGATIONS

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

|                                                   | 2019<br>£'000 | 2018<br>£'000 |
|---------------------------------------------------|---------------|---------------|
| <b>Land and Buildings</b>                         |               |               |
| Not later than one year                           | 157           | 161           |
| Later than one year and not later than five years | 358           | 444           |
| Later than five years                             | 1,073         | 1,139         |
| <b>Total</b>                                      | <b>1,588</b>  | <b>1,744</b>  |

At 31 July 2019 minimum The College had total commitments under non-cancellable operating leases as follows:

|                                                   | 2019<br>£'000 | 2018<br>£'000 |
|---------------------------------------------------|---------------|---------------|
| <b>Other</b>                                      |               |               |
| Not later than one year                           | 38            | 32            |
| Later than one year and not later than five years | 60            | 83            |
| Later than five years                             | -             | -             |
| <b>Total</b>                                      | <b>98</b>     | <b>115</b>    |

## 20. RELATED PARTY TRANSACTIONS

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

Transactions with the educational funding bodies are detailed in notes 3 and 10.

Mr Benjamin Saunders is the Director of Music at Leeds Cathedral. During the year, the College paid £0 (2018 - £12,000) to the Cathedral.

Dr Claire Mera-Nelson is employed by the Arts Council of England & Wales. During the year the College received a grant of £13,050 (2018 - £13,050) towards the costs of commissioning and performance of several pieces of new work from a wide range of international musicians at the College's Sounds Like THIS Festival in March 2019. There were no outstanding amounts at the year end.

NOTES TO THE ACCOUNTS

21. RELATED PARTY TRANSACTIONS (*CONT.*)

The directors consider that there are no other disclosures required, The College having taken advantage of the exemption not to disclose transactions with members of the group.

No board member has received any remuneration or waived payments from The College during the year (2018: £Nil) other than the Principal & Managing Director whose remuneration is disclosed in Note 6.