

LEEDS COLLEGE OF BUILDING GROUP

MEMBERS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR
ENDED 31 JULY 2018

2017/2018



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The Corporation

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

Name	Date of Appointment/ Renewal	Date of Resignation	Status of Appointment	Committees Served	Attendance*
Mr A Iveson	August 2009	July 2018	Chair External	Remuneration / Search & Governance Capital Working Group & Performance & Remuneration	100%
Mr P Williams	December 2012	March 2018	Vice Chair External	Audit / Remuneration & Capital Working Group	80%
Mr S Bray	February 2018		Staff	Student Liaison	100%
Mr M Berry	August 2013		External	English & Maths Task & Finish Group & Capital Working Group	67%
Mr I Billyard	N/A		Principal	Student Liaison / Performance & Remuneration / Capital Working Group	100%
Miss E Caven	January 2016	February 2018	External	Audit / Student Liaison	75%
Mr R Crowe	January 2014	December 2017	Staff		100%
Mrs J Evans	April 2010		External / Vice Chair	Performance & Remuneration	78%
Mr T Hodgkinson	March 2019		External	Capital Working Group	100%
Mr A Kenny	September 2017		External	Audit / Capital Working Group	100%
Dr I Nip	April 2012		External	Audit / Capital Working Group	100%
Mr P Norris	February 2017		External	Audit	100%
Mr D Packer	May 2018		External		50%
Mr K Pollard	April 2016	March 2018	External		67%
Mr M Roper	August 2015		External	Capital Working Group	44%
Mr M Townsend	August 2015		Staff	Search & Governance	89%
Miss R Smalley	December 2015		External	Student Liaison	78%
Mrs K Wilkinson	November 2017		External	Student Liaison	44%
Mr L Norris	September 2017	July 2018	Student	Student Liaison	56%

* Ordinary Board meetings only

Professional advisers

Financial statements auditors: Grant Thornton UK LLP
No 1 Whitehall Riverside
Whitehall Road
Leeds
LS1 4BN

Regularity auditors: Grant Thornton UK LLP
No 1 Whitehall Riverside
Whitehall Road
Leeds
LS1 4BN

Internal auditors: Wylie Bisset LLP
168 Bath Street
Glasgow
G2 4TP

Bankers: NatWest Bank
8 Park Row
Leeds
LS15 5HD

Solicitors: Eversheds LLP
Bridgewater Place
Water Lane
Leeds
LS11 5DR

Walker Morris LLP
Kings Court
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Operating and Financial Review

Nature, Objectives and Strategies

The members' present their report and the audited financial statements for the year ended 31 July 2018. These consolidated financial statements incorporate the results of the two trading subsidiaries, LCB Enterprises Limited and Achieve Through Learning Limited.

Legal status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting Leeds College of Building. The College is an exempt charity for the purposes of the Charities Act 2011.

Public Benefit

Leeds College of Building is an exempt charity under the Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Business, Innovation and Skills as Principal Regulator for all FE Corporations in England. The members of the Governing Body, who are trustees of the charity, are disclosed on page 18. In setting and reviewing the College's strategic objectives, the Governing Body has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. The guidance sets out the requirement that all organisations wishing to be recognised as charities must demonstrate, explicitly, that their aims are for the public benefit. In delivering its mission, the College provides the following identifiable public benefits through the advancement of education:

- High-quality teaching
- Widening participation and tackling social exclusion
- Excellent employment record for students
- Strong student support systems
- Links with employers, industry and commerce
- Links with Local Enterprise Partnerships (LEPs)

Mission: The College's mission as approved by its members is: "Inspiring lives and building futures".

College Values

Respectful	– to value diversity, care for and support each other and the environment
Aspirational	– to achieve excellence in all we do
Integrity	– to be transparent, open and honest
Accountable	– to be responsible for our actions
Inspirational	– to be creative and innovative in all we do
Enjoyable	– to have fun and succeed.

General Objectives

1. **'Outstanding College' status:** A key element in developing Leeds College of Building as a 'Centre of Excellence for Construction and the Built Environment' is to be recognised as a quality organisation. This aim, therefore, covers all aspects of the College's activities and not just excellence in teaching, learning and assessment; although it is recognised that the general public tend to rate the College on academic achievements. It also recognises that the route to "becoming outstanding" is not delineated and takes cognisance of the "journey" to achieve this. This aim encompasses a range of quality measures including: Ofsted, QAA (Higher Education Review), BS18001 and Matrix as well as internal and external audit measures. The Senior Management Team's aim is that excellence will be driven through effective, stimulating and interesting learning, supported by innovative technologies integrated into teaching and learning. This, together with modern industrial practices will support the changing nature of the Construction and Built Environment industry. The aim of the Board and College management is to have Success and Achievement Rates within the top 10% of 'similar' colleges within the General Further Education (GFE) sector.

Operating and Financial Review *(continued)*

General Objectives *(continued)*

1. 'Outstanding College' status: *(continued)*

The College's Board of Governors recognise that the College needs to align its activities to support the following drivers for change. The Government's objectives are focused on Apprenticeships and Raising of the Participation Age (RPA); Leeds City Region Local Enterprise Partnership focus is on Digital, Advanced Manufacturing Technologies and Infrastructure. Another key strategic driver for the College is the Government's 2025 Construction Strategy, which has the potential to change the nature of training within the industry away from the College's traditional house building trades to greater off-site manufacture and on-site assembly, which are also aligned with the EU's 2020 carbon reduction targets.

2. Teaching, Learning and Assessment: Teaching, Learning and Assessment are at the heart of Leeds College of Building. This aim seeks to ensure that both staff and physical resources are appropriate for the delivery of education and training which meets the changing needs of companies and the sector as a whole. Many aspects of the staff development aspirations are addressed within 'Employee Engagement'.

Physical resources are critical in ensuring that teaching and support staff have the equipment and materials to deliver outstanding teaching. This requirement will become more prevalent because we expect that, in line with Government policies, individuals and/or companies will be expected to make greater financial contributions to the cost of their education and training. As a consequence we anticipate that levels of customer service and overall quality will become an increasingly important factor when individuals and companies select where they choose to undertake their education and training.

3. Higher Education: The College has set out a clear mandate to develop an extensive range of HE courses. These courses, including higher apprenticeships, will provide progression opportunities for a large number of craft trainees, 'A' level students and apprentices, which will assist in raising the profile of the College both regionally and nationally. It is also important to work with and seek to influence companies who are looking to develop Level 4 and 6 Higher (Degree) Apprenticeships, which could complement our Level 5 offer.

The College will seek to grow its full-time HE offer but this is in direct competition with existing well established Higher Education Institutes ("HEI"). Under the Government's freedoms and flexibilities some colleges, with large numbers of HE students, are seeking Degree Awarding Powers. Bradford College is currently undertaking this assessment and should they be successful there should be opportunities for Leeds College of Building to collaborate and look to deliver degrees in a more flexible way than those delivered by HEI's.

The aim is to increase HE income and to be a credible alternative to universities. Presently viable growth markets, for the College, are centred on part-time professional and apprenticeship courses and Access to HE courses whereby the current student funding model is advantageous.

4. Property Strategy: The short to medium term Property Strategy focuses on the development of the new Phase 2 purpose built site, at the junction of Black Bull Street and Hunslet Lane in Leeds City Centre. Following on from the completion of Phase 1 in April 2015, together with some remodelling of the North Street site to cater for an increase in Apprenticeships and Higher Education numbers and the disposal and consolidation of Millwright Street site into the two buildings at North Street and Hunslet. In addition, the College must create sufficient funds (£2.1m), including the proceeds of Millwright Street, to fund the balance of expenditure after LEP grant of £11.9m.

Update

The College purchased the Hunslet Phase 2 land in February 2017 and sold its Millwright Street site in June 2017. The site will continue to be leased at a peppercorn rent from the new owners until the Phase 2 building is complete (currently October 2018). The loan to the Combined Authority has been amended to £1.45m with the payback still starting in January 2019.

Operating and Financial Review (continued)

General Objectives (continued)

5. **Business Development:** Crucial to the College's reputation is its stakeholders and the excellent partnerships and support given by industry through employers and federations. The College will seek to attract and engage with all categories of employers and federations across the Built Environment sector. To achieve this aim the College will review and refocus its business development activities around Government key targets / strategic areas of 16-19, 19+ (entitlement and local offer) and Apprenticeship provision, supported by processes which promote timely responses, monitoring and interventions with employers; supported by an active and responsive Employer Engagement team. Through these links the College will keep up to date with developments and practices that will be driven through the Construction Strategy 2025. This close alignment with the industry will also help support the development and delivery of bespoke courses for the sector, including helping support those unemployed into the industry. The aim also encompasses the drive for a national footprint of training and education centres. This will be achieved through both delivery collaboration and company acquisitions where appropriate.

Under the freedoms and flexibilities, afforded to colleges by Central Government, colleges are able to operate schools and directly recruit pupils from 14 years of age; however the College will look to strengthen its existing collaborative part-time offer to schools, rather than being their competitor. The College will evaluate the opportunities and working with Children's Services and other partners develop an offer to meet the growing demographic in the City.

6. **Employability Skills:** The key aim of students on Study Programmes and / or Traineeships at Leeds College of Building, is to gain sufficient qualifications and experience to enable them to progress into employment and / or further studies. Students must have the opportunities to develop personal, social and employability skills which will enable them to progress to higher level qualifications and into jobs that meet local and national needs. A critical aspect of this 'preparation for employment' is employability skills. The College seeks to ensure that all students (on substantial Study Programmes) have the opportunity to undertake at least one week's work experience with a local firm (and those on Traineeships a substantial amount of their learning programme); as well as having the opportunity to undertake / be involved in one or more of the following:

- Enrichment activities
- Site visits
- Guest speakers
- Curriculum Vitae building
- Employability Skills
- Team working / team building
- Life skills – getting to site
- Skills development towards sustainable employment.

Evidence, from a European study into work experience, indicates that students who gain work experience perform better in the workplace. The College will work with employers, federations and other groups to increase the opportunities available for students on Study Programmes / Traineeships to undertake work placements. This will be further enhanced by the development of the new Technical Levels during the lifetime of this plan, pilots in 2019/20 and full implementation in 2020/21. LCB colleagues are currently attending various industry sector / DfE consultation sessions on this.

7. **Employee Engagement:** This aim seeks to actively engage, develop and value staff in achieving the College's Strategic Aims. The College seeks to engage and develop its employees in order to meet the requirements of a rapidly changing FE sector and will strive to ensure that the College's culture is promoted in such a way that all staff aspire to the same values and high standards and place the students at the heart of all activities. Within the College, strategies will be introduced (through the People Strategy) to ensure that College staff are valued and developed to meet the new environments as they unfold.

The Human Resources Strategy previously identified nine priorities which provide the framework for employing staff in a fair and supportive environment. This Strategy underwent a comprehensive review, and the new People Strategy was approved by Governors in January 2017; this reflects current and future priorities to ensure effective strategies / processes / procedures are in place to take the College up to 2020 and beyond.

Operating and Financial Review *(continued)*

Financial objectives

The College's financial objectives are:

To continue to be a well-resourced Centre of Excellence as measured by the following KPI's:

	2017/18 Actual	2016/17 Actual
Cash balance	£2,061,000	£1,822,000
Adjusted Current ratio	1.08:1	1.04:1
Dependency on Grant income	66%	74%
Pay as a % of income	61%	61%
Adjusted Cash days in hand	42	36

The College made a significant investment (£17m) in its Hunslet Phase 1 Campus in 2014/15 with the knowledge that this would temporarily place the College in inadequate financial health. A Notice of Concern was issued by the Skills Funding Agency (SFA) and the College produced a recovery plan. In 2016/17 the College achieved a 'Good' financial health score and as a result the Notice of Concern was lifted in February 2018.

In 2016/17 the College embarked on the Hunslet Phase 2 (£13m) project and planned that this would, as it did, reduce the financial health score from Good to Satisfactory. The medium term aim post completion, is to raise cash balances and improve balance sheet strength. The College's financial health was satisfactory in 2017/18.

The Group generated an operating deficit in year of £444,000 (2016/17: (£1,161,000 including £621,000 loss on disposal of assets)).

The Group has accumulated reserves of £7,077,000 (2016/17: £6,318,000).

Tangible fixed asset additions during the year amounted to £5,877,000. These related almost exclusively to Assets under Construction for the Hunslet Phase 2 Campus.

The College undertook an impairment review of its purchase of Achieve Through Learning Ltd and agreed to write off the full purchase price in 2017/18. This only impacts on the College accounts and has no impact on the group accounts or its financial health.

The College has significant but a reducing reliance on the Education and Skills Funding Agency (ESFA) for its principal funding source.

The College has two subsidiary Companies, LCB Enterprises Limited which was set up as a Design and Build Company to deliver the College's long term accommodation strategy and Achieve Through Learning Limited (ATL), a training provider based in South Yorkshire.

Transparency arrangements

The Corporation operates a policy style of governance where the Board meet nine times a year with a small number of sub-committees operating with specific functions; Search & Governance, Audit, Student Liaison and Performance & Remuneration.

The Corporation ensures its arrangements are transparent by including all key governance policies and procedures on the College website together with minutes of meetings (once approved by the Chair). These are also available from the Clerk to the Corporation who maintains a register of financial and personal interests of the governors which is also available for inspection at the College's main site. Information outlining how the College engages with key stakeholders is also available on the website.

Operating and Financial Review (continued)

Financial objectives

Treasury policies and objectives

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

The College has a separate treasury management policy in place. Short term borrowing for temporary revenue purposes can be authorised by the Principal. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the financial memorandum as revised from 1 April 2012.

Cash flows

Operating cash inflow was £1,046 (2016/17: inflow £703,000).

Reserves

The College has no formal reserves policy but recognises the importance of reserves in the financial stability of any organisation, and ensures that there are adequate reserves to support the College's core activities. As at the balance sheet date the Income and Expenditure reserve stands at £4,403,000 (2016/17: £3,493,000).

Current and Future Development and Performance

Ofsted Inspection

The College was subject to an Ofsted Inspection from 28 November – 1 December 2017 against the Common Inspection Framework. Overall Strengths included:

- The very large majority of adult students achieve their qualifications and make good progress in developing the skills and behaviours needed for employment.
- Students and apprentices benefit from their teachers' and assessors' industry expertise and very high-quality resources. As a result, students and apprentices make good progress in developing practical skills.
- Leaders and managers respond very effectively to workforce needs and design learning programmes that meet the needs of a wide range of employers in the construction and civil engineering sectors.
- Teachers and other staff provide good support for students with identified additional learning needs and, as a result, these students make good progress and achieve well.

The focus of Areas for improvement were mainly associated with 16-19 Study Programmes:

- Leaders and managers do not use self-assessment or quality improvement processes well enough to improve the quality of provision and outcomes for students.
- Managers have not ensured that 16 to 19 study programmes meet the needs of students adequately.
- Too many students who complete level 1 study programmes do not progress to a higher level.
- On study programmes, teachers do not take sufficient account of students' starting points when developing their theoretical understanding. As a result, students do not make rapid enough progress.
- Too many students on study programmes and apprentices do not achieve their English and mathematics qualifications.
- Teachers do not have high enough expectations of students on study programmes. As a result, students do not develop their personal, social and employability skills or their written English skills quickly enough.

Inspectors used the 4 point grade scale (Grade 1 – Outstanding, Grade 2 – Good, Grade 3 – Requires improvement and Grade 4 – Inadequate) to grade the College's provision as follows:

- Overall Effectiveness – Grade 3
- Leadership & Management – Grade 3
- Quality of Teaching, Learning & Assessment – Grade 3
- Personal Development Behaviour and Welfare – Grade 3
- Outcomes for Learners – Grade 3

Operating and Financial Review (continued)

Current and Future Development and Performance (continued)

Ofsted Inspection (continued)

Provision types:

- 16-19 Study Programmes – Grade 3
- Adult Learning Programmes – Grade 2
- Apprenticeship Provision – Grade 2

Safeguarding arrangements were judged to be effective.

Following the receipt of the Inspection Report in January 2018, the Governors / Senior Management Team approved a Post Inspection Action Plan to address the areas requiring improvement.

Student numbers

In 2017/18 the Group has delivered activity that has produced £7,057,000 in main Education and Skills Funding Agency (ESFA) funding (2016/17: £6,703,000). The College had 3,489 (2016/17: 3,804) Education and Skills Funding Agency funded students and 1,998 (2016/17: 2,620) non-Education and Skills Funding Agency funded students.

Student achievements

The College's pass rates remain very high for those students completing their programmes of study at all levels, for both 16-18 year olds (87%) and 19+ (98%) [for Government funded students, including Maths & English]. Excluding Maths & English: 16-18 (95%) and 19+ (98%).

14-16 Skills Academy

Working with schools across a range of BTEC Edexcel / City & Guilds vocational courses on Certificates, Diplomas, Construction and Built Environment Diplomas helped 96% achieve their full qualification, for those completing their courses.

HE & Construction Management

Provision and student numbers in this area of Higher Education continue to grow from strength to strength with a pass rate of 94%.

Apprenticeship Framework Achievements (Employer Responsive)

Apprenticeship Framework Achievements are very strong with overall achievements for Apprenticeships at 4% above the national rate and +9% for those completing to their expected end date. The College now offers over 48 Apprenticeship Frameworks / Standards to meet industry standards.

Higher Apprenticeship Framework Achievements (Employer Responsive)

Higher Apprenticeships at Levels 4 and 5 in Facilities Management and Construction pathways (including Building Services Engineering, Construction Management and Civil Engineering) are well above the national rate with 88% overall / timely achievement rates.

Sub-contracting

The College continued sub-contracting arrangements with five private training organisations and 20 colleges to meet employer / student demand, including meeting the demands of national companies that the College works with.

Operating and Financial Review (continued)

Current and Future Development and Performance (continued)

Collaboration with employers and the community

Excellent support from employers ensured that a large number of Study Programme students enjoyed work placements and / or employability skills development across the various professional and craft trade areas. In addition employers and manufacturers supported numerous visits to sites, provided mentorship opportunities, supported career events and also supported curriculum delivery through input as guest speakers. Partnership working with CEG and provision of teaching facilities on the Kirkstall Forge development helped support numerous visits and training activities on site to support both existing and new students.

Manufacturers continued to provide welcomed sponsorship, demonstrations of new products and guest speaks, for example, Monument Tools, Valour Fires, Dimplex Heating, SELCO Building Supplies, BAXI, Vokera Boilers, Dulux Paints, Gypsum Plaster and various roofing manufacturers, such as Redland etc.

Students on Study Programmes supported community projects that helped develop their social, personal, team building and technical skills / knowledge, for example the Mud Kitchen, Bramley Scout building, Kirkstall Development Trust, Finwoods Outward Bound Centre, Calverley Cricket Club etc.

Celebrating Student Achievement

College staff, employers and families throughout the year have supported many students that have progressed to various competitions, which include:

Rail Staff Awards (National)

- Rebecca Monro – Apprentice of the Year (winner)

WorldSkills UK National Finals

Roof Slating & Tiling

- Harry Pennock – Gold medal
- James Tidswell – Bronze medal

Joinery

- Ben Pick – Gold medal

Drylining

- Jordan Kitching – Silver Medal

Institute of Carpenters

Regional

- Andris Pakalns (Over 20's) – 1st place
- Benjamin Lees (Over 20's) – 3rd place
- Jordan Carling (Under 20's) – 2nd place

National

- Andris Pakalns (Over 20's) – 1st place
- Andris Pakalns – George Psyden Tropher – Winner
- Jordan Carling (Under 20's) – 2nd place

The PDA (National)

- Abigayle Johnson – Apprentice / Trainee of the Year – Winner

Operating and Financial Review (continued)

Current and Future Development and Performance (continued)

Celebrating Student Achievement (continued)

BESA National Awards

- Faye Pinder – The Ann Noblett Professional Engineer of the Year Award
- Curtis Castledine (Briggs & Forrester) – The Alfred Manly Management Award
- Tom Connor – H&V Apprentice of the Year
- Curtis Castledine (Briggs & Forrester) – BSE Apprentices of the Year – Winner
- Luke Stonehouse (NG Bailey) – BSE Apprentice of the Year (Highly Commended)

BESA Regional Awards

- Luke Robinson – Apprentice of the Year (over all categories)
- Luke Robinson (NG Bailey) – BSE Apprentice of the Year
- Drew Tyrrell – Chairman's Award
- Jack Dinnewell (NG Bailey) – Heating & Ventilation Apprentice of the Year (Winner)
- Gregg Walker (Gasmach) – Heating & Ventilation Apprentice of the Year (Highly Commended)
- Grant Hudson (SES Engineering Services Ltd) – Electrical Apprentice of the Year (Winner)
- Joshua Childerson (Crowther & Shaw Ltd) – Refrigeration and Air Conditioning Apprentice of the Year (Winner)

BTEC Awards

- Tom Coleman – Apprentice of the Year (19+)
- Viren Lad – Higher National Student of the Year
- Sinead Burke – Construction Student of the Year

SkillBuild Regional

- James Hattersley (Carpentry – Senior) – Silver medal
- Luke Kerrigan (Bricklaying – New Entrant) – Silver medal
- Tim Smith (Bricklaying – Senior) – Silver medal
- Ryan Lill (Plastering – New Entrant) – Silver medal
- Luke Palmer (Plastering – Senior) – Gold medal
- Jake Emery (Dry Lining) – Gold medal
- Carla Dibb (Dry Lining) – Silver medal
- Callum Pearson (Wall & Floor Tiling – Senior) – Gold medal
- Joe Turner (Roofing) – Gold medal
- Jay Webster (Roofing) – Silver medal
- Keiran Langan (Roofing) – Bronze medal

SkillPlumb Regional

- Joe Nicholson – Silver medal

Redland National Apprentice of the Year

- Jay Webster

The Generation 4 Change (G4C) – Regional

- Charlene Wortley – Higher Education Student of the Year – Winner
- Joel Moore – Higher Education Student of the Year – Highly Commended
- Georgia Woloszczak – Yorkshire Technical Apprentice of the Year – Highly Commended

Chartered Institute of Highways and Transportation (CIHT)

- Thomas Coleman – Young Professional of the Year (Regional) – 1st place
- Georgia Woloszczak – Apprentice of the Year (Regional) – 1st place

Operating and Financial Review (continued)

Current and Future Development and Performance (continued)

Celebrating Student Achievement (continued)

West & North Yorkshire Chamber of Commerce (Regional)

- Charlene Wortley – Work in the Community and Promoting STEM Careers – Winner

CIBSE Awards (Regional)

- Emily Marner – Young Engineer of the Year – Winner

The Institution of Civil Engineers (ICE)

ICE Quest Technician Scholarship

- Jessica Clark – Winner
- Charlene Wortley – Winner
- Sam Fox – Winner
- Josh Ellis – Winner
- Rebecca Munro – Winner
- Sam O'Sullivan – Winner

UK Association for the Promotion of Intelligent Transport Systems (ITS-UK) – National

- Daniel Johnson – Intelligent Transport System UK Apprentice Essay Awards – Winner
- Joel Shelvin – Intelligent Transport System UK Apprentice Essay Awards – 2nd place

Attendance Awards

All students achieving 100% attendance across the College were included in various prize draws through the College's attendance initiative to help support improvements in attendance across the whole College.

College Awards / Staff Awards

BTEC Awards

- Leeds College of Building was the winner of the Apprenticeship Provider of the Year for Technical and Professional Apprenticeships

Plasterers Award 2017

- The College won the Plasterers Guild Harmer Trophy 2018 (most achievements at Level 3 nationally within the Plastering sector)

Observations of Teaching, Learning & Assessment (OTLA)

The College adopted a developmental, Blue, Red, Amber & Green (BRAG) rated OTLA system for the academic year 2017/18. The BRAG rated observation procedure continues to place students' engagement, learning and progress at the core of the matrix used to assess the quality of Teaching, Learning and Assessment across the College. The College's Observation Procedure continues to be in line with Ofsted's methodology and Common Inspection Framework.

The 22 members of the OTLA team carried out 117 and 100 (217 in total) BRAG rated observations in Window 1 and Window 2 respectively. Teaching, Learning and Assessment at "Whole College" level was rated at 87% Blue and Green in Window 1 and 88% in Window 2. There has therefore been some improvement in Teaching, Learning and Assessment across the College, indicating the very large majority of Teaching, Learning & Assessment is Good or better.

Operating and Financial Review (continued)

Current and Future Development and Performance (continued)

External Verifier / Moderator Reports

The vast majority of External Verifier / Moderator and Examiner reports for the academic year 2017/18 showed full compliance with Awarding Body requirements and were very positive. One City & Guilds visit for Entry Maths resulted in a sanction and status change which allowed for registration only of students. All Certification claims have to be sanctioned by the External Verifier. This was due to insufficient internal quality assurance being carried out by Internal Quality Assurers, which has now been addressed. No students were disadvantaged as a result and certification allowed. All recommendations / improvements are actioned before the next visit through agreed 'SMART' action plans and key areas of good practice, together with areas of improvement, are picked up through the College's quality system.

Customer Satisfaction

The Student Survey for June 2018 was aimed at those completing their annual studies. Out of the 158 Further Education courses and 1,266 respondents, 93% would recommend the course / College to a friend, 93% enjoyed being at College and 97% agreed that they had achieved what they came to do. The Higher Education version of the Student Survey was distributed to 25 groups and completed by 255 students; 84% would recommend the course / College to a friend, 87% enjoyed being at College and 95% agreed that they had achieved what they came to do.

The Employer Survey was issued in June 2018 to employers. Employers were asked to comment on positive aspects of the service from College and on areas that could be improved, together with suggestions for new courses / provision to further help meet their business needs. Employers overall indicated 96% agreement that "the College provides high quality learning opportunities", 89% agreed that the "training provided is having a positive impact on the business" and 98% agreed that "they would recommend the College to others".

The external ESFA Learner Choices Survey resulted in a learner satisfaction score of 80.9%, based on the percentage of respondents that would recommend the College to their friends / family. The ESFA Employer Survey indicated that 89% would recommend the College.

Future curriculum developments

The College has a national reputation for curriculum innovation and change. It has introduced new courses in many areas of the curriculum in order to meet students' / employers' needs better. A particular strength is in supporting students ready for the next stage in their lives. The College is continuing to work with key stakeholders, Local Authority, LEP, WYCA and employers to develop provision to meet demands. These include:

- Degree Apprenticeships
- Health & Safety Technician Apprenticeship Level 2
- Digital Apprenticeship Level 3
- Facilities Management Apprenticeships Levels 3-5 (to new Standards).
- Changing over from existing Apprenticeship Frameworks to the new Standards as they become available (by 2021).
- Developing and supporting Apprentices with their End Point Assessments and working with Awarding Organisations to administer at the College
- Developing Groundworks, Streetworks etc. to support future infrastructure developments
- Participating in national consultation groups in preparation to run new Technical Levels in 2021 for Level 3 students
- Continuing to support greater number of GCSE Mathematics and English requirements for school leavers within the Study Programmes.

Operating and Financial Review (continued)

Resources

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

Tangible resources include:

Financial:

The Group has £7,077,000 of net assets (net of a £3,936,000 pension liability).

People:

The Group employs 323 people (expressed as full time equivalents), of whom 167 are teaching department staff.

Reputation:

The College has an excellent reputation locally, regionally and nationally. Maintaining a quality brand is essential for the College's success in attracting students and maintaining external relationships.

Payment performance:

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, 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. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. The College incurred no interest charges in respect of late payment for this period. The College estimates that approximately 85% of invoices / suppliers are paid within 30 days.

Events after the end of the reporting period:

There are no significant post balance sheet events.

Principal Risks and Uncertainties:

The College has undertaken further work during the year to develop and embed the system of internal control, including financial, operational and risk management which is designed to protect the College's assets and reputation.

Based on the strategic plan, the Business Continuity Group undertakes a comprehensive review of the risks to which the College is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the College. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness. In addition to the annual review, the Business Continuity Group will also consider any risks which may arise as a result of a new area of work being undertaken by the College.

A risk register is maintained at the College level which is reviewed at least annually by the Audit Committee and more frequently where necessary. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

This is supported by a risk management training programme to raise awareness of risk throughout the College.

Outlined below are examples of the principle risk factors (categorised by group and recorded on the risk register) that may affect the College. Not all the factors are within the College's control. Other factors besides those listed below may also adversely affect the College.

- Recruitment of students across College provision
- Compliance with external agencies/awarding bodies
- Safeguarding of students and College users

Operating and Financial Review (continued)

- Student Retention, Achievement, Success and Framework completions
- Maximising College income and financial well-being
- Reductions in overall government funding to the main funding bodies and to College
- College Property Strategy and maintenance of estates
- Staffing resources.

The sector is facing increased uncertainty over future levels of funding and this has increased the risk of going concern issues across the sector. The Governors and Executive team have reviewed the appropriateness of the going concern assumption as a basis for the preparation of these accounts (see page 23 for further details).

Government funding

The Group has considerable reliance on continued government funding through the education sector funding bodies. In 2017/18, 66% of the Group's revenue was ultimately public funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

The College is aware of several issues which may impact on future funding, including apprenticeship reforms and the devolution of the adult education budget. The College, in conjunction with its key stakeholders, is developing a strategy for growth in response to the devolution agenda and to the apprenticeships reform. It is recognised that the introduction of the apprenticeship levy has significantly affected that marketplace, though the full implications are not yet known as government policy continues to develop, companies are slow to take up and use their levy funds and the addition of Small and Medium-sized Enterprises (SME's) to the digital system has been delayed.

The risk is mitigated in a number of ways:

- Funding is derived through a number of direct and indirect contractual arrangements.
- By ensuring the College is rigorous in delivering high quality education and training.
- Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies.
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding.
- Regular dialogue with the funding bodies and with the successor agencies.

Tuition fee policy

The College Governing Body sets the level of tuition fees for each financial year. The level of co-funding reduction, demand for courses and students' ability to pay along with current economic conditions are key elements in this decision.

Maintain adequate funding of pension liability

The financial statements report the share of the local Government pension scheme deficit on the College's balance sheet in line with the requirements of FRS102.

This risk is mitigated by an agreed deficit recovery plan with the West Yorkshire Pension Fund.

Accommodation

In 2017/18 the College continued with its Hunslet Phase 2 Campus. The 5,200m² building will be completed by the end of the 2018 calendar year and accommodate students from its Millwright and North Street sites. Together with the Phase 1 building completed in 2015 the College will then have half its accommodation at Hunslet in brand new state of the art buildings.

Having achieved the accommodation strategy of reducing its sites from 7 to 2 the College is now scoping an ambitious plan to re-locate from its North Street site into a "Phase 3" development. This is in the very early stages and no firm plans are in place at the time of writing.

Operating and Financial Review (continued)

Going Concern

This is an important time for the College to complete its Hunslet Phase 2 within budget, whilst maintaining its financial health.

On the basis of the forecasts, and having regard for the net liabilities position in the balance sheet, the College has prepared cash flow projections and reviewed the availability of bank and loan facilities to conclude that it has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

Human Resources

The College continues to have a proactive Human Resources Unit which leads the implementation of the College's strategic aim of 'Employee Engagement' via the People Strategy. The purpose of the People Strategy is to provide a framework for achieving the College's Vision through its staff. A number of key strategic themes underpin the People Strategy:

- **Attract** and recruit the best staff
- **Develop** and **Support** our staff to fulfil their potential
- **Retain** and **reward** staff by recognising their contribution to the College's Vision.
- Drive a **high performance** culture amongst our staff
- Promote excellence in **leadership** and **management**
- Create and maintain a **progressive, collaborative and healthy working environment**

The Strategy covers a 3 year period 2017 – 2020, and a number of activities took place in 2017/18 to support the Strategy including a complete review of the College's Appraisal System; further implementation of the new HR software system; development of a Staff Charter to underpin the College Values; review and implementation of a new staff induction process; initiatives agreed to improve the terms and conditions of employment of staff. This work is ongoing to ensure that the Strategy supports the College's developing ambitions and any emerging employment trends, legislation and best practice within the HR profession and Further Education Sector.

In 2017/18 the College published its first Gender Pay Gap Report which showed that our mean pay gap is 25.9% (the difference between the mean hourly rate of pay of male employees and that of female employees) and our median pay gap is 31.9% (the difference between the median hourly rate of pay of male employees and that of female employees). The Report highlighted the work that the College intends to do to attempt to close the gap.

The HR Unit was also heavily involved in preparing the College to be compliant with the General Data Protection Regulations (GDPR), which came into force in May 2018.

There has been significant recruitment activity during 2017/18 due to a number of reasons including: growth in certain areas, retirement and resignation of staff; re-advertising multiple times due to difficulty in recruiting staff across a number of roles. Recruitment is a major concern for the sector as a whole and not just Leeds College of Building. Teaching staff utilisation rate was 96% in 2017/18 against a KPI target of 96%.

The HR Unit proactively monitors and manages sickness absence and in 2017/18 the overall average number of working days lost per employee increased from 7.20 days to 7.82 days due to an increase in long term absence. Short term absence decreased very slightly from 2.33 days per employee to 2.31 days per employee which is below the College KPI target of 3 days per employee. Long term absence increased from 4.87 days to 5.51 days per employee.

The vast majority of staff are well qualified and have wide experience. Staff are active in updating their knowledge through CPD and 94% of permanent substantive teaching staff and 97% of managers attended 5 or more learning events during the year and 99% of permanent substantive support staff attended 3 or more learning events.

Principal

The current Principal, Ian Billyard, retires on 31 December 2018 and will be replaced by Derek Whitehead who is currently Deputy Principal at the College.

Operating and Financial Review (continued)

Stakeholder Relationships

In line with other colleges and with Universities, Leeds College of Building has many stakeholders. These include:

- Students;
- Funding Councils;
- Staff;
- Local employers (with specific links);
- Local Authorities;
- Government Offices / Local Enterprise Partnerships;
- The local community;
- Other FE institutions;
- Trade unions and Professional bodies.

The College recognises the importance of these relationships and engages in regular communications with them.

Equality, Inclusion and Safeguarding (including Prevent)

The College's work in this area is to ensure compliance with the Equality Act 2010 and the associated Technical Guidance for Further Education and Higher Education. The College is also required to comply with associated safeguarding legislation within the Education Act, Children's Act 1989 and the Statutory Guidance on Keeping Children Safe in Education 2015 & 2016.

The College provides outstanding safeguarding of students and has made significant steps towards students exploring personal, social and ethical issues and preparing them to take a positive part in wider society through the Preparing for Life in Modern Britain programme, suicide awareness workshops, sexting tutorial (the risks) and safeguarding inductions.

The College promoted 'British Values' and the personal and social development of students through the College induction programme and Equality, Inclusion and Prevent tutorials. The College is proactive in raising awareness of the risks and threats of radicalisation, extremism and all forms of abuse (including grooming, appropriate use of the internet & cyber bullying) through Safeguarding tutorials.

Students explore and debate citizenship, equality, employment rights and responsibilities through the College tutorial program, employability workshops and work experience placements. This helps students to prepare for employment in modern Britain, enhances their learning and increases their future employability. Students continue to access multi-faith prayer facilities on all College sites and students use those facilities to practice diverse spiritual beliefs.

The satisfaction rates on the Student Perception of College (SPOC) 1 & 2 2017/18 are extremely high.

The College Community – SPOC Dec 2017	% Agree
✓ I am treated fairly and with respect while at College	98%
✓ I feel safe at College	97%
✓ I have NOT experienced any bullying (either physical/verbal or e-bullying) whilst at College	98%
✓ I understand and follow the British values of: Democracy, Liberty, Rule of Law, Respect for other Faith and Beliefs	98%
✓ I am aware of the threat from terrorism, violent extremism and radicalisation. I know who I can talk to in College if I have concerns regarding these issues	97%

Operating and Financial Review (continued)

The College Community – SPOC May 2018	% Agree
✓ I am treated fairly and with respect while at College	98%
✓ I feel safe at College	97%
✓ I have NOT experienced any bullying (either physical/verbal or e-bullying) whilst at College	98%
✓ I understand and follow the British values of: Democracy, Liberty, Rule of Law, Respect for other Faith and Beliefs	95%
✓ I am aware of the threat from terrorism, violent extremism and radicalisation. I know who I can talk to in College if I have concerns regarding these issues	95%

Students have an excellent understanding of how to disclose to college staff in order to protect themselves and a number from disadvantaged groups have been included in college provision. An extremely high level of support is provided to students experiencing safeguarding, child protection issues where over 300 student-safeguarding interventions were made in 2017/18.

Safeguarding Cases 2017/18

		%
Substantial safeguarding issues – Serious risk of harm	45	14.56
Safeguarding enquires carried out	65	21.04
Number of Looked After Children	20	6.47
Supporting the rehabilitation of Offenders	90	29.13
Prevent (extremism / terrorism) Referrals	7	2.27
Applications for 2018/19 with safeguarding issues.	65	21.04
Potential Children who are Looked After	17	5.50
Total	309	100

A comprehensive staff development programme for Prevent and Counter Terrorism and Extremism was delivered through the Staff Training day and throughout the year, to ensure that staff understood their role and responsibilities and knowledge and skills to support the work in this area.

Some of the training staff have attended is listed below:

Operating and Financial Review (continued)

Training course staff have attended	Number of staff who attended.
Online Safeguarding Training (pre-employment & refresher training)	133
Online equality & inclusion training	76
Online Prevent training	53
(WRAP) Workshop to Raise Awareness of Prevent	144
Equality & Inclusion & British Values Training	66
Safeguarding & Child Protection Induction	65
Safer Recruitment Training for Managers	5
Protective Security (counter terrorism training)	1
Staff Training Day – Prevent and Counter-Terrorism	270
Governor safeguarding training	14
Mental Health Awareness First Aid Training	58
Working with the Police and law enforcement agencies	8
Student Disciplinary Policy & Procedures Briefing	39
Safeguarding and Prevent Briefing	7
Designated Safeguarding Officer Training (Leeds City Council)	3
LSCB Annual Conference - Neglect	2

Staff Development Day Sept 2017	
Keynote speech - West Yorkshire Counter Terrorism Unit - The Current Threat	193
Keynote speech - The Extreme Right Wing	193
Keynote speech - Islamist Ideology and Islam	193
Workshop to Raise Awareness of Prevent Training	17
Counter Terrorism Protected Security Advice - Project ARGUS (CLOSED SESSION)	14
Suicide and Self Harming Behaviour - Raising Awareness	43
Why do people become involved in Extremism and Terrorism	25
How to Challenge Islamophobia in the Classroom	65
How to Challenge Extreme Right Wing Views in the Classroom	66
Extremism in the UK 2017 - The Wider Picture (CE Strategy)	66
Embedding British Values - SBS Staff	41
Embedding British Values - HECDM Staff	31
Embedding British Values - Cons Crafts Staff	22
Stop Hate Crime	66
Embedding British Values - A Whole College Approach	25
Run, Hide and Tell - What Students and Staff Need to Know	50
British Values - The New Challenge for Teaching and Support Staff	37
Challenging Contentious Views	40
Attention/Attachment and Behaviour	14
Education Health and Care Plans	15
LCB Active	75

Operating and Financial Review (continued)

Disability inclusion for staff and inclusive learning support for students

The College complies with the Disability Confident scheme and the 'Department for Work and Pensions' confirms the College has the skills, examples and confidence needed to recruit, retain and develop disabled employees. A range of assistive technology and reasonable adjustments are made for disabled staff to ensure everyone can continue to access employment at the College. A range of assistive technologies, support and guidance is provided to students who have disabilities, learning difficulties or mental ill health. Some of this includes:

- a) Information, Advice and Guidance (IAG) concerning additional learning support and access arrangements is provided to students on application and enrolment.
- b) A range of assistive technology is available to students who have disabilities through the library and the Inclusive Learning Support team.
- c) Specialist staff in the Inclusive Learning Support team provide a range of support to meet the specific needs of students who have learning difficulties and/or disabilities.
- d) There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.
- e) The achievement gap between students who have disabilities or learning difficulties has closed and this student group often achieve at a higher rate when compared with students who do not have disability.

Table LLDD 2017/18

Disability Disclosures 2017/18	Total	Percentage
Emotional/behavioural difficulties	3	0.17
Social and emotional difficulties	97	5.54
Speech, Language and Communication Needs	7	0.40
Disability affecting mobility	33	1.88
Dyscalculia	18	1.03
Dyslexia	363	20.73
Hearing impairment	51	2.91
Other specific learning difficulty (e.g. Dyspraxia)	27	1.54
Profound complex disabilities	3	0.17
Temporary disability after illness (for example post-viral) or accident	6	0.34
Asperger's syndrome	13	0.74
Autism spectrum disorder	30	1.71
Moderate learning difficulty	121	6.91
Other learning difficulty	173	9.88
Severe learning difficulty	13	0.74
Visual impairment	59	3.37
Mental health difficulty	155	8.85
Multiple disabilities	1	0.06
Not provided	5	0.29
Other disability	28	1.60
Other medical condition (for example epilepsy, asthma, diabetes)	514	29.35
Other physical disability	30	1.71
Prefer not to say	1	0.06
Total (of 5,487 students)	1,751	100

Operating and Financial Review *(continued)*

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

Numbers of employees who were employed in the relevant period	FTE employee number
389	308.9

Percentage of time	Number of employees
0%	
1-50%	4
51-99%	
100%	

Total cost of facility time	£6,670
Total pay bill	£10,991,000.00
Percentage of total bill spent on facility time	0.06%

Time spent on paid trade union activities as a percentage of total paid facility time	6.67%
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Approved by order of the members of the Corporation on 18 December 2018 and signed on its behalf by:

Julia Evans

Julia Evans OBE
Chair

Statement of Corporate Governance and Internal Control

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 2017 to 31 July 2018, and up to the date of 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);
- ii. in full accordance with the guidance to colleges from the Association of Colleges in Code of Good Governance for English Colleges ("the Code"); and
- iii. having due regard to the UK Corporate Governance Code insofar as it is applicable to the further education sector.

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

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

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

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

The Corporation is provided with regular and timely information on the overall financial performance of the 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 Corporation meets nine times a year.

The Corporation conducts its business through a number of Committees. Each Committee has terms of reference, which have been approved by the Corporation. These Committees are Audit, Performance & Remuneration, Search & Governance and Student Liaison. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website or from the Clerk to the Corporation at:

Leeds College of Building, North Street, Leeds LS2 7QT

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

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

Formal agendas, papers and reports are supplied to governors in a timely manner, prior to Board meetings. Briefings are also provided on an ad-hoc basis.

Statement of Corporate Governance and Internal Control (continued)

The Corporation has a strong and independent non-executive element and no individual or group dominates its decision-making process. The Corporation considers that each of its non-executive members is independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

There is a clear division of responsibility in that the roles of the Chair of the Corporation and Principal of the College are separate.

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search Committee comprising of six members who are responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

Members of the Corporation are appointed for a term of office not normally exceeding two terms of 4 years (unless in exceptional circumstances approved by the Board).

Corporation performance

The Corporation undertook a range of activities on the evaluation of its own performance for the year ended 31st July 2018 which included a self-evaluation survey, review of the English Colleges Code of Good Governance, Annual Attendance Report, Annual Skills Survey and each members has a part populated Self-Assessment form that they use to inform one to one performance discussions with the Chair. The evaluation activity is considered by Search and Governance Committee at the first meeting in 2017-18 and informs the subsequent governance development programme.

Performance & Remuneration Committee

Throughout the year ended 31 July 2018, the College's Performance & Remuneration Committee comprised the Chair and the Vice Chair of the Corporation. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Principal and other senior postholders. Details of remuneration for the year ended 31 July 2018 are set out in note 7 to the financial statements.

Audit Committee

The Audit Committee comprised of four members of the Corporation during 2017/18 (excluding the Accounting Officer and Chair). The Committee operates in accordance with written terms of reference approved by the Corporation. Its purpose is to advise the Corporation on the adequacy and effectiveness of the College's system of internal control and its arrangements for risk management, control and governance processes.

The Audit Committee meets on a termly basis and provides a forum for reporting by the College's internal and financial statement auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the ESFA and its successor organisations, as they affect the College's business.

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

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

The Audit Committee also advises the Corporation on the appointment of internal and financial statements auditors and their remuneration for both audit and non-audit work as well as reporting annually to the Corporation.

Statement of Corporate Governance and Internal Control (continued)

Internal Control

Scope of responsibility

The Corporation 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 Corporation has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with the responsibilities assigned to him in the Financial Memorandum/Financial Agreement between the College and the funding bodies.

He is also responsible for reporting to the Corporation any material weaknesses or break-downs in internal control.

The purpose of the system of internal control

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

The risk and control framework

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

- Comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the Corporation
- Regular reviews by the Corporation of periodic and annual financial reports which indicate financial performance against forecasts
- Setting targets to measure financial and other performance
- Clearly defined capital investment control guidelines
- The adoption of formal project management disciplines, where appropriate

The College has an internal audit service, which operates in accordance with requirements of the ESFA's Post 16 Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee.

As a minimum, the Internal Auditors annually provide the Corporation with a report on internal audit activity in the College. The report includes the Head of Internal Audit's (HIA's) independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Review of effectiveness

As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. The Principal's 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
- Comments made by the College's financial statements auditors in their management letter and other reports.
- Comments made by the College's appointed funding auditors

Statement of Corporate Governance and Internal Control (continued)

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

The Senior Management Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Senior Management Team and Audit Committee also receive regular reports from internal audit, and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a standing item for consideration of risk and control and receives reports thereon from the Senior Management Team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its 18 December 2018 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2018 by considering documentation from the Senior Management Team and internal audit, and taking account of events since 31 July 2018.

Based on the advice of the Audit Committee and the Principal, the Corporation 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".

Capacity to handle risk

The Corporation 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 Corporation 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 2018 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Corporation.

2018/19:

Student numbers are looking very positive at the beginning of 2018/19 with Apprenticeships, full-time 16-18 and Higher Education (HE) numbers all above target.

The budget set for 2018/19 is challenging with assumptions made concerning Levy income, growth in Higher Education and costs associated with the Phase 2 new build key to success.

Approved by order of the members of the Corporation on 18 December 2018 and signed on its behalf by:



Julia Evans OBE
Chair



I D Billyard
Principal

Governing Body's statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding

The Corporation has considered its responsibility to notify the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of funding under the College's financial memorandum / funding agreement.

We confirm, on behalf of the Corporation, that to the best of its knowledge, the Corporation believes it is able to identify any material irregular or improper use of funds by the College, or material non-compliance with the terms and conditions of funding under the College's financial memorandum/funding agreement with the Education and Skills Funding Agency. We further confirm that there have been no instances of material irregularity, impropriety or funding non-compliance discovered to date. If any instances are identified after the date of this statement these will be notified to the Education and Skills Funding Agency.



Julia Evans OBE
Chair



I D Billyard
Principal

Date 18 December 2018

Date 18 December 2018

Statement of the responsibilities of the members of the Corporation

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

Within the terms and conditions of the College's Financial Memorandum/Funding Agreement with the ESFA, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education, ESFA's College Accounts Direction and the UK Generally Accepted Accounting Practice, and which give a true and fair view of the state of affairs of the College and the result of the year.

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

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare financial statements on the going concern basis unless it is inappropriate to assume that the College will continue in operation.

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

The Corporation is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the College and which enable it to ensure that the financial statements are prepared in accordance with the relevant legislation including the Further and Higher Education Act 1992 and Charities Act 2011, and relevant accounting standards. It is responsible for taking steps that are reasonably open to it to safeguard assets of the College and to prevent and detect fraud and other irregularities.

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

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from the ESFA are used only in accordance with the Financial Memorandum/Financial Agreement with the ESFA and any other conditions that the Council may from time to time prescribe. Members of the Corporation must ensure that there are appropriate financial and management controls in place to safeguard public and other funds and ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the College's resources and expenditure so that the benefits that should be derived from the application of public funds from the Education and Skills Funding Agency are not put at risk.

Disclosure of Information to Auditors

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

Approved by order of the members of the Corporation on 18 December 2018 and signed on its behalf by:



Julia Evans OBE
Chair

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

Opinion

We have audited the financial statements of Leeds College of Building (the 'parent' College) and its subsidiaries (the 'group') for the year ended 31 July 2018 which comprise the Consolidated and College Statement of Comprehensive Income, the Consolidated and College Statement of Changes in Reserves, the Consolidated and College Balance Sheet, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102; The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent College's affairs as at 31 July 2018 and of the Group's deficit of income over expenditure and parent College's deficit of income over expenditure for the year then ended; and
- have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice – Accounting for Further and Higher Education issued in March 2014.

Basis for opinion

We have been appointed as auditor under the College's Articles of Government and report in accordance with regulations made under it. We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who are we reporting to

This report is made solely to the College's Corporation, as a body, in accordance with Article 16 the College's Articles of Government. Our audit work has been undertaken so that we might state to the College's Corporation those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the College and the College's Corporation as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Corporation's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Corporation have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent College's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Corporation are responsible for the other information. The other information comprises the information included in the annual report, set out on pages 4 to 24 other than the financial statements and our auditor's report thereon. The Corporation are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Post-16 Audit Code of Practice issued by the Skills Funding Agency and Education Funding Agency requires us to report to you if, in our opinion:

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

Responsibilities of the Corporation for the financial statements

As explained more fully in the Statement Responsibilities of the Corporation set out on page 24, the College's Corporation is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporation are responsible for assessing the group's and parent College's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Corporation either intend to liquidate the group or parent College or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Grant Thornton UK LLP

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Leeds

19 December 2018

Reporting accountant's assurance report on regularity

To the Corporation of Leeds College of Building and Secretary of State for Education acting through Education and Skills Funding Agency ('ESFA')

In accordance with the terms of our engagement letter dated 12 September 2018 and further to the requirements and conditions of funding in ESFA's grant funding agreements and contracts we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that, in all material respects, the expenditure disbursed and income received by Leeds College of Building during the period 1 August 2017 to 31 July 2018 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

This report is made solely to the corporation of Leeds College of Building and ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the corporation of Leeds College of Building and ESFA those matters we are required to state in a limited assurance report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the corporation of Leeds College of Building, as a body, and ESFA, as a body, for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Leeds College of Building and the reporting accountant

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work which suggests that, in all material respects, expenditure disbursed and income received during the period 1 August 2017 to 31 July 2018 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Code issued by ESFA. We performed a limited assurance engagement as defined in that framework.

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

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

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

The work undertaken to draw our conclusion includes:

- an assessment of the risk of material irregularity and impropriety across the college's activities;
- evaluation of the processes and controls established and maintained in respect of regularity and propriety for the use of public funds through observation of the arrangements in place and enquiries of management;
- consideration and corroboration of the evidence supporting the Accounting Officer's statement on regularity, propriety and compliance and that included in the self-assessment questionnaire (SAQ); and
- limited testing, on a sample basis, of income and expenditure for the areas identified as high risk and included on the SAQ.

Conclusion

In the course of our work, nothing has come to our attention which suggests that, in all material respects, the expenditure disbursed and income received during the period 1 August 2017 to 31 July 2018 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Grant Thornton UK LLP

Grant Thornton UK LLP
Chartered Accountants
Leeds

19 December 2018

Consolidated Statements of Comprehensive Income and Expenditure

		Year Ended 31 July 2018		Year Ended 31 July 2017	
	Note	Group £'000	College £'000	Group £'000	College £'000
Income:					
Funding Body grants	2	12,045	10,664	12,474	11,213
Tuition fees and education contracts	3	5,157	5,040	5,078	5,039
Other income	4	1,093	1,085	997	989
Donations and Endowments	5	-	142	-	155
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Income		18,295	16,931	18,549	17,396
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Expenditure:					
Staff costs	6	11,462	11,078	11,116	10,696
Restructuring costs	6	8	(14)	39	39
Other operating expenses	8	6,135	5,175	6,143	5,411
Depreciation	11	741	741	811	808
Amortisation of goodwill	12	104	-	644	-
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Depreciation and Amortisation		845	741	1,455	808
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Interest and other finance costs	9	287	287	336	336
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Expenditure:		18,737	17,267	19,089	17,290
(Deficit) / Surplus before other gains and losses		(442)	(336)	(540)	(106)
Loss on disposal of assets		(2)	(2)	(621)	(621)
Write Off Achieve Through Learning Ltd Investment	12	-	(4,538)	-	-
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Deficit before tax		(444)	(4,876)	(1,161)	(515)
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Taxation		-	-	-	-
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Deficit for the year		(444)	(4,876)	(1,161)	(515)
Actuarial gain / (loss) in respect of pension schemes	18	1,203	1,203	3,486	3,486
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Comprehensive Income for the year		759	(3,673)	(2,325)	(2,971)
		<u> </u>	<u> </u>	<u> </u>	<u> </u>

The statement of comprehensive income is in respect of continuing activities.

The accompanying notes and policies form part of these financial statements.

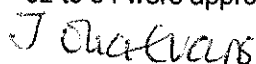
Consolidated and College Statement of Changes in Reserves

	Revaluation reserve £'000	Income & Expenditure account £'000	Total £'000
Group			
Balance at 31st July 2016	2,976	1,017	3,993
Deficit from the income and expenditure account	-	(1,161)	(1,161)
Other comprehensive income	-	3,486	3,486
Transfers between revaluation and income and expenditure reserves	(151)	151	-
Balance at 31 July 2017	2,825	3,493	6,318
Group			
Balance at 31st July 2017	2,825	3,493	6,318
Deficit from the income and expenditure account	-	(444)	(444)
Other comprehensive income	-	1,203	1,203
Transfers between revaluation and income and expenditure reserves	(151)	151	-
Balance at 31 July 2018	2,674	4,403	7,077
College			
Balance at 31st July 2016	2,976	3,567	6,543
Deficit from the income and expenditure account	-	(515)	(515)
Other comprehensive income	-	3,486	3,486
Transfers between revaluation and income and expenditure reserves	(151)	151	-
Balance at 31st July 2017	2,825	6,689	9,514
College			
Balance at 31st July 2017	2,825	6,689	9,514
Deficit from the income and expenditure account	-	(4,876)	(4,876)
Other comprehensive income	-	1,203	1,203
Transfers between revaluation and income and expenditure reserves	(151)	151	-
Balance at 31st July 2018	2,674	3,167	5,841

Consolidated Balance sheet at 31 July 2018

	Note	2018 £'000	2017 £'000
Non-current assets			
Tangible fixed assets	11	27,992	22,859
Intangible asset - goodwill	12	-	104
		<hr/>	<hr/>
		27,992	22,963
Current assets			
Stock		10	9
Trade and other receivables	13	1,270	953
Cash and cash equivalents		2,061	1,822
		<hr/>	<hr/>
		3,341	2,784
		<hr/>	<hr/>
Creditors: amounts falling due within one year	14	(3,779)	(3,154)
Net current liabilities		(438)	(370)
		<hr/>	<hr/>
Total assets less current liabilities		27,554	22,593
		<hr/>	<hr/>
Creditors: amounts falling due after one year	14	(16,147)	(11,297)
Defined benefit obligation	18	(3,936)	(4,514)
Provisions: other provisions	17	(394)	(464)
		<hr/>	<hr/>
Total net assets		7,077	6,318
		<hr/>	<hr/>
Unrestricted reserves:			
Revaluation Reserve		2,674	2,825
Income and expenditure account, including pension reserve		4,403	3,493
		<hr/>	<hr/>
Total unrestricted reserves		7,077	6,318
		<hr/>	<hr/>

The accompanying notes and policies form part of these financial statements. The financial statements on pages 32 to 64 were approved by the Corporation on 18 December 2018 and were signed on its behalf by:

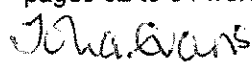

Julia Evans OBE
Chair


I D Billyard
Principal

College Balance sheet at 31 July 2018

	<i>Note</i>	2018 £'000	2017 £'000
Non-current assets			
Tangible fixed assets	11	27,992	22,859
Investment	12	-	4,538
		<hr/>	<hr/>
		27,992	27,397
		<hr/>	<hr/>
Current assets			
Stock		10	9
Trade and other receivables	13	1,254	1,022
Cash and cash equivalents		1,804	1,511
		<hr/>	<hr/>
		3,068	2,542
		<hr/>	<hr/>
Creditors: amounts falling due within one year	14	(3,606)	(3,012)
Net current liabilities		(538)	(470)
		<hr/>	<hr/>
Total assets less current liabilities		27,454	26,927
		<hr/>	<hr/>
Creditors: amounts falling due after one year	14	(17,285)	(12,435)
Defined benefit obligation	18	(3,936)	(4,514)
Provisions: other provisions	17	(392)	(464)
		<hr/>	<hr/>
Total net assets		5,841	9,514
		<hr/>	<hr/>
Unrestricted reserves:			
Revaluation Reserve		2,674	2,825
Income and expenditure account including pension reserve		3,167	6,689
		<hr/>	<hr/>
Total unrestricted reserves		5,841	9,514
		<hr/>	<hr/>

The accompanying notes and policies form part of these financial statements. The financial statements on pages 32 to 64 were approved by the Corporation on 18 December 2018 and were signed on its behalf by:


Julia Evans OBE
Chair


I D Bilyard
Principal

Consolidated Statement of Cash Flows

Notes	2018 £'000	2017 £'000
Cash flow from operating activities		
Deficit for the year	(444)	(1,161)
Adjustment for non-cash items		
Depreciation	741	811
(Increase)/decrease in stocks	(1)	(1)
(Increase)/decrease in debtors	(317)	374
Increase/(decrease) in creditors due within one year	461	(1,289)
Increase/(decrease) in provisions	(86)	17
Pensions costs less contributions payable	515	567
Goodwill Amortisation	104	644
Capital Grants Released to SOCI	(217)	(216)
Interest payable	287	336
Loss on sale of fixed assets	3	621
Net cash flow from operating activities	1,046	703
Cash flows from investing activities		
Capital Grants Received	5,581	1,490
Receipts from Sale of Fixed Assets	-	1,576
Payments made to acquire fixed assets	(5,877)	(1,596)
	(296)	1,470
Cash flows from financing activities		
Interest paid	(161)	(158)
Interest Received	-	-
Repayment of loan	(350)	(350)
	(511)	(508)
Increase in cash and cash equivalents in the year	239	1,665
Cash and cash equivalents at beginning of the year	1,822	157
Cash and cash equivalents at end of the year	2,061	1,822
Movement	239	1,665

Notes

(forming part of the financial statements)

1. Statement of accounting policies

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

Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2015* (the 2015 FE HE SORP), the *College Accounts Direction for 2017 to 2018* and in accordance with Financial Reporting Standard 102 – “*The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland*” (FRS102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS102.

The preparation of financial statements in compliance with FRS102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the College's accounting policies.

Basis of accounting

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

Basis of consolidation

The consolidated financial statements of the group include the financial statements of the College and its subsidiary undertakings, Achieve Through Learning Limited and LCB Enterprises Limited together with the group's share of the loss and reserves of associated undertakings. The results of subsidiary and associated undertakings acquired or disposed of during the year are included in the consolidated income and expenditure account from or up to the date on which control of the undertaking passes. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS102, the activities of the student union have not been consolidated because the College does not control those activities. All financial statements are prepared to 31 July 2018.

Goodwill arising on consolidation is being amortised over 5 years on a straight line basis.

Going Concern

This is an important time for the College to complete its Hunslet Phase 2 within budget, whilst maintaining its financial health.

On the basis of the forecasts, and having regard for the net liabilities position in the balance sheet, the College has prepared cash flow projections and reviewed the availability of bank and loan facilities to conclude that it has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

Recognition of income

The recurrent grant from the Education Skills Funding Agency represent the funding allocations attributable to the current financial year and are credited direct to the income and expenditure account. Recurrent grants are recognised in line with planned activity. Any under-achievement against this planned activity is adjusted in-year and reflected in the level of recurrent grant recognised in the income and expenditure account.

Notes (continued)

Other discrete Education Skills Funding Agency and its successor organisations funds received during the year are taken to income as expenditure is incurred in line with the specific terms and conditions attached to each fund by the Education Skills Funding Agency

Where the College receives and disburses funds in which it has no direct beneficial interest, such funds are excluded from the income and expenditure account on the grounds that the College does not have direct control over the future economic benefits derived from these funds. The College has applied this policy to certain funds received during the year from the Education Skills Funding Agency / the Education Funding Agency (see note 24).

Non-recurrent grants from the Education Skills Funding Agency are treated as deferred capital grants and amortised in line with depreciation over the life of the assets. Non-government grants are recognised as income using performance model.

Income from tuition fees is recognised in the period for which it is receivable 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.

Revenue grant funding

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

The recurrent grant from Office for Students (OFS) represents the funding allocations attributable to the current financial year and is credited direct to the Statement of Comprehensive Income.

Where part of a government grant is deferred, the deferred element is recognised as deferred income within creditors and allocated between creditors due within one year and creditors due after more than one year as appropriate.

Grants (including research grants) from non-government sources are recognised in 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.

Capital grant funding

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual model as permitted by FRS 102. Other, non-governmental, capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being 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 conditions are met.

Fee income

Income from tuition fees is stated gross of any expenditure which is not a discount and is recognised in the period for which it is received.

Notes (continued)

Statement of accounting policies (continued)

Agency arrangements:

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

Post-Retirement Benefits

Retirement benefits to employees of the College are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit schemes which are externally funded and contracted out of the State Earnings Related Pension Scheme (SERPS). Contributions to the TPS are charged as incurred.

Teachers' Pension Scheme (TPS)

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method.

The TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

West Yorkshire Local Government Pension Scheme (LGPS)

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred.

Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in interest and other finance costs.

Actuarial gains and losses are recognised immediately in actuarial gains and losses within other Comprehensive Income.

Short term Employment benefits

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

Notes (continued)

Statement of accounting policies (continued)

Enhanced Pensions

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

Tangible fixed assets

Land and buildings

Land and buildings inherited from the Local Education Authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable. Land and buildings acquired since incorporation are included in the balance sheet at cost. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College of 40 years. Leasehold land and buildings are amortised over the period of the lease. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life.

On adoption of FRS102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1994 as deemed cost but not to adopt a policy of revaluations of these properties in the future.

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

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

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

Goodwill

Goodwill is amortised over the useful economic life of 5 years.

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:

- Market value of the fixed asset has subsequently improved
- Assets capacity increases
- Substantial improvement in the quality of output or reduction in operating costs
- Significant extension of the assets life beyond that conferred by repairs and maintenance

Notes (continued)

Statement of accounting policies (continued)

Equipment

Equipment costing less than £1,000 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost.

All inherited equipment is fully depreciated. All other equipment is depreciated over its useful economic life as follows:

Motor vehicles and general equipment	-	10 years
Computer equipment	-	3 years
Mechanical and Electrical	-	20 years

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the Statement of Comprehensive Income and Expenditure.

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

Assets under Construction

Capital expenditure on the new Hunslet Phase 2 Campus has been classified as Assets under Construction at the year end, as the development is ongoing and is not depreciated. At practical completion, this will be re-classified to land and buildings.

Leased assets

Costs in respect of operating leases are charged on a straight line basis over the lease term to the Statement of Comprehensive Income and Expenditure. 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. The relevant assets 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. Where finance lease payments are funded in full from funding council capital equipment grants, the associated assets are designated as grant-funded assets.

Assets which are held under hire purchase contracts which have the characteristics of finance leases are depreciated over their useful lives.

Stocks

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

Maintenance of premises

The cost of routine corrective maintenance is charged to the income and expenditure account in the period it is incurred.

Investments

Investment in subsidiaries are accounted for at cost less impairment in the individual financial statements.

Notes (continued)

Statement of accounting policies (continued)

Taxation

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The College is partially exempt in respect of Value Added Tax, so that it can only recover a minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature. The College's subsidiary companies is subject to corporation tax and VAT in the same way as any commercial organisation.

Provisions

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

Cash and cash equivalents

Cash for the purposes of the cash flow statement comprises cash in hand and deposits repayable on demand less overdrafts repayable on demand.

Agency arrangements

The College acts as an agent in the collection and payment of certain discretionary support and 16-19 Bursary Funds received from the main funding bodies and subsequent disbursements to students are excluded from the Income and Expenditure account and are shown separately in note 24, except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant and any use of funds which increase College income i.e. waiving tuition fees.

Judgements in applying accounting policies and key sources of estimation uncertainty

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

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the group's tangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.
- That the investment in Achieve Through Learning Ltd should be written off in full following an impairment review.

Notes (continued)

Statement of accounting policies (continued)

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.

- **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 17, 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 2013 has been used by the actuary in valuing the pensions liability at 31 July 2018. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Financial assets and liabilities

The College only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable.

Debt instruments (other than those wholly repayable or receivable within one year), including other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the balance sheet.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounts at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the College would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Notes (continued)

2. Funding Council grants

	Year Ended 31 July 2018		Year Ended 31 July 2017	
	Group £'000	College £'000	Group £'000	College £'000
Recurrent grants				
Education and Skills Funding Agency – Adult	1,769	1,456	2,041	1,793
Education and Skills Funding Agency – 16-18	5,288	5,288	4,662	4,662
Education and Skills Funding Agency - Apprenticeships	4,764	3,696	5,255	4,242
Release of government capital grants				
Buildings	119	119	127	127
Equipment	98	98	89	89
Other Funds	7	7	300	300
	<u>12,045</u>	<u>10,664</u>	<u>12,474</u>	<u>11,213</u>
	<u><u>12,045</u></u>	<u><u>10,664</u></u>	<u><u>12,474</u></u>	<u><u>11,213</u></u>

3. Tuition fees and education contracts

	Year Ended 31 July 2018		Year Ended 31 July 2017	
	Group £'000	College £'000	Group £'000	College £'000
UK Further Education Students	2,480	2,402	1,633	1,633
Total tuition fees	2,480	2,402	1,633	1,633
Education contracts:				
Higher Education (HE) income	927	927	1,138	1,138
Other income	1,750	1,711	2,307	2,268
	<u>5,157</u>	<u>5,040</u>	<u>5,078</u>	<u>5,039</u>
	<u><u>5,157</u></u>	<u><u>5,040</u></u>	<u><u>5,078</u></u>	<u><u>5,039</u></u>

Notes (continued)

4. Other income

	Year Ended 31 July 2018		Year Ended 31 July 2017	
	Group £'000	College £'000	Group £'000	College £'000
Residences, catering and conferences	375	375	385	385
Examinations Fees	84	84	66	66
Other Income	634	626	546	538
	<u>1,093</u>	<u>1,085</u>	<u>997</u>	<u>989</u>

5. Donations

	Year Ended 31 July 2018		Year Ended 31 July 2017	
	Group £'000	College £'000	Group £'000	College £'000
Income from subsidiary gift aid	-	142	-	155
	<u>-</u>	<u>142</u>	<u>-</u>	<u>155</u>

6. Staff numbers and costs

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

	Year Ended 31 July 2018		Year Ended 31 July 2017	
	Group Number	College Number	Group Number	College Number
Teaching departments	167	158	168	156
Teaching support services	51	51	47	47
Other support services	42	42	44	44
Administration and central services	38	32	39	32
Premises	13	13	13	13
Catering and residences	12	12	12	12
	<u>323</u>	<u>308</u>	<u>323</u>	<u>304</u>

Notes (continued)

6. Staff numbers and costs (continued)

Staff costs for the above persons were as follows:

	Year Ended 31 July 2018		Year Ended 31 July 2017	
	Group £'000	College £'000	Group £'000	College £'000
Teaching departments	6,069	5,869	5,836	5,603
Teaching support services	2,103	2,103	2,101	2,101
Other support services	1,133	1,133	1,055	1,055
Administration and central services	1,572	1,388	1,545	1,358
Premises	335	335	325	325
Catering and residences	250	250	254	254
	<u>11,462</u>	<u>11,078</u>	<u>11,116</u>	<u>10,696</u>
Restructuring costs	29	7	6	6
Enhanced Pension	(58)	(58)	47	47
Holiday Pay Accrual	37	37	(14)	(14)
	<u>11,470</u>	<u>11,064</u>	<u>11,155</u>	<u>10,735</u>
Wages and salaries	8,989	8,642	8,677	8,280
Social security costs	819	788	833	798
Other pension costs	1,654	1,648	1,606	1,651
Restructuring costs	29	7	6	6
Enhanced Pension	(58)	(58)	47	47
Holiday Pay Accrual	37	37	(14)	(14)
	<u>11,470</u>	<u>11,064</u>	<u>11,155</u>	<u>10,735</u>

	Year Ended 31 July 2018		Year Ended 31 July 2017	
	Group £'000	College £'000	Group £'000	College £'000
Employment costs for staff on permanent contracts	11,302	10,918	11,040	10,653
Employment costs for staff on short-term and temporary contracts	160	160	76	76
Restructuring costs	8	(14)	39	6
	<u>11,470</u>	<u>11,064</u>	<u>11,155</u>	<u>10,735</u>

Leeds College of Building gave a £337 pay award to its staff in August 2018 backdated to 1 August 2017. Achieve Through Learning Ltd did not receive a pay award in 2017/18.

Notes (continued)

7. Compensation of key management personnel

The number of staff, including senior postholders and the Principal, who received emoluments excluding pension contributions and employer's national insurance but including benefits in kind, in the following ranges was:

	Group 2017/18 Number of Senior Postholders	Group 2016/17 Number of Senior Postholders
£ 60,001 to £ 70,000	-	-
£ 70,001 to £ 80,000	-	-
£ 80,001 to £ 90,000	-	-
£ 90,001 to £100,000	2	2
£100,001 to £110,000	-	-
£110,001 to £120,000	-	-
£120,001 to £130,000	1	1

Key management personnel

Key management personnel are the Senior Postholders who have authority and responsibility for planning, directing and controlling the activities of the College and are represented by the Executive Team which comprises the Principal, Deputy Principal and Executive Director of Finance & Resources. There are four Senior Postholders in total with the Governance Adviser and Clerk to the Corporation being in addition to the Executive Team mentioned above.

	2018 Number	2017 Number
The number of key management personnel, including the Principal was:	4	4

Key management personnel compensation is made up as follows:

	2018 £'000	2017 £'000
Salaries - gross of salary sacrifice and waived emoluments	336	337
Employers National Insurance	41	42
	<hr/>	<hr/>
	377	379
Pension	53	52
	<hr/>	<hr/>
Total	430	431
	<hr/>	<hr/>

Notes (continued)

7. Compensation of key management personnel (continued)

The above compensation includes amounts payable to the Accounting Officer (who is also the highest paid officer) of:

	2018	2017
	£'000	£'000
Salary	126	126
Employers National Insurance	16	16
	<hr/>	<hr/>
	142	142
Pension	21	21
	<hr/>	<hr/>
Total	163	163
	<hr/>	<hr/>

The pension contributions in respect of the Principal and senior postholders are in respect of employer's contributions to the Teachers' Pension Scheme and West Yorkshire Pension Fund (WYPF) and are paid at the same rate as for other employees.

The members of the Corporation other than the Accounting Officer and the staff members did not receive any payment from the College other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

Notes (continued)

8. Other operating expenses

	Year Ended 31 July 2018		Year Ended 31 July 2017	
	Group £'000	College £'000	Group £'000	College £'000
Teaching departments	2,746	1,945	3,008	2,408
Teaching support services	150	148	170	162
Other support services	445	442	474	474
Administration and central services	755	692	538	483
General education	753	684	729	670
Premises costs	1,073	1,051	1,008	997
Planned maintenance	5	5	21	21
Catering and residence operations	208	208	195	196
	<u>6,135</u>	<u>5,175</u>	<u>6,143</u>	<u>5,411</u>
Other operating expenses include:				
Auditors remuneration:				
Financial statement audit	22	15	21	15
Internal audit	11	11	12	12
Other services provided by financial statements auditor	3	3	4	2
Hire of other assets – operating leases	85	85	85	85

9. Net interest payable

	Year Ended 31 July 2018		Year Ended 31 July 2017	
	Group £'000	College £'000	Group £'000	College £'000
Bank Interest	161	161	158	158
Enhanced Pension	16	16	10	10
Pension finance costs	110	110	168	168
	<u>287</u>	<u>287</u>	<u>336</u>	<u>336</u>

10. Taxation

The Group was not liable for any corporation tax arising out of its activities during either period.

Notes (continued)

11. Tangible fixed assets - Group

	Land and Buildings Freehold	Equipment	Assets Under Construction	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 August 2017	25,968	3,051	1,523	30,542
Additions	-	89	5,788	5,877
Disposals	-	(29)	-	(29)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2018	25,968	3,111	7,311	36,390
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 1 August 2017	5,334	2,349	-	7,683
Charge for year	602	139	-	741
Disposals	-	(26)	-	(26)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2018	5,936	2,462	-	8,398
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 July 2018	20,032	649	7,311	27,992
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2017	20,634	702	1,523	22,859
	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

11. Tangible fixed assets - College

	Land and Buildings Freehold	Equipment	Assets Under Construction	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 August 2017	25,968	3,015	1,523	30,506
Additions	-	89	5,788	5,877
Disposals	-	(29)	-	(29)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 July 2018	25,968	3,075	7,311	36,354
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Depreciation				
At 1 August 2017	5,334	2,313	-	7,647
Charge for year	602	139	-	741
Disposals	-	(26)	-	(26)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 July 2018	5,936	2,426	-	8,362
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net book value				
At 31 July 2018	20,032	649	7,311	27,992
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 July 2017	20,634	702	1,523	22,859
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The transitional rules set out in FRS 102 have been applied accordingly. The book values at implementation have been retained.

Land and buildings were valued for the purpose of the 1994 financial statements at depreciated replacement cost by Grimley JR Eve, a firm of independent chartered surveyors, in accordance with the RICS Statement of Asset Valuation Practice and Guidance notes. Other tangible fixed assets inherited from the local education authority at incorporation have been valued by the Corporation on a depreciated replacement cost basis with the assistance of independent professional advice.

Notes (continued)

12. Investments

	2018	2017
	£	£
Investment in LCB Enterprises Limited at cost	100	100
Investment in ATL Limited at cost	-	4,538,249

The College owns 100% of the issued ordinary shares of LCB Enterprises Limited, a company incorporated in Great Britain and registered in England and Wales. The principal business activity of LCB Enterprises Limited is the Design and Build of new premises for Leeds College of Building. The interest in LCB Enterprises Limited was acquired on 27 July 2009 at its incorporation.

The College acquired for the sum of £4,538,249 100% of the issued ordinary shares of Achieve Through Learning Limited, a private training provider based in South Yorkshire on 4 October 2012.

Following an impairment review the College decided to write off this investment in the College accounts.

Goodwill	£'000
As at 1 August 2017	104
Amortisation charge for the year	(104)
	<hr/>
Balance at 31 July 2018	-
	<hr/> <hr/>

13. Debtors

	Group	College	Group	College
	2018	2018	2017	2017
	£'000	£'000	£'000	£'000
Trade debtors	240	195	192	191
Other debtors	52	52	19	18
Amounts owed by ESFA	953	766	706	575
Amounts owed by subsidiary undertakings	-	232	-	236
Prepayments and accrued income	25	9	36	2
	<hr/>	<hr/>	<hr/>	<hr/>
	1,270	1,254	953	1,022
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

14. Creditors: amounts falling due within one year

	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
Amounts owed to ESFA	564	564	120	120
Payments received on account	85	85	101	101
Trade payables	250	188	223	186
Other taxation and social security	307	299	295	287
Accruals	1,795	1,695	1,831	1,747
Other creditors	50	47	20	7
Bank Loan	350	350	350	350
Deferred income – government capital grants	378	378	214	214
	<u>3,779</u>	<u>3,606</u>	<u>3,154</u>	<u>3,012</u>

Creditors: amounts falling due after one year

	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
Deferred income – government capital grants	10,197	10,197	4,997	4,997
Amounts owed to Subsidiary undertakings	-	1,138	-	1,138
Bank Loan	5,950	5,950	6,300	6,300
	<u>16,147</u>	<u>17,285</u>	<u>11,297</u>	<u>12,435</u>

15. Bank Loans

Repayment analysis:

	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
Bank Loan:				
Within one year	350	350	350	350
Between one and two years	350	350	350	350
Between two and five years	1,050	1,050	1,050	1,050
After five years	4,550	4,550	4,900	4,900
	<u>6,300</u>	<u>6,300</u>	<u>6,650</u>	<u>6,650</u>

Bank loans include two loan facilities, £5.250m long-term loan facility due for repayment in 2034/35 and £1.250m short-term facility due for repayment in 2020/21. The loan balances are secured against certain freehold land and buildings of the College. Interest is payable on the short term loan is 2.25% over base and 2.01% over base on the long term loan.

Notes (continued)

16. Financial Assets & Liabilities

	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
Financial assets measured at amortised cost				
Bank & Cash	2,061	1,804	1,822	1,511
Trade Debtors & Other Debtors	1,270	1,254	953	1,022
	3,331	3,058	2,775	2,533
Financial liabilities measured at amortised cost				
Creditors less than 1 year	3,009	2,844	2,757	2,625
Creditors more than 1 year	5,950	7,088	6,300	7,438
	8,959	9,932	9,057	10,063

17. Provisions for liabilities

Group and College	Group Enhanced Pensions £'000
At 1 August 2017	464
Transferred from income and expenditure account	(30)
Interest	16
Actuarial (gains) / losses.	(58)
	—
At 31 July 2018	392

The provision for enhanced pensions has been re-valued to reflect changes in life expectancy and interest rates which both affect the future liability.

Achieve Through Learning Ltd has a £2k provision for deferred taxation, which is included in the Group provisions balance.

Notes (continued)

18. Pensions and similar obligations

The College's employees belong to two principal pension schemes, the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). The total pension cost for the period was £1,654,000 (2016/17: £1,605,000).

Total pension cost for the year

	2018	2017
	£'000	£'000
Teachers' pension scheme: contributions paid	631	598
Local Government Pension Scheme:		
Contributions paid	508	440
FRS 102 (28) charge	515	567
	<hr/>	<hr/>
Charge to the Statement of Comprehensive Income for LGPS	1,023	1,007
	<hr/>	<hr/>
Total pension cost for year within staff costs	1,654	1,605
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

18. Pensions and similar obligations (continued)

Teachers' Pension Scheme

Introduction

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

The Teachers' Pension Budgeting and Valuation Account

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

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

Valuation of the Teachers' Pension Scheme

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

- employer contribution rates were set at 16.48% of pensionable pay (including a 0.08% levy for administration);
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- an employer cost cap of 10.9% of pensionable pay will be applied to future valuations

The new employer contribution rate for the TPS was implemented in September 2015. A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location:

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

The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

Notes (continued)

Pensions and similar obligations (continued)

Scheme Changes

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

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

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

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

The pension costs paid to TPS in the year amounted to £631,000 (2016/17: £598,000).

FRS 102 section 28

Under the definitions set out in FRS 102 section 28, the TPS is a multi-employer pension scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme.

Accordingly, the College has taken advantage of the exemption in FRS102 and has accounted for its contributions to the scheme as if it were a defined-contribution scheme. The College has set out above the information available on the scheme and the implications for the College in terms of the anticipated contribution rates.

Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate funds administered by Bradford Council. The total contribution made for the year ended 31 July 2018 was £724,000 of which employers' contributions totalled £508,000 and employees' contributions totalled £216,000. The agreed Employer contribution rates for 2018/19 is 14.6%. Employees range from 5.5% to 12.5% depending on salary.

Principal Actuarial Assumptions

The following information is based on a full actuarial valuation of the fund as at 31st March 2013 updated to 31st July 2018 by a qualified independent actuary.

	2018	2017
Inflation assumption (CPI)	2.10%	2.00%
Rate of increase in salaries	3.35%	3.25%
Rate of increase in pensions	2.10%	2.00%
Discount rate for liabilities	2.80%	2.60%
Commutation of pensions to lump sum	50%	50%

Notes (continued)

18. Pensions and similar obligations (continued)

On advice from our actuaries we have assumed that 50% of employees retiring after 6 April 2007 will take advantage of the option to commute part of their future annual pension to a lump sum payment on retirement.

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

	2018	2017
	£'000	£'000
Retiring today / current pensioners		
Males	22.1	21.7
Females	25.3	25.2
Retiring in 20 years / future pensioners		
Males	23.1	23.0
Females	27.1	27.0

	Value at 31 July 2018	Value at 31 July 2017
	£'000	£'000
Equities	14,196	13,351
Government Bonds	2,055	1,684
Other Bonds	666	677
Property	799	764
Cash/Liquidity	419	295
Other	894	590
Total market value of College assets	<u>19,029</u>	<u>17,361</u>

	2018	2017
	£'000	£'000
Present value of scheme liabilities		
- Funded	(22,947)	(21,856)
- Unfunded	(19)	(20)
Fair Value of Assets	<u>19,029</u>	<u>17,362</u>
Deficit in the scheme	<u>(3,937)</u>	<u>(4,514)</u>

Notes (continued)

18. Pensions and similar obligations (continued)

The assets in the scheme and the expected rates of return were:

	2018 £'000	2017 £'000
College's estimated asset share	19,031	17,362
Present value of scheme liabilities	(22,966)	(21,876)
	<hr/>	<hr/>
Deficit in the scheme	(3,935)	(4,514)
	<hr/> <hr/>	<hr/> <hr/>

Analysis of the amount charged to the income and expenditure account

	2018 £'000	2017 £'000
Employer service cost	1,023	1,007
Past service cost / (gain)	-	-
	<hr/>	<hr/>
Total operating charge	1,023	1,007
	<hr/> <hr/>	<hr/> <hr/>

Analysis of pension finance costs

	2018 £'000	2017 £'000
Expected return on pension scheme assets	458	370
Interest on pension scheme liabilities	(568)	(538)
	<hr/>	<hr/>
Net interest cost	(110)	(168)
	<hr/> <hr/>	<hr/> <hr/>

Amounts recognised in the statement of comprehensive income (SOCl)

	2018 £'000	2017 £'000
Actual return less expected return on pension scheme assets	808	1,450
Change in financial and demographic assumptions underlying the scheme liabilities	395	2,036
	<hr/>	<hr/>
Actuarial gain / (loss) recognised in other comprehensive income	1,203	3,486
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

18. Pensions and Similar Obligations (continued)

Asset and Liability Reconciliation

Reconciliation of Liabilities

	2018	2017
	£'000	£'000
Liabilities at start of period	21,876	22,470
Current service cost	1,023	1,007
Interest cost	568	538
Employee contributions	216	209
Actuarial (gain) / loss	(395)	(2,036)
Benefits paid	(322)	(315)
	<hr/>	<hr/>
Liabilities at end of Period	22,966	21,873
	<hr/> <hr/>	<hr/> <hr/>

Reconciliation of Assets

	2018	2017
	£'000	£'000
Assets start of period	17,363	15,207
Expected return on assets	458	370
Actuarial gain / (loss)	808	1,450
Employer contributions	508	440
Employee contributions	216	209
Benefits paid	(322)	(315)
	<hr/>	<hr/>
Assets at end of period	19,031	17,361
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

18. Pensions and Similar Obligations (continued)

Movement in deficit during year

	2018 £'000	2017 £'000
Deficit in scheme at beginning of year	(4,514)	(7,265)
Current service charge	(1,023)	(1,007)
Contributions	508	440
Net interest/return on assets	(110)	(168)
Actuarial gain or loss	1,203	3,486
	<hr/>	<hr/>
Deficit in scheme at end of year	(3,936)	(4,514)
	<hr/>	<hr/>

'A recent High Court ruling found Guaranteed Minimum Pensions (GMPs) must be equalised between men and women, and that past underpayments must be corrected. Employers such as the College, with a defined benefit pension scheme and contracted out of the State Second Pension from 17 May 1990 to 5 April 1997 are covered by the ruling, and will be impacted by increased defined benefit pension obligations. It is not possible to quantify the impact of the equalisation payments required as the appropriate valuation model and methodology is yet to be established. As a result no provision has been made at 31 July 2018. Further clarification is expected during the next financial year.'

19. Analysis of changes in net funds

	At 1 August 2017 £'000	Cash Flow £'000	At 31 July 2018 £'000
Cash at bank and in hand	1,822	239	2,061
	<hr/>	<hr/>	<hr/>
Total	1,822	239	2,061
Bank loan	(6,650)	350	(6,300)
	<hr/>	<hr/>	<hr/>
Net Funds	(4,828)	589	(4,239)
	<hr/>	<hr/>	<hr/>

20. Capital commitments

	2018 £'000	2017 £'000
Contracted for at 31 July	5,035	5
	<hr/>	<hr/>

Notes (continued)

21. Financial commitments

At 31 July the College had annual commitments under non-cancellable operating leases as follows:

	2018 Land & Buildings £'000	2018 Equipment £'000	2017 Land & Buildings £'000	2017 Equipment £'000
Expiring within one year	65	20	65	46
Expiring between two and five years inclusive	131	30	190	59
	<u>196</u>	<u>50</u>	<u>255</u>	<u>105</u>

22. Contingent liability

Funding body grants:

The Group has received grant income over a number of years. The funding bodies have clawback arrangements in place for many of the grants and the Group may have to pay monies back in the event of an audit taking place. No provision is included in the financial statements for potential claw back unless the Group has been notified of such claw back claims being made.

23. Related party transactions

Due to the nature of the College's operations and the composition of the Corporation (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 organisations in which a member of the Board of Governors may have an interest are conducted at arms length and in accordance with the College's financial regulations and normal procurement procedures.

The total expenses paid to or on behalf of the Governors during the year was £469.00 (In 2016/17: £355.00 was paid). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity. No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2016/17: Nil).

Crescent Purchasing Ltd (trading as Crescent Purchasing Consortium (CPC)) is a company limited by guarantee and a registered charity governed by its memorandum and articles of association. The Executive Director of Finance & Resources is the Chair of Board and Director of the company. During the year, there have been transactions with CPC of £934,135 (2016/17: £821,560) in relation to provision of payroll services, there is no balance outstanding at the year end. CPC is also used by the College for procurement purposes, CPC provides resources for further education, higher education, academies, schools and other educational bodies which allow them to get the best value purchasing arrangements.

Notes (continued)

24. Agency arrangements

Bursary 16-18

	2018	2017
	£'000	£'000
Funding council grants	185	238
	—	—
	185	238
	==	==
Disbursed to students	(180)	(234)
Admin fee retained by College	(5)	(4)
	—	—
	(185)	(238)
	==	==
Balance unspent at 31 July 2018	-	-
	==	==

Bursary 16-18 – High Needs

	2018	2017
	£'000	£'000
Funding council grants	26	20
	—	—
	26	20
	==	==
Disbursed to students	(17)	(20)
Admin fee retained by College	-	-
	—	—
Balance unspent at 31 July 2018	9	-
	==	==

Notes (continued)

24. Advanced Learner Loans Bursary

	2018 £'000	2017 £'000
Funding council grants	5	2
	—	—
	5	2
	==	==
Disbursed to students	(4)	(6)
Admin fee retained by College	-	-
	—	—
	(4)	(6)
	==	==
Balance unspent at 31 July 2018	1	(4)
	==	==

ESFA grants are available solely for students; the College acts as paying agent. The grants and related disbursements have therefore been excluded from the income and expenditure account.