

LEEDS COLLEGE OF BUILDING GROUP

MEMBERS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR
ENDED 31 JULY 2019

2018/2019



Leeds College of Building
Members' report and financial statements
For the year ended 31 July 2019

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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
Mrs Julia Evans - Chair of Board	April 2018	N/A	External	Performance & Remuneration	80%
Mr Mike Berry	August 2017	N/A	External	Search and Governance and Capital Working Group	100%
Mr Derek Whitehead	January 2019	N/A	Principal & CEO	Student Liaison, Search and Governance and Capital Working Group	100%
Mr Simon Bray	February 2018	N/A	Staff Governor	Student Liaison	70%
Mr Andrew Kenny	August 2017	N/A	External	Audit, Student Liaison and Capital Working Group	90%
Dr Ivan Nip	April 2016	N/A	External	Audit and Capital Working Group	90%
Mr Peter Norris	February 2017	N/A	External	Audit, Search and Governance and Performance and Remuneration	100%
Mr Derek Packer	May 2018	N/A	External	Student, Liaison, Search and Governance and Capital Working Group	70%
Mr Mark Roper	August 2019	N/A	External	Capital Working Group	80%
Prof Dave Russell	May 2018	N/A	External	None	80%
Ms Rachel Lindley	September 2018	N/A	External	Audit and Student Liaison	90%
Ms Caroline Meehan	January 2019	N/A	External	None (Lead Governor Safeguarding and Prevent)	83%
Ms Sarah Wilson	January 2019	N/A	External	Audit	83%
Ms Jackie Wignall	April 2019	N/A	Staff Governor	Search and Governance and Student Liaison	100%
Mr Mark Scott	November 2019	N/A	External	None	N/A
Mr Sam Johnson	September 2019	N/A	External	Student Liaison	N/A
Ms Melanie Tyson	December 2019	N/A	External	None	N/A
Ms Clare Harrigan	June 2018	N/A	External	Co-opted to Search and Governance Committee	N/A
Mr David Roberts	October 2014	September 2018	External	Co-opted to Search & Governance Committee	N/A
Mrs Kathryn Wilkinson	November 2017	October 2018	External	Student Liaison and Lead Governor Safeguarding and Prevent.	100%
Mr Ian Billyard	2002	December 2018	Principal	Student Liaison, Search and Governance and Capital Working Group	100%

The Corporation (continued)

Name	Date of Appointment/ Renewal	Date of Resignation	Status of Appointment	Committees Served	Attendance
Mr Geoff Lister	August 2017	December 2018	External	Co-opted to Search & Governance Committee	N/A
Mr Terry Hodgkinson	March 2018	January 2019	External	Capital Working Group	100%
Mr Andrew Iveson	August 2018	March 2019	External	Co-opted to Capital Working Group	N/A
Mr Marc Townsend	August 2015	April 2019	Staff Governor	Search and Governance and Student Liaison	86%
Hafsa Zaheer	November 2018	July 2019	Student Governor	Student Liaison	33%

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 & Bissett 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
33 Wellington Street
Leeds
LS1 4DL

Operating and Financial Review

Nature, Objectives and Strategies

The members' present their report and the audited financial statements for the year ended 31 July 2019. 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 (LCB). 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 Education as Principal Regulator for all FE Corporations in England. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 2-3. 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", ensuring students / Apprentices are at the centre of all thinking and decision making, together with ensuring LCB provides a broad curriculum offer to meet their needs and employer demand.

College Values:

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

College Vision:

"To be the college of choice for construction and the built environment; making a difference to the lives of our students and the wider society".

Strategic Aims:

- Offering the highest quality education and student experience
- Creating and maintaining mutually beneficial relationships with strategic partners
- Developing our staff and ways of working
- Focusing on sustainable finances through strong leadership and management.

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:

	2018/19 Actual	2017/18 Actual
Cash balance	£1,311,000	£2,061,000
Adjusted Current ratio	0.79:1	1.08:1
Dependency on Grant income	83%	66%
Pay as a % of income	57%	61%
Adjusted Cash days in hand	25	42

In 2016/17 the College embarked on the South Bank Phase 2 (£13m) project and planned that this would, as it did, reduce the financial health score from Good to Requires Improvement. The key performance indicators for cash, adjusted cash days in hand and adjusted current ratio have fallen as a direct result of the investment in the South Bank Phase 2 project. Increased numbers of students on apprenticeships are responsible for the increase in dependency on grant income and increased turnover was responsible for the slight increase in pay as a percentage of income. The medium term aim post completion, is to raise cash balances and improve balance sheet strength. The College's financial health was Requires Improvement in 2018/19.

The Group generated an operating surplus in year of £101,000 (2017/18: deficit £608,000).

The Group has accumulated reserves of £3,623,000 (2017/18: £6,913,000).

Tangible fixed asset additions during the year amounted to £6,936,000. These are almost exclusively Assets relating to the completion of the College's South Bank Phase 2 Building.

The College has significant reliance on the Education & Skills Funding Agency 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.

The inter-company loan from Achieve Through Learning Limited was written off during the 2018/19 financial year.

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 (continued)

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 £1,470,000 (2017/18: inflow £1,046,000).

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 £1,100,000 (2017/18: £4,239,000).

Current and Future Development and Performance

Quality of Teaching & Learning

Following the past Ofsted Inspection (reported in the previous year's Members' report and financial statements), significant staff development has taken place to support staff across the College in ensuring all students have consistently high quality teaching, learning and assessment and wider College experiences. This has included support through the Strategic College Improvement Fund to support the implementation of the Post Inspection Action Plan. We continue to build on the strengths of the Grade 2's (Good) that the College received in Apprenticeship provision (including Higher Apprenticeships) and Adult Education provision, and ensuring 16-19 provision is also good or better. Ofsted's Monitoring Visit in November 2018 concluded, across four of the themed areas they inspected, that reasonable progress was made in three of the areas and significant progress was made in one area. The College was inspected by Ofsted week commencing 21 October 2019. The outcome was a Grade 2 (Good) for all aspects of the Inspection.

Observations of Teaching, Learning & Assessment (OTLA)

The College adopted a developmental, Blue, Red, Amber & Green (BRAG) rated Observation of Teaching, Learning & Assessment (OTLA) system for the academic year 2017/18, which continued in 2018/19. 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 members of the OTLA team carried out 93 and 110 (203 in total) BRAG rated observations in Window 1 and Window 2 respectively. Teaching, Learning and Assessment at "Whole College" level was rated at 76% Blue and Green in Window 1 and 82% in Window 2. There has therefore been good improvement in Teaching, Learning and Assessment across the College, indicating the very large majority of Teaching, Learning & Assessment is now Good or better across all provision types: 16-19, Apprenticeships, Adults and Higher Education.

In addition to the internal observation team's findings, the Executive Team commissioned an external Teaching, Learning & Assessment review. This took place in April 2019 and the external team spent four days in College and carried out almost 100 observations, concluding 73% of the sessions (mainly theoretical) were good or better. At the time of writing (October 2019) a further review has been conducted and showed improvement to 87%, i.e. where sessions met the standard.

Operating and Financial Review (continued)

Current and Future Development and Performance (continued)

Customer Satisfaction

Overall, the external student satisfaction surveys and internal employer survey shows a positive picture for Leeds College of Building.

The HE National Student Survey (NSS) shows a 16% increase on last year's result for overall satisfaction. The FE Choices Learner Survey is now above the national benchmark for satisfaction and significantly above when compared at Subject Sector Area (SSA) level (+6%).

The internal employer survey shows the continuation of very high satisfaction levels, with 94% of employers stating that the training received is having an impact on their business. At the time of writing, the FE Choices Employer Survey results had not been published.

The internal student surveys carried out in November 2018 and May 2019 indicated the following high satisfaction levels:

Key Performance Indicator	November 2018	May 2019
I am achieving what I came to do	98%	98%
I enjoy being at College	93%	94%
I would recommend the College to a friend	95%	94%
I feel safe	97%	97%
Teaching & Learning	96%	95%
Assessment	95%	95%

External Verifier / Moderator Reports

All external verifier and moderator reports for the academic year 2018-19 showed full compliance with Awarding Organisation requirements and were very positive.

External verifiers commented on the high quality of student work and on the feedback provided by teachers.

All recommendations are actioned following the visit report and key areas of good practice and areas for improvement are picked up through the College's quality system.

Student numbers

In 2018/19 the Group has delivered activity that has produced £6,746,000 in main Education and Skills Funding Agency (ESFA) funding (2017/18: £7,057,000). The College had 4,184 (2017/18: 3,489) Education and Skills Funding Agency funded students and 2,196 (2017/18: 1,998) non-Education and Skills Funding Agency funded students.

Student achievements

Education programmes for Young People

16-18 achievement has increased significantly to 75.6% from 67.6% in 2017/18. Retention was 88.2% and Pass Rates were 87.5%, showing that retention is much improved from the previous year which was 79.5%. Pass Rates remain consistently high.

Adult Learners

19+ achievement has reduced slightly to 89.5% (91.1% in 2017/18). This is due to a drop in the Pass Rate from 97.4% to 95.4%. Retention remains high at 94.8%.

Apprenticeships

Overall Apprenticeship rates have remained above the national average at 72.5% (national 66.1%). Intermediate Apprenticeships Achievement is 64.5%, Advanced Apprenticeships are 74.6% and Higher Apprenticeships are 90.4%.

Subcontracting

Subcontracting for Apprenticeships has remained stable at 74.8% (75% in 2017/18). Subcontracting for the Adult Education Budget also remains high at 94.2% Achievement rates (94.5% in 2017/18).

Operating and Financial Review (continued)

Current and Future Development and Performance (continued)

Subcontracting

The College continued sub-contracting arrangements in Adult Education and Apprenticeship provision, with four private training organisations and 13 colleges to meet employer / student demand, including meeting the demands of national companies that the College works with.

Collaboration with employers, the community and suppliers

Excellent support from employers ensured that all Study Programme students had experience with employers. This included external work placements, site visits, demonstrations, and product testing and employability skills development through mentorship programmes and careers events. The continued partnership working with CEG at Kirkstall Forge helped support a number of visits and training activities to support new and existing students.

Manufacturers from the construction and built environment sector continue to significantly support the College and its students through sponsorship, demonstrations and guest speakers. The Dulux Academy is a great example of manufacturer collaboration that directly benefits the students, College and industry. Other manufacturers that have generously supported the College are Monument Tools, Valour Fires, Dimplex Heating, SELCO Building Supplies, BAXI, Vokera Boilers, Gypsum Plaster, Thomas Dudley and Redland.

Students on Study Programmes supported a wide range of community projects that both helped develop the students' employability and social skills, but also benefitted the local community. Examples include Mud Kitchen, 2nd Bramley Scout hut, Kirkstall Valley Development Trust, Fanwoods Outward Bound Centre, Calverley Cricket Club, Balfour Beatty Cabin Project.

Celebrating Student Achievement

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

CIHT Apprentice of the Year (Yorkshire & Humber)

- Charlene Wortley (SCP) – winner

CIHT Apprentice of the Year (National)

- Erin Ruddy (Capita) – winner

Bradford Council Apprentice of the Year

- Abi Johnson – winner

Painting & Decorating Association (PDA)

Paperhanger of the Year – New Entrant

- Lewis Boyle (Bagnalls) – first place

Paperhanger of the Year – Senior Entrant

- Jessica Mays (Greens Decorators) – second place

BESA

National Apprentice of the Year Award

- Luke Robinson (NG Bailey) - winner

National Building Services Apprentice of the Year

- Luke Robinson (NG Bailey) – winner

WorldSkills UK National Final

Roof Slating & Tiling

- Joseph Turner (The Roofing Corporation Ltd) – Gold medal
- Jay Webster (Wakefield District Housing) – Highly commended

Wall & Floor Tiling

- Callum Pearson – Highly commended

Operating and Financial Review (continued)

Current and Future Development and Performance (continued)

Celebrating Student Achievement (continued)

New Civil Engineer Apprentice of the Year (National)

- Ruth Watson (Mott MacDonald Bentleys) – winner

CECA Scotland Most Promising Trainee QS of the Year 2018

- Dec Miller – winner

ICE Technician Scholarships (Regional)

- Ruth Watson
- William Rose
- Tim O'Connor

ICE Plus Technician Scholarships (Regional)

- Joshua Clarke
- Chris Meredith

Worshipful Company of Tylers and Bricklayers

Mason Elliott Award for Roof Slating & Tiling (Regional)

- Joseph Turner – winner

Federation of Master Builders (Regional)

Apprentice Award

- Matt Ford – Highly commended
- Jay Webster – Highly commended

Woman in Rail Awards (National)

Female Apprentice of the Year

- Jemma Gillman (HS2) – winner

Johnstone's Young Painter of the Year (Regional)

- Lewis Boyle – winner
- Elisha Whyte – second

Property Awards Yorkshire & North East

- Sinead Burke – Highly commended

SkillBuild Regional competitions:

Plastering

- Luke Palmer – Certificate of Merit

Dry Lining

- Jake Emery – Certificate of Merit

Bricklaying

- Tim Smith – Certificate of Merit

Roofing

- Matthew Ford – Certificate of Merit
- Joe Osborne – Certificate of Distinction
- Frankie Bligh – Certificate of Merit

Painting & Decorating

- Abigail Johnson – Certificate of Distinction
- Elisha Whyte – Certificate of Merit
- Lewis Boyle – Certificate of Merit

Bench Joinery

- Huruy Tekiebirhan

Operating and Financial Review (continued)

Current and Future Development and Performance (continued)

Celebrating Student Achievement (continued)

BMI UK & Ireland (National)

BMI Apprentice of the Year in Pitched Roofing

- Matthew Ford – winner

BMI Apprentice of the Year in Flat Roofing

- Oscar Miller – winner

BTEC National Awards:

BTEC 19+ Apprentice of the Year

- Chris Meredith (Jacobs) - winner

BTEC Student of the Year

- Chris Meredith (Jacobs) - winner

BTEC 16-18 Apprentice of the Year

- Connor Coupland (AOne+) – winner
- **BTEC Construction Student of the Year**
- Jordan Woods (BAM Nuttall) – Bronze Medal

Painting & Decorating Association (PDA)

Apprentice of the Year

- Lewis Boyle – winner
- Abi Johnson – runner-up

In addition, 50 award winners received their awards at the College's BIG Awards Ceremony at Leeds Town Hall in October 2019.

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

Worshipful Company of Tylers and Bricklayers

Excellence in Teaching (Regional)

- Chris Messenger

BTEC National Awards

BTEC Lecturer of the Year

- Joanna Elvy – Bronze medal

Other College-wide Achievements

- Re-accreditation of Matrix Standard (Information, Advice & Guidance)
- Opening of the new Dulux Painting & Decorating Centre
- First College to become Roofing Centre of Excellence
- First College to be recognised and signed up to the Institution of Civil Engineers (ICE) Academic Partnership Charter
- Approved on the new Office for Students (OfS) register for Higher Education provision
- Approved on the Register of Apprenticeship Training Providers (RoATP)
- Opening of the new Phase 2 South Bank Campus, complimenting South Bank 1.

Operating and Financial Review (continued)

Current and Future Development and Performance (continued)

Future curriculum developments

The College has been instrumental in the development of many Apprenticeship Standards within the Construction and Built Environment offer. The Standards are now starting to be introduced across the curriculum, with further Standards being introduced from 2020.

The College works with a wide range of employer networks, sector representatives and large employers to support development of programmes, which has successfully led to significant Apprenticeship growth, most notably on Higher Level Apprenticeships.

For Study Programmes, the College continues to develop and increase access to work placements, which allows the students to develop essential employability skills. Developments in GCSE English and maths also mean that all full time students will now study a GCSE programme instead of a Functional Skill.

T Levels are in development, for first enrolment in September 2020 nationally. For the College, it is essential that preparations for T Levels advance so that the curriculum is fully developed by the anticipated start date of 2022.

Resources:

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

Tangible resources include:

Financial:

The Group has £3,623,000 of net assets (net of a £8,349,000 pension liability).

People:

The Group employs 314 people (expressed as full time equivalents), of whom 157 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%. 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.

Operating and Financial Review (continued)

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 2018/19 the College completed its South Bank Phase 2 Building. The 5,200m² building contains Mechanical & Electrical, Higher Education students and, together with the South Bank 1 Building (completed April 2015), forms the South Bank Campus.

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.

Going Concern

The College has completed its ambitious accommodation plans within budget and achieved a higher ESFA financial health score than planned.

The College has a key risk in Apprenticeship co-funded income where demand in the budget exceeds the ESFA allocation by approximately £500k. Work is on-going to get these students funded, either by the ESFA or via transfer of levy funds from a number of companies the College is talking to. The College believes this will not adversely affect financial health to a point that is less than 2018/19 and content having regard for the net current 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 Human Resources Unit leads the implementation of the College's revised strategic aim of 'Developing our staff and our ways of working' via the People Strategy. The current People Strategy covers a three year period 2017 – 2020 and its purpose is to provide a framework for achieving the College's Vision through its staff through the following themes:

- **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 supports the College's developing ambitions and any emerging employment trends, legislation and best practice within the HR profession and Further Education Sector. A number of activities took place in 2018/19 to support the Strategy including:

- Delivery of an extensive teaching & learning CPD programme which was supported by a successful bid for monies through Strategic College Improvement Fund (SCIF)
- Delivery of a complex and ambitious Staff Training Day in May 2019 across the Southbank Campus

Operating and Financial Review (continued)

Current and Future Development and Performance (continued)

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 Top Risks recorded on the Risk Register. 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
- Student Retention, Achievement, Success and Framework completions
- Maximising College income and financial well-being
- Staffing resources
- Brexit

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 14 for further details).

Government funding

The Group has considerable reliance on continued government funding through the education sector funding bodies. In 2018/19, 83% 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.

Operating and Financial Review (continued)

Human Resources (continued)

- Development & delivery of a 20 week 'Lead & Learn' programme for line managers
- Introduction of many recruitment & retention initiatives for new & existing staff
- Development of the "BE LCB" cultural project within the College
- Updating of the College's Job Evaluation Scheme
- Launch of a staff benefits package

The College published its second Gender Pay Gap Report which showed that our mean pay gap is 23.4% (the difference between the mean hourly rate of pay of male employees and that of female employees) which is a 2.5% reduction compared to the previous year and our median pay gap is 31.4% (the difference between the median hourly rate of pay of male employees and that of female employees) which is a 0.5% reduction compared to the previous year.

In terms of staff numbers the full time equivalent number of staff has increased in 2018/19 to 316 FTE (an increase of 7 FTE) whilst headcount increased by 21 individuals to 411 employees. As in previous years there has been significant recruitment activity during 2018/19 due to a number of reasons including: growth in certain areas, retirement and resignation of staff and re-advertising multiple times due to continued difficulty in recruiting staff across a number of roles. The College did have some success in recruiting difficult to recruit vacancies due to the introduction of recruitment initiatives.

Teaching staff utilisation rate improved from 96% in 2017/18 to 99% against a KPI target of 96%.

The HR Unit proactively monitors and manages sickness absence and in 2018/19 the overall average number of working days lost has decreased from 7.82 to 6.70 days. This reduction is attributed to a decrease in long term sickness absence of 1.55 days lost per employee which decreased from 5.51 days to 3.96 days per employee. In contrast short term sickness absence increased from 2.31 to 2.74 days per employee, which is still below the College target of 3 days.

The vast majority of staff are well qualified and have wide experience. Staff are active in updating their knowledge through CPD with 100% of permanent substantive managers and teaching staff attending 5 or more learning events during the year (with over 37% attending over 20 learning events and 79% attending over 10 learning events). 93% of permanent substantive support staff attended at least three or more learning events.

Principal

The former Principal, Ian Billyard, retired on 31 December 2018 and was replaced by Derek Whitehead who is now Principal and Chief Executive.

Stakeholder Relationships

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

- Students;
- Funding Councils;
- Staff;
- NatWest Bank;
- 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.

Operating and Financial Review (continued)

Equality, Inclusion and Safeguarding (including Prevent)

The College proactively encourages a culture of respect amongst students from different backgrounds and promotes equality of opportunity throughout the year. The College helps students to foster good relations with each other through the College Student Induction Programme and Equality and Inclusion Tutorials. These programmes help shape positive student attitudes around anti-social behaviour.

The College took effective steps to tackle harassment, victimisation and bullying and the vast majority of students said they feel safe and protected from discrimination. This conscientious and effective approach to tackle harassment, victimisation and bullying has helped to ensure that students feel safe and protected from discrimination.

The College also promotes safeguarding issues effectively to students and students feel safe and know how to raise concerns. Staff talk to students about bullying, cyber bullying and harassment at Induction and address any issues quickly and effectively.

Some of the key strengths in these areas include:

- Strong external partnerships for Safeguarding and Prevent are in place with the Local Authority, Channel Programme and the Counter Terrorism Unit.
- Information on how to keep safe is promoted and discussed with learners and staff.
- The College has a range of innovative high-quality resources and training activities to enhance students' and apprentices' understanding of equality, diversity and British values.
- The Preparing for Life in Modern Britain programme develops the students' personal, social, employability and written English skills as well as reinforcing students' understanding of diversity, safeguarding,
- The promotion of safeguarding (inc. Prevent) and equality issues is good and students feel safe.
- A comprehensive workforce development and training programme is in place and this helps staff to develop their knowledge and understanding around key social, political and legal issues concerning safeguarding, equality & inclusion and counter terrorism / Extremism.

Safeguarding Cases 2018/19

Types of Safeguarding Cases (2018/19)	Number	%
Substantial safeguarding issues – Serious risk of harm	51	14.87%
Safeguarding enquires carried out	68	19.83%
Number of Children who are Looked After (in care)	27	7.87%
Supporting the rehabilitation of Offenders	102	29.74%
Prevent (extremism / terrorism / radicalisation) Referrals	6	1.75%
Applications for courses in 2019/20 which have safeguarding issues.	89	25.95%
Total	343	100.00%

Operating and Financial Review *(continued)*

Equality, Inclusion and Safeguarding (including Prevent) *(continued)*

The satisfaction rates on the Student Perception of College (SPOC) 1 & 2 2018/19 are extremely high.

The College Community – SPOC1 Nov 2018	% Agree
✓ I am treated fairly and with respect while at College	97%
✓ 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	97%
✓ 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%

The College Community – SPOC2 May 2019	% 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	98%

Disability inclusion for staff and inclusive learning support for students

Staff

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.

Students

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.

Operating and Financial Review (continued)

Equality, Inclusion and Safeguarding (including Prevent) (continued)

Number of students who disclosed disabilities in 2018/19:

Total Students: 6380

Students Who Declared Disability/Learning Difficulty: 1526

No Disability/Learning Difficulty: 4726

No Information Provided: 128

<u>Disability/Learning Difficulty (of 1526 students)</u>	<u>Total</u>	<u>Percent</u>
Speech, Language and Communication Needs	23	0.36
Other specific learning difficulty (e.g. Dyspraxia)	34	0.53
Dyslexia	455	7.13
Disability affecting mobility	40	0.63
Other medical condition (for example epilepsy, asthma, diabetes)	633	9.92
Mental health difficulty	261	4.09
Autism spectrum disorder	37	0.58
Emotional/behavioural difficulties	1	0.02
Severe learning difficulty	9	0.14
Other learning difficulty	106	1.66
Other disability	18	0.28
Multiple disabilities	1	0.02
Visual impairment	64	1.00
Prefer not to say	1	0.02
Moderate learning difficulty	117	1.83
Other physical disability	47	0.74
Social and emotional difficulties	150	2.35
Asperger's syndrome	15	0.24
Dyscalculia	35	0.55
Temporary disability after illness (for example post-viral) or accident	17	0.27
Hearing impairment	69	1.08

*Some Students Declare More Than One. The header is students, the table is instances.

Workforce learning and development activities relating to Equality, Inclusion and Safeguarding (including the Prevent Duty)

Training course staff have attended	Number of staff who attended
Online Safeguarding Training (pre-employment & refresher training)	52
Online equality & inclusion training	36
Online Prevent training	7
(WRAP) Workshop to Raise Awareness of Prevent	59
Equality & Inclusion & British Values Training	50
Safeguarding & Child Protection Induction	59
Mental Health Awareness First Aid Training	37
Student Disciplinary Policy Training Update	24
Preparing for Life in Modern Britain Training (Teaching staff only)	26
Knife Crime Awareness	14
Dealing with Mental Health Issues at Work	3
Student disciplinary Policy Training Update	24
Protecting those Vulnerable to Gaming or Gambling Addiction	1
SAFE Talk	1
ASSIST	1

Operating and Financial Review (continued)

Equality, Inclusion and Safeguarding (including Prevent) (continued)

Workforce learning and development activities relating to Equality, Inclusion and Safeguarding (including the Prevent Duty) (continued)

Training course staff have attended	Number of staff who attended
Vulnerability and Risk	1
Stress Awareness	121
Suicide Awareness	52
Unit 1: equality & Inclusion (Rejecting Discrimination)	119
Unit 1: Preparing for Life in Modern Britain	31
Unit 2: Safer Citizens	113
Unit 3: Citizenship in Modern Britain	109

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
6	5.44 FTE

Percentage of time	Number of employees
0%	0
1-50%	6
51-99%	0
100%	0

Total cost of facility time	£8,160
Total pay bill	£10,706,000
Percentage of total bill spent on facility time	0.08%

Time spent on paid trade union activities as a percentage of total paid facility time	6.83%
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2019/20:

Student numbers are looking very positive at the beginning of 2019/20 with Apprenticeships, full-time 16-18 and Higher Education (HE) numbers all above target.

The budget set for 2019/20 is challenging with assumptions made concerning co-funded and Levy apprenticeship income the key to success.

Approved by order of the members of the Corporation on 17 December 2019 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 2018 to 31 July 2019, 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").

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 2019. 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, safeguarding and Prevent 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 the Board and a number of Committees. Each Committee has terms of reference, which have been approved by the Corporation. These Committees are Audit, Performance & Remuneration, Search and Governance, Student Liaison and a Capital Working Group (under task and finish arrangements) operated up to from 1 August 2018 to March 2019. Minutes, except those deemed to be confidential by the Corporation, are available on the College website or from the Governance Adviser and Clerk to the Corporation at:

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

The Governance Adviser and 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 Governor Adviser and 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 Governance Adviser and Clerk to the Corporation 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 and Governance Committee comprising of six members who are responsible for the identification, selection and nomination of any new member for the Corporation's consideration (in line with the Board's skills needs). The Corporation is responsible for ensuring that appropriate training is provided as required.

Corporation performance

The Corporation undertook a range of activities on the evaluation of its own performance for the year ended 31 July 2019 which included a self-assessment survey, review of Chair survey, a review of the English Colleges Code of Good Governance, Annual Attendance report, Annual Skills Survey and each members had a part populated self-assessment form that they used to inform their one to one performance review discussions with the Chair/Vice-Chair. This evaluation activity is considered by Search and Governance Committee at the first meeting in 2019-20 and informs the subsequent governance development programme.

Performance & Remuneration Committee

Throughout the year ended 31 July 2019, the College's Performance and Remuneration Committee comprised the Chair of the Corporation (the Committee was Chaired by 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 post holders. Details of remuneration for the year ended 31 July 2019 are set out in note 7 to the financial statements.

The Committee considered the draft AoC Senior Post Holders Remuneration Code in December 2018, referred the final version of the Code to Search and Governance Committee on 12 March 2019, who subsequently recommended it to Board. The AoC Senior Post Holder Remuneration Code was formally adopted by the Board on 19 March 2019. The Search and Governance Committee on 12 March 2019 referred the Remuneration Code to Performance and Remuneration Committee for compliance considerations and the Performance and Remuneration Committee considered an Annual Remuneration Report (in line with Code requirements) at its meeting on 2 July 2019.

Audit Committee

The Audit Committee comprised of four members of the Corporation during 2018-19 (excluding the Accounting Officer and Chair of the Board). 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.

Statement of Corporate Governance and Internal Control (continued)

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 statement auditors and their remuneration for both audit and non-audit work as well as reporting annually to the Corporation.

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.

The Principal 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 2019 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.

Following a tender exercise the College has appointed ICCA as Internal Auditors for three years from 2019/20.

Statement of Corporate Governance and Internal Control (continued)

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

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 17 December 2019 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2019 by considering documentation from the Senior Management Team and internal audit, and taking account of events since 31 July 2019.

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 2019 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Corporation.

Approved by order of the members of the Corporation on 17 December 2019 and signed on its behalf by:



Julia Evans OBE
Chair



Derek Whitehead
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. As part of our consideration we have had due regard to the requirements of the grant funding agreements and contracts with Education & Skills Funding Agency.

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

**Julia Evans OBE
Chair**

Derek Whitehead

**Derek Whitehead
Principal**

Date 17/12/2019

Date 17/12/2019

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 17 December 2019 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 2019 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 2019 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.

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 25 other than the financial statements and our auditor's report thereon. 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.

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

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 Education & Skills 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 25, 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.

Use of our report

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.

Grant Thornton UK LLP

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Leeds

19 December 2019

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 29 August 2019 and further to the requirements and conditions of funding in Education & Skills Funding Agency 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 2018 to 31 July 2019 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Post-16 Audit Code of Practice ('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.

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 2018 to 31 July 2019 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the 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 2018 to 31 July 2019 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Reporting accountant's assurance report on regularity (continued)

Use of our report

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

Grant Thornton UK LLP

Grant Thornton UK LLP
Chartered Accountants
Leeds

19 December 2019

Consolidated Statements of Comprehensive Income and Expenditure

		Year Ended 31 July 2019		Restated Year Ended 31 July 2018	
	Note	Group £'000	College £'000	Group £'000	College £'000
Income:					
Funding Body grants	2	12,247	11,362	11,881	10,664
Tuition fees and education contracts	3	5,843	5,799	5,157	5,040
Other income	4	1,067	1,056	1,093	1,085
Donations and Endowments	5	-	-	-	142
Write off of Achieve Through Learning Ltd inter-company loan		-	1,138	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
Total Income		19,157	19,355	18,131	16,931
		<hr/>	<hr/>	<hr/>	<hr/>
Expenditure:					
Staff costs	6	11,657	11,449	11,462	11,078
Restructuring costs	6	115	103	8	(14)
Other operating expenses	8	6,184	5,440	6,135	5,175
Depreciation	11	804	804	741	741
Amortisation of goodwill		-	-	104	-
Interest and other finance costs	9	294	294	287	287
		<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditure:		19,054	18,090	18,737	17,267
Surplus / (Deficit) before other gains and losses		103	1,265	(606)	(336)
Loss on disposal of assets		(2)	(2)	(2)	(2)
Write Off Achieve Through Learning Ltd Investment		-	-	-	(4,538)
		<hr/>	<hr/>	<hr/>	<hr/>
Surplus / (Deficit) before tax		101	1,263	(608)	(4,876)
Taxation		-	-	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
Surplus / (Deficit) for the year		101	1,263	(608)	(4,876)
Actuarial (loss) / gain in respect of pension schemes	18	(3,391)	(3,391)	1,203	1,203
		<hr/>	<hr/>	<hr/>	<hr/>
Total Comprehensive Income for the year		(3,290)	(2,128)	595	(3,673)
		<hr/>	<hr/>	<hr/>	<hr/>

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	Restated Income & Expenditure account £'000	Restated Total £'000
Group			
Balance at 31 July 2017	2,825	3,493	6,318
Deficit from the income and expenditure account	-	(608)	(608)
Other comprehensive income	-	1,203	1,203
Transfers between revaluation and income and expenditure reserves	(151)	151	-
Balance at 31 July 2018	2,674	4,239	6,913
Surplus from the income and expenditure	-	101	101
Other comprehensive income	-	(3,391)	(3,391)
Transfers between revaluation and income and expenditure reserves	(151)	151	-
Balance at 31 July 2019	2,523	1,100	3,623
College			
Balance at 31 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 31 July 2018	2,674	3,166	5,841
Surplus from the income and expenditure account	-	1,263	1,263
Other comprehensive income	-	(3,391)	(3,391)
Transfers between revaluation and income and expenditure reserves	(151)	151	-
Balance at 31 July 2019	2,523	1,190	3,713

Consolidated Balance sheet at 31 July 2019

		2019	Restated
	<i>Note</i>	£'000	2018
			£'000
Non-current assets			
Tangible fixed assets	11	34,122	27,992
		<hr/>	<hr/>
		34,122	27,992
		<hr/>	<hr/>
Current assets:			
Stock		9	10
Trade and other receivables	13	2,003	1,106
Cash and cash equivalents		1,311	2,061
		<hr/>	<hr/>
		3,323	3,177
		<hr/>	<hr/>
Creditors: amounts falling due within one year	14	(5,030)	(3,779)
		<hr/>	<hr/>
Net current liabilities		(1,707)	(602)
		<hr/>	<hr/>
Total assets less current liabilities		32,415	27,390
		<hr/>	<hr/>
Creditors: amounts falling due after one year	14	(20,045)	(16,147)
Defined benefit obligation	18	(8,349)	(3,936)
Provisions: other provisions	17	(398)	(394)
		<hr/>	<hr/>
Total net assets		3,623	6,913
		<hr/>	<hr/>
Unrestricted reserves:			
Revaluation Reserve		2,523	2,674
Income and expenditure account, including pension reserve		1,100	4,239
		<hr/>	<hr/>
Total unrestricted reserves		3,623	6,913
		<hr/>	<hr/>

The accompanying notes and policies form part of these financial statements. The financial statements on pages 30 to 62 were approved by the Corporation on 17 December 2019 and were signed on its behalf by:

Julia Evans

Derek Whitehead

Julia Evans OBE
Chair

Derek Whitehead
Principal

Leeds College of Building
Members' report and financial statements
For the year ended 31 July 2019

College Balance sheet at 31 July 2019

	Note	2019 £'000	2018 £'000
Non-current assets			
Tangible fixed assets	11	34,123	27,992
Investment	12	-	-
		<hr/>	<hr/>
		34,123	27,992
		<hr/>	<hr/>
Current assets			
Stock		9	10
Trade and other receivables	13	1,719	1,254
Cash and cash equivalents		1,234	1,804
		<hr/>	<hr/>
		2,962	3,068
		<hr/>	<hr/>
Creditors: amounts falling due within one year	14	(4,580)	(3,606)
		<hr/>	<hr/>
Net current liabilities		(1,618)	(538)
		<hr/>	<hr/>
Total assets less current liabilities		32,505	27,454
		<hr/>	<hr/>
Creditors: amounts falling due after one year	14	(20,045)	(17,285)
		<hr/>	<hr/>
Defined benefit obligation	18	(8,349)	(3,936)
Provisions: other provisions	17	(398)	(392)
		<hr/>	<hr/>
Total net assets		3,713	5,841
		<hr/>	<hr/>
Unrestricted reserves:			
Revaluation Reserve		2,523	2,674
Income and expenditure account including pension reserve		1,190	3,167
		<hr/>	<hr/>
Total unrestricted reserves		3,713	5,841
		<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 17 December 2019 and were signed on its behalf by:

Julia Evans

Julia Evans OBE
Chair

Derek Whitehead

Derek Whitehead
Principal

Consolidated Statement of Cash Flows

	Notes	2019 £'000	Restated 2018 £'000
Cash flow from operating activities			
Surplus / (Deficit) for the year		101	(608)
Adjustment for non-cash items			
Depreciation		804	741
Increase / (Decrease) in stocks		1	(1)
Decrease / (increase) in debtors		(897)	(153)
Increase/(decrease) in creditors due within one year		495	461
Increase/(decrease) in provisions		6	(86)
Pensions costs less contributions payable		918	515
Goodwill Amortisation		-	104
Capital Grants Released to Statements of Comprehensive Income		(254)	(217)
Interest payable		294	287
Loss on sale of fixed assets		<u>2</u>	<u>3</u>
Net cash flow from operating activities		<u>1,470</u>	<u>1,046</u>
Cash flows from investing activities			
Capital Grants Received		4,614	5,581
Payments made to acquire fixed assets		<u>(6,937)</u>	<u>(5,877)</u>
		<u>(2,323)</u>	<u>(296)</u>
Cash flows from financing activities			
Interest paid		(182)	(161)
New Loan		635	-
Repayment of loan		<u>(350)</u>	<u>(350)</u>
		<u>103</u>	<u>(511)</u>
(Decrease) / Increase in cash and cash equivalents in the year		<u>(750)</u>	<u>239</u>
 Cash and cash equivalents at beginning of the year		 2,061	 1,822
Cash and cash equivalents at end of the year		<u>1,311</u>	<u>2,061</u>
(Decrease) / increase in cash and cash equivalents in the year		<u>(750)</u>	<u>239</u>

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 2018 to 2019* 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 2019.

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

Going Concern

The College has made a significant investment in its estate over the last five years (£31m) and the effect on its financial health was understood and planned. The College's Three Year Financial Plan submitted in July 2019 shows a return to 'Good' financial health in 2019/20.

The College has a key risk in Apprenticeship co-funded income where demand in the budget exceeds the ESFA allocation by approximately £500k. Work is on-going to get these students funded, either by the ESFA or via transfer of levy funds from a number of companies the College is talking to. The College believes this will not adversely affect financial health to a point that is less than 2018/19 and content having regard for the net current 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)

Statement of accounting policies (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 (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 Statement of Comprehensive Income in the year that the member of staff retires. In subsequent years a charge is made to provisions in the balance sheet using the enhanced pension spreadsheet provided by the funding bodies.

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.

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.

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 Statement of Comprehensive Income & Expenditure 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 are 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 Statement of Comprehensive Income & Expenditure and are shown separately in note 24.

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.

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 18, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2013 has been used by the actuary in valuing the pensions liability at 31 July 2019. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

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 2019		Restated Year Ended 31 July 2018	
	Group £'000	College £'000	Group £'000	College £'000
Recurrent grants				
Education and Skills Funding Agency – Adult	1,844	1,681	1,769	1,456
Education and Skills Funding Agency – 16-18	4,902	4,902	5,288	5,288
Education and Skills Funding Agency - Apprenticeships	5,049	4,327	4,600	3,696
Release of government capital grants				
Buildings	152	152	119	119
Equipment	102	102	98	98
Other Funds	198	198	7	7
	<u>12,247</u>	<u>11,362</u>	<u>11,881</u>	<u>10,664</u>

3. Tuition fees and education contracts

	Year Ended 31 July 2019		Year Ended 31 July 2018	
	Group £'000	College £'000	Group £'000	College £'000
UK Further Education Students	3,991	3,969	2,480	2,402
Total tuition fees	3,991	3,969	2,480	2,402
Education contracts:				
Higher Education (HE) income	603	603	927	927
Other income	1,249	1,227	1,750	1,711
	<u>5,843</u>	<u>5,799</u>	<u>5,157</u>	<u>5,040</u>

Notes (continued)

4. Other income

	Year Ended 31 July 2019		Year Ended 31 July 2018	
	Group £'000	College £'000	Group £'000	College £'000
Residences, catering and conferences	375	375	375	375
Examinations Fees	36	36	84	84
Other Income	656	645	634	620
	<hr/>	<hr/>	<hr/>	<hr/>
	1,067	1,056	1,093	1,085
	<hr/>	<hr/>	<hr/>	<hr/>

5. Donations

	Year Ended 31 July 2019		Year Ended 31 July 2018	
	Group £'000	College £'000	Group £'000	College £'000
Income from subsidiary gift aid	-	-	-	142
	<hr/>	<hr/>	<hr/>	<hr/>

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 2019		Year Ended 31 July 2018	
	Group Number	College Number	Group Number	College Number
Teaching departments	157	153	167	158
Teaching support services	54	54	51	51
Other support services	45	45	42	42
Administration and central services	35	31	38	32
Premises	11	11	13	13
Catering and residences	12	12	12	12
	<hr/>	<hr/>	<hr/>	<hr/>
	314	306	323	308
	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

6. Staff numbers and costs (continued)

Staff costs for the above persons were as follows:

	Year Ended 31 July 2019		Year Ended 31 July 2018	
	Group £'000	College £'000	Group £'000	College £'000
Teaching departments	6,034	5,953	6,069	5,869
Teaching support services	2,051	2,051	2,103	2,103
Other support services	1,341	1,341	1,133	1,133
Administration and central services	1,601	1,474	1,572	1,388
Premises	342	342	335	335
Catering and residences	288	288	250	250
	11,657	11,449	11,462	11,078
Restructuring costs	35	23	29	7
Enhanced Pension	27	27	(58)	(58)
Holiday Pay Accrual	53	53	37	37
	11,772	11,552	11,470	11,064
Wages and salaries	8,726	8,539	8,989	8,642
Social security costs	854	837	819	788
Other pension costs	2,077	2,073	1,654	1,648
Restructuring costs	35	23	29	7
Enhanced Pension	27	27	(58)	(58)
Holiday Pay Accrual	53	53	37	37
	11,772	11,552	11,470	11,064

	Year Ended 31 July 2019		Year Ended 31 July 2018	
	Group £'000	College £'000	Group £'000	College £'000
Employment costs for staff on permanent contracts	11,563	11,355	11,302	10,918
Employment costs for staff on short-term and temporary contracts	94	94	160	160
Restructuring costs	115	103	8	(14)
	11,772	11,552	11,470	11,064

Leeds College of Building gave a £340 pay award to its staff in July 2019, backdated to 1 August 2018. Achieve Through Learning Ltd did not receive a pay award in 2018/19.

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 2018/19 Number of Senior Postholders	Group 2017/18 Number of Senior Postholders
£ 90,001 to £95,000	1	-
£ 95,001 to £100,000	-	-
£100,001 to £105,000	-	-
£105,001 to £110,000	1	1
£110,001 to £115,000	-	1
£115,001 to £120,000	-	-
£120,001 to £125,000	-	-
£125,001 to £130,000	1	-
£130,001 to £135,000	-	-
£135,001 to £140,000	-	-
£140,001 to £145,000	-	-
£145,001 to £150,000	1	1

The College had two Principals in 2018/19 (I D Billyard 1.8.18 - 31.12.18 and D A Whitehead 1.1.19 – 31.7.19). The accounts show each Principal's salary grossed up to a full year equivalent and, therefore, the table above shows four entries in 2018/19 when there were only three post holders.

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, Vice Principal Finance & Resources and the Vice Principal Teaching, Learning & Quality. 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.

	2019 Number	2018 Number
The number of key management personnel, including the Principal was:	4	4

Key management personnel compensation is made up as follows:

	2019 £'000	2018 £'000
Salaries - gross of salary sacrifice and waived emoluments	294	336
Employers National Insurance	36	41
	<u>330</u>	<u>377</u>
Pension	47	53
Total	<u><u>377</u></u>	<u><u>430</u></u>

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:

	2019 £'000	2018 £'000
Salary	120	126
Employers National Insurance	16	16
	—	—
	136	142
Pension	20	21
	—	—
Total	156	163
	=====	=====

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.

Relationship of Principal's pay and remuneration expressed as a multiple:

	(1) 2019	(2) 2019	2018
Principal's basic salary as a multiple of the median of all staff	4.88	4.46	4.85
Principal's total remuneration as a multiple of the median of all staff	5.69	5.27	5.65

- (1) I D Billyard was Principal from 1.8.18 - 31.12.18. His salary has been grossed up to a full year equivalent in order to calculate the salary as a multiple of the median of all staff.
- (2) D A Whitehead was Principal from 1.1.19 - 31.7.19. His salary has been grossed up to a full year equivalent in order to calculate the salary as a multiple of the median of all staff.

The Principal's salary is agreed by the Corporation's Performance & Remuneration sub-committee. The Committee take account of the AoC Senior Salary Survey results in determining the appropriate remuneration for the Principal.

Notes (continued)

8. Other operating expenses

	Year Ended 31 July 2019		Year Ended 31 July 2018	
	Group £'000	College £'000	Group £'000	College £'000
Teaching departments	2,989	2,344	2,746	1,945
Teaching support services	127	122	150	148
Other support services	427	427	445	442
Administration and central services	636	589	755	692
General education	711	681	753	684
Premises costs	1,081	1,064	1,073	1,051
Planned maintenance	10	10	5	5
Catering and residence operations	203	203	208	208
	<u>6,184</u>	<u>5,440</u>	<u>6,135</u>	<u>5,175</u>
Other operating expenses include:				
Auditors remuneration:				
Financial statement audit	22	15	22	15
Internal audit	8	8	11	11
Hire of other assets – operating leases	85	85	85	85

9. Net interest payable

	Year Ended 31 July 2019		Year Ended 31 July 2018	
	Group £'000	College £'000	Group £'000	College £'000
Bank Interest	171	171	161	161
Enhanced Pension	9	9	16	16
Pension finance costs	103	103	110	110
Other Interest	11	11	-	-
	<u>294</u>	<u>294</u>	<u>287</u>	<u>287</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 £'000	Assets Under Construction £'000	Equipment £'000	Total £'000
Cost				
At 1 August 2018	25,968	7,311	3,111	36,390
Additions	-	6,834	102	6,936
Transfer	12,996	(14,145)	1,149	-
Disposals	-	-	(54)	(54)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2019	38,964	-	4,308	43,272
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 1 August 2018	5,936	-	2,462	8,398
Charge for year	652	-	152	804
Disposals	-	-	(52)	(52)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2019	6,588	-	2,563	9,150
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 July 2019	32,376	-	1,745	34,122
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2018	20,032	7,311	649	27,992
	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

11. Tangible fixed assets - College

	Land and Buildings Freehold	Assets Under Construction	Equipment	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 August 2018	25,968	7,311	3,075	36,354
Additions	-	6,836	102	6,938
Transfer	12,998	(14,147)	1,149	-
Disposals	-	-	(54)	(54)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2019	38,966	-	4,272	43,238
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Depreciation				
At 1 August 2018	5,936	-	2,426	8,362
Charge for year	652	-	153	805
Disposals	-	-	(52)	(52)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2019	6,588	-	2,527	9,115
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Net book value				
At 31 July 2019	32,378	-	1,745	34,123
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 July 2018	20,032	7,311	649	27,992
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

	2019	2018
	£	£
Investment in LCB Enterprises Limited at cost	100	100
Investment in Achieve Through Learning Ltd at cost	100	100

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.

In addition, the College owns 100% of the issued ordinary shares in Achieve Through Learning Ltd, a private training provider based in Leeds.

13. Debtors

	Group	College	Restated	College
	2019	2019	Group	2018
	£'000	£'000	2018	2018
	£'000	£'000	£'000	£'000
Trade debtors	488	484	240	195
Other debtors	310	73	52	52
Amounts owed by ESFA	1,131	1,131	789	766
Amounts owed by subsidiary undertakings	-	31	-	232
Prepayments and accrued income	74	-	25	9
	<hr/>	<hr/>	<hr/>	<hr/>
	2,003	1,719	1,106	1,254
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

14. Creditors: amounts falling due within one year

	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
Amounts owed to ESFA	-	-	564	564
Payments received on account	99	99	85	85
Trade payables	395	64	250	188
Other taxation and social security	351	348	307	299
Accruals	2,547	2,444	1,795	1,695
Other creditors	163	150	50	47
Bank Loan	350	350	350	350
Deferred income – government capital grants	490	490	378	378
WYCA Loan	635	635	-	-
	<u>5,030</u>	<u>4,580</u>	<u>3,779</u>	<u>3,606</u>

Creditors: amounts falling due after one year

	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
Deferred income – government capital grants	14,445	14,445	10,197	10,197
Amounts owed to Subsidiary undertakings	-	-	-	1,138
Bank Loan	5,600	5,600	5,950	5,950
	<u>20,045</u>	<u>20,045</u>	<u>16,147</u>	<u>17,285</u>

15. Bank Loans

Repayment analysis:	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'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	4,200	4,200	4,550	4,550
	<u>5,950</u>	<u>5,950</u>	<u>6,300</u>	<u>6,300</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	College	Group	College
	2019	2019	2018	2018
	£'000	£'000	£'000	£'000
Financial assets measured at amortised cost				
Bank & Cash	1,311	1,234	2,061	1,804
Trade Debtors & Other Debtors	2,003	1,719	1,106	1,254
	3,314	2,953	3,167	3,058
Financial liabilities measured at amortised cost				
Creditors less than one year	5,030	3,643	3,779	2,844
Creditors more than one year	5,600	5,600	5,950	7,088
	10,630	9,243	9,729	9,932

17. Provisions for liabilities

Group and College	Group
	Enhanced Pensions
	£'000
At 1 August 2018	392
Transferred from income and expenditure account	(30)
Interest	9
Actuarial (gains) / losses.	27
	<hr/>
At 31 July 2019	398
	<hr/>

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

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 £2,074,000 (2017/18: £1,654,000).

Total pension cost for the year

	2019	2018
	£'000	£'000
Teachers' pension scheme: contributions paid	630	631
Local Government Pension Scheme:		
Contributions paid	526	508
FRS 102 (28) charge	918	515
	<hr/>	<hr/>
Charge to the Statement of Comprehensive Income for LGPS	1,444	1,023
	<hr/>	<hr/>
Total pension cost for year within staff costs	2,074	1,654
	<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 2014. These regulations apply to teachers in schools, colleges and other educational establishments. Membership is automatic for teachers and lecturers at eligible institutions. Teachers and lecturers are able to opt out of the TPS.

The 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.

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

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

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

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

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

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website.

The pension costs paid to TPS in the year amounted to £964,000 (2017/18: £971,000).

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 2019 was £749,000 of which employers' contributions totalled £526,000 and employees' contributions totalled £223,000. The agreed Employer contribution rates for 2019/20 is 14.6%. Employees range from 5.5% to 12.5% depending on salary.

Notes (continued)

18. Pensions and similar obligations (continued)

Principal Actuarial Assumptions

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

	2019	2018
Inflation assumption (CPI)	2.20%	2.10%
Rate of increase in salaries	3.45%	3.35%
Rate of increase in pensions	2.20%	2.10%
Discount rate for liabilities	2.20%	2.80%
Commutation of pensions to lump sum	50%	50%

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:

	2019 £'000	2018 £'000
Retiring today / current pensioners		
Males	22.2	22.1
Females	25.4	25.3
Retiring in 20 years / future pensioners		
Males	23.2	23.1
Females	27.2	27.1

Notes (continued)

18. Pensions and similar obligations (continued)

	Value at 31 July 2019 £'000	Value at 31 July 2018 £'000
Equities	15,903	14,196
Government Bonds	2,003	2,055
Other Bonds	728	666
Property	870	799
Cash/Liquidity	425	419
Other	303	894
	<hr/>	<hr/>
Total market value of College assets	20,232	19,029
	<hr/> <hr/>	<hr/> <hr/>
	2019 £'000	2018 £'000
Present value of scheme liabilities		
- Funded	(28,562)	(22,947)
- Unfunded	(19)	(19)
Fair Value of Assets	20,232	19,029
	<hr/>	<hr/>
Deficit in the scheme	(8,349)	(3,937)
	<hr/> <hr/>	<hr/> <hr/>

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

	2019 £'000	2018 £'000
College's estimated asset share	20,232	19,031
Present value of scheme liabilities	(28,581)	(22,966)
	<hr/>	<hr/>
	8,349	(3,935)
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

18. Pensions and similar obligations (continued)

Analysis of the amount charged to the income and expenditure account

	2019	2018
	£'000	£'000
Employer service cost	1,025	1,023
Past service cost / (gain)	414	-
	<hr/>	<hr/>
Total operating charge	1,439	1,023
	<hr/> <hr/>	<hr/> <hr/>

Analysis of pension finance costs

	2019	2018
	£'000	£'000
Expected return on pension scheme assets	537	458
Interest on pension scheme liabilities	(640)	(568)
	<hr/>	<hr/>
Net interest cost	(103)	(110)
	<hr/> <hr/>	<hr/> <hr/>

Amounts recognised in the statement of comprehensive income (SOCl)

	2019	2018
	£'000	£'000
Actual return less expected return on pension scheme assets	413	808
Change in financial and demographic assumptions underlying the scheme liabilities	(3,804)	395
	<hr/>	<hr/>
Actuarial gain / (loss) recognised in other comprehensive income	(3,391)	1,203
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

18. Pensions and Similar Obligations (continued)

Asset and Liability Reconciliation

Reconciliation of Liabilities

	2019	2018
	£'000	£'000
Liabilities at start of period	22,966	21,876
Current service cost	1,025	1,023
Interest cost	640	568
Employee contributions	220	216
Actuarial loss / (gain)	3,804	(395)
Benefits paid	(488)	(322)
Past Service Cost	414	-
	<hr/>	<hr/>
Liabilities at end of Period	28,581	22,966
	<hr/> <hr/>	<hr/> <hr/>

Reconciliation of Assets

	2019	2018
	£'000	£'000
Assets start of period	19,029	17,363
Expected return on assets	537	458
Actuarial gain / (loss)	413	808
Employer contributions	521	508
Employee contributions	220	216
Benefits paid	(488)	(322)
	<hr/>	<hr/>
Assets at end of period	20,232	19,031
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

18. Pensions and Similar Obligations (continued)

Movement in deficit during year

	2019	2018
	£'000	£'000
Deficit in scheme at beginning of year	(3,937)	(4,514)
Current service charge	(1,439)	(1,023)
Contributions	521	508
Net interest/return on assets	(103)	(110)
Actuarial gain or loss	(3,391)	1,203
	<hr/>	<hr/>
Deficit in scheme at end of year	(8,349)	(3,936)
	<hr/> <hr/>	<hr/> <hr/>

19. Analysis of changes in net funds (College only)

	At 1 August	Cash	At 31 July
	2018	Flow	2019
	£'000	£'000	£'000
Cash at bank and in hand	1,804	(569)	1,235
	<hr/>	<hr/>	<hr/>
Total	1,804	(569)	2,061
Bank loan	(6,300)	350	(5,950)
	<hr/>	<hr/>	<hr/>
Net Funds	(4,496)	(219)	(4,715)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

20. Capital commitments

	2019	2018
	£'000	£'000
Contracted for at 31 July	52	5,035
	<hr/>	<hr/>

Notes (continued)

21. Financial commitments

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

	2019 Land & Buildings	2019 Equipment	2018 Land & Buildings	2018 Equipment
	£'000	£'000	£'000	£'000
Expiring within one year	65	20	65	20
Expiring between two and five years inclusive	65	10	131	30
	<hr/>	<hr/>	<hr/>	<hr/>
	130	30	196	50
	<hr/>	<hr/>	<hr/>	<hr/>

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 £216.65 (In 2017/18: £469.00 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 (2017/18: 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 Vice Principal Finance & Resources is the Chair of Board and Director of the company. During the year, there have been transactions with CPC of £1,099,711 (2017/18: £934,135) 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

	2019 £'000	2018 £'000
Funding council grants	85	185
	—	—
	85	185
	==	==
Disbursed to students	(167)	(180)
Admin fee retained by College	-	(5)
	—	—
	(167)	(185)
	==	==
Balance unspent at 31 July	-	-
	==	==

Bursary 16-18 – High Needs

	2019 £'000	2018 £'000
Funding council grants	25	26
	—	—
	25	26
	==	==
Disbursed to students	21	(17)
Admin fee retained by College	-	-
	—	—
Balance unspent at 31 July	4	9
	==	==

Notes (continued)

24. Advanced Learner Loans Bursary

	2019 £'000	2018 £'000
Funding council grants	4	5
Disbursed to students	(4)	(4)
Admin fee retained by College	-	-
 Balance unspent at 31 July	 <u>-</u> <u>==</u>	 <u>1</u> <u>==</u>

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.

25. Prior Period Adjustment

On reconciliation of the funding contract income to revenue recognised for the financial year ended 31 July 2019, it was identified that revenue of £164,000 had been incorrectly accrued and recognised in the prior year financial statements. As this is material to the financial statements, a prior period adjustment has been recognised to reduce both income and debtors as at 31 July 2018 by £164,000 and to correctly recognise this revenue in the year ended 31 July 2019.